



NATIONAL EXPORT STRATEGY FOR THE KINGDOM OF BHUTAN

Foreword

The Ministry of Economic Affairs (MoEA), vested with the mandate to foster the growth and diversification of the economy oversees the design and implementation of various programs to promote trade and investment sectors. In drawing up the programs for interventions, focused studies of identified sectors are conducted to identify the impediments and draw up a set of measures to address the bottlenecks. The National Export Strategy, 2022 (NES, 2022) is one of the focused studies that has been carried out in close consultation with the stakeholders on export promotion to foster growth and diversification of export through identifying measures and interventions, that are necessary to address the issues faced by the sector. This initiative also closely aligns with the Sustainable Developmental Goals (SDGs) and overall national plans.

The NES 2022 provides comprehensive review and assessment of the impediments faced by export sector based on which strategies and activities have been identified towards addressing the constraints covering the broad spectrum of institutional, legal, and regulatory environment; trade and business infrastructure; standards and certification; supply side measures; and overall export promotion. Given the cross-sectoral spread of export related services, the strategies lay out the key activities across relevant sectors that will be necessary to build a robust export infrastructure and establish a conducive export environment.

Enhancement and diversification of export basket forms a key component of the measures towards fostering economic diversification as identified in the 12FYP. Cross-border trade requires collaborative and coordinated efforts from all relevant agencies to meet product specific requirements for entry into the export market. Thus, the MoEA earnestly solicits the support and cooperation of sectors that provide export related services to take on board identified activities and mainstream in the sectoral plans.

It is heartening to note that despite the challenges posed by the COVID 19 pandemic, the work was successfully completed providing the opportunity to take up activities as the economy enters into new normal. The Ministry of Economic Affairs, expresses its gratitude to the donor agency Enhanced Integrated Framework (EIF) and UNDP as the implementing agency for the support and guidance in the conduct of the study. I also wish to acknowledge the professional inputs and contributions made by the National Consultant, agencies and individuals in bringing forth the National Exports Strategy, 2022. I am optimistic that the implementation of the strategies identified will contribute immensely in alleviating the constraints and pave way for smooth flow of goods to the export market thus benefitting the producers and exporters to enhance the value and volume of exports and contribute to building a stable and resilient economy.



Mr. Loknath Sharma
Minister
Ministry of Economic Affairs

Foreword

UNDP is pleased to be a part of the National Export Strategy (NES) 2022, which comes at a critical time in Bhutan. The COVID-19 pandemic has disrupted the economy, severely affecting the service and export sectors. The economic slowdown has hit the country on the cusp of LDC graduation in 2023. It is time to grow exports for a much-needed revenue generation for the country.

The NES 2022 identifies current challenges, outlines opportunities, and recommends policy shifts and interventions to diversify exports as Bhutan prepares to put the economy back on track and graduate sustainably from the LDC status.

The COVID-19 pandemic led to a 10.08 percent drop in Bhutan's GDP growth rate in 2020 and reduced its exports by 33 percent. The country's phenomenal growth has been put to a halt. Post-COVID-19, Bhutan's economic recovery must be strategic and ambitious.

The twin challenge of post- COVID-19 economic recovery and LDC graduation provides us with an opportunity to look at the Bhutanese economy more closely. The economic base remains narrow. A vast majority of the population is dependent on the highly unproductive primary sector. In 2021, the primary sector engaged close to 50 percent of the total workforce, but it contributed only 19 percent to Gross Domestic Product. On the other hand, most of the industrial sector is in the small and cottage category. Bhutan's range of exports is narrow, focusing only on a few products. And the export markets are concentrated in the region.

Meanwhile, as the country graduates from the LDC category, its official development assistance landscape as well as preferential accesses to export markets will change against the backdrop of the global impending recession, rising prices and climate change. Domestic resources will assume even greater role in the country's development and realization of the Sustainable Development Goals (SDGs) in the last Decade of Action for the attainment of SDGs. Besides, after LDC graduation, Bhutan will also lose several preferential accesses to export markets accorded to LDCs.

These shifting realities call for diversification of the economy, which is critical to the diversification of exports as highlighted in the 12th Five-Year Plan. They also call for renewed collaboration, cooperation, and coordination among policy institutions, the production industry, customs authorities, and the banking sector, among others. The fundamentals for this are in place but we need to work with a sharper focus. I hope the strategy serves as crucial step towards Bhutan's economic recovery and building back better from the pandemic.

I have the distinct honour of introducing the NES 2022 on behalf of UNDP. I acknowledge and commend the Department of Trade, Ministry of Economic Affairs, for their leadership, support, and collaborative effort in the development of the strategy. I thank the Enhanced Integrated Framework (EIF) for their partnership in bringing forth this strategy. UNDP stands committed to supporting the implementation of this important agenda and looks forward to deepening our partnership with the Royal Government of Bhutan.



Azusa Kubota
Resident Representative
UNDP Bhutan

Foreword

Over the past few years, it has been encouraging to witness the success of Bhutan's development trajectory, anchored on the overarching philosophy of Gross National Happiness, and closely aligned with the Sustainable Development Goals.

As a valued member of the Enhanced Integrated Framework (EIF) partnership, we have had the opportunity to closely observe the growth, challenges, and opportunities that Bhutan continues to encounter. We saw that, while there was a steady improvement in the overall export of goods, reducing the trade deficit by 29% in 2019, the COVID-19 pandemic's effects on global markets and supply chains led to a 33% reduction in exports in 2020.

We observe that the economic impacts of the pandemic have indeed been similar in most least developed countries. Prospects for rapid economy recovery are hampered by exogeneous challenges, including climate change and the ongoing conflict in Europe.

For a small economy like Bhutan, exports are essential to building a robust economic base. This Export Strategy has highlighted a high concentration on a few products, with more than 90% of production and manufacturing engaged in small and cottage industries. Export diversification is therefore critical, and it is encouraging to note that the Royal Government of Bhutan has prioritized the growth of a diversified economy as part of its 12th FiveYear Plan. This National Export Strategy is a key pillar of these efforts.

Beyond the production base, expanding the reach of products will also be vital. The Export Strategy has highlighted a high concentration to India. Optimal export performance would therefore require an expansion within the region and into global markets, while simultaneously diversifying the products in the export basket.

However, we have seen that key stakeholders, including producers and exporters, continue to face operational issues that will need to be addressed through targeted support in areas such as export information, testing, certification, transit and transport.

With graduation scheduled for December 2023, these factors would have to be addressed. This Export Strategy is therefore very timely and its rapid implementation over the coming period will be essential. The EIF is proud to have supported the Strategy's development as part of the implementation of the Diagnostic Trade Integration Study Update, in collaboration with our valued partner, the United Nations Development Programme.

The targeted recommendations covering a broad range of constraints, including institutional, legal, the regulatory environment, trade and business infrastructure, standards and certification, and the building of productive capacities, will require concerted and collaborative efforts over the coming period.

We are pleased to note that the Royal Government of Bhutan has demonstrated a commitment to take these recommendations forward. The support of development partners will also be required to further enhance the implementation of these recommendations. As always, the EIF stands ready to continue to support these efforts, including through Bhutan's ongoing export diversification project.



Mr Ratnakar Adhikari
Executive Director of the Executive Secretariat for the EIF

Abbreviations

12 th FYP	12 th Five-Year-Plan
AfT	Aid for Trade
AoT	Agreement on Trade between the Royal Government of Bhutan and the People's Republic of Bangladesh
APIC	Agency for Promotion of Indigenous Crafts
ATCT	Agreement on Trade, Commerce and Transit
BAFRA	Bhutan Agriculture and Food Regulatory Authority
BCCI	Bhutan Chamber of Commerce and Industry
BEA	Bhutan Exporters Association
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BIS	Bureau of Indian Standards
BSB	Bhutan Standards Bureau
CNR	College of Natural Resources
CSI	Cottage and Small Industries
CSMI	Cottage, Small and Medium Industries
DAMC	Department of Agricultural Marketing and Cooperatives
Dol	Department of Industries
DoT	Department of Trade
DRC	Department of Revenue and Customs
DSCI	Department of Small and Cottage Industries
DTISU	Diagnostic Trade Integration Study Update 2020
eCMS	Electronic Customs Management System
EDP	Economic Development Policy 2016
EU	European Union
EVI	Economic Vulnerability Index
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FYP	Five-Year-Plan
GDP	Gross Domestic Product
GI	Geographical Indicator
GNH	Gross National Happiness
GNI	Gross National Income
Gol	Government of India
GSP	Generalised System of Preferences
HAI	Human Asset Index
HDI	Human Development Index
HPAEs	High Performance Asian Economies

HS	Harmonised System
IPA	Investment Promotion Agency
ISO	International Organisation for Standardisation
IT	Information Technology
ITES	Information Technology Enabled Services
JWPTI	Jigme Wangchuck Power Training Institute
km	Kilometre
LDC	Least Developed Country
m ³	cubic metre
MDP	Mini Dry Port
MNC	Multinational Corporation
MoAF	Ministry of Agriculture and Forests
MoEA	Ministry of Economic Affairs
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MRAs	Mutual Recognition Agreements
NABCB	National Accreditation Board for Certification Bodies
NEC	National Environment Commission
NFTL	National Food Testing Laboratory
NKRAs	National Key Result Areas
NSB	National Statistics Bureau
NSW	National Single Window
NTTFC	National Trade and Transport Facilitation Committee
Nu	Ngultrum
ODA	Official Developmental Assistance
OGOP	One Gewog One Product
PRA	Pest Risk Analysis
PTA	Preferential Trade Agreement
PVC	Polyvinyl Chloride
RGoB	Royal Government of Bhutan
RMA	Royal Monetary Authority
RNR	Renewable Natural Resources
SAFTA	Agreement of South Asian Free Trade
SASEC	South Asia Subregional Economic Cooperation
SDG	Sustainable Development Goals
SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
ToR	Terms of Reference
UN	United Nations
WTO	World Trade Organisation

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1. Executive Summary

Bhutan's development is anchored in the overarching philosophy of Gross National Happiness (GNH) which aligns developmental activities closely with the Sustainable Developmental Goals (SDGs). The country is poised for graduation from the least developed country (LDC) status in 2023. It has met the threshold of three criteria for graduation, namely Human Development Index (HDI), Gross National Income (GNI), and the Economic Vulnerability Index (EVI) based on the revised parameters in 2021 Triennial Review. However, the last mile challenge remains as the economic base remains narrow with the majority of the population dependent on subsistence farming with low productivity. The industrial sector is highly concentrated on a few products with more than 90% of industries in production and manufacturing in the small and cottage category. Therefore, the Royal Government of Bhutan (RGoB) has prioritised the growth of a diversified economy through investment in diversifying the production base and exports.

Towards building a robust economic base, the 12th Five-Year Plan (12th FYP) has set out economic diversification as one of the National Key Result Areas (NKRA) to build an inclusive, sustainable and equitable economy. The Ministry of Economic Affairs (MoEA), the lead agency, oversees the implementation of various programmes to accelerate private sector growth and invest in the production sector. The National Export Strategy is part of the programme on export promotion aimed at fostering growth and diversifying export by identifying measures and interventions in consultation with stakeholders to address the issues faced by the export sector. This study complements the studies carried out on trade promotion and identifies activities to resolve issues that impede the full realisation of export potential and growth of productive capacity.

While the overall export of goods showed steady increase, reducing the trade deficit in 2019 by 29%, the onset of the Covid-19 pandemic in 2020 brought about abrupt disruption to the global market and supply chain, adversely affecting the level of exports in 2020, reducing it by 33%. The economy and the export sector continue to reel under the pandemic. The movement of export consignments faces delays and congestion due to containment and quarantine requirements.

Exports remained concentrated in the regional market, mainly India, accounting for over 75%, followed by Bangladesh at almost 20% in 2019. The export of electricity constitutes a major single export item contributing 34% and 57% of the total export in 2019 and 2020. Base metals constitute a significant share of manufactured exports. The top 10 export products collectively represent over 80% of total exports (excluding electricity), reflecting high reliance on a few products in the export basket.

Competitive analysis of Bhutanese products in the export market reveals untapped potential in the regional market in terms of volume and product competitiveness based on the unit value analysis. This can be attributed to several factors, including low productive capacity, lack of testing facilities to meet the Sanitary and Phytosanitary (SPS), and Technical Barriers to Trade (TBT) measures and logistics. Specific measures to resolve the constraints need to be prioritised to unleash the potential.

Export promotion is cross-sectoral. Several agencies are engaged in establishing requisite facilities and providing services in the production, preparation, and movement of export goods. These include supply-side policies and programmes to accelerate production, policy and institutions, trade facilitation, standards and certification, market access, and credit facilities. This document reviews areas for further investment and capacity enhancement to promote export.

The stakeholders, namely the producers and exporters, face operational issues further aggravated by the Covid-19 restrictions. Most issues relate to the inadequacy of the facilities to meet export requirements, such as testing, certification, export information, market access, shortage of manpower, and transport and transit issues. The change in import policies in the target markets, procedural changes, and fulfillment of SPS and TBT measures are other areas in which exports face difficulties.

The expansion of business infrastructure, namely dry ports, industrial parks, CSI development facilities, commissioning of hydropower projects under construction, ongoing activities under flagship programmes, sectoral initiatives, and growth of other enabling facilities show potential for broadening the productive capacity and base. The need of the hour is harnessing the potential and creating an enabling environment for product development and entry to the export markets.

This strategy reviews the factors that affect export growth and provides recommendations to address the constraints that broadly cover institutional, legal, and regulatory environment, trade and business infrastructure, standards and certification, building productive capacities, and export promotion.

2. Introduction

UNDP and the Department of Trade (DoT) commissioned a study in November 2021 to develop a National Export Strategy to provide direction and recommendations on export for policy interventions targeted at economic recovery and smooth transition from the LDC status. The assignment was carried out in close consultation with the DoT and stakeholders to assess the export environment through literature review, discussions with related agencies, and feedback from exporters and manufacturers. This document provides recommendations based on the assessment of development and programmes in related sectors and issues identified by exporters. The strategies outlined in the document are categorised under the implementation framework with timeframes ranging from short, medium, and long-term interventions. The recommendations relate to the MoEA and its agencies, and other agencies involved in overall export promotion and facilitation.

2.1 Purpose of the National Export Strategy (NES)

The strategy aims to provide a set of measures and interventions in the export-related agencies necessary to foster export augmentation and diversification with a focus on non-hydro goods based on a comprehensive review of the export environment and feedback from stakeholders.

2.2 Objectives of the NES

The objectives of the NES are to:

- i. Address the bottlenecks faced by the export sector in priority areas.
- ii. Foster augmentation and diversification of non-hydro exports in potential export markets.
- iii. Support strengthening of supply-side capacity.
- iv. Support post-Covid-19 economic recovery through enhanced exports.

2.3 Situational Analysis

The rising concern is the asymmetry in economic structure and employment. In 2019, the primary sector engaged almost 52% of the total labour force. This was the largest segment of the total labour force. Despite the large labour force actively engaged, the primary sector had the lowest contribution to GDP at about 16%, indicating low productivity. Unemployment, particularly youth unemployment, has been on the rise. It was exacerbated by the Covid-19 pandemic, raising youth unemployment from 16% in 2018 to 23% in 2020¹ due to the closure of businesses, return of employees from abroad, and general economic downturn. The overall unemployment rate also shot up from 3% to 5% during the same period. At the sectoral level, electricity, construction, and tourism have driven growth. Manufacturing sector has seen a sluggish growth, resulting in undiversified economic growth and high reliance on a few sectors. Products in the export basket have remained stagnant in the past decade, wherein leading exports include electricity and base metals with a high market concentration in the region.

2.3.1 Structure of the Economy

Viewed from a broad sectoral lens, the structure of the economy shows the preponderance of the tertiary sector followed by the secondary sector. In 2019, the tertiary sector contributed 48% to GDP and the primary sector contributed 16%. Over the past decade, the country recorded an average real growth of 5% from 2011 to 2019 with business services recording the highest average growth rate at 24%, followed by mining and quarrying, and hotels and restaurants. The electricity and construction sectors were the drivers of economic growth, claiming sectoral contributions of 13% and 12% respectively in 2019, whereas the manufacturing sector's contribution remained relatively low, averaging 8% in the past decade. The business sector remains primarily dominated by trade and services, with only about 12% of business activities engaged in production and manufacturing. The average growth of the major economic sectors, namely manufacturing and agriculture, remained low at 4% and 3%, respectively.

With the onset of the Covid-19 pandemic and consequent restrictions and closure of key sectors, the economy contracted substantially, recording a negative growth rate of -10%.

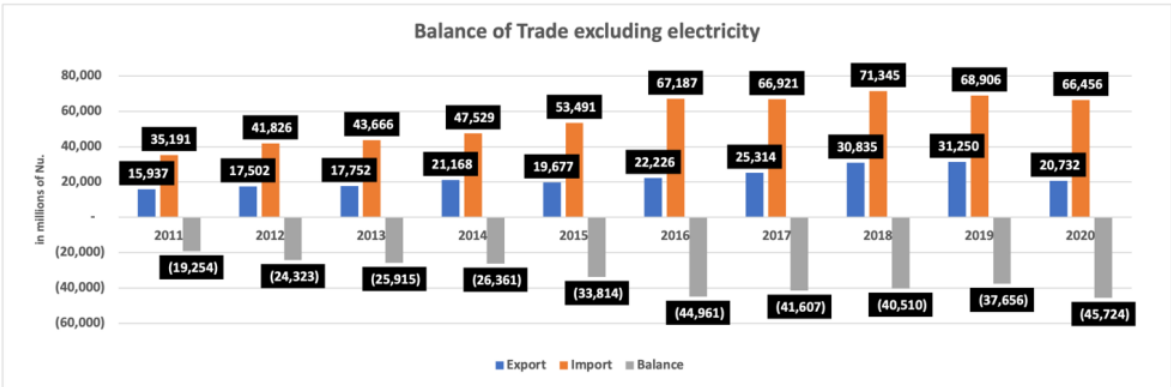
¹Labour Force Survey. 2018. National Statistics Bureau, RGoB & Labour Force Survey. 2020. National Statistics Bureau, RGoB.

The agriculture and electricity sectors performed well, increasing the sectoral contribution to GDP to 19% and 18%, respectively. The key sectors that exacerbated negative growth include mining and quarrying at -82%, manufacturing at -21%, construction at -21%, transport and communication at -15%, and hotels and restaurants at -73%.

2.3.2 Trade in Goods

In 2019, trade in goods was Nu 37,705 million, accounting for 79% of total exports that increased to Nu 45,558 million in 2020. Figure 1 shows that the value of non-hydro goods almost doubled from Nu 15,937 million in 2011 to Nu 31,250 million in 2019. In 2019, despite the highest growth in non-hydro exports, they accounted for only 45% of total exports. The export of goods, excluding electricity, was further decreased by the Covid-19 pandemic, resulting in a sharp drop of over 33% compared to the previous year, from Nu 31,250 million to Nu 20,732 million in 2020.

Figure 1: Balance of Trade Excluding Electricity



Source: Data extracted from (i) Bhutan Trade Statistics 2020. DRC, MoF. RGoB & (ii) Bhutan Trade Statistics 2015. DRC, MoF. RGoB.

