

A Study on India's Trade Relation with SAFTA Members: Indo-Bhutan Trade as a Case

Dr. Pankaj Kumar Shah¹, Dr. Manish Uprety²

¹Professor, Faculty of Commerce and Business Management, Amrapali University, Haldwani, Nainital. (Uttarakhand), India

Email: shahpkumar@gmail.com

ORCID ID: 0009-0004-6962-8485

²Assistant Professor, Faculty of Commerce and Business Management, Amrapali University, Haldwani, Nainital, (Uttarakhand), India.

Email: manishuprety123@gmail.com

ABSTRACT

India took an active role in the South Asian Free Trade Area (SAFTA) due to its prosperity. The countries that make up SAFTA Bangladesh, Sri Lanka, Afghanistan, Nepal, the nation of Pakistan, the Maldives, the nation of Bhutan, plus India agreed during the 12th SAARC summit in Islamabad on the 6th of January 2004. It created an area of free movement for the roughly 1.8 billion individuals living in the area. Seven foreign ministers in the region signed to the SAFTA concept agreement, which calls for lowering tariffs to zero by 2016. There is a great deal of speculation about its beneficial effects on intraregional trade. Being the biggest and most advanced exporter of the SAARC countries, India is required to take the initiative to expand South Asia's regional monetary ties.

This study looks at India's foreign policy approaches towards its neighbour, Bhutan, in light of the current conflicts with China, Pakistan, India, and Bangladeshi. One of the biggest unbalanced regional agreements in the world is probably this one. As a result, this research project looks at India-Bhutan relations from 2007 to the present. Additionally, the report emphasises India's commerce and its connection with Bhutan in particular, as well as with other SAFTA members in general. In order to comprehend the diplomatic links connecting two countries in a more comprehensive manner, this article also analyses the trade relationship entre India as well as Bhutan using the research methodologies of trade transparency along with trade intensity.

Keywords: Customs Duty, MoU, Regional Economic Cooperation, Free Trade Agreement (FTA), SAARC, SAFTA, SAPTA, Royal Government of Bhutan (RGoB), Elimination, South Asia, Tariff, Trade liberalisation, Central Secretariat (CS)

INTRODUCTION

Transferring ownership of products and services from one individual to another in return for something from another person is known as trade. Trade may also be referred to as investments or trade. Barter, or the direct exchange of goods and services, was the first type of trade. Paper money, bills, precious metals, and metals later made up one side of the barter. Instead, modern merchants typically use a means of exchange, like money, to bargain. Therefore, purchasing and selling, or earning, may be distinguished. Trade was significantly facilitated and facilitated

by the creation of money. Bilateral commerce is that which occurs between two merchants; cross-border trade is that which occurs between more than two traders; and foreign trade, also known as international trade or external trade, is that which occurs between states.

Trade has three main effects on growth. (1) Resources are encouraged to move to low-productive to high-productive sectors through trade, which raises output overall. (2) A rise in export sales causes output to expand worldwide and joblessness to decline. (3) Global trade also exposes an economy to the technical advancements of industrialised nations and makes it possible to buy capital goods from other nations.

According to the idea of comparative cost, each nation should focus on producing the items for which it is most qualified, taking into consideration its degree of growth, natural resources, labour supply, climate, and technical know-how. Transnational specialisation and the division of labour result from each nation specialising in the manufacture of items that it can produce at an affordable price relative to other nations. As a result, production costs are lowered globally, and people's quality of life is raised in many nations.

By enabling greater levels of expenditure and investment, international trade raises a nation's standard of living. In a nation like India, where labour is a surplus resource, international commerce contributes to increased hiring and pay rates, which have a favourable impact on poverty and inequality in income and raise happiness levels. Everyone agrees that trading with other countries is crucial to an economy's growth.

Global commerce has increased dramatically in recent years as a result of growing economic integration. The most straightforward approach of collaborating on regional economics is the growth of intraregional commerce. The advantages of intra-regional expansion of trade include larger markets and fuller use of production capabilities, technology transfer, competitive advantage, advantages that arise due to increased competition, and better use of the innovative abilities personnel, alongside petroleum that the partner countries have to to different extents.

The 12th SAARC Summit in Islamabad, Pakistan, on January 6, 2004, resulted in the SAFTA acceptance, which established a framework for the creation of a free trade area (FTA) that at the time included 1.4 billion people. This contract becomes operative on January 1, 2006. In the first part of the two-year agreement that ends in 2007, SAFTA mandates that South Asian developing nations (India, Pakistan, and Sri Lanka) reduce their levies to 20%. Later, in the last five-year phase that ended in 2012, the 20% fee was to be lowered to zero in a succession of yearly reductions.