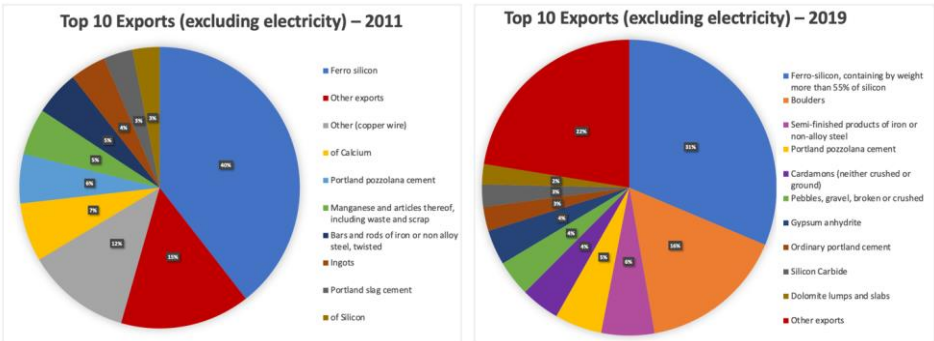
i) Export Composition

An analysis of export composition for a decade reveals high reliance on a few products, namely ferro-alloys, iron and steel, cement, and dolomite that continue to feature in the major export list through the decade. In 2011, ferro-alloys were the main non-hydro export accounting for 38%. They continued to dominate exports, accounting for 31% and 36% of the total export of non-hydro products in 2019 and 2020, respectively. Through the decade, other export items featured in the top ten export are boulders, cardamom, and dolomite, with the increase in export to Bangladesh and Nepal. The chart below provides changes in the composition of the top ten exports in 2011 and 2019.

As shown in Figure 2, the export composition shows that the top 10 export products comprise mainly minerals and agricultural products in primary form and power-intensive industrial products. They account for 80% of the total export of goods, indicating high reliance on a narrow range of products and a small product mix in the export basket. Till 2017, the top 10

exports (not including electricity) accounted for approximately 70% of total exports, whereas ‘other exports’ accounted for 30% of total exports. The situation began to deteriorate in 2018 when ‘other exports’ dropped to 26% of the national export composition, which further dropped to 20% in 2020. This trend indicates the Bhutanese economy’s high reliance on its top 10 exports dominated by a few products. In the last decade, the top 10 exports have contributed an average of 12% to GDP, demonstrating high reliance on the manufacturing and mining sectors for economic growth.

Figure 2: Bhutan’s Top 10 Exports for 2011 and 2019.



Source: Data extracted from (i) Statistical Yearbook of Bhutan 2020. NSB, RGoB and (ii) Statistical Yearbook of Bhutan 2015. NSB, RGoB.

ii) Export Destination

The export of Bhutanese products remains highly concentrated in the region with export to India accounting for over 75% of total exports. The comparison of the top 10 export destination countries between 2011 and 2019 shows that exports to India have remained the same. However, the export to Bangladesh has risen dramatically from 6% in 2011 to almost 20% in 2019.² While exports to Countries Other Than India (COTI) experienced a spike in 2011, they began to drop to below 15% from 2012 till 2016. Exports to COTI rose to 22% in 2017 and further increased to 30% in 2018.

2.2.3 Trade in Services

In 2019, trade in services was Nu 9,782 million, accounting for 21% of total exports. In 2020, trade in services experienced a significant decline relative to 2019. This was due to the closure of tourism, which led to the loss of revenue of approximately Nu 2,697 million, accounting for 6% of total exports. The impact on the overall export was -78% relative to the export of the past year. The performance of services over the years is shown in the table below.

² Statistical Yearbook 2011 and 2019. NSB, RGOB.

Table 1: Trade in Services

Trade in Services (in Nu Million)						
	2014	2015	2016	2017	2018	2019
Export of services	3,546.9	3,816.4	3,177.8	4,205.8	3,884.0	4,645.6
Import of services	5,139.4	5,665.9	4,692.5	5,618.8	7,054.9	6,124.7
Deficit	(1,592.5)	(1,849.6)	(1,514.7)	(1,413.0)	(3,170.8)	(1,479.0)

Source: Asian Development Bank (ADB), *Key Indicators for Asia and the Pacific 2021*,
<https://kidb.adb.org/kidb/>

2.3.4 LDC Graduation and Impact

The 2021 Triennial Review determined that Bhutan fulfilled all three criteria for LDC graduation and it is scheduled to graduate from LDC status in 2023. The three criteria include GNI per capita, Human Assets Index (HAI), and EVI. Bhutan's GNI per capita is at US\$ 2,982, which was two times over the threshold of US\$ 1,222. In HAI, Bhutan scored 79, which is above the threshold score of 66 points. In 2020, EVI was recorded at 25.7, which was below the threshold requirement of 32, thereby fulfilling the EVI requirement.³ Even as Bhutan was experiencing a steady growth, the Covid-19 pandemic disrupted it in 2020. The tertiary sector was the hardest hit, whose growth slumped to -10.7%.⁴ The pandemic magnified the economic challenges, especially the creation of gainful employment for youth and building a diversified and resilient economy. Upon graduation from LDC status, the concessions and official development support will gradually diminish, which means that the capital need will have to be increasingly met from domestic resources necessitating the strengthening of the economic sectors and enhancing productivity.

The RGoB's focus has been on fostering economic diversification and enhancing non-hydro exports to build a diversified economy. Bhutan marks a significant milestone in its economic development with LDC graduation on the horizon. The country is expected to lay a firm economic foundation for a smooth transition. Accordingly, the Smooth Transition Strategy emphasizes i) expanding trade, and ii) productive capacities and economic diversification as the two core areas of national priorities to strengthen economic sectors during the transition phase.

While LDC graduation marks a milestone in the country's developmental path, it brings forth issues related to structural adjustments because the approach so far has been anchored in the special status and concessions accorded to LDCs. Although graduation beyond the transition period of three years will not significantly impact the volume and value of external trade, the country will lose benefits offered to LDCs. Benefits lost will include concessions such as duty-free quota-free access and the EU's Everything but Arms scheme that could impact the market diversification of Bhutanese exports. Despite more restricted preferential access post-graduation, Bhutan will still have access to the EU market through the Standard

³ Annual Report 2020-2021. GNHC, RGoB.

⁴ National Accounts Statistics 2021. NSB, RGoB.

Generalised System of Preferences (GSP) scheme,⁵ or consider the GSP+ programme that is more favourable than the Standard GSP scheme. However, this would require Bhutan to ratify 27 international conventions and cooperate with the EU to monitor the implementation of these conventions. Similarly, post-LDC graduation, Bhutan would also have access to the US market through the US GSP scheme aimed at developing countries. In terms of market access, graduation from LDC status would mean stricter requirements on rules of origin, whereby the value-addition of goods intended for export will rise from 40% to 60%.

3. Assessment of Export Environment

3.1 Supply-side

This section outlines the ongoing programmes in various sectors that determine export potential and growth prospects.

3.1.1 Agriculture

While the export of cash crops, namely potatoes, apples, oranges, cardamom, and areca nut, feature prominently, the seasonality of the crops prevents us from deriving their optimal value. These crops are exported in their raw forms mainly to regional buyers. Cordyceps and niche value-added products, such as herbal tea, are prominent products exported to the wider market although the volume and value remain low. The growth trend of major commercial crops over the past five years and major agricultural exports are shown in Annexure I and Annexure II.

Marketing of agro-horticultural products has been given priority both within and outside the country to foster value addition and production. In 2021, the DAMC launched the Renewable Natural Resource (RNR) Marketing Strategy 2021 and the Incentive Scheme for Market-led Production of RNR Commodities. The RNR Marketing Strategy stresses on four broad objectives that include supporting: (i) food security development (ii) economic development (iii) employment generation, and (iv) policy decision-making. The Incentive Scheme for Market-led Production of RNR Commodities aims at incentivising farmers to produce RNR products that contribute to (i) national food security (ii) higher nutritional value (iii) the potential for higher income for farmers (iv) enhancing import substitution and export promotion. This scheme will identify RNR products produced at a rate lower than the cost of production. The document defines the cost of production as ‘the investment amount made by the producers in producing the unit volume of RNR commodity. It includes costs such as land preparation for sowing till the produce is harvested and made ready for marketing.’ The MoAF is promoting ‘mega-farms’ to cater to the needs of the domestic population as a means of import substitution.

The MoAF also plans to enhance the sector’s performance through the adoption of Bhutan National Pathways, which has identified eight focus areas for transformation and impact. They are i) secure production and smallholder livelihoods ii) enhance value standards and markets iii) unleash the power of digital tools iv) secure financing and de-risk the agri-food sector v) accelerate science and technology vi) boost positive nutrition initiatives vii) sustain nature first approaches, and viii) build capacity and strengthen coordination and partnerships. Based

⁵ Bhutan will be eligible for Standard GSP due to its lower-middle-income status, implying partial or full removal of customs duties on two-thirds of tariff lines.

on the above thematic areas, annual programmes from 2022 to 2024 had been identified. Capacity building of 1,500 people in the production and processing of agro-horticultural and livestock products is planned, which is envisaged to build domestic capacity in the development of these sectors.

The EU-Bhutan Trade Support project, which is part of the EU Regional Multiannual Indicative Programme for Asia 2014-2020, provides support to scale up services to support farmers and exporters to improve product quality and increase sales in export markets.

Organic Flagship Programme envisions product development and organic certification of 12 products, eight for export and four for the domestic market. The products for export include ginger, turmeric, cardamom, mushroom, buckwheat, quinoa, trout, and lemongrass oil, whereas asparagus, beans, cauliflower, and chilli are planned for the domestic market. Products have to meet ISO 17065 organic requirement to be recognised as 'organic produce'. The tests have to be certified by an external agency. BAFRA has built its capacity to perform international inspections, after which the results of the tests are sent to an external agency for certification. Obtaining organic certification is a lengthy process. It takes two to three years as the process includes assessing the condition of the soil, seeds, crop care, and aftercare, among others, as per the requirements of the intended export market. While additional crops such as quinoa, adzuki beans, and cardamon have been chosen to be grown in the country, these crops have not been linked to the intended export market.

The ongoing initiatives, namely the organic flagship programme, the RNR marketing strategy, vocational training, and incentive scheme for market-led production, together with the strengthening of BAFRA's capacity in product testing and certification under the MoAF, are envisioned to boost the production of commercial crops. These initiatives are also intended to foster product development for export markets provided that the implementation goes as planned. Further, the Fiscal Incentives Act of Bhutan 2021 has accorded Agriculture and RNR activities as high priority wherein the businesses under the sector will be incentivised.

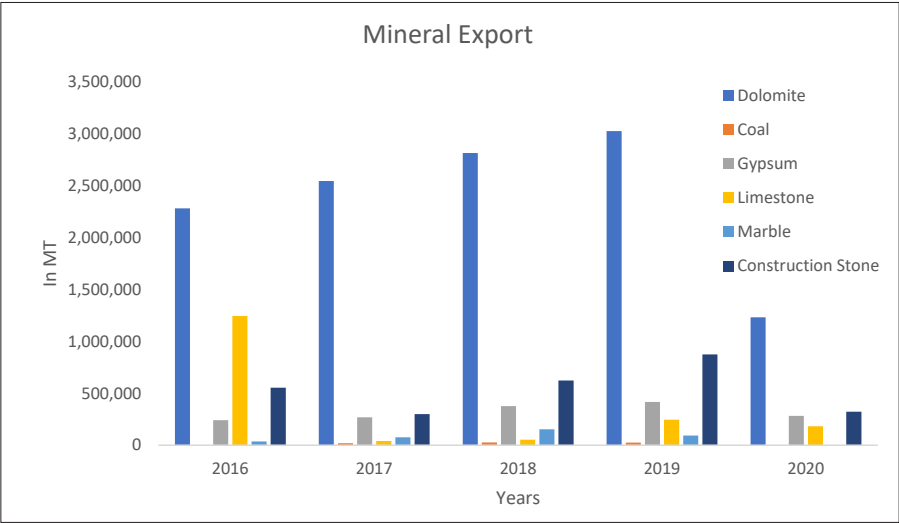
3.1.2 Minerals

Mining and mineral exploration are governed by the Mines and Minerals Management Act 1995, which is under revision. The mining sector has been categorised as one of the five jewels of the Bhutanese economy as minerals aid in the industrialization and diversification of the economy. The Mineral Development Policy 2017 emphasises maximising the benefits from mineral resources through value-addition. As minerals are finite resources, there is an increasing focus on adding value to the available resources and conserving minerals to foster intergenerational equity. Activities are pursued in mineral exploration and investigation to increase geological mapping of the country and identification of minerals that can form a basis for future industrial investment and economic diversification. Mineral processing is generally power-intensive and fits well with the country's resource endowment.

Major minerals that have been investigated and mined include dolomite, coal, gypsum, limestone, calc tufa, talc, iron ore, granite, marble, phyllite, quartzite, and construction stones. Some minerals, such as calc tufa, granite, iron ore, marble, limestone, and quartzite, are mined

to meet the domestic demand for industrial processing and construction purposes. Several large-scale industries have been established owing to the availability of domestic minerals. They include ferrosilicon, silicon carbide, calcium carbide, plaster-of-Paris, calcium carbonate, limestone and dolomite powder, and cement. Minerals featured prominently in the export list include dolomite, gypsum, construction materials, and coal. Among them, the first three have shown a steady increase in export volume over the years. The level of export of minerals in the past five years is shown in Figure 3 below:

Figure 3: Mineral Exports



Source: Statistical Year Book 2021. NSB, RGoB.

River bed materials, also categorised as mineral products in HS coding, have become one of the major export products to Bangladesh since 2016, driven by the demand for developmental infrastructure projects. While the minerals mostly comprising non-metallic minerals contribute significantly to export, the expansion of the product range in the mineral sector remains dependent on determining additional mineral resources.

3.1.3 Manufacturing

As of June 2021, there were 44,110 registered business licences of which 21,843 were trade licences, 2,766 were production and manufacturing licences, 17,388 were licences for services, and, 2,113 were contracts licences.⁶ A total of 22,217 industrial licences were active for production and manufacturing, services and contracts as of June 2021. Over 78% of these licences were for services and less than 12% engaged in production and manufacturing. Further, of the 2,766 active production and manufacturing licences, CSI constituted over 90%.

There were 99 large and 183 medium-scale industries licensed in the production and manufacturing category as of 31 December 2020. However, only 56% of them were operational. Mineral-based activities constitute 34.7% followed by Others⁷ at 29.8%, agro-

⁶ The Statistical Yearbook of Bhutan 2021. NSB, RGoB

⁷ Licences not featuring mineral-based, forest-based and agro-based categories are grouped as 'Others'.

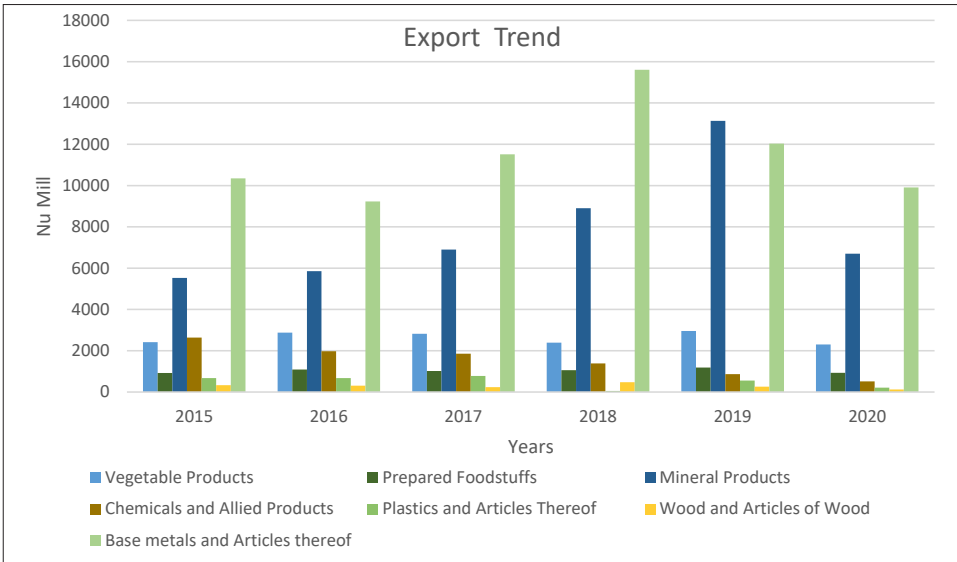
based at 25.8% and forest-based at 9.5%. Thirty new licences were issued in 2020.⁸ Among the major product groups, ferro-alloys, iron, steel, and cement feature prominently in terms of production as well as exports. In 2020, there were 15 ferro-alloys, 10 iron and steel, and five active cement licences, out of which 12, 6, and 4 licences, respectively, were operational. The estimated total employment in 2019 was 7,207, which witnessed a drop of 10% in 2020. Most employees were Bhutanese at 91%, which increased to 95% in 2020.

The main processed agro-products in the export basket include edible soybean and palm oil, fruit juices, jams and jellies, sauces and ketchup, packaged water, aerated water, beer and alcoholic beverages, and agricultural waste. The market is predominantly India with small quantities entering Bangladesh and Nepal. The total export in 2019 was worth Nu 1.19 billion with Nu 1.17 billion worth of export going to India.

Ferroalloys remain the most dominant export item in the region and other countries in Europe. Italy, Netherlands, Bangladesh, Spain, and Turkey were the major export destinations for ferroalloys in 2019. Despite the pandemic, Italy, Turkey, UAE, and the UK imported relatively large quantities of ferrosilicon in 2020. Product diversification within the ferroalloys group includes ferrosilicon manganese, ferrotitanium, and ferro-barium-titanium. Ferrosilicon manganese fetches a higher price compared to other ferroalloys products based on unit value realisation carried out based on the export data.

Other major export products include calcium carbonate, calcium carbide, silicon carbide, plastic products, mainly packaging materials, pipes, and particle boards. In the wood-based segment, the major export product is particle board and blockboard. Figure 4 provides a snapshot of the export trend of major product groups over the past five years.

Figure 4: Export Trend of Major Product Groups



Source: Bhutan Trade Statistics, MoF, RGoB.

⁸ Values provided by the Department of Industry, MoEA, RGoB.

3.1.4 CSI

The development of CSI assumes prominence in the industrialisation process of the economy, given the potential of small enterprises to generate rural income and add value to domestic resources. CSIs have been designated as one of the crown jewels of the country's economic growth. The draft 21st Century Economic Roadmap reiterates their critical role and lists them as one of the potential drivers for development. The CSMI Policy 2012 was revised and adopted in 2019, focusing specifically on cottage and small enterprises. Further, simplification of licensing through the introduction and operationalisation of registration of cottage enterprises was introduced in 2021. The FDI Policy 2019 opened CSI for FDI in selected activities. As of June 2021, there were a total of 21,221 CSI activities licensed, out of which 2,497 were in production and manufacturing, 16,991 in services, and 1,733 in contracts. Forest-based activities consisting mostly of sawmills and furniture accounted for almost 37% of the production and manufacturing licences, followed by others at 31% and agro-based activities at 26%.

The 12th FYP for the CSI sector is identified as a flagship programme with a revised budget outlay of Nu 1 billion to build an ecosystem through implementing projects under six thematic areas identified in the CSI Policy 2019. The strategic objectives based on which the CSI Action Plan⁹ is developed and implemented are Policy and Legislative Framework, Entrepreneurship Culture and Human Capital Development, Business Development Support and Infrastructure, Enhancing Access to Finance and Incentives, Innovation and Technology Adoption, and Access to Market. Several activities in collaboration with related agencies are being implemented to expand and improve the quality of existing products, support new enterprises and promote export. Towards supporting CSIs, the following business infrastructure are complete: a mini-industrial estate in Tsirang, Start-up Centre, a CSI outlet, a yarn bank in Thimphu; and business incubation centres in five educational institutes. Renovation/remodelling of space for Fablabs in CNR and JWPTI is also complete. Towards strengthening quality infrastructure in the country, the programme has a specific component for upscaling the National Food Testing Laboratory (NFTL), developing standards for 21 selected products, and certification of products by BAFRA and BSB. The programme also extends direct support to promoters through various schemes for equipment purchase, training, mentorship, and market promotion. At the institutional level, the CSI Flagship Programme was instrumental in establishing institutional linkages among the stakeholders and boosting coordination between the agencies to build the requisite support and facilities for the development of CSI. A total of 21 products listed in Table 2 have been identified for end-to-end support to upscale production and product development.

⁹CSI Action Plan (2019-2023). Department of Cottage and Small Industries, MoEA, RGoB.

Table 2: Selected CSI Activities

List of 21 Selected Products	
A. Agro-based products	12. Incense
1. Herbal Tea/Drinks	13. Integrated wood industry
2. Honey and honey by-products	14. Bamboo products
3. Essential oil products	15. Wood products [toys, carvings, turning)
4. Vegetables and fruits (value-added)	Mineral-based
5. Dairy, including processed dairy products	16. Ceramic products
6. Cereals, including rice products	17. Pencil
8. Cardamom products	18. Bricks and hollow blocks
9. Floriculture	Handicrafts
10. Potato products	19. Natural dye textile products
Wood-based	20. Traditional souvenirs
11. Handmade paper	21. Textile products

Source: Department of Cottage and Small Industries, MoEA, RGoB.

Product development and export marketing support for textile products is ongoing in partnership with the Agency for Promotion of Indigenous Crafts (APIC) under the EU-Trade Support Project. Under this project, test marketing of textiles in the EU, Japan, and the USA has been initiated. CSI products have increasingly diversified the Bhutanese export market although the volume and value of products remain low. Among others, incense sticks, handicrafts, textiles, paintings, herbal tea, and health products have a growing demand in Europe and other developed countries. The CSI action plan aims to address market access issues and identify 12 activities, including product development, market promotion, market identification, support, branding, and e-commerce. These initiatives envision enabling upscaling of activities and enhancing product development and marketing of CSI products.

The FDI policy and regulations have undergone significant alignment and amendments to attract foreign investment since the first FDI policy was adopted in 2002. The latest revision was in 2019 with an emphasis to improve the investment environment through the simplification of procedures and further liberalisation of sectors opening the CSI activities that had remained on the negative list until then. As of the end of 2021, there were 96 FDI projects in the country, 66% in the services sector and 34% in manufacturing. The manufacturing sector has attracted investment mainly in food and agro-processing and power-intensive industries. The FDI trend over the years has been gradual but rather slow. The DoI is the focal agency for the promotion of FDI. It is in the process of finalising a National Investment Strategy with technical support from ITC. The draft report provides a framework for building the investment promotion and institutional building ecosystem.

The composition of the top 10 export items that account for almost 80% of the total value of the country's export is mainly agricultural and mineral products in primary form and base metals. The review of new large-scale industrial proposals indicates capacity addition in ferroalloys,

which is already a major manufactured export. Apart from large-scale industries and mining, most domestic production comprises products from small enterprises and subsistence farms that remain scattered and unorganised to meet the international market demand in terms of value and volume. Even where there is potential to expand product range and export market in niche CSI products, products face several challenges to scale up production to meet export demand as production remains scattered and there are no organised aggregators.

There are good prospects for growth of the manufacturing sector with the expected commissioning of hydropower projects during the decade. There are ongoing programmes of sectors to boost the production and development of business infrastructure. The review of medium- and large-scale investment shows high investment interest in ferro-alloys, iron and steel, gases, and water bottling, which is complemented by the PTA with Bangladesh that broadens preferential access for additional products. Production enhancement in the agriculture sector through market-led interventions is expected to increase the production of food crops, vegetables, pulses, and dairy products. The CSI and Organic Flagship Programme will contribute to upscaling the production of niche products.

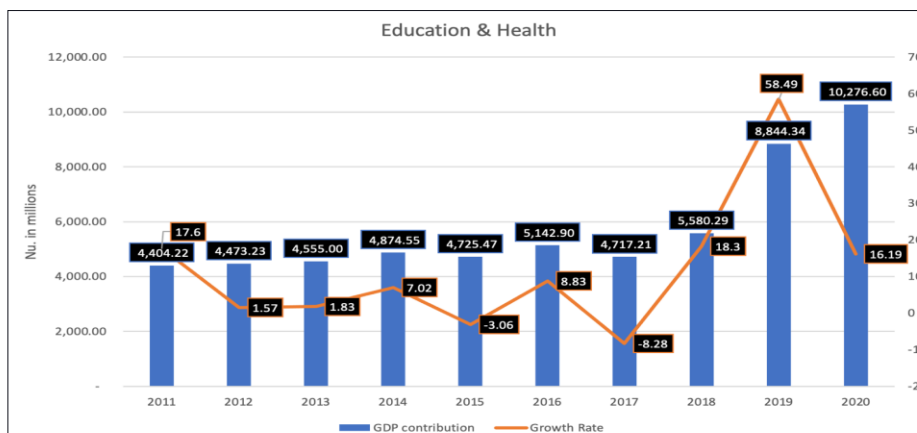
i. Services

Education, IT/ITES, healthcare, and tourism are key sectors involved in trade in services. Bhutan had a vibrant and fast-growing tourism sector prior to the closure of the national borders in March 2020 due to the Covid-19 pandemic. The growth of the education and healthcare sectors has not seen the same degree of success. Other service activities are hotels and restaurants, financial services, transport and storage, social and recreational services, and business services. Commercial service activities constituted almost 40% of the total business licences as of June 2021. Except for a few large-scale operators in financial services, IT/ITES, transport, hospitality, and electricity supply, most activities comprise small enterprises catering to the domestic market.

A. Education and Healthcare

Figure 5 shows that, over the past decade, education and health have seen staggering growth with their highest contribution to GDP hitting 6% in 2020. Education till grade 10 (currently till grade 12) and healthcare are provided free by the state as per Article 9, Sections 15 and 16 of the Constitution, which states, ‘The provision of education for improving and increasing knowledge, values, and skills of the entire population and free education to all children of school-going age up to the tenth standard and ensure that technical and professional education is made generally available and that higher education is equally accessible to all on the basis of merit’ and Article 9, Sections 21 and 22 of the Constitution stipulates ‘the provision of free basic public health services and the provision of security in the event of sickness and disability or lack of adequate means of livelihood for reasons beyond one’s control.’

Figure 5: Education & Health GDP Contribution & Growth Rate



Source: Data extracted from the National Account Statistics, 2021. NSB, RGoB.

The education sector is governed by the (i) Education Policy of 2019, which enables the development of an education system that inculcates the values of gross national happiness and upholds the cultural and spiritual aspects of Bhutanese culture and heritage (ii) Bhutan Education Blueprint (2014–2024) in which there are three phases with timelines for completion of stated goals and objectives of the blueprint, and (iii) iSherig-2 which is the education ICT Master Plan (2019–2023) that prioritizes bringing ICT to schools to enhance the quality of education. The FDI Policy of 2019 permits FDI for primary, secondary, and tertiary education provided that the relevant stakeholder follows the policies set by the MoE.

The health sector is governed by the National Health Policy that outlines the health system, disease control, medical care, and partnership in health. While the FDI Policy of 2019 lists general health services under the negative list of activities, specialised medical diagnostic and treatment services such as specialised dental services, medical laboratory services, diagnostic imaging services, and traditional medical services, and other specialised services, are open to both the private sector and FDI. The specialised service providers have to provide healthcare services that are currently being referred externally and must have a complete set of diagnostic services and laboratory facilities.¹⁰ Based on the FDI Policy 2019, a foreign investor is permitted to maintain 100% equity and must maintain a minimum project cost of Nu 200 million.

Although health and education services are open to the private sector, including FDI, in line with the constitutional requirement to provide free health and education services to citizens, the sectors remain predominantly public.

B. IT/ITES

IT/ITES has remained the most attractive sector after hotels in FDI. It constituted 22% of all FDI approved until 2021. The RGoB adopted a liberal FDI policy by relaxing the minimum investment threshold and provision of incentives both for the infrastructure developer and

¹⁰ FDI Policy of 2019. MoEA, RGoB.

ITES investors. Over the years, the investment threshold was reduced from Nu 5 million in 2010 to nil in 2019 for ITES projects within the IT park and from Nu 25 million to Nu 3 million for the projects located outside. The requirement of domestic participation in the projects has also been removed, allowing all ITES projects 100% FDI ownership.

The first major initiative in building IT infrastructure for business was the development of Thimphu TechPark, a PPP project in partnership with a foreign investor. It was operationalised in 2012 but faced difficulties attracting prominent IT companies anticipated as anchor tenants. Despite the initial slow takeoff, the facility reached full occupancy by 2015 with 10 commercial tenants. This trend continues despite some initial occupants moving out of the facility. TechPark has played an instrumental role in attracting FDI in ITES and building the sector in the country. With the exit of the foreign partner, the park is now managed by Thimphu TechPark Ltd. (TTPL), a DHI company. The nature of businesses in the Techpark witnessed a gradual shift from basic data processing and call centre to software development. In 2019, there were eight companies engaged in software development. The TTPL, which started as an asset manager, has become the largest IT company in Bhutan today, employing over 100 people in software development. It also grooms start-ups. As of 2019, 10 start-ups were operating in the facility. The space at the Techpark is fully occupied.

The availability of educated youth proficient in English, clean energy, pristine environment, and the country's international reputation as a top tourism destination collectively contribute to attracting foreign investment, particularly in ITES. The report on Digital Jobs in Bhutan¹¹ provides a comprehensive analysis of the potential of and approaches to investment promotion, including the focus area for FDI promotion.

C. Tourism

The tourism sector is guided by its policy of 'high-value, low-volume' to promote tourism in line with Gross National Happiness, promote inclusive and equitable growth, and ensure the sector's sustainability. Tourism is governed by the Tourism Council of Bhutan (TCB). Prior to the closure of the national borders in early 2020, the tourism sector saw high growth and was the highest earner of foreign currency. In 2019, the sector brought in USD 23.43 million. Tourism tariffs are levied differently for tourists from India, Bangladesh, and the Maldives, who are known as 'regional tourists'. Before the closure of national borders, the regional tourists were exempt from paying the sustainable development fee (SDF), but with the enactment of the Tourism Levy Act of Bhutan 2020, they would be levied SDF of Nu 1,200 per night. Tourists from other countries are required to visit the country on a 'minimum daily package rate' that ranges from USD 200 (the rate charged in January, February, June, July, August, and December) to USD 250 (rate charged in March, April, May, September, October, and November). The minimum daily package rate includes the SDF, which is a fixed rate of USD 65, and an all-inclusive package which includes boarding, food, and travel.¹²

¹¹ Digital Jobs in Bhutan; RGoB, UNDP, JICA; August 2021.

¹² Tourism Policy of the Kingdom of Bhutan. 2021. TCB, RGoB.

Figure 6 shows that gross tourism receipts increased at an average of 5% growth rate from 2013 to 2019. The tourism sector faced two dips from 2013 to 2020, namely in 2015 when it experienced negative growth of 2.9% and in 2020 when the national borders were closed within the first quarter of the year.

Figure 6: Gross Tourism Receipts



Source: Data extracted from the Bhutan Tourism Monitor (2013–2020), TCB, RGoB.

From Figure 6, it can be seen that while regional tourist arrivals have been increasing exponentially at a rate of 22.7% from 2013 to 2019, international tourist arrivals have remained sluggish during the same period seeing an average growth of 5.3%, which is significantly lower than the overall growth rate of international visitors. While this trend goes against the tourism policy of ‘high value, low volume’, the future influx of regional tourists could decrease with the imposition of the SDF on regional tourists.

Tourism falls under the Brand Bhutan umbrella with the slogan ‘Happiness is a place’. Since the pandemic hit the country, the TCB has continued to promote Bhutan internationally through broadcast, print, and various online platforms by developing promotional materials such as videos and brochures, seeking international media partnerships, and increasing its social media presence. The TCB has also promoted domestic tourism, most popularly through their ‘Druk Kora’ module that features domestic tour packages in all parts of the country. With the closure of the borders, the TCB has worked on improving its service delivery through digitising the tourism industry, opening e-tourism services and digital payments, opening a tourist information centre at the Paro airport, improving professionalism in the sector through training and developing competency frameworks, conducting research on carrying capacities, and developing a tourism economic census, among others.¹³ The Lonely Planet ranked Bhutan number 1 in the Best in Travel 2020. As the country’s international image as a tourism destination remains high, tourism, including the hospitality sector, is expected to rebound upon return to normalcy post-Covid-19.

¹³ Bhutan Tourism Monitor 2020-2021. TCB, RGoB.

The FDI Policy permits FDI under two activity classifications (i) 4-Star Hotels and (ii) 5-Star and above hotels/resorts, though these classifications are subject to different conditions. The FDI Policy restricts FDI for 3-Star hotels and below to ensure that Bhutan's tourism policy of high value, low volume tourism is not compromised. The hotel industry has witnessed a significant component of FDI flows, constituting 38% of total FDI enterprises in the country as of 2021.¹⁴

b. Policy and Institution

The DoT under the MoEA is the central agency overseeing the governance of the trade sector in the country, which includes both domestic and external trade. Under the department, two divisions, namely the Export Promotion Division and Trade Negotiations Division, undertake and coordinate the activities related to export promotion and market access negotiations, while Trade Regulation and Monitoring Division oversee domestic trade.

The Economic Development Policy (EDP) 2016 is the guiding policy for developing domestic and external trade. Nine out of 18 provisions of the policy are dedicated to external trade. With EDP 2016 in place, the Trade and Investment Bill was drafted and submitted to the Cabinet. The Bill has not been tabled for deliberation in Parliament to date. In the absence of law and regulations governing the trade and investment sector, overall trade in the country is regulated based on the Micro, Retail, and Wholesale Trade Rules 2006 and the Rules and Regulations for Establishment and Operation of Industrial and Commercial Ventures in the Kingdom of Bhutan (hereinafter referred as Business Licensing Rules 1995). Major export promotion activities in the 12th FYP include the development of infrastructure, trade facilitation, and implementation of Brand Bhutan.

The Customs Rules and Regulations of Bhutan 2017 provide the procedures for importing and exporting goods, including trading through e-commerce. The general requirement for the export of goods is the submission of documents, namely, i) export declaration ii) invoice iii) packing list iv) shipping bill/ airway bill, where applicable v) certificate of origin issued by the relevant authority, where applicable vi) insurance documents, where applicable vii) export permit, where applicable viii) any other relevant documents, as considered necessary by the department.

The Fiscal Incentives Act 2021 has no specific provision for incentivising the export sector unlike the previous Act that provided for an income tax exemption of 10 years on convertible currency earnings from export by newly established manufacturing and IT service industries. However, incentives are provided for Qualifying Activities, including CSI, trade, and services. Foreign Exchange Rules and Regulations 2020 allows Bhutanese manufacturers and exporters of goods and services to open foreign currency accounts and use the proceeds for eligible imports.

¹⁴ FDI Annual Report 2021, DoT, MOEA

c. Market Access

The ATCT with the Government of India (GoI) facilitated Bhutan's trade and commerce since 1972, when it was first signed. It continues today and is renewed on a 10-yearly basis with revisions to accommodate mutually agreed provisions. Bhutanese products enjoy duty-free entry into the Indian market, which remains one of the major strengths.

The various entry/exit points and transit points between India and third countries are negotiated and decided through an annual consultation process. There are 26 designated entry/exit points, including two seasonal routes in India for the movement of Bhutanese goods, eight transit points for trade with Bangladesh, and two for trade with Nepal. The procedure for the movement of goods and vehicles is also established through negotiations. The agreement on trade, commerce, and transit, including the protocol, between the RGoB and GoI was last renewed on 12 November 2016. The protocol to the agreement on trade, commerce, and transit provides Kolkata and Haldia Port for seaborne trade and Dhubri as the riverine route. Bhutan is exploring alternative rail links to Gelephu, Nganglam, and Samdrup Jongkhar as the previous rail link through Samtse failed due to land issues in West Bengal.¹⁵ Entry/exit points for import and export of goods to and from Bangladesh are Changrabandh, Fulbari, Dawki, Dalu, Jogighopa, Pandu, Dhubri, and Gasupara. One more is on request at Agartala for the transit of goods to Bangladesh. Similarly, the road route for Nepal is Panitanki, and the rail freight route is Raxual.

The AoT with Bangladesh provides duty exemption for 18 products. The agreement was upgraded to Preferential Trade Agreement (PTA) and signed on 6 December 2020. It provides for a 100% margin of preference of tariffs and para tariffs for 16 additional products once the PTA becomes operational. The PTA also strengthens cooperation in TBT, such as standards, technical regulations, and conformity assessment, including the mechanisms for mutual recognition agreements (MRA) in mutually agreed areas. It also facilitates cooperation in the field of SPS measures and explores the possibilities of MRAs in SPS-related areas. Other areas included are customs cooperation and trade facilitation.

The entry/exit point agreed upon for trade with Bangladesh are (i) Noonkhawa (ii) Nakugaon (iii) Haluaghat (iv) Banglabandha (v) Burimari (vi) Hazrat Shajalal International Airport, Dhaka (vii) Shah Amanat International Airport, Chittagong (viii) Tamabil besides seaports of Mongla and Chittagong. The MoU on the Use of Inland Waterways for Transportation of Bilateral Trade and Transit Cargoes between the governments of Bhutan and Bangladesh was signed on 18 April 2017. The MoU designates Chittagong and Mongla Ports for seaborne international trade of Bhutan, including the following coastal and inland water routes i) Chittagong-Chandpur-Mawa-Aricha- Sirajganj -Chilmari-Daikhawa ii) Mongla-Kawkhali-Barisal- Chandpur-Mawa-Aricha- Sirajganj - Chilmari-Daikhawa and Narayanganj river port as the Port of Call. Protocol to the Agreement on the Movement of Goods in Transit between the Government of the People's Republic of Bangladesh and the RGoB is under negotiation. It seeks to expand the entry/exit points to enable the effective use of the riverine route for the export of goods to Bangladesh and the transit of goods to international markets.

¹⁵ Tenzin Lamsang. 2022. Bhutan explores rail links to Gelephu, Nanglam and SJ as Samtse link fails. The Bhutanese. <https://bit.ly/3tDp59t>

There is no formal trade agreement with Nepal, but negotiations are underway with three rounds of bilateral negotiation concluded so far, which has led to the drafting of an agreement for further negotiation and finalisation. The next round of trade talks is expected to happen in 2022 to finalise the agreement. Despite the lack of a formal bilateral trade agreement, trade between Bhutan and Nepal has witnessed growth over the years.

A Trade and Economic Cooperation Agreement between the Government of the Kingdom of Thailand and the RGoB was signed in December 2013. A Joint Trade Committee was established as per the provisions of the agreement. The committee holds bilateral consultations on an annual basis. Work on the negotiation of a bilateral trade agreement has also been initiated.

Currently, the country has only two bilateral trade agreements with India and Bangladesh and is a party to one regional agreement, SAFTA. The BIMSTEC negotiations on trade in goods have not been concluded, and accession to WTO remains suspended. Beyond the South Asian region, Bhutan does not have any bilateral or multilateral trade agreement with any region or country. The only country with which Bhutan has initiated trade negotiations is Thailand. The niche product export to developed countries currently enjoys preferential access through modes such as Everything But Arms (EBA), Generalised System of Preference (GSP), and GSP for LDCs. After LDC graduation, these exports can be affected as and when the preference for LDCs is withdrawn unless alternative arrangements are implemented. The DTISU 2020 points out that the “largest export reduction of Bhutan post-graduation will be to the EU market.” Similarly, Bhutan will lose preferential access for 73% of the tariff lines in Thailand¹⁶ when the duty exemptions are lifted.

d. Trade Facilitation

Trade facilitation refers to the simplification, standardisation, and harmonisation of procedures and associated information flow required to move goods from sellers to buyers and make payments. It is a cross-sectoral activity that requires coordinated development of associated facilities and delivery of services. The Business Process Analysis¹⁷ under EU Trade Support Project carried out by ITC to export cardamom to Bangladesh revealed the requirement of 19 documents from public sector agencies, including one-time procedures. Although Bhutan improved its ranking remarkably over the years, positioning itself at 30th in Trading Across Border in 2020 out of 183 economies, its performance in Logistics Performance Index remained low at 149th out of 160 countries in 2018.¹⁸ In cognizance of the need to build infrastructure and facilities to boost trade and export, the RGoB implements projects as part of the 12th FYP programmes. The DoT is undertaking export promotion activities to develop dry ports, promote Brand Bhutan, trade fairs, e-infrastructure development, and trade facilitation activities.