REVIEW OF LITERATURE:

There is extensive literature available on intra-SAFTA trade, the trade of India within SAFTA region and the trade barriers in Indo- Bhutan trade relation, the researcher giving some of the findings.

According to a study conducted by Nag and Nandi (2006), the presence of Regional Trading Arrangements in today's multilateral trade has become a common phenomenon. India as an important component of SAARC has embraced this phenomenon. Mehta and Kumar (2004) argued that signing of SAFTA agreement was a landmark in evolution of SAARC since its

formation in 1985. The regionalism would benefit SAARC if these extend the cooperation beyond formal trade. Dhungel (2004) notes that actual progress and achievement in implementation of SAARC agendas were considered very significant. Jhamb (2006) has supported Dhungel's view and argued that it was primarily due to the tenuous political relations between India and Pakistan and a general environment of mistrust among member countries. However, Rahman et al. (2006) by using a gravity model, showed that elimination of trade barriers and structural rigidities originating from adverse political relationship could lead to substantial increase in intra-SAARC trade.

Pitigala (2005) has found that the trade structures of SAARC countries might not facilitate a rapid increase in intra-regional trade due to weak trading relations among SAARC countries. This view was supported by Baysan et al. (2006). They contend that SAFTA's economic arguments are not very compelling. They claim that, from a financial point of view, there was no qualitative justification or statistical analysis to provide a single cause for being excited about the partnership. In addition, they claim that this area is small in relation to the rest of the globe in terms of GDP, per capita income, and its percentage of global commerce. thereby, rather of creating new trade, tariffs for the neighbouring regions would probably result in trade diversion.

Rahman (2008) examines the macroeconomic structure of SAFTA countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka and possibility of trade expansion among these countries by examining the macroeconomic and regional trade link models based on some series data of 28 years. He found differences among the SAARC countries in production and consumption, financing decisions, and tax and non-tax structures. So there is huge scope for trade expansion

Kaur and Nanda, (2010) has calculated India's export potential to other SAARC nations (Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka) with the help of gravity model of exports using panel data methodology by taking the time period 1981-2005. According to the report, India has export potential for Bhutan, Nepal, the Maldives, and Pakistan within SAARC nations. It is India the only SAARC member to have a water border with two nations & a physical frontier with 4 other countries. No SAARC nation shares a boundary with any other SAARC nation. Indian market is significant for goods in comparison to other SAARC partners and it has also an excellent source of possible investment and technology. That is why supporting SAARC is fundamentally in India's best interest.

Madhusoodanan (2010) states that South Asia has a low level of regional integration and the presence of relatively high trade barriers. Border passages have significant geopolitical importance and businesses conducted along these routes may influence diplomatic interactions among nations. (Foucher, 1991; Boehmer, & Pena, 2012). The study has depicted that the well organised infrastructure is a key driver of increased trade volumes among the various countries. (Olarreaga, 2016; Lama, 2023). The critical part of building various infrastructure as railway, roads and ports and smooth border crossing agreements along the border areas are well acknowledged. (Nordås & Piermartini, 2004; Ismail et. al., 2015).

Rizwanulhassan & Shafiqurrehman (2015) attempted to evaluate the extent of intraregional trade among SAARC nations by using the “Extended Gravity Model” for the time period 1991-2010. The study found a significant effect of “GDP, GDP per capita, Exchange Rate Volatility, and Common Border on intra-regional trade”.

Abhyaratne, Anoma, and Varma, Sumati (2017) observed the effect of the “India-Sri Lanka Free Trade Agreement (ISLFTA)” in their respective trade flows. For this study the data was collected for the period 1990-2014 to assess the “gravity model using the Weighted Least Squares (WLS) Method”. The studies have also recognised numerous challenges and obstacles allied with trade through border passages. These all includes various custom processes, trade guidelines, border safekeeping matters, and political pressures among neighbouring countries (Bewiadzi Akakpo, 2021; Walther, 2022). The various hindrances in conducting official transactions through border passages, this has increased the unceremonious trade activities alongside these border passages (Donko, et. al.,2021).