The DoT facilitates the organisation of in-country trade fairs and participation of the private sector in external trade fairs to promote person-to-person contact and expand the export market. The pandemic has disrupted such events since 2020. Currently, the DoT is

¹⁶ DTISU 2020

¹⁷ Logistics Performance Indicator. The World Bank Group. <https://bit.ly/3KDZmns>

¹⁸ Logistics Performance Indicator. The World Bank Group. <https://bit.ly/3KDZmns>

participating in the Dubai Expo 2021. A Trade Information Portal has been developed with technical support of the International Trade Centre (ITC) and it has been launched to ease access to information on export/import guides and procedures, tariff and non-tariff measures, information on preferential treatments, market access requirements, market analysis tools, and trade statistics, among others. The portal provides information to exporters on the importing countries' requirements submitted to WTO but does not provide real-time information such as exemptions or policy updates.

The EDP 2016 identifies strategies to promote Bhutanese industries and products globally by branding based on the strengths and competitive advantages. The work on developing the Brand Bhutan Strategy was carried out through the financial support of UNDP. The Brand Bhutan Strategy was developed with the Brand Bhutan Logo and the 'Made In' and 'Grown In' sector brand logos. Implementation tools such as the Brand Messaging Matrix, the Brand Guidelines, and the Brand Implementation and Governance Plan have also been developed. Currently, the DoT is working towards operationalising the Brand Bhutan Strategy.

Modernisation and harmonisation of customs procedures form a critical component of trade facilitation towards minimising the time and costs associated with the movement of goods within the country and through transit points. The RGoB ratified the Revised Kyoto Convention (RKC) on Simplification and Harmonisation of Customs Procedures and enacted the Customs Act in 2017, aligning provisions and regulations with the RKC and other international best practices. The Customs Rules and Regulations of Bhutan were revised and adopted in 2017. It outlines export procedures. The Electronic Customs Management System (eCMS) is being developed and expected to be launched by July 2022. Once operationalised, it is expected to have the capacity and provision for online declaration, online payments, advance declaration, risk management, and reporting functions. The system is viewed as a critical component in developing the National Single Window (NSW), which was initiated but subsequently dropped. Other initiatives that impact trade include the development of the Bhutan Integrated Tax System (BITS) to streamline tax administration which is also expected to be launched in 2022. Customs Road Cargo Manifest System (CRCMS) was launched in 2021 for online registration of vehicles to ease the movement of imports.

A mini dry port in Phuntsholing, the commercial gateway, has been completed and operationalised. Three new dry ports in Pasakha, Gelephu, and Nganglam covering the western, central, and eastern trade routes are at various stages of development. The dry port in Pasakha is at an advanced stage and is expected to be completed by 2024, whereas the other two are still in the preliminary stage of design, drawing, and tendering. With over 65% of exports exiting from Phuntsholing, there is a shortage of storage and warehousing facilities at the exit point.

While there are activities underway to strengthen the trade facilitation services, the export sector faces constraints in terms of inadequate storage and warehousing at exit points, lack of specialised storage and processing centres for perishable products, delay and congestion in transit corridors, manual processing of export documents and high transport cost, among others. Apart from the mini dry port in Phuntsholing, there are no dry port facilities for processing exports for products moving out of Samste, Gelephu, and Samdrup Jongkhar.

Exporters face inadequate clearance facilities at transit gates as the internet connectivity is weak, parking space is limited, and all personnel for inspection are not stationed at the gates, delaying vehicle movement. The long holding time owing to delay and congestion is one of the major issues facing exporters. The restrictions have further accentuated the challenge during the pandemic. The movement of goods along the transit routes is often disrupted by frequent inspections, local issues, on-road usage, and movement timing. For seaborne consignments, Bhutanese exporters depend on only two seaports at Haldia and Kolkata. The long distance to seaports adds to the time and cost of goods destined to third country markets. The alternative riverine route and access to the seaports of Mongla and Chittagong in Bangladesh face infrastructural and operational issues. The Business Process Analysis notes that the average speed is 9 km/hour with delays and 15 km/hour without delays, generally taking five days to transport goods from the Bhutan exit point to Kolkata. The average speed along the Phuntsholing-Jaigaon-Burimari corridor is 5 km/hour with delays and 16 km/hour without delays, requiring 26.5 days to deliver the goods. That adds to the cost of product competitiveness.

Documents required for processing exports, such as Certificate of Origin, are processed manually. The requirement to produce several copies of the documents for moving a consignment through transits makes the export process highly cumbersome. For example, ferrosilicon exports to Europe require 19 documents and 94 copies¹⁹ to be processed and submitted at different points in the movement of export consignment. A system is not in place for the electronic filing of these documents and for guidelines on processing different documents in a single portal.

A common issue for small-scale producers and the CSI sector interested in entering new markets is high transportation costs. While existing e-commerce platforms have passed on the shipping costs to the buyers abroad, it makes the sale of several products unfeasible as the shipping costs outweigh the product cost.

The business sector continues to depend on an expatriate workforce to meet the requirement in both skilled and unskilled categories for production and service sectors. The shortage of human resources became severe during the pandemic and was highlighted as the most common constraint by the stakeholders.

e. Standards and Certification

The level of export is contingent on the ability of the exportable products to meet the Non-Tariff Measures (NTMs) of importing countries required in the form of Sanitary, and Phytosanitary (SPS) and Technical Barriers to Trade (TBTs) imposed through the requirement of product certifications on various aspects of the product quality and composition. These services are provided by BAFRA for agricultural and food products and BSB for other products such as civil and electrical products.

¹⁹ Business Process Analysis of Export of Ferro Silicon from Bhutan to Third Countries, UNESCAP, 2017.

i. Sanitary and Phytosanitary Measures

BAFRA is the national certification body for food and agricultural products. It implements product certification in conformity with ISO IEC 17065:2012 to provide a third-party certification mark. It is accredited by NABCB (India) for packaged drinking water, packaged natural mineral water, and fruit juices. BAFRA currently facilitates food products for export by testing them, after which exporters can use the test results for obtaining a certificate from importing countries.

As India remains the primary export market, exporters have to first register with the Food Safety and Standards Authority of India (FSSAI). The results of the test conducted in the National Food Testing Laboratory (NFTL) are sent to FSSAI to enable export products to enter the Indian market. Since 2017, India has mandated agricultural products intended for export to India to have a plant quarantine order, which means the products have to undergo a pest risk analysis (PRA), which is a lengthy and technical process that can take between two and three years for one product. After completing the PRA, the RGoB has to notify and undertake bilateral discussions with the GoI. BAFRA has completed the PRA for 14 products and is currently carrying out PRA for 24 more products. In accordance with sections 26 and 39 of the Food Rules and Regulations of Bhutan (2017), BAFRA issues food safety licences to enhance food safety and to develop the food industry to meet minimum hygienic requirements for food businesses and procedures for licensing food-related businesses and operators. Food safety licences have been issued since 2017. To date, there are 70 businesses with food safety licences.

In general, the certification of BAFRA is accepted by border control as per the feedback received from the exporters. However, there are hiccups in transit as BAFRA does not have upgraded facilities and advanced technical competence for a complete range of testing and certification required for products. Additionally, the agency does not have MRA with outside agencies. While BAFRA has small satellite labs in the towns bordering India, including Samtse, Samdrup Jongkhar, Nganglam, Phuntsholing, and Gelephu, these labs are primarily used for testing livestock. Food is tested using rapid test kits procured from abroad, whereas the import of plants relies on the accreditation of the exporting country. While BAFRA needs to build its food and plant testing capabilities, the authority is constrained by limited finance and manpower.

The MoAF launched Bio-Security and Food Safety Strategy and Action Plan (2021-2028) in June 2021, which aims to create a 'firm foundation to guide the biosecurity prevention, preparedness, containment, service delivery, and collaborations required to protect the economic, environmental and social assets on which Bhutan's prosperity depends.' The implementation of the strategy and action plan with six strategic goals will strengthen the capacity of BAFRA in prevention and preparedness, adoption of evidence-based solutions and best practices; knowledge-sharing system for early detection; partnership, collaboration, and engagement; and sustainability and consistency of actions. These are expected to enhance the capacity of BAFRA in addressing certification requirements for agriculture and food products. The strategy captures the critical components in building bio-security and food safety testing facilities, enhancing the capabilities of the staff and strengthening the overall infrastructure and reach. The successful implementation of the strategy will be key

to boosting the market for agriculture and livestock products, which, studies have revealed, have growth potential. In the context of export, the strategy identifies the need to ‘Enhance partnership, collaboration, and engagement’ and seeks to initiate the signing of an MoU/ Mutual Recognition Agreement (MRA) with counterparts in India, Bangladesh, and Thailand.

ii. Technical Barriers to Trade

BSB, established as an autonomous agency in 2010, is responsible for setting standards, metrology, conformity assessment certification, accreditation, and trade facilitation. It serves as the inquiry point for TBT and is accredited as per the international standard ISO/ IEC 17065:2012 for TMT reinforcement bars, cement, and bitumen emulsion granted by the NABCB (India). Similarly for metrology, it is accredited to ISO/IEC: 17025 by India’s National Accreditation Board for Testing and Calibration Laboratories (NABL), covering mass and length. The agency is actively involved in the assessment and registration of brands imported into the country to ensure the import and usage of quality products and the assessment of quality of Bhutanese manufactured goods. The BSB website lists these products along with the brand, manufacturer, factory location, certification validity, dealership details, and certificated number. This includes three categories of approved products²⁰ that include the following:

- i. Electrical products – 4 categories and 6 sub-categories. The categories include wires and cables, LEDs, batteries/cells, and elevators.
- ii. Civil products – 15 categories and 61 sub-categories. The categories include boards and ply, pipes and fittings, tanks, steels for structural purposes, reinforcement steel, roofing sheets, gabion mesh, cement, concrete bricks, blocks and others, bitumen, tiles, and glass fiber reinforced, insulated panels for buildings and putty.
- iii. CSI products – 5 categories and 6 sub-categories. The categories include pencils, incense, handmade paper, sanitary napkins, and raw silk.

As India remains the primary export destination for Bhutanese goods, BSB has signed several MoUs with the GoI to allow the entry of Bhutanese goods to the Indian market although there have been a few hiccups at the border entry points. While a bilateral cooperation agreement (BCA) has been discussed since 2015, it has not come to fruition to date. After the completion of four phases of BCA, it only resulted in the recognition of test results from Bhutan without assuring the entry of Bhutanese exports to the Indian market. The BSB is currently planning to sign an MRA with India, which will enable the personnel from the Bureau of Indian Standards (BIS) to visit the laboratories and testing centres in Bhutan to determine whether Bhutanese laboratories and testing centres meet the requirements of the Indian market. The signing of the MRA would mean that the tests conducted on listed goods will be bilaterally discussed in the formulation process of the MRA²¹, recognised and allowed for free entry to India and vice-versa.

As CSI products have been prioritised in the 12th FYP, BSB has developed standards for 20 CSI

²⁰ The approved products were updated as of 12 January 2021, from bsb.gov.bt.

²¹ The listed goods will be bilaterally discussed in the formulation process of the MRA.

products as part of the CSI Flagship Programme in November 2021.²² While the development of standards normally takes 14 months, BSB was able to do it in six months. The Bhutanese production continues to remain regional markets-oriented. Where a product requires compliance to SPS and other NTMs in the export markets, it is met by obtaining certification from the agencies in the export market or through third-party testing and certification. Based on 2017 data, the DTISU 2020 report notes that indicatively ‘there are 1,382 products under TBT and 629 products under SPS in India’. For export to India, a certificate from a recognised laboratory under FSSAI is required for food and agricultural goods, while BIS certification is required for other products falling into the mandatory certification scheme. With the introduction of IGST in India, there is an increasing requirement to fulfill certification, including various product-specific NTMs. An issue faced by Bhutanese cement exporters is that they are required to pay marking fees despite BSB having the accreditation for cement.

Product certification is a general problem facing exporters as the capacity of the certification agencies is inadequate to meet all the export requirements including direct certification from the agencies concerned in the importing countries or through third-party certification. Currently, BAFRA and BSB laboratories give accreditation for certification of only three products each. Further, these agencies do not have MRA with corresponding agencies in the export market. As a result, certifications issued by these agencies are not recognised by the customs and border control authorities in the export markets. Exporters, therefore, have to register with the certification agencies in the target market and obtain certificates, which is time-consuming and costly. In certain cases, exporters pay marking fees annually or on a unit basis for exporting goods.

As standards are voluntary and not mandatory, there is a need to increase awareness of the importance of adopting standards as goods will need to meet the standards set by the importing country. As the country gears up for economic diversification, the role of quality infrastructure becomes pronounced and critical as part of trade facilitation and the overall quality enhancement of Bhutanese products. The two agencies face constraints in terms of technical and infrastructural capacity to provide the full range of services. Concluding MRAs with the trading partners and the accreditation of Bhutanese standards agencies by regional and international standards bodies will increase the capabilities and the international recognition of BSB certification.

3.6 Coordination

Trade is cross-sectoral, requiring strong collaboration, cooperation, and coordination among different agencies, particularly among the customs authorities, certification agencies, the private sector, and financial institutions. Recognising the need for a platform for coordination, a National Trade and Transport Facilitation Committee (NTTFC) was established in 2013 as part of the SASEC project to coordinate trade facilitation activities. However, with the completion of the project, the role and frequency of meetings have reduced in recent times. In the absence of a proper institutional framework and legislation specific to external trade, activities are carried out more from the perspective of the individual, institutional framework and target, and not specifically for the overall promotion of export.

²² CSI Flagship Programme, Progress Update, November 2021, DCSI.

As a coordinating body, the DoT has a broad mandate that includes domestic trade, market access negotiations, and external trade. But it faces a shortage of professionals in almost all areas. While several agencies, both within and outside the government are implementing export promotion projects, there is no established coordination mechanism for integrating and consolidating activities at the national level. For instance, DCSI, under the flagship programme, is collaborating with DAMC, BAFRA, BSB, APIC, and DoT to implement various activities related to product development and market promotion. EU-Trade Support Project supports APIC and DAMC in product development and marketing of textiles, handicrafts, and agro-products. These are project-specific activities whose components, such as the e-commerce platform, branding, and packaging, have the scope for integration, which can be extended to other export products and gradually build the system.

3.7 Access to Export Finances and Incentives

The central bank has initiated several activities to support business growth. They include the introduction of a minimum lending rate in 2016 in place of base rates, which created a platform for angel investors, promoted microfinance institutions, established domestic and international payment gateways, and digitised the payment system. With the establishment of the interconnection of Bhutan Financial Switch with the Rupay network and the launch of the second phase Rupay card in 2020, cross-border digital payment integration has been enhanced.

However, there is no concessionary credit for exports except for short-term financing from CSI Development Bank for seasonal and non-seasonal exports at an 8% interest rate up to a maximum of Nu 5 million and export packaging credit from the Bank of Bhutan at 9.5% for one year tenure to exporters. In terms of incentives, the Fiscal Incentives Act 2021 does not have specific provisions for export.

4. Export Strategy

Bhutan's development is anchored in the philosophy of GNH. It is a multi-dimensional development approach to achieve a harmonious balance between material well-being and the spiritual, emotional, and cultural needs of society. The long-term development vision pursues GNH as stated in the draft 21st Century Economic Roadmap.²³ Towards operationalising the vision, five core areas have been identified, which include building a strong and inclusive economy, improving the regulatory environment, bridging the technology divide, building a knowledge-based society, and reaping the demographic dividend. Similarly, for the medium term, 12th FYP sets out the objective as 'Just, Harmonious and Sustainable Society through enhanced Decentralisation.' A set of 17 NKRAs and lead agencies chart out how to implement the plans and programmes to achieve the set objective. Among the NKRAs, economic diversification and poverty reduction feature high on the economic agenda.

Small economies have limited scope for reliance on the domestic market. It does not provide economies of scale in production and product development, which necessitates export-

²³ 21st Century Economic Roadmap: A dynamic, prosperous, sustainable, and inclusive economy by 2030. 2020. Gross National Happiness Commission. Royal Government of Bhutan.

oriented production and marketing through increasing market access, building export infrastructure, and providing requisite support to meet the specifications required by the external markets. The RGoB, through several debates and studies, has determined five jewels as the priority sector for growth that will require a more collective approach in building the supporting institutions and stimulating investment to move up in the value chain. The growth strategy for Bhutan should, therefore, account for the country's resource endowments that include labour and capital, after which the country should, in the short-run, pursue industries/sectors in which the country has a competitive advantage relative to its largest trading partner, India. The government should account for a competitive advantage in producing certain goods relative to India to ensure maximum economic efficiency. The comparison for competitive advantage is vital, as the development of an industry that is less competitive than the Indian market would lead to this industry experiencing little to no growth as it would be dependent on the small domestic market rather than having the potential to increase in scale by taking advantage of the large Indian market.

4.1 Principles of NES

The strategy is built on the following principles:

- **Collaboration:** Several stakeholders are involved in the export process, both public and private. Agencies shall work in close collaboration to create an enabling environment for export and implement related programmes and projects.
- **Shared responsibility:** Stakeholders shall take responsibility for implementing identified activities in a coordinated manner.
- **Responsiveness:** The export sector is seen to witness abrupt disruption due to changes in policies and procedures in the export market. The coordinating agency shall be proactive and responsive in addressing the challenges.
- **Efficiency in service delivery:** Service delivery shall be enhanced by increasing the use of ITES and online platforms.

4.2 Strategies and Activities

The following seven strategies have been identified based on the review of the current export environment, constraints, stakeholder feedback, and prospects for growth to address the impediments and build export capacities in related sectors. The strategies are laid out with activities to be pursued to achieve the desired objectives.

Strategy 1: Strengthening Institutional Capacity and Coordination

The export sector is cross-sectoral, which necessitates the simultaneous implementation of programmes and projects related to export to address the current impediments and build a robust environment for the growth and diversification of exports in the years ahead. This requires concerted efforts across the agencies to collectively assess and identify measures necessary to alleviate the sector's constraints in a coordinated manner.

Activity 1: Strengthen the Export Promotion Division

The Export Promotion Division (EPD) under the DoT is the focal agency for coordination and promotion of exports with the responsibility for facilitation of exports, formulation of export policy, simplification of procedures, dissemination of trade information, organisation of trade fairs, undertaking market research and analysis, and implementation of export-related projects and programmes. The EPD is currently engaged in the implementation of major projects, namely the implementation of Brand Bhutan, the development of three dry ports, and coordination and participation in trade fairs besides its regular facilitation services to exporters. However, the EPD has only five officials to manage the whole spectrum of activities, thus facing an acute shortage of key officials to implement the activities. For instance, the implementation of the Brand Bhutan project has faced significant delay due to the shortage of project officials. The EPD should review and assess the manpower and competency requirement and recruit the required manpower to deliver its mandated activities and orient its focus in the core export promotion activities.

Activity 2: Establish a coordination mechanism for export-related issues

The DoT under MoEA is the designated central agency for export promotion and facilitation. Inter-sectoral coordination is critical to building an enabling export environment. The NTTFC, established as part of the SASEC Trade Facilitation Programme of ADB, provided a platform for coordination and sharing of information on trade-related issues focusing on fostering regional integration. However, the committee has not convened any meeting for over a year.

As export promotion and diversification links back to the objective of economic diversification that is a focus area of the government and to the LDC transition period to build a sustainable and resilient economy, there is a need for institutionalisation and continuation of the trade facilitation committee at the national level to address the constraints and consolidate and support export promotion activities across the agencies. NTTFC should be reactivated under the chairmanship of the secretary of the MoEA with the DoT serving as the secretariat. The committee secretariat should form a part of the organisational structure of the DoT with the requisite budget and manpower. The current membership and terms of reference of NTTFC that represents the relevant agencies and activities could be adopted. The inclusion of BEA as a member of the committee should be considered.

Activity 3: Implement an Export Flagship Programme in the 13th FYP

Export is a cross-sectoral activity requiring collaboration and coordination among several agencies. An analysis of efforts of various sectors revealed several initiatives and strategies developed across sectors to promote and boost export. A collective approach to building national consensus and export focus is necessary to reinforce the efforts of related agencies so that the resources and manpower are utilised to yield the intended results. Priority export promotion activities across the sectors could be taken up under a Flagship Programme that provides due national level priority in fund allocation and execution in a coordinated manner. The RGoB should consider export promotion as a flagship programme in the 13th FYP to build an export promotion ecosystem.

Activity 4: Develop a legal instrument to guide the growth of trade and investment

In terms of policies and laws, the provisions of EDP 2016 continue to guide the business sector development although it expired in 2020 and has not been revised. The trade and investment sector continues to operate without a legal framework. Instead, the sector operates on rules and regulations and sector-specific policies, namely the FDI Policy for promoting foreign investment and CSI Policy for CSI sector development. There is no sector-specific policy on trade. There are legal debates on the legality of the rules and regulations in the absence of an enabling Act. While providing flexibility on the part of the regulatory agencies, policies often do not provide a level of confidence for policy stability. The Trade and Investment Bill, once enacted, will provide the enabling provisions for bye-laws as well as strengthen the confidence level in the stability of the policy environment.

Activity 5: Use Economic Diplomacy to promote investment and export

Economic diplomacy assumes a significant role in foreign relations. Countries design and implement economic diplomacy strategies to support domestic economic growth. Cambodia recently rolled out Economic Diplomacy Strategy (2021-2023)²⁴ to promote international trade, attract FDI, promote tourism, and promote cultural and sports exchanges. The linkage between the trade representatives in the missions and export promotion agencies in the country could be strengthened through information sourcing and sharing mechanism on the policy and procedural changes in the target market, market analysis for export products, investment promotion, and fostering linkages with potential business associations, market promotion and market launches of Bhutanese goods abroad.

Activity 6: Proactive engagement of the private sector in regulatory reforms

Proactive consultation and engagement of the private sector in the formulation and revision of policies, regulations, and procedures are essential to avoid abrupt disruption of exports. In addition, there is a need for capacity building and technical support of key private-sector agencies, namely BCCI and BEA, in generating export-related information and dissemination to the members.

Strategy 2: Expansion of Trade Infrastructure and Improvement of Logistics

The shortage of storage and warehousing facilities, inadequate infrastructure in transit points, traffic congestion along transit corridors, manual processing of export documents, and limited access points for seaborne consignments, among others, adversely impact the full realisation of export potential in the existing markets. To expand trade, the development of export infrastructure within the country needs to be prioritised while simultaneously pursuing expansion and improvement of infrastructure in transit corridors through bilateral consultations.

²⁴ <https://bit.ly/35pzknX>

Activity 1: Strengthen and disseminate export information

The Trade Information Portal provides a platform for assessing market potential and standards required to enter different markets. The portal could be enhanced to provide real-time information with updates on policy changes in the target market, procedures, and information related to export in a single location. Further, the DoT should create private sector awareness to encourage the use of information that can guide the investors in determining the product specifications and standards required for specific markets.

Activity 2: Develop and operationalise export infrastructure

The development of three dry ports has been initiated in Pasakha, Nganglam, and Gelephu, which will significantly enhance the availability of facilities for warehousing, storage, and transshipment of goods. The MoAF plans to build facilitation centres close to the dry ports and packhouses in different locations to provide product packaging and preparation facilities prior to export. The ministry has proposed the establishment of a packhouse facility in Pasakha to facilitate the exports of agri-produce from eight dzongkhags to ensure that the produce reaps the highest returns with proper cleaning, grading, and packing. The packhouse is estimated to cost Nu 267.46 million that would include infrastructure development, capital and machinery, and consultancy fees.²⁵ Prioritisation of the development of these facilities and operationalisation will be essential to meet the rising demand for export processing of goods to enhance the volume of exports. The RGoB may solicit private sector interest in the development and operation of these facilities and keep the option open for outsourcing the management of the facilities at a later stage.

Activity 3: Establish a National Single Window

Exporters have expressed the need for electronic clearances to enhance efficiency in obtaining various clearances and documents required for foreign trade. Currently, there are online systems for certain services, while others are obtained manually from different agencies. National Single Window is a portal through which traders can submit all trade documents and access all relevant information regarding trade through a single electronic gateway. The establishment of NSW has emerged as one of the effective tools of trade facilitation for cross-border trade, wherein such platforms have even been integrated at the regional level. The upgradation of platforms, namely eCMS, Bhutan Income Tax System, IBLS, International Trade and Transaction Recording System (ITTRS), digital payment, trade portal, and establishment of International Payment Gateway, have enabled traders to use the online platforms for various trade-related services. The work on the establishment of NSW should be taken forward.

Activity 4: Provide concessional air freight for exports

With the increasing adoption of marketing through e-commerce platforms and the growing efforts of different agencies to reach out to niche markets, timely delivery of goods becomes critical. Currently, no cargo flights cater to the movement of outbound commercial goods.

²⁵ Proposal for Establishment of a packing-house for cleaning, grading, and marketing of horticulture crops. (2021). Ministry of Agriculture and Forests, Royal Government of Bhutan.

Coordination and arrangement of cargo flights at concessional rates will be imperative to expand the export of Bhutanese products, particularly agro-products, handicrafts, and CSI products that move in smaller quantities. If cargo flights are not feasible, the freight rate for export goods should be subsidized to facilitate the expansion and diversification of trade and export.

Activity 5: Establish electronic exchange of export documents

There is a requirement to produce several copies of the documents for moving consignments through transits. For example, ferrosilicon export to Europe requires 19 documents and 94 copies²⁶ that need to be processed and submitted at different points in the movement of export consignments. A system for electronic filing of these documents through harmonisation of documentation and procedures with key trading partners will significantly reduce the waiting time and related costs at transit points.

Activity 6: Pursue bilateral cooperation in alternative modes of transport

The transportation of goods within the country is dependent on road transport, which raises the cost of production and lowers the competitive edge. The lack of bulk transport facilities to export markets adds to the cost of products as there is no railway link or inland waterway.

The extension of the railway link from India to the southern border, although approved in principle, remains under discussion. The finalisation and development of railway connectivity will boost the movement of goods to and from India. Similarly, bilateral negotiation with the GoI to use railway facilities for the transportation of goods from the nearest Indian railway link to Bangladesh could be explored.

The inland waterway through Brahmaputra riverine system based on bilateral agreement between the RGoB and GoI and RGoB and Bangladesh provides an alternative mode of bulk transport that will facilitate the movement of goods to Bangladesh and international markets through Mongla and Chittagong seaports. Operationalisation of new transit points at Jogighopa and Pandu and the development of facilities both on the Indian and Bangladeshi side, along with border control facilities, will pave the way for broadening the trade volume. The finalisation of the Protocol of Transit Agreement with Bangladesh is currently underway. Railway linkages and facilities, requisite infrastructure in transit points, and the operationalisation of new transit points assume profound importance and should be taken forward in bilateral negotiations and cooperation with India and Bangladesh.

Strategy 3: Improving Standards and Biosecurity Capabilities

The country has adopted best practices such as BAFRA aligning the requirements of its standards with Codex Alimentarius and BSB, creating standards for products requested by the private sector. However, further upgrades for existing facilities and receiving accreditation for the NFTL for BAFRA, upgrades and outreach capabilities, and signing of MRAs with India for BSB would further enhance the standards capabilities of the country.

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Activity 1: Upgrade standards and certification

Most manufacturing enterprises continue to obtain product certification from agencies in the export market or bear the cost of third-party inspection during export. BSB has developed over 300 standards,²⁷ but the link between export products and product standardisation and certification remains weak. The BSB does not receive feedback from exporters on the issues they face in meeting the standards and certification in the export market. Export-related issues are channeled through BCCI and DoT to be taken up with relevant agencies for resolution. They are generally taken up on a case-by-case basis. With the implementation of mandatory certification for products, several industrial goods that otherwise are dominant exports face difficulty in meeting the requirement. This is further exasperated by the restriction on the movement of people, wherein obtaining certification of products from the Indian laboratories has come to a standstill. Cement, and PVC pipes, among other civil engineering products, incur additional expenses such as marking fees on a tonnage basis or lumpsum payment to the standards institutes to meet the requirement.

BSB develops standards based on private-sector demand. Additionally, the adoption of the standards is voluntary. However, as product certification has emerged as one of the main constraints in the export of products and in pursuit of the trade facilitation role of the BSB, the agency should develop standards and establish testing facilities for main export products. The DoT shall coordinate with BCCI and BEA to identify priority products for the development of standards and testing facilities in a phased manner.

Activity 2: Expand BSB's outreach and capabilities

As Bhutan is in the early stages of standards enforcement, the RGoB should incrementally begin to enforce standards to improve the standards of local goods/products. The gradual development of standards enforcement would allow domestic industries to build capacity, which would make the local industries capable of exporting their goods/products to foreign markets. While the establishment of full testing facilities for all exportable products may not be feasible owing to lack of economies of scale in production and export, facilitation by BSB in the testing of the products from recognised laboratories in the region will reduce the burden on individual industries to process certification.

Activity 3: Enter into Mutual Recognition Agreement with trading partners

The GoI has agreed to consider MRA in the recent bilateral consultation. The signing of the MRA with the major trading partner will be a significant step forward in enhancing bilateral cooperation in product certification and facilitation of bilateral trade. The negotiation on MRA should be prioritised and pursued.

The signing of an MRA with GoI is underway. The MRA will pave the way for strengthening the coverage and capacity of the BSB in the facilitation of exports to India.

²⁷ Standards developed by BSB as of November 2021.

Similarly, in pursuance of the PTA provision under **Article XI on Technical Barriers to Trade clause (2)**, ‘the bilateral cooperation shall include, but not limited to opportunities to promote technical cooperation between regulatory agencies such as information sharing, training program to improve and update technical knowledge of the concerned personnel of both the Parties, facilitate the acceptance of technical regulations and conformity assessment procedures in the most efficient way possible, including mechanisms such as Mutual Recognition Agreements in mutually agreed areas’²⁸ BSB should work towards establishing deeper linkages in sharing of facilities and information with counterpart agency in Bangladesh and signing of MRA.

Activity 4: Upgrade BAFRA’s satellite clinic at entry and exit points

BAFRA’s satellite clinics in Samtse, Samdrup Jongkhar, Nganglam, Phuntsholing, and Gelephu, these clinics are used for testing livestock. There is a need to expand the facilities at these clinics to accommodate the testing of food products and plants. These facilities lack the required testing capabilities because of limited finances and lack of manpower. BAFRA should consider making the necessary investments and prioritise these investments based on entry/exit points having the demand for these facilities. Upgrading these facilities could lead to smooth inflow and outflow of goods due to shorter turn-around time.

Activity 5: Continue efforts to widen the PRAs coverage in collaboration with the relevant agencies

PRAs is a lengthy process that takes at least two years. While the agencies have conducted PRA for 14 products and are undertaking PRA for 24 additional products, BAFRA, in collaboration with the DoT, DAMC, should continue these efforts to be prepared in the event of any new notifications from India in the form of Plant Quarantine Orders (PQO), and to enhance the readiness of agricultural produces having a competitive advantage relative to India for exports.

Strategy 4: Broadening of Market Access

The export trend shows an acceleration of export growth in countries where Bhutan has concluded bilateral trade agreements, as evident from the rise in trade volumes in India and Bangladesh. Various sectoral initiatives such as organic and CSI products are being taken to broaden market access for current export products and create market avenues for new ones. The negotiation of preferential market access in potential target markets assumes profound importance. The conclusion of ongoing bilateral negotiations and securing preferential access to new markets will be vital to diversifying Bhutanese exports. Additionally, studies have shown that exports to neighbouring markets such as India, Bangladesh, and Nepal can be augmented.

²⁸ Preferential Trade Agreement between the Republic of Bangladesh and the Kingdom of Bhutan. Signed in December 2020.

Activity 1: Prioritize bilateral trade negotiations with Nepal

Nepal is emerging as a potential market for Bhutanese products with which the country enjoys a positive balance of trade. The trade volume with Nepal saw a significant increase from 2016 to 2020. Since 2016, Bhutan has had a positive trade balance with Nepal. Due to the lack of a formal trade agreement, there is obscurity on market entry mode, use of currencies, entry/exit points, and movement of Bhutanese goods. To a great extent, current trade appears to be happening indirectly despite the rising value and volume of trade between the two countries. The consistency in the bilateral trade and positive trade balance over the last five years demonstrates the scope for increasing the volume of existing goods and the addition of new products once a bilateral trade agreement is established. A competitive market analysis carried out by ADB shows a range of products where Bhutan enjoys lower unit value but has a negligible share in the Nepalese market. The conclusion of a favourable bilateral trade agreement will pave the way for widening the regional export market for Bhutanese products.

Activity 2: Enhance bilateral cooperation in infrastructure development at transit points

The slow movement of vehicles, lack of fully-fledged facilities at border control stations, local disturbances, frequent checks, and limited infrastructure at transit points make the movement of export consignments through the transit corridor cumbersome. The majority of goods move by road. Traffic congestions lead to long holding periods, adversely impacting export levels. While the RGoB has been resolving the issues when they arise, there is a need for consultations and cooperation to strengthen facilities in the transit corridors. Exporters report that the congestion in Chandrabandh and Burimari makes the goods take as many as 15 days to cross the border. Bilateral cooperation in building necessary infrastructure at the additional exit/entry points is imperative to foster the smooth movement of goods to enhance the level of export to these significant trading partners. There is, therefore, the need for a higher level of bilateral cooperation in trade facilitation and logistics to enhance the speed of movement of goods through trade corridors. Enhancement of movement speed to 30 km/hour is estimated to reduce the transport cost by 67% as per the TTFMM study conducted in 2017 by UNESCAP.

Activity 3: Operationalise new trade routes

Four additional transit points for export to Bangladesh at Nagarkata, Agartala, Jogighopa, and Pandu were agreed upon in recent bilateral negotiations with the GoI. Operationalising these new transit points and building requisite infrastructure and facilities at all transit points will be necessary to move export consignments faster.

Activity 4: Pursue bilateral trade negotiation with the Kingdom of Thailand

Export to Thailand is taking place under the framework of preferential market access granted by the country to LDCs. After the LDC graduation, as and when this preference is withdrawn, DTISU 2020 has highlighted that Bhutan will lose the benefit for over 73% of tariff lines, which will adversely affect the export of agricultural and livestock products to Thailand. The potential export assessment by ITC indicates untapped market potential for ferrosilicon, silicon carbide, semi-finished products of iron and steel, and agricultural products. Although the current trade

volume between the two countries remains small, market access to the Thai market will **pave the way for testing and exploration of market potential for Bhutanese products** in the ASEAN region besides diversifying the export market. With enabling conditions, namely air connectivity, initiation of bilateral economic cooperation, and excellent bilateral relations in place, negotiation of a trade agreement with Thailand should be pursued.

Activity 5: Explore and negotiate preferential market access in emerging markets

After the LDC graduation, the country will gradually lose preferential access to the markets in which Bhutan currently enjoys duty-free export of goods. Exports have been increasing in the EU market. However, after the transition period, duty-free access will be replaced by standard GSP rates that will significantly increase the tariff, particularly for agricultural produce, medicinal plants, and animal feed unless Bhutan fulfills the requirement to qualify under the GSP+ scheme that requires ratification and implementation of 27 conventions. Bhutan has ratified only 12 of these conventions so far.²⁹ Prospective markets based on past export trends are the EU, Japan, and Singapore. Australia could emerge as a potential market for agricultural products, food, and spices in the future as there is a large number of Bhutanese living in the country.

Bhutan will continue to enjoy preferential access to these markets during the transition period. However, for retaining preferential access to these markets beyond the transition period, it will be important to engage at the bilateral level for an extension of the preferential access or negotiate bilateral trade agreements. Thus, trade negotiations to retain these markets and expand to other markets based on export potential should be continued.

Activity 6: Augment exports to existing markets

On assessing supply-side growth in the short- to medium-term, most products for exports are likely to be transport cost-sensitive in terms of product competitiveness. Further, to enable a product to gain maturity in meeting quality standards, market testing of a product is essential. The regional market provides an entry point for the products. The full potential of the export of current products to the existing market is not realised due to market entry barriers, namely logistics, SPS, and TBT, besides policy shifts in export markets. Based on the nature of the exportable product range, physical proximity, market access, and knowledge of the export market, the country's export will continue to rely on the regional market and, more specifically, on the neighbouring countries. Although the volume of exports to these countries has been increasing over the years, there is potential to enhance exports by resolving the limiting factors. The PTA with Bangladesh further provides preferential market access to additional 18 existing products that open avenue to augment the volume of export.

Activity 7: Broaden trade finance offerings and incentives

The banks in Bhutan do not have a dedicated scheme for export finance. While some banks do have export finance as a small segment of their portfolio, it lacks a portfolio exclusively for trade finance. There is a need for a credit window that will meet trade finance requirements

29 DTISU 2020 Update.

with concessions and/or incentives to promote trade and address export finance offerings for raw material (production), procurement, and transport. Most banks in Bhutan require collateral (except for microfinance institutions and the Priority Sector Lending Scheme), thereby disincentivising export businesses from upscaling. The banks should consider financing businesses based on export orders and export targets.

Strategy 5: Market Promotion and Branding of Bhutanese Products

With its excellent reputation for a green and pristine environment, Bhutan has an array of products that are in high demand in the global market. However, producers and manufacturers of these goods generally operate at a CSI scale, making it challenging to cater to demands in large volumes, coupled with the country's geography which increases transportation costs, thereby making exports unviable. Brand Bhutan acting as a launch platform in new markets through promotion, advertising, and distribution channels would develop and promote the exports, ensuring success for the country's approach to nation branding.

Activity 1: Operationalise Brand Bhutan and test market products

The Prime Minister's Office launched the Brand Bhutan initiative in February 2016 to develop an overall umbrella brand and sectoral brands to position and propel Bhutanese exports. Three brand logos have been developed: Grown in Bhutan for agricultural products, Made in Bhutan for manufactured products, and Happiness is a Place for tourism. They aim to package and place Bhutanese products that reflect the values of Bhutanese society, history, and GNH philosophy with the lead criterion applied for products Made in Bhutan as 'Premium goods, happily and sustainably made in Bhutan with uncompromised quality by reliable business partners.'³⁰ The TCB has developed a tourism policy and is promoting and branding the tourism sector for Bhutan.

As per the information available with the DoT, the groundwork for launching Made in Bhutan is at an advanced stage with the completion of procedural and selection criteria. The Rules and Regulations, Guidelines, and application system have been formulated. The brand is registered as a Collective Mark under the Industrial Property Rights Act 2008 for use by entities meeting the selection criteria. Operationalisation has been delayed primarily owing to the production and market disruption and manpower constraints in the DoT. As Brand Bhutan is in the inception phase, it is used as a standard-setting instrument which can be noted from the e-commerce platform.³¹ When Brand Bhutan is operationalised, the DoT must go beyond the current practice of standard-setting and move towards advertising and marketing the brand. This would facilitate Bhutanese producers to enter new markets through research on potential markets, after which extensive market promotion should be conducted. Market launches must be facilitated, including aggregating the products and sending them abroad.