METHODOLOGY

Afghanistan, Bangladesh, the Maldives, Nepal, Pakistan, India, and Bhutan are the 8 Southern Asian nations that make up the SAFTA, an economic and political alliance. The macroeconomic overview and brief profile of Bhutan and the other SAFTA nations are presented in this study. The report explores India's trade connections with SAFTA nations and looks at how the trade bloc came to be. In the form of a table, the research also looks at the patterns in India's trade with them. The information includes commerce between India as well as 7 SAFTA countries in general, as well as Bhutan specifically. The research project's time frame is from 2016–17 to 2022–2023. The time period under study spans from 2016-17 to 2022-2023. The relevant data have been gathered from the Website of Ministry of Commerce Government of India (GOI), GGCI&S, Commerce Ministry of Royal Government of Bhutan.

SOUTH ASIA FREE TRADE AREA: (SAFTA)

GENERAL OVERVIEW

After the participating nations ratified the agreement, the agreement on SAFTA came into existence on January 1, 2006. By pursuing the following goals, the member nations gave their commitment for advancing and strengthening socioeconomic cooperation and trade amongst Contracting States. The goals include removing trade and commerce barriers, supporting the international transfer of goods between the contracting states' territories, fostering open competition in the open trading area, guaranteeing upsides to all nation-states equally, developing efficient mechanisms for executing the agreement and application, joint leadership, and mediation, alongside laying the groundwork for future regional partnerships to increase and improve the agreements' mutual benefits.

PRINCIPLES

The following guidelines guide the governance of SAFTA: a) Principles of Governance: The member countries of SAFTA is governed by the terms of the said Agreement as well as by its regulations and rules, concepts, choices, alongside rules that the Parties are going to agree upon within its system; b) Principles of Obligation:

The nations procuring from one another are familiar with their commitments and privileges towards one another under the Marrakesh Agreement Instituting the World Trade Organisation and further treaties/agreements to with whom contracting nations are signatories;

c) Principles of Reconciliation and Mutuality: SAFTA is founded and implemented on the ideologies of overall generosity when collaboration of positive aspects in a way that benefits all contracting states equally, incorporating consideration the member country's levels of development.

d) Principle of Trade Barrier Removal: SAFTA facilitates the free flow of goods among the countries that are members by removing tariffs, non-tariff barriers, and further comparable procedures. e) Principle of Facilitation and Harmonisation: SAFTA requires the parties to the agreement to implement the trade facilitation as well as additional actions as well as gradually harmonise their laws in the pertinent areas.

INSTRUMENTS FOR ADMINISTRATION

Subsequent instruments are the instrument incriminated in SAFTA

- a) Trade Liberalisation Programme
- b) Rules of Origin
- c) Institutional Arrangements
- d) Consultations and Dispute Settlement Procedures
- e) Safeguard Measures
- f) Any other instrument that may be agreed upon

SIGNIFICANCE OF TRADE RELATIONSHIP WITH SAFTA COUNTRIES

Protectionist inclinations in the global market for regional economic cooperation in South Asia are becoming increasingly noticeable as a result of the escalating political unrest in Europe and the Middle East. The current pace of activity in this area throughout South Asia is proof of this. Future economic reliance of South Asian nations on wealthy nations would be lessened with more regional economic cooperation. Intra-regional commerce might support the growth and development of South Asian nations based on regional self-reliance, especially when trade with the rest of the globe may not present particularly promising possibilities in the future.

Because intra-regional historical, cultural, geographical, and development similarities outweigh intra-regional differences in political and economic institutions and viewpoints, such economic collaboration between regions is seen possible. In addition, the South Asian subcontinental economy is endowed with enormous amounts of both human and physical riches and provides potentially enormous and unexplored opportunities to be exploited.

INDIA'S TRADE AND TRADE RELATIONSHIP WITH SAFTA COUNTRIES:

The trade of India with South Asian Free Trade Area member countries is at par its large markets and its geographic location, thus has a strategic and growth importance in the region. The intention behind SAFTA is to lift trade barriers through lower tariffs among members. In terms of volume, intra-SAFTA trade has not been stellar.