30 Rules and Regulations for the Collective Mark, DoT, RGoB.

31 <https://www.bhutanmade.bt>

Activity 2: Adopt championing approach for niche produce

Brand Bhutan should be taken further by the DoT by expanding its reach beyond a standard-setting programme to aid in launching Bhutanese products in foreign markets. In the 13th FYP, the RGoB should adopt a championing approach for goods and products that the country is naturally endowed with or for existing sectors. The championing approach was chosen as Bhutanese producers and manufacturers are not competitive in prices relative to the international market. The DoT will have to assess export readiness and communicates with private sector parties interested in exporting goods that will be championed. The RGoB can implement the championing approach through the Brand Bhutan initiative, the country's approach to nation branding through Bhutan's reputation for its pristine environment, and the rich GNH developmental philosophy to empower the products and sectors chosen to be branded. The sectors that may be championed include (i) processed agri-produce and CSI sector and (ii) water.

The sectoral breakdown that the championing approach will be applied to is elaborated in the following section. The championing approach should be one of the main components of the export flagship programme. There are opportunities for exporting products to neighbouring markets such as India and Bangladesh. The DoT should assess the products³² with export potential and encourage businesses to upscale production.

Processed agri-produce and the CSI sector

The CSI sector would include high quality premium agri-produce and handicrafts. Significant challenges for several businesses in this sector include branding, market promotion, and market launches. OGOP has successfully supported interested farmers with packaging, branding, promotion, and launches. The RGoB should take the initiative to enter new markets as challenges include high cost of production, lack of economies of scale, high market entry barriers that result from lack of marketing, and high transportation costs. The RGoB will take the championing approach to ensure that new markets are entered through market promotion, including television and social media advertisements, pamphlets, and brochures to be distributed to the new markets to establish the Brand Bhutan name abroad. The RGoB should also aid in market launches, encompassing establishing a distribution channel that would account for aggregating the goods from different sellers and transporting them in containers to export destinations.

Water

Bhutan has the highest per capita water availability at 94,500 m³ per person per annum.³³ As of November 2021, Bhutan had 21 packaged drinking water companies, of which three exported bottled water. Mountain Spring Water has the largest market share in the country as it is the pioneer brand that started bottled water in Bhutan. As of 2020, the capacity of Mountain Spring Water was 7.425 million litres. While several registered packaged drinking water companies have tried to enter the neighbouring markets such as India and Bangladesh,

³² The products are listed in Annex II(a), II(b) and II(c).

³³ National Water Resource Inventory. 2018. NEC, RGoB.

they have faced major barriers to entry. Parties interested in exporting water to India can be aided by the Brand Bhutan initiative for market promotion and launch. The market size value of mineral water in India was USD 2,400 million, with a growth rate of 13.25%.

Activity 3: Promote Brand Bhutan in key markets

Together with launching the brand, the RGoB should consider exploring the use of Geographical Indicators (GI), which would benefit farmers located within the same geographical proximity and promote Brand Bhutan internationally as GIs would ensure the uniqueness of the 'Grown in Bhutan' products due to the product's distinct characteristics along with the products being grown in a pristine and clean environment. Countries globally have benefitted from GIs. Striking examples include the rare manuka honey from Australia and New Zealand, which had an estimated market size of USD 441.6 million in 2022.³⁴ The development of GIs will require Bhutan to become a signatory to the Lisbon Agreement which will benefit the country in terms of offering capacity-building for Bhutan to develop GIs. Further, to obtain IP protection in the target market, it will be essential to register Brand Bhutan in key markets, if not globally. Bhutan should develop GIs as it could lead to further development of Brand Bhutan globally and bring in revenues for the country.

Activity 4: Upscale export promotion activities

The Covid-19 pandemic has disrupted and slowed down export promotion activities both within the country and outside. Test marketing of agro-products is being tried by the MoAF in Malaysia and Japan based on goodwill to assess market acceptability and product development requirements. Participation of exporters and producers in trade fairs provides person-to-person contact that enables the building of business linkages and entry to new markets. There is a need to upscale the export promotion activities to foster the building of B2B contacts through organisation and participation in trade fairs/exhibition and promotion of Brand Bhutan through the media in major markets, namely the EU, USA, Japan, and Australia to create market avenues for niche-products (branded products, organic and handicrafts). Promotion of Brand Bhutan products abroad can be carried out by the trade-attaché position from the DoT in several Bhutanese missions. The determination of products and missions to aid in the market promotion and market launches of Bhutanese products will require interested private sector parties to contact the DoT regarding their interest and markets that have demonstrated demand for the products intended for export.

Activity 5: Incentivise and support export-oriented e-commerce activities

A total of 106 promoters have registered for e-commerce as of the end of 2021. Most e-commerce operators are engaged in importing goods, but few have established businesses with an exclusive focus on promoting and exporting Bhutanese products. While basic infrastructure such as payment gateways and a regulatory environment for the export has been put in place, the exporters face difficulties with logistics such as express services, storage, warehousing, and freighting goods. E-commerce is contingent on building trust in the export market in terms

34 Market Watch. Manuka Honey Market Trends 2022: Growth Status with Revenue, Regional Outlook, Top Companies, Size & Share, Opportunities with Challenges till 2028. 2022. <https://on.mktw.net/3r6PyKu>

of product quality, timely delivery, and communication on tracking of goods, offshore agents, and up-gradation of technology. Access to finances for investment in e-commerce logistics is highlighted as a major constraint as the conventional credit is based on asset values and not on intangible assets necessary for e-commerce.

Further, the access to foreign currency to meet operational costs is a requirement to meet the cost of storage, refund of goods, and international freight. Without access to credit card facilities for meeting all such expenses, it limits the confidence-building and upscaling of the e-commerce business. E-commerce enterprises exclusively engaged in the export of Bhutanese products should be provided support by providing soft credit to build e-commerce facilities, access to foreign exchange for market development, and technology upgrades.

Strategy 6: Building of Supply-side Capacity

The development of new products is contingent on resource endowment based on which investments are made in the country. Various studies to assess investment opportunities in the country have been undertaken based on which the RGoB has identified the five sectors, namely i) agriculture ii) hydropower iii) mining iv) CSI, and v) tourism as the economic jewels. The recent study 21st Century Economic Roadmap reiterates agriculture, manufacturing, and CSI as drivers and hydropower as an enabler.

The facilities, primarily infrastructure and space for manufacturing, are being expanded by establishing three new industrial parks, a mini-industrial estate, start-up centres, entrepreneurial support, and concessionary financing of CSI activities through the provision of grants, priority sector lending, and technology support. Similarly, through the organic flagship programme, four products, namely sweet buckwheat, bitter buckwheat, ginger, and turmeric, are provided end-to-end support for product development and test marketing to Japan and Malaysia to identify niche markets. CSI has prioritised 21 products for similar support. The commissioning of four hydropower projects under construction is expected to substantially improve firm power availability to meet the industrial demand, particularly in power-intensive large-scale enterprises. Other sectoral initiatives in the agricultural sector, and standards and certification complement product development and augmentation. The focus should gradually move to upscale production and product orientation to export markets.

Activity 1: Provide investment promotion services at the grassroots level

Industrial estates/parks have played a catalytic role in stimulating investment in the country. Currently, there are two operational industrial estates and three industrial parks nearing completion. Pasakha Industrial Estate has emerged as the industrial hub housing most of the operating large-scale manufacturing industries that contribute to industrial exports. The initial response of investors to the three new industrial parks has been encouraging. A few industries have already commenced operations even as a large number of promoters have been allotted plots. The central agency facilitates addressing issues faced by investors and industries in these facilities. There is no ground-level management team except for a technical officer and administrative assistant.

Industrial Parks house several industries in a single location, enabling easy outreach to a large number of promoters. The Industrial Parks' offices should be strengthened to include a business promotion portfolio that focuses on advocacy and awareness of the governing policies, procedures, incentives, and facilitation of business services.

Activity 2: Continue investment and export-related programmes

The 12th FYP programmes, including the Flagship Programmes, lay a foundation for strengthening the economic base. The upscaling and continuity of programmes related to product development, export promotion, and digitisation of services beyond the current plan will be crucial in building productive capacity and economic diversification.

Activity 3: Implement RNR Marketing Strategy

There is potential for enhancing the level of export of agricultural goods and expansion of agriculture-based exports through processing. As one of the five economic jewels, this sector has several initiatives underway to address the constraints faced by the sector in upscaling production, storage, and marketing. Scattered production and lack of adequate storage and processing facilities hinder optimal value realisation of products, wherein the exports have seasonal availability. The RNR Marketing Strategy comprehensively captures the issues and has identified areas of intervention to enhance production and market linkages both within the country and outside. The implementation of the strategy should be prioritised to build the requisite infrastructure and market linkages to boost production and value realisation.

Activity 4: Develop value chains

Production should be optimised for products with better returns. The current major sectors include agriculture, minerals, and industries. The exports from the agriculture and mineral sectors are predominantly in primary form, whereas the industrial sector exports intermediate goods. All the sectors should move up the value chain by value addition to ensure that they can reap higher returns. Energy-intensive industries, such as the ferrosilicon and steel industry, should be encouraged to value-add through forward and backward integration. Forward integration would include the development of downstream industries that can utilise the intermediate goods currently produced. The mineral and timber industries hold potential for the development of value-added products.

Mineral Sector

The mineral sector can be championed by conducting studies on potential industries' downstreaming, including the ferrosilicon and steel industry, whereby the identified products can be down-streamed with the highest returns and realisations chosen. As these two industries are energy-intensive, they enjoy the advantage of lower electricity tariffs relative to other countries in the region. The ferrosilicon industry should move up the value chain by producing and exporting value-added products such as ferromanganese, and the steel industry moving from producing and exporting steel ingots to producing steel bars. Moving up the value chain for both industries will bring higher returns.

Timber Industry

The timber industry has been identified as an untapped national resource in Bhutan. A forestry expert estimated that harvesting 1 million m³ of timber, which was 7.4% of the annual timber increment of 2018, could bring Nu 50 billion in revenue for the country. The processing of this timber into wooden boards could lead to revenues of Nu 194 billion per annum. While there has been push-back from conservation experts concerning timber extraction affecting national parks, this can be resolved as conservation experts can estimate annual timber extraction that is sustainable and stipulate the recommended harvest to total stock ratio. As of 2018, the country harvested only 3.7% of the annual increment, which was 0.05% of the total growing stock.³⁵ A forestry expert stated that overstocked forests led to a myriad of ecological problems that could be prevented with a proper harvest to stock ratio.

Activity 5: Establish an agency for investment promotion

Past trade and investment-related studies have identified the need for and recommended the establishment of an Investment Promotion Agency (IPA). The DTISU 2020 and draft 21st Century Economic Roadmap recommend the establishment of an Economic Development Board, while the draft National Investment Strategy recommends the establishment of IPA to promote domestic and foreign investment. Several countries have a Board of Investment mandated to promote investment. The RGoB should consider establishing a suitable Investment Promotion Agency to promote investment and export development.

Activity 6: Enhance production level and product range oriented to regional markets

The assessment of the competitiveness of Bhutanese products in the regional market carried out as part of DTISU 2020 and ADB supported Bhutan National Study on Potential Exports and Non-tariff Barriers to Trade show that many products produced in Bhutan enjoy a comparative advantage in the regional market based on unit value analysis. The list of products in which Bhutan enjoys lower unit value in India, Bangladesh, and Nepal markets compared to the import cost of these products is attached as Annex-III, Annex-IV, and Annex-V, respectively. Annex-III contains a list of 90 products with export potential to India, Annex-IV contains a list of 53 products with export potential to Bangladesh, and Annex-V contains a list of 101 products with export potential to Nepal. In the short run, industries should aim to maximise the benefits of preferential market access for added products that will materialise on the operationalisation of PTA with Bangladesh.

Production should be focused in areas where the country enjoys a competitive advantage to augment the volume of production and export in the regional market and capitalise on the existing opportunities that will broaden the industrial base and prepare products for international markets. Ferroalloys are a clear example of product maturity that primarily targeted the regional market.

³⁵ Cut Trees to Save Forests | Dr Phuntsho Namgyel, The Bhutan Lectures on Innovation, Science, and Society (BLISS); Available at <http://www.bliss.bt/cut-trees-to-save-forests-dr-phuntsho-namgyel/>

Activity 7: Develop differentiated agricultural produce

The MoAF plans to revamp the sector's performance through the adoption of Bhutan National Pathways, which has identified eight focus areas for transformation and impact. The initiatives include export orientation of identified products, namely apple, cardamom, mandarin, areca nut, ginger, and potato identified as crops of strategic significance. Among the activities, product certification, enhanced production, storage, and facilitation will increase the volume of exports. Through the Organic Flagship Programme, production, processing, and certification of organic products have been initiated together with test marketing of products.

Concerning agricultural produce, Bhutan can continue to produce and export agricultural produce in which it has a competitive advantage relative to India, including successful products like potato and cardamon, and refrain from commercial production of agricultural produce that it does not have a competitive advantage in India.

Bhutan should leverage its image of a clean and pristine environment by exploring organic produce by conducting market research on lucrative goods in potential export markets. Bhutan can assess whether it has a competitive advantage over competitors in the same market for the same goods. If Bhutan does have an advantage, it should meet the requirements and apply for organic certification for the intended export market, which would allow the country to reap higher prices.

Strategy 7: Developing Services Sector

Further development of the services sector can be achieved by removing bottlenecks and enhancing the regulatory environment. The enhancement of the regulatory environment would include streamlining policies and regulations across sectors and formulating policies in an objective and target-oriented manner by being clear and concise, and uniform across sectors. Policies and incentives with a clear time horizon would increase business confidence, especially for FDI in the services sector. In 2020, the services sector accounted for 36.6% of employment³⁶ with the service sector employment in urban areas accounting for 73.2%.³⁷ Growth in the services sector would lead to a transformed job market which would resolve the mismatch between the 'jobs available' and the 'jobs wanted' by jobseekers. The mismatch is revealed by data in 2020 that showed that individuals with higher levels of education, specifically individuals with bachelor's degrees, had an unemployment rate of 17.8%,³⁸ signaling that they were still unemployed as they were seeking white-collar jobs.

Activity 1: Liberalise FDI entry conditions for services

The FDI Policy opens up a wide range of service activities for foreign investors in almost all sectors of the economy. However, FDI in services remains concentrated only in a few activities led by hotels, ITES, and financial services. Infrastructure development projects are open through the PPP framework, but this segment's success has not been as expected. The assessment of the impact of the investment in hotels and ITES shed a positive light

³⁶ Primary sector employment was 49.9%, and the secondary sector was 13.5%.

³⁷ Labour Force Survey Report. 2020. National Statistical Bureau, Royal Government of Bhutan.

³⁸ *ibid.*

on employment creation, transfer of technology, market linkage, and investment promotion. There is room for further review and liberalisation of services through bilateral and regional agreements, as ITES has remained a significant employment avenue for youth. The draft National Investment Strategy has identified the following as potential sectors given Bhutan's high literacy rate and English-speaking skills. The sectors include (i) Financial services (ii) Hospitality and tourism (iii) ICT & ITES (iv) Education and training (v) Health and wellness (vi) Liberal professional services and (vii) Creative and cultural industries. There is a need to critically assess the deterring factors and align FDI policy with the latter four that hold the potential to create gainful employment for educated youth and build capacity through the transfer of skills and market linkages. Liberalisation of entry conditions for these activities should gradually be undertaken.

Activity 2: Promote IT/ITES

The swift technological transformation taking place globally with the adoption of Industry 4.0 technologies brings forth the urgency for developing countries to embrace the change to remain competitive. Digitisation, expansion of IT infrastructure, upskilling, education reforms, and emphasis on IT literacy and training are some of the areas prioritised to build requisite skills in the sector. Digital Drukgyul Flagship Programme is under implementation to leverage IT to deliver various public services in the country. The third international gateway is under negotiation that will enhance reliability and foster growth of ITES that has the potential to develop creative industries and create gainful employment.

The performance of IT/ITES has demonstrated resilience even amidst the pandemic providing employment avenues and scope for professional development through employment and on-the-job training. Through the pandemic, Thimphu TechPark continued with only slight disruption and scaling down, still employing over 600 employees. The education system reform emphasizing more STEM subjects and expansion of higher-level education in IT/ITES are positive elements in the growth of this segment. However, the stakeholders express the need for a higher level of FDI promotion and reform of the regulatory environment to enable the sector's growth.

A recent study, Digital Jobs in Bhutan, Future Skilling and Demand Creation,³⁹ lays out the pathways for attracting FDI and developing the IT sector through GNH and Brand Bhutan by shifting the approach to investment attraction, retention, and building of the domestic capacity. The report highlights that, given the lack of economies of scale and domestic professional capacity, the scope for attracting large tech companies is limited. The focus should be to continue to attract investments through innovative investment promotion focusing on social investors to attract small and medium-sized investments in areas that create job opportunities such as BPO/ITO with simultaneous investments made to upscaling youth' professional capacities through fellowships and other avenues. The study recommends that the FDI promotion strategy for ITES should leverage the strengths of the English-educated workforce, low wages, and electricity, and the policy focus to build a knowledge-based society and design IT/TES specific FDI promotion strategies together with simplification of procedures to promote ITES in major urban hubs.

³⁹ Digital Jobs in Bhutan, Future Skilling, and Demand Creation; RGoB, UNDP, and JICA; August 2021.

Activity 3: Promote and develop tourism in the central, eastern, and southern regions

Bhutan's tourism sector has been gradually reopening since the borders were closed in March 2020. The country saw its first group of international tourists in April 2022. With the relaxation of Covid-19 regulations, the tourism sector will pick up the pre-pandemic momentum. The Tourism Policy aims to promote ecotourism and develop, promote and brand tourism products and services. Past sector analysis shows that the western region is a hotspot for tourists.

In contrast, the country's central, eastern and southern parts see few international travellers due to lack of infrastructure, support facilities, and lack of awareness and information. To address this issue and ensure equitable benefits for all the regions, sites and trails across the country should be advertised and promoted to international travellers along with the development of facilities such as hotels. Although the TCB had a scheme in the past to exempt the SDF for tourists visiting the east, it did not pick up as much momentum as expected. The TCB can consider creating a scheme that would allow second-time travellers to Bhutan to come without a guide, especially if they are visiting the central, eastern, or southern part of the country.

Activity 4: Diversify and develop the healthcare and education sector

The government's free provision of education and healthcare has disincentivised the growth of these sectors in the private sector, thereby making the public sector the de facto market leader. These sectors have a global market share of billions of dollars. Therefore, these sectors should be assessed for a niche in which Bhutan's private sector could excel.

5. Implementation Framework

The seven strategies are grouped under three broad strategies with a breakdown of the activities, the lead agency/agencies, collaborating agencies, and the timeframe for implementation in the table below. For this strategy, the short-term will be defined as till the end of the 12th FYP, the medium-term will be until 2026, and the long-term up to 2030.

The MoEA, as the central coordinating agency for exports, shall be the lead agency in the implementation of the NES. The MoEA shall, through the NTTFC platform, foster mainstreaming of the short-term activities in the 2022-2023 annual plans of the export-related agencies and incorporate medium- and long-term activities in the 13th FYP. The lead agency/agencies shall mainstream the activities in the plans and programmes and be responsible for implementing activities.

The DoT shall be responsible for updating the progress and regular monitoring of the activities and reporting to NTTFC. The Government Performance Management Division (GPMD) will monitor the annual implementation based on the existing system of evaluation of Annual Work Plans of agencies. The GNHC shall do the mid-term and long-term evaluations for the mid-term and final plan reviews.

	Activities	Lead Agency	Collaborating Agencies	Timeframe
Strategy 1: Strengthening Institutional Capacity and Coordination				
1	Assess the requirement of manpower and competency in EPD and build institutional capacity	DoT, MoEA	RCSC	Short-term
2	Establish NTTFC in the DoT, MoEA, with requisite budget and manpower	DoT, MOEA	Cabinet, participating agencies (MoF, RMA, DRC, Dept of Immigration, RSTA, BAFRA, BSB, BCCI) and BEA	Short-term
3	Enact the Trade and Investment Bill	Parliament	MoEA	Medium-term
4	Strengthen the role of Trade Attaché in Missions and Consulates to support economic agenda	MoEA, MoFA	Cabinet, RCSC	Medium-term
5	Implement Export Promotion Flagship Programme in 13 th FYP covering development of key activities	MoEA, GNHC	DAMC, BSB, BAFRA, DRC, BCCI, BEA, exporters	Long-term
6	Engage private sector in regulatory reforms	Regulatory agencies	BCCI, Business Associations, private sector	Long-term
Strategy 2: Expansion of Trade Infrastructure and Improvement of Logistics				
1	Strengthen Bhutan Trade Portal to provide all export-related information from a single platform	DoT	MoEA, MoAF, DRC, BAFRA, BSB.	Short-term
2	Provide concessional air freight for exports	MoIC	MoF, MoEA	Short-term
3	Develop and operationalise export infrastructure	MoEA, MoAF	MoF, GNHC	Medium-term
4	Establish National Single Window	DRC	MoEA, MoF, BAFRA, BSB, BCCI, BEA	Medium-term
5	Negotiate and harmonise system for electronic filing of export documents	MoEA, DRC	MoFA, BSB, BAFRA, BCCI, BEA, exporters	Medium-term
6	Pursue bilateral negotiations for alternative modes of transport	MoIC,	MoEA, MoFA	Long-term
Strategy 3: Improving Standards and Testing Capabilities				
1	Enter into Mutual Recognition Agreement for product certification	BSB	MoEA, MoFA, private sector	Short-term
2	Upgrade BAFRA's satellite clinics	BAFRA	MoAF, GNHC, MoF	Medium-term
3	Widen PRA coverage for exportable agricultural produce	BAFRA	MoAF	Medium-term

4	Upgrade BSB outreach and capabilities	BAFRA	MoAF, MoF, GNHC	Medium-term
5	Upgrade standards and certification	BSB	MoF, GNHC, private sector	Medium-term
Strategy 4: Broadening of Market Access				
1	Prioritise and pursue bilateral negotiations and related protocols with Nepal	MoEA	MoFA	Short-term
2	Engage in bilateral and agency-level consultation to build requisite infrastructure at border control points	NTTFC, MoEA	MoFA, DRC, RSTA, BCCI, BEA, regional level committees	Short-term
3	Operationalise new trade routes with adequate processing facilities	MoEA	MoFA	Short-term
4	Provide export trade financing	RMA	FIs, private sector	Short-term
5	Pursue bilateral trade negotiations with Kingdom of Thailand	MoEA	MoFA	Medium-term
6	Facilitate augmentation of exports in existing markets	MoEA	BSB, BAFRA	Medium-term
7	Explore and undertake trade negotiations in potential markets	DoT, MoEA	MoFA	Long-term
Strategy 5: Market Promotion and Branding of Bhutanese Products				
1	Operationalise Brand Bhutan and test market products	DoT	DCSI, DAMC, private sector	Short-term
2	Promote Brand Bhutan in key markets	DoT	MoF, MoAF	Medium-term
3	Adopt championing approach for niche products	MoEA	MoAF, MoF	Medium-term
4	Upscale export promotion activities	DoT	MoF	Medium-term
5	Incentivise and support export-oriented e-commerce activities	MoEA	MoF	Long-term
Strategy 6: Building of Supply Side Capacity				
1	Strengthen investment promotion services at grassroots level	DoI, DCSI	MoEA, RCSC	Short-term
2	Continue investment and export related programmes beyond 12 th FYP	MoEA	GNHC, MoF, sectors	Medium-term
3	Establish IPA for promotion of domestic investment and FDI	MoEA	Cabinet, GNHC, RCSC	Medium-term
4	Promote development of differentiated products	DCSI, DAMC	MoF	Medium-term

5	Support development of products for regional markets	Dol, DCSI	MoAF, BSB, BAFRA, BCCI, private sector	Medium-term
6	Promote development of value chains and downstream industries	Dol	MoEA, private sector	Medium-term
7	Implement RNR marketing Strategy	DAMC	MoAF, MoEA, private sector	Long-term
Strategy 7: Developing Service Sector				
1	Liberalise FDI entry conditions for services	MoEA	Cabinet	Medium-term
2	Promote IT/ITES	MoEA	MoIC	Medium-term
3	Promote and develop tourism in the central, eastern and southern regions	TCB	Private sector	Medium-term
4	Diversify and develop the healthcare and education sector	MoE, MoH	Private sector	Medium-term

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Annex I Production Trend of Major Commercial Fruits and Vegetables

Production of Vegetables						
						In MT
Vegetables	2015	2016	2017	2018	2019	2020
Asparagus	200	239	79	160	79	127
Beans	3,612	4,409	5,273	2,274	2,923	3,169
Broccoli	831	1,004	1,371	846	864	1,727
Cabbage	5,209	6,685	10,562	4,036	6,069	7,830
Cardamom	2091	2,736	2,245	1,542	1,413	2,175
Carrot (turnip)	1,094	1,276	787	782	1,374	1,787
Cauliflower	1,586	2,082	3,575	1,191	1,446	2,448
Chilli	7,073	9,907	13,606	7,133	7,674	9,333
Cucumber	1,697	1,194	1,948	1,541	2,691	1,970
Cultivated Mushroom	19	82	122	34	44	112
Egg plant	694	585	643	245	300	429
Garlic	899	1,176	708	550	761	691
Ginger	7434	10,871	7,859	4,260	6,209	8,890
Gourds	341	125	278			
Green leaves	2,871	1,937	4,153	2,049	2,040	3,531
Onion Bulb	608	414	489	305	155	216
Peas	1,218	1,014	859	567	685	749
Potato	49,359	58,820	57,223	44,278	43,560	45,500
Radish	5,840	6,490	6,307	3,649	4,721	5,234
Squash/pumpkin	2,609	2,626	1,755	3,870	6,043	7,918
Tomato	627	455	383	261	233	359
Tree Tomato	341	275	404	...	359	441
Turnip	10,423	10,499	13,051	9,097	9,293	10,385
Turmeric					92	187
Source: Statistical Yearbooks 2021, 2018 and RNR Statistics 2018						

Production of Fruits						
Fruits					Production in MT	
	2015	2016	2017	2018	2019	2020
Apple	5,308	6,587.00	8,039.00	3,684.42	4,321.40	4,056.08
Apricot		...	8.00	16.26	15.21	35.87
Areca nut	9,406	9,467.00	9,342.00	11,680.65	16,106.87	17,445.68
Avocado			43.00	58.10	61.19	111.81
Banana	2,636	3,076.00	3,113.00	2,762.21	3,753.73	3,149.81
Date plum		82.00	23.00	13.83	19.14	...
Dragon fruits		...	...	0.11	0.23	0.36
Guava	588	665.00	1,084.00	895.08	1,368.88	1,062.14
Hazelnut		...	...	2.40	3.05	6.42
Jackfruit	1,227	775.00	528.00	565.53	469.17	284.84
Kiwi		...	...	2.85	19.60	28.36
Lemon & Lime		...	...	90.74	125.76	115.21
Litchi	160	134.00	313.00	302.62	384.69	329.31
Mandarin	15,977		28,017.00	26,527.49		
Mango	651	644.00	530.00	848.35	665.66	819.08
Papaya	214	282.00	278.00	161.10	215.65	205.81
Passion fruit	66	120.00	94.00	...	...	...
Peach	738	972.00	1,124.00	1,135.20	1,245.94	1,061.19
Pear	867	963.00	1,510.00	1,372.24	1,583.59	1,107.00
Persimmon	137	49.00	152.00	207.12	234.56	206.77
Pine apple	64	67.00	72.00	278.89	148.71	161.69
Plum	385	376.00	482.00	531.68	585.12	438.69
Pomegranate	63	83.00	74.00	58.99	78.85	79.77
Sugarcane	508	345.00	...	100.94	396.34	...
Walnut	211	181.00	239.00	223.07	256.11	218.96
Watermelon		...	...	32.72	66.47	53.47
Source: Statistics Year Book, NSB						

Annex II: Export of Fruits, Vegetables and Spices 2019

Export of Vegetables, Fruits and Spices -2019						
		Export to India		Export to COTI		Total Nu
Fresh Vegetables	UNIT	Quantity	Value	Quantity	Value	
Potatoes, fresh or chilled.	KGM	26,050,647	520,576,699	24,870	497,400	521,074,099
Potatoes, other	KGM	146,930	2,781,175	2,000	69,120	2,850,295
Tomatoes, fresh or chilled	KGM	0	0	6,192	147,995	147,995
Cauliflowers and headed broccoli	KGM	8,370	245,100	0	0	245,302
Other	KGM	43,160	668,400	0	0	668,400
Cabbage	KGM	2,608,395	41,812,150	0	0	41,812,150
Carrots and turnips	KGM	957,191	28,338,200	0	0	28,338,200
Other	KGM	60,680	1,712,550	0	0	1,712,809
Peas	KGM	55,210	1,686,000	0	0	1,686,000
Beans	KGM	40,325	1,356,125	0	0	1,356,125
Mushrooms	KGM	0	0	14	46,044	46,044
Matsutake (sangay shamu)	KGM	80	80,000	5,364	27,790,076	27,870,076
Chillies, fresh	KGM	10,960	356,450	0	0	356,853
Pumpkins, squash and gourds	KGM	600	3,050	0	0	3,050
Sub-total			599,615,899		28,551,499	
Vegetables (uncooked or cooked by steaming or boiling in water) frozen						
Potatoes	KGM	146,930	2,781,175	2,000	69,120	2,850,295
Peas (Pisum sativum)	KGM	1,050	31,500	0	0	31,500
Beans	KGM	720	27,600	0	0	27,600
Sweet corn	KGM	5,346	309,675	0	0	309,675
Mixtures of vegetables	KGM	1,500	20,000	0	0	20,000
Dried vegetables, whole, cut, sliced, broken or in powder	KGM	0	0	20	17,000	17,000
Sub-total			3,169,950		86,120	

Dried leguminous vegetables, shelled, whether or not skinned or split						
Kidney beans, including white pea beans	KGM	6,960	696,000	0	0	696,000
Lentils	KGM	133,500	7,654,375	0	0	7,654,375
Other	KGM	0	0	12	9,600	9,600
Sub-Total			8350375		9,600	
Total:			611,136,224		28,647,219	639,783,443
Fruits						
Areca nuts	KGM	11,825	276,280	0	0	276,280
Betel nuts, in shell	KGM	5,182,464	115,141,698	0	0	115,141,698
Betel nuts, shelled	KGM	9,900	256,000	0	0	256,000
Other	KGM	850	8,500	0	0	8,500
Bananas	KGM	700	7,000	0	0	7,000
Oranges	KGM	376,167	8,584,294	14,734,406	521,462,469	530,046,763
Apples	KGM	2,517,295	64,169,729	404,810	17,637,182	81,806,911
Plums and sloes	KGM	2,410	62,100	0	0	62,100
Apples (dried)	KGM	3,605	101,550	0	0	101,550
Other fruits (dried)	KGM	0	0	1,450	29,000	29,000
Sub-total:			188,505,601		727,634,252	916,139,853
Spices						
Cardamom	KGM	1,322,150	621,635,390	1,128,930	605,977,311	1,227,612,701
Ginger	KGM	2,317,749	92,126,149	0	0	92,126,149
Turmeric	KGM	2,190	15,330	262	570,270	585,600
Sub-Total:			713,776,869		606,547,581	1,320,324,450
NWFP						
Cordyceps	GRM	2,205	1,431,550	333,559	199,348,365	200,779,915
Source: Bhutan Trade Statistics, 2019, MoF						

Annex-III: Export Potential to India

Sl. No.	HS Code	Product Description	India's imports from world in US\$1,000	India's imports from Bhutan in US\$1,000	Bhutan share	Cheaper by
1	846140	Machine-tools; gear cutting, gear	98,381.87	0.838	0.00%	99%
2	321410	Mastics; painters' fillings	71,436.81	66.84	0.09%	96%
3	252620	Steatite; natural, crushed, powdered	4,791.547	1.045	0.02%	96%
4	251830	Dolomite ramming mix	2,468.31	9.49	0.38%	94%
5	440290	Wood; charcoal of wood other than bamboo	4,787.085	30.887	0.65%	94%
6	210610	Protein; concentrates and textured	64,095.09	201.079	0.31%	93%
7	843039	Coal or rock cutters and tunneling	11,489.15	8.956	0.08%	93%
8	200880	Fruit: strawberries, prepared or processed	556.425	0.335	0.06%	91%
9	391710	Plastics; artificial guts (sausage)	1,445.773	0.838	0.06%	91%
10	842952	Mechanical shovels, excavators	77,705.1	4.825	0.01%	91%
11	391732	Plastics; tubes, pipes and hoses	27,635.91	6.978	0.03%	88%
12	846120	Machine-tools; shaping or slotting	9,303.032	0.398	0.00%	88%
13	281122	Silicon dioxide	55,601.36	946.501	1.70%	88%
14	200540	Vegetable preparations; peas (Pisum)	127.995	2.372	1.85%	87%
15	720219	Ferro-alloys; ferro-manganese	41,258.63	12.155	0.03%	86%
16	380190	Graphite or other carbon-based	40,034.01	13.303	0.03%	86%
17	210690	Food preparations; n.e.c. in item	83,066.07	32.599	0.04%	85%
18	852859	Monitors other than cathode-ray tub	164,571.1	0.03	0.00%	83%
19	262190	Slag and ash n.e.c. in chapter 26	763.595	94.302	12.35%	80%
20	380110	Graphite; artificial	28,772.53	5.776	0.02%	79%
21	841090	Turbines; parts of hydraulic turbine	6,485.076	49.116	0.76%	77%
22	392330	Plastics; carboys, bottles, flasks	40,974.42	276.809	0.68%	77%
23	650610	Headgear; safety, whether or not lined or trimmed	7,377.807	0.055	0.00%	73%
24	392310	Plastics; boxes, cases, crates	54,581.54	5.368	0.01%	73%
25	380620	Rosin and resin; salts of rosin	3,634.642	11.423	0.31%	72%
26	200939	Juice; of single citrus fruit	1,872.546	10.344	0.55%	71%
27	843031	Coal or rock cutters and tunneling	35,703.3	300.94	0.84%	71%
28	210390	Sauces and preparations therefor	17,125.16	7.616	0.04%	70%
29	392690	Plastics; other articles n.e.c.	815,578.2	6.728	0.00%	68%
30	200989	Juice; of any single fruit or vegetables	13,613.67	1,343.51	9.87%	67%

31	720310	Ferrous products; obtained	15,875.59	4.958	0.03%	67%
32	391723	Plastics; tubes, pipes and hoses	6,804.198	174.672	2.57%	64%
33	841899	Refrigerating or freezing equipment	85,409.53	3.208	0.00%	63%
34	842951	Front-end shovel loaders	45,268.02	21.862	0.05%	62%
35	200190	Vegetable preparations; vegetables,	673.75	79.024	11.73%	62%
36	720229	Ferro-alloys; ferro-silicon (others)	28,357.6	1,227.725	4.33%	62%
37	380510	Terpene oils; gum, wood or sulphate	194,692.9	23.282	0.01%	61%
38	210330	Mustard flour and meal and prepared	478.638	3.85	0.80%	59%
39	200899	Fruit, nuts and other edible parts	5,429.811	294.44	5.42%	58%
40	200799	Jams, fruit jellies, marmalades	8,965.69	249.114	2.78%	56%
41	261800	Slag, granulated (slag sand);	33.792	1.399	4.14%	55%
42	570420	Carpets and other textile floor	47.845	0.803	1.68%	54%
43	271500	Bituminous mixtures	2,530.089	195.477	7.73%	53%
44	842940	Tamping machines and road rollers;	6,300.25	30.089	0.48%	51%
45	220210	Waters; including mineral	2,173.614	301.484	13.87%	50%
46	721430	Iron or non-alloy steel; bars	205.581	70.888	34.48%	50%
47	40310	Dairy produce; yoghurt, whether	41.222	10.649	25.83%	49%
48	200981	Juice; Cranberry (Vaccinium macrocup)	79.397	20.509	25.83%	47%
49	200791	Jams, jellies, marmalades, purees	64.26	18.818	29.28%	46%
50	210310	Sauces; soya	2,069.838	7.732	0.37%	43%
51	847150	Units of automatic data processing	182,2917	0.954	0.00%	42%
52	220299	Non-alcoholic beverages	126,810.8	3,143.526	2.48%	41%
53	392069	Plastics; plates, sheets, film	38,579.26	69.847	0.18%	41%
54	200979	Juice; apple, of a Brix value	16,179.15	18.582	0.11%	41%
55	392010	Plastics; plates, sheets, film	137,756.1	5,069.19	3.68%	41%
56	845490	Machines; parts of converters	104,291.3	6.389	0.01%	38%
57	200912	Juice; orange, not frozen,	147.757	44.668	30.23%	38%
58	220900	Vinegar and substitutes for vinegar	3,351.139	45.932	1.37%	38%
59	220190	Waters; other than mineral and aera	826.322	449.376	54.38%	37%
60	200949	Juice; pineapple	883.673	12.418	1.41%	37%
61	880320	Aircraft and spacecraft;	44,877.42	8.115	0.02%	35%
62	842919	Bulldozers and angledozers;	8,515.589	129.793	1.52%	34%
63	200919	Juice; orange, not frozen,	1,540.797	410.701	26.66%	32%
64	841840	Freezers; of the upright type,	10,433.97	5.272	0.05%	32%
65	847420	Machines; for crushing or grinding	55,211.84	39.307	0.07%	30%
66	71190	Vegetables and mixed vegetables;	2,277.51	57.571	2.53%	29%

67	210320	Sauces; tomato ketchup and other	737.041	134.85	18.30%	28%
68	200710	Jams, fruit jellies, marmalades,	210.473	144.967	68.88%	25%
69	81190	Fruit, edible; fruit and nuts n.e.c	1,220.056	4.894	0.40%	22%
70	121190	Plants and parts (including seeds)	81,283.09	8.319	0.01%	17%
71	200290	Vegetable preparations; tomatoes,	17,678	47.329	0.27%	16%
72	284920	Carbides; of silicon,	41,655.65	10,098.42	24.24%	13%
73	220110	Waters; mineral and aerated,	2,177.89	1,208.258	55.48%	12%
74	220300	Beer; made from malt	11,478.46	717.741	6.25%	11%
75	90831	Spices; cardamoms, neither crushed	51,763.46	4,435.812	8.57%	11%
76	720221	Ferro-alloys; ferro-silicon,	216,753.7	127,844.5	58.98%	11%
77	190220	Food preparations; pasta, stuffed	308.032	152.688	49.57%	8%
78	851890	Microphones, headphones, earphones,	40,941.49	0.005	0.00%	8%
79	721420	Iron or non-alloy steel; bars and rod	123,900.9	335.524	0.27%	6%
80	720719	Iron or non-alloy steel; semi-finished products	30,499.09	23,432.84	76.83%	6%
81	200941	Juice; pineapple, of a Brix value not exceeding 20	71.573	0.034	0.05%	5%
82	940350	Furniture; wooden, for bedroom use	67,872.62	0.213	0.00%	5%
83	284910	Carbides; of calcium,	25,291.06	22.915	0.09%	1%
84	820520	Tools, hand; hammers and sledge ham	1,226.305	0.065	0.01%	0.330%
85	852990	Reception and transmission apparatus	1,407,069	0.091	0.00%	0.165%
86	854420	Insulated electric conductors;	85,248.05	0.239	0.00%	0.043%
87	851770	Telephone sets and other apparatus	8,168,050	4.386	0.00%	0.002%
88	820559	Tools, hand; other hand tools	23,742.57	21.729	0.09%	0.002%
89	730840	Iron or steel; structures and parts	34,571.12	16.914	0.05%	0.001%
90	262110	Slag and ash; ash and residues	2.42	2.42	100.00%	0%

(Source: Diagnostic Trade Integration Study Update 2020, DoT, MOEA, UNDP, EIF)

Annex IV: Export Potential to Bangladesh

Export Potential to Bangladesh								
Figures in US\$								
SI No	HS Code	Product Label	Avg. Annual Export of Bhutan	Avg. Unit Value of Export of Bhutan	Avg. Export of Bhutan to B/desh	Avg. imports of B/desh from World	Avg. Unit Cost of import of B/desh	Competitive margin
1	441231	Plywood consisting solely of sheets of wood less than or equal to 6 millimetres thick	266,570	0.104	0.00	79,857	286.836	100%
2	261900	Slag, dross (excluding granulated slag), scaling and other waste	323,786	0.026	0.00	43,502	1.668	98%
3	440290	Wood charcoal, including shell or nut charcoal	894,983	0.033	6,464.53	82,270	1.933	98%
4	701090	Carboys, bottles, flasks, jars, pots, phials, and other containers	229,632	0.025	0.00	13,401,035	1.280	98%
5	720610	Ingots, iron, or non-alloy steel, of a purity of less than 99.94 % iron	2,728,297	0.267	0.00	49,857	5.359	95%
6	722100	Bars and rods, stainless steel, hot-rolled, in irregularly wound coils	185,317	0.144	0.00	34,270	2.717	95%
7	720229	Ferrosilicon NES	546,134	0.096	0.00	16,189	1.508	94%
8	220840	Rum and tafia	194,527	0.558	0.00	61,535	7.228	92%
9	220210	Waters, including mineral and aerated	2,192,922	0.149	0.00	1,331,754	1.909	92%
10	281122	Silicon dioxide	910,422	0.082	0.00	1,935,846	0.989	92%
11	220830	Whiskies	151,854	0.706	0.00	4,945,171	8.236	91%
12	391740	Fittings, plastic	580,116	0.430	0.00	3,994,577	4.888	91%
13	392329	Sacks and bags (including cones) of plastics NES	134,731	0.578	0.00	10,388,163	5.667	90%
14	392321	Sacks and bags (including cones) of polymers of ethylene	409,029	0.732	0.00	14,318,083	6.786	89%
15	391590	Plastics waste and scrap NES	223,399	0.081	0.00	1,343,484	0.738	89%
16	550912	Yarn containing greater than or equal to 85% nylon or other polyamide staple fibers	158,893	0.638	0.00	7,796,527	5.434	88%
17	252210	Quicklime	337,438	0.024	0.00	1,779,235	0.174	86%
18	470790	Waste and scrap of paper or paperboard	179,753	0.038	0.00	12,271,029	0.273	86%

19	392350	Stoppers, lids, caps, and other closures of plastics	126,602	0.871	0.00	4,715,240	6.190	86%
20	200989	Juice of fruit or vegetables, unfermented	1,039,487	0.250	1,521.64	141,120	1.472	83%
21	392099	Film and sheet, noncellular, of plastics NES	5,531,079	1.231	0.00	5,986,892	7.163	83%
22	200911	Orange juice, unfermented and not spirited	292,469	0.336	2,092.70	189,554	1.863	82%
23	721430	Bars and rods, including non-alloy steel, hot-rolled, drawn, or extruded	14,799,189	0.341	13,410.88	531,260	1.871	82%
24	540233	Textured yarn NES, of polyester filaments	109,878	0.448	0.00	106,608,744	2.077	78%
25	940360	Furniture, wooden, NES	164,952	23.751	0.00	5,918,556	102.698	77%
26	800200	Tin waste and scrap	165,416	0.087	0.00	586,312	0.369	76%
27	150790	Soybean oil and its fractions, refined	162,335	0.369	0.00	3,006,825	1.446	74%
28	252020	Plasters (consisting of calcined gypsum or calcium sulphate)	929,437	0.035	7,401.23	3,415,012	0.133	74%
29	220300	Beer made from malt	602,237	0.264	0.00	3,049,070	0.987	73%
30	080290	Nuts edible, fresh or dried, whether or not shelled or peeled	704,914	0.294	2,826.15	31,023,320	1.005	71%
31	110100	Wheat or meslin flour	1,565,425	0.169	7,225.51	1,125,774	0.549	69%
32	200990	Mixtures of juices, unfermented and not spirited	181,740	0.276	5,647.15	178,473	0.895	69%
33	740819	Wire of refined copper, maximum cross-sectional dimension less than or equal to 6 millimetres	11,919,995	2.540	0.00	872,438	7.059	64%
34	252329	Portland cement NES	24,668,656	0.042	2,173.11	2,626,958	0.112	63%
35	220710	Undenatured ethyl alcohol of strength by volume of 80% volume or higher	2,211,037	0.479	0.00	394,855	1.247	62%
36	720430	Waste and scrap, of tinned iron or steel	259,113	0.120	0.00	11,308,374	0.293	59%
37	720719	Semi-finished products, iron or non-alloy steel, counting by weight less than 0.25% carbon	667,959	0.264	0.00	171,647,264	0.642	59%
38	280469	Silicon NES	4,058,067	0.977	0.00	246,914	2.359	59%
39	721320	Bars and rods, including non-alloy steel, hot-rolled, in irregular wound coils	168,541	0.305	0.00	1,435,959	0.688	56%
40	720299	Ferroalloys NES	2,117,862	1.599	0.00	102,271	3.452	54%
41	210320	Tomato ketchup and other tomato sauces	208,625	0.376	34,977.42	263,362	0.807	53%

42	200919	Orange juice and NES, unfermented not spirited	124,155	0.308	0.00	94,305	0.649	53%
43	270600	Tar distilled from coal, lignite, or peat and other mineral tars	472,499	0.287	0.00	3,219,418	0.602	52%
44	720410	Waste and scrap, cast iron	860,574	0.183	0.00	4,770,124	0.376	51%
45	540234	Textured synthetic filament yarn of polypropylene	154,192	1.312	0.00	216,703	2.341	44%
46	070610	Carrots and turnips, fresh or chilled	142,059	0.287	0.00	478,095	0.508	44%
47	271320	Petroleum bitumen	145,863	0.329	0.00	11,467,306	0.570	42%
48	252010	Gypsum; anhydrite	8,509,978	0.011	433,677.31	9,963,268	0.019	42%
49	091011	Ginger: Neither crushed nor ground	668,217	0.402	24327.36	36,390,040	0.661	39%
50	284910	Calcium carbide	14,347,663	0.405	0.00	1,434,866	0.650	38%
51	252310	Cement clinkers	2,952,224	0.032	0.00	354,287,648	0.048	33%
52	210610	Protein concentrates and textured protein substances	858,218	4.008	0.00	106,517	5.350	25%
53	270119	Coal NES, whether or not pulverized, but not agglomerated	591,334	0.052	3,325.84	66,498,708	0.065	20%

Source: Bhutan National Study, Potential Exports and Non-Tariff Barriers to Trade, November 2021, SASEC; ADB

Annex V: Export Potential to Nepal

Export Potential to Nepal								
Figures in US \$								
SI No	HS Code	Product Label	Average Annual Export of Bhutan	Average Unit Value of Export of Bhutan	Average Export of Bhutan to Nepal	Average import of Nepal from World	Average Unit Cost of import of Nepal	Competitive margin
1	441231	Plywood consisting solely of sheets of woodless than or equal to 6 millimetres thick	266,570	0.104	-	358,939	698.56	100%
2	441232	Plywood of sheets of woodless than or equal to 6 millimetres thick	65,981	1.924	-	220,764	689.36	100%
3	284990	Carbides NES	76,671	0.031	-	36,348	3.68	99%
4	401700	Hard rubber in all forms, including waste and scrap	23,489	0.108	-	92,161	11.64	99%
5	220720	Ethyl alcohol and other spirits, denatured, of any strength	79,369	0.539	-	28,651	29.03	98%
6	800200	Tin waste and scrap	165,416	0.087	-	10,046	4.35	98%
7	250620	Quartzite, merely cut, by sawing or otherwise, in blocks or slabs of a rectangular (including square) shape	129,106	0.003	-	29,830	0.12	98%
8	320300	Colouring matter of vegetable or animal origin and preparations based there on	12,786	0.142	-	42,827	5.61	97%
9	440799	Lumber, non-coniferous NES	10,530	1.892	-	1,347,848	73.16	97%
10	401220	Pneumatic tires, used	37,208	0.756	-	22,543	17.42	96%
11	440290	Wood charcoal, including shell or nut charcoal, whether or not agglomerate	816,998	0.026	-	28,828	0.57	95%
12	251810	Dolomite not calcined or sintered	16,640,244	0.004	3,536	525,424	0.08	95%
13	391729	Tubes, pipes and hoses, rigid; of plastics NES	90,627	0.089	-	788,975	1.69	95%
14	521214	Woven fabrics of cotton, less than or equal to 200 grams per square metre, of yarns of different closeness	11,483	2.088	-	1,803,643	39.11	95%
15	090411	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimento	17,066	0.330	-	8,230,873	6.18	95%
16	720229	Ferrosilicon, NES	564,117	0.077	-	23,168	1.30	94%
17	220830	Whiskies	151,854	0.706	-	6,465,525	11.61	94%

18	220840	Rum and tafia	194,527	0.558	-	68,499	8.54	93%
19	701090	Carboys, bottles, flasks, jars, pots, phials, and other containers	229,632	0.025	-	16,605,766	0.32	92%
20	271099	Other waste oils	28,987	0.197	-	56,147	2.47	92%
21	220890	Undenatured ethyl alcohol less than 80% alcohol content by volume and spirit, liqueur and spirit beverage NES	59,918	0.649	-	353,224	7.96	92%
22	281122	Silicon dioxide	910,422	0.082	-	239,242	1.00	92%
23	220850	Gin and Geneva	17,985	1.051	-	1,391,192	11.90	91%
24	470790	Waste and scrap of paper or paperboard (including unsorted waste and scrap)	179,753	0.038	-	415,175	0.39	90%
25	230990	Animal feed preparations NES	32,162	0.104	-	20,280,844	0.94	89%
26	252610	Natural steatite, not crushed or powdered	54,953	0.020	-	30,884	0.15	87%
27	490199	Books, brochures, leaflets, and similar printed matter, NES	18,833	1.567	-	4,912,436	9.84	84%
28	722860	Bars and rods of alloy steel (other than stainless), others, NES	28,433	0.173	-	70,192	1.07	84%
29	091011	Ginger: Neither crushed nor ground	794,168	0.535	-	835,259	3.05	82%
30	220300	Beer made from malt	602,237	0.264	-	207,539	1.49	82%
31	252010	Gypsum; anhydrite	8,509,978	0.011	871,157	7,906,548	0.06	82%
32	252620	Natural steatite, crushed or powdered	477,378	0.028	-	464,878	0.15	81%
33	220900	Vinegar and substitutes for vinegar obtained from acetic acid	55,918	0.207	-	22,936	1.10	81%
34	392321	Sacks and bags (including cones) of polymers of ethylene	409,029	0.732	-	232,804	3.83	81%
35	391740	Fittings, plastic	580,116	0.430	-	1,455,840	2.17	80%
36	391731	Tubes, pipes and hoses, flexible, plastic, minimum burst pressure of 27.6 megapascals	41,115	0.501	-	135,735	2.48	80%
37	340119	Soap and organic surface-active products and preparations for use as soap, shaped, Newspaper's and nonwovens impregnated with soap or preparation, NES	50,689	0.254	567	755,904	1.24	80%
38	850710	Lead-acid electric accumulators of a kind used for starting piston engines	21,851	8.128	-	9,623,212	38.90	79%

39	540233	Textured yarn NES, of polyester filaments, not put up for retail sale	109,878	0.448	-	967,450	2.09	79%
40	440349	Logs, tropical hardwoods NES	11,091	62.379	-	385,819	281.34	78%
41	210320	Tomato ketchup and other tomato sauces	208,625	0.376	-	636,787	1.69	78%
42	481940	Sacks and bags of paper, NES, including cones	37,940	0.287	-	238,261	1.24	77%
43	392330	Carboys, bottles, flasks, and similar articles of plastics	17,021	0.265	-	4,101,329	1.14	77%
44	252210	Quicklime	337,438	0.024	-	859,730	0.10	76%
45	200710	Homogenized preparation (jams, fruit jellies)	1,284,782	0.307	-	77,319	1.27	76%
46	760200	Waste and scrap, aluminum	77,795	0.448	-	6,289,786	1.67	73%
47	200911	Orange juice, unfermented and not spirited, whether or not sugared, sweet, or frozen	292,469	0.336	-	12,189	1.24	73%
48	830990	Stoppers, caps, lids, seals, and other packing accessories of base metal, NES	11,136	1.907	-	1,296,933	7.00	73%
49	150790	Soybean oil and its fractions, refined but not chemically modified	162,335	0.369	-	1,504,669	1.31	72%
50	091099	Spices NES	75,911	0.267	-	1,888,026	0.93	71%
51	252100	Limestone flux; limestone another calcareous stone, for lime or cement	4,932,807	0.030	859	32,728	0.10	70%
52	740400	Waste and scrap, copper or copper alloy	39,224	1.889	-	11,691,905	6.02	69%
53	130239	Mucilage's and thickeners NES, modified or not, derived from vegetable products	28,391	1.064	-	25,233	3.38	69%
54	200989	Juice of fruit or vegetables, unfermented	1,322,439	0.332	-	222,626	1.04	68%
55	200791	Citrus fruit (marmalade, purée) obtained by cooking preparation whether or not sugared or sweetened	29,785	0.461	-	30,980	1.44	68%
56	200931	Single citrus fruit juice, unfermented, Brix value less than or equal to 20 at 20 degrees Celsius, whether or not containing added sugar or other sweetening matter	22,456	0.515	-	113,979	1.60	68%

57	200919	Orange juice and juice and not spirited, whether or not sugared or sweet	124,155	0.308	-	39,941	0.95	68%
58	080290	Nuts edible, fresher dried, whether or not shelled or peeled, NES	704,914	0.294	-	33,748,200	0.86	66%
59	252020	Plasters consisting of calcined gypsum or calcium sulfate	929,437	0.035	9,302	460,094	0.10	65%
60	720230	Ferro-silico-manganese	33,327	0.382	-	1,925,591	1.05	64%
61	721430	Bars and rods, iron or non-alloy steel, hot-rolled, drawn, or extruded of free-cutting steel	13,116,862	0.424	-	10,629	1.14	63%
62	280440	Oxygen	47,533	0.090	-	150,433	0.24	63%
63	283650	Calcium carbonate	260,160	0.080	626	2,520,738	0.20	60%
64	740819	Wire of refined copper, maximum cross-sectional dimension of less than or equal to 6 millimetres	11,919,995	2.540	-	4,802,999	6.12	58%
65	200912	Orange copper, maximum value of less than or equal to 20 at 20degrees Celsius, whether or not concentrate	49,200	0.442	-	16,673	1.03	57%
66	200971	Apple juice, unfermented, Brix value less than or equal to 20 at 20 degrees Celsius, whether or not concentrate	58,798	0.371	-	21,459	0.86	57%
67	720221	Ferrosilicon, containing by weight more than 55% of silicon	106,885,560	0.642	2,276	29,200	1.42	55%
68	252310	Cement clinkers	2,952,224	0.032	-	80,238,648	0.07	54%
69	720719	Semi-finished product, iron o non-alloy steel, counting by weight less than 0.25% carbines	667,959	0.264	-	253,139,648	0.57	54%
70	441820	Doors and their frames and thresholds, of wood	31,843	0.346	-	1,260,418	0.73	53%
71	441294	Veneered panels and similar laminated wood with blockboard, laminboard	85,806	0.635	-	65,851	1.30	51%
72	720410	Waste and scrap, cast iron	860,574	0.183	-	148,564	0.37	51%
73	271320	Petroleum bitumen	145,863	0.329	-	14,679,897	0.66	50%
74	110311	Wheat groats and meal	57,369	0.161	-	656,742	0.32	50%

75	261900	Slag, dross (excluding granulated slag), scaling and other waste	289,168	0.041	-	1,112,250	0.08	49%
76	210310	Soy sauce	13,318	0.431	-	363,540	0.84	49%
77	540234	Textured synthetic filament yarn of polypropylene (excluding sewing thread)	154,192	1.312	-	10,099	2.53	48%
78	252329	Portland cement NES	24,668,656	0.042	-	34,939,652	0.08	48%
79	110100	Wheat or meslin flour	1,565,425	0.169	-	2,531,080	0.32	47%
80	270799	Oils and other products of the distillation of high-temperature coal tar. NES	24,163	0.360	-	175,160	0.68	47%
81	210610	Protein concentrates and textured protein substances	858,218	4.008	-	1,987,460	7.52	47%
82	940350	Bedroom furniture, wooden, NES	43,635	30.220	-	382,209	55.54	46%
83	720712	Semifinished product, iron or on-alloy steel, (other than square cross section)	29,696,594	0.467	-	776,969	0.83	44%
84	284910	Calcium carbide	14,347,663	0.405	-	363,285	0.70	42%
85	940360	Furniture, wooden, NES	164,952	23.751	743	2,567,678	39.98	41%
86	280469	Silicon NES	4,058,067	0.977	-	101,129	1.58	38%
87	740313	Billets, copper, unwrought	33,493	0.424	-	40,137	0.68	38%
88	732591	Balls, grinding, and similar articles of iron or steel, cast for mills	16,492	0.695	-	1,335,919	1.11	37%
89	220710	Undenatured ethyl alcohol of an alcohol strength by volume of 80%volume or higher	2,211,037	0.479	-	4,644,198	0.76	37%
90	392329	Sacks and bags (including cones) of plastics NES	134,731	0.578	-	695,828	0.90	36%
91	080810	Apples, fresh	1,461,623	0.232	-	15,998,079	0.34	32%
92	070190	Potatoes, fresh or chilled NES	5,881,857	0.133	2,407	30,872,684	0.19	30%
93	071010	Potatoes, frozen	82,232	0.125	-	499,653	0.17	26%
94	392099	Film and sheet, noncellular, of plastics NES	5,531,079	1.231	-	3,494,339	1.66	26%
95	732611	Balls, grinding, and similar articles for mills, forged or stamped but not further worked	38,005	0.785	-	376,491	1.03	24%
96	080510	Oranges, fresh or dried	5,953,103	0.194	-	2,467,246	0.25	22%
97	220110	Mineral and aerated waters not counting sugar or sweetening matter nor flavored	68,719	0.253	-	54,533	0.31	18%

98	261800	Granulated slag (slag sand) from the manufacture of iron or steel	72,241	0.025	-	11,242,229	0.03	17%
99	040120	Milk, not concentrated not concentrated 1% but not exceeding 6% fat	43,068	0.409	-	2,380,747	0.49	17%
100	071340	Lentils dried, shelled, whether or not skinned or split	93,382	0.574	-	13,453,211	0.66	13%
101	392390	Articles for the conveyance or packing of goods NES, of plastics	14,120	0.559	-	1,419,282	0.63	11%

Source: Bhutan National Study, Potential Exports and Non-Tariff Barriers to Trade, November 2021, SASEC; ADB