Table 1: India's trade with SAFTA Member Countries

COUNTRY	Year	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
AFGHANISTAN	Exports	437.05	554.47	825.78	997.58	715.44	709.75	506.34
	Imports	452.81	510.93	509.49	529.84	435.44	433.78	292.9
	Total Trade	889.85	1,065.40	1,335.27	1,527.42	1,150.89	1,143.53	799.24
	Trd. Bal.	-15.76	43.54	316.29	467.74	280	275.97	213.44
BANGLADESH	Exports	12203.96	16,156.43	9,691.71	8,200.85	9,210.32	8,614.52	6,820.13
	Imports	2021.24	1,977.93	1,091.66	1,264.74	1,044.80	685.65	701.68
	Total Trade	14225.2	18,134.36	10,783.37	9,465.60	10,255.12	9,300.17	7,521.82
	Trd. Bal.	10182.68	14,178.51	8,600.05	6,936.11	8,165.52	7,928.87	6,118.45
MALDIVES	Exports	476.75	670.4	195.88	226.57	223.02	217	197.79
	Imports	496.62	68.93	24.49	6	20.41	5.68	9.17
	Total Trade	973.37	739.33	220.36	232.57	243.43	222.68	206.97
	Trd. Bal.	-19.87	601.47	171.39	220.58	202.61	211.33	188.62
NEPAL	Exports	8015.99	9,645.75	6,838.46	7,160.35	7,766.20	6,612.96	5,453.59
	Imports	839.62	1,371.04	673.16	711.61	508.14	438.38	445.13

	Total Trade	8855.61	11,016.79	7,511.62	7,871.95	8,274.34	7,051.34	5,898.72
	Trd. Bal.	7176.37	8,274.70	6,165.31	6,448.74	7,258.06	6,174.57	5,008.46
PAKISTAN	Exports	627.1	513.85	326.87	816.64	2,066.63	1,924.31	1,821.88
	Imports	20.11	2.54	2.39	13.97	494.87	488.56	454.49
	Total Trade	647.21	516.38	329.26	830.6	2,561.50	2,412.87	2,276.37
	Trd. Bal.	606.99	511.31	324.48	802.67	1,571.76	1,435.75	1,367.40
SRI LANKA	Exports	5111.59	5,802.18	3,498.30	3,800.91	4,710.21	4,476.46	3,913.15
	Imports	1078.14	1,009.99	642.94	903.69	1,488.67	772.63	602.2
	Total Trade	6189.73	6,812.17	4,141.25	4,704.61	6,198.88	5,249.09	4,515.36
	Trd. Bal.	4033.45	4,792.20	2,855.36	2,897.22	3,221.54	3,703.83	3,310.95
BHUTAN	Exports	1070.37	885.81	701.02	738.6	657.33	546.12	509.28
	Imports	535.61	545.04	433	405.73	370.96	377.99	307.82
	Total Trade	1605.17	1,430.84	1,134.02	1,144.33	1,028.29	924.11	817.1
	Trd. Bal.	534.76	340.77	268.02	332.87	286.37	168.13	201.46
India	Exports	450958.43	4,22,004.40	2,91,808.48	3,13,361.04	3,30,078.09	3,03,526.16	2,75,852.43

Impo rts	71404 2.45	6,13,05 2.05	3,94,43 5.88	4,74,70 9.28	5,14,07 8.42	4,65,58 0.99	3,84,35 7.03
Total Trad e	11650 00.9	10,35,0 56.45	6,86,24 4.36	7,88,07 0.32	8,44,15 6.51	7,69,10 7.15	6,60,20 9.46
Trd. Bal.	- 26308 4.02	- 1,91,04 7.65	- 1,02,62 7.40	- 1,61,34 8.24	- 1,84,00 0.33	- 1,62,05 4.83	- 1,08,50 4.60

India has a appreciable trade relations with its neighboring SAFTA countries. The overall volume has increased between 2016 and 2023 with Bangladesh, Nepal and Shri Lanka.

There is a declining trend in trade with Afghanistan and Pakistan which was ₹437.05 Cr and ₹647.21 Cr respectively in 2022-23. Bangladesh and Shri Lanka have shown a steady growth in their trade which was ₹10,182.68 Cr and ₹4.033.45 Cr in 2022-23, and Maldives has shown a small trade deficit of ₹19.87 Cr during this time whereas Nepal and Bhutan has shown a strong and steady trade during this time and it was ₹8,015.99 Cr and ₹1605.17 Cr respectively. During the same time India had a widening trade deficit peaking to ₹2.63 Lakh Cr in 2022-23.

The data shows that the trade surplus countries during 2016-23 were Bangladesh, Nepal, and Shrilanka, where the trade with Pakistan is only symbolic. The increasing trade of India with its neighbour's has widen the trade deficit of it which shows the extension of hand of India to these SAFTA countries.

INDO-BHUTAN TRADE RELATION: AS A CASE

Since the very initial five year plan was announced in 1961, the government of India has been implicated with the Bhutan's economy and it remained our key trading partner. The relations of India-Bhutan is mainly due to their economic ties which are advantageous for both. Now apart from top trading partner of Bhutan, Indian is also key economic partner. Table 2 lay down specifics.

Table 2: India's Contribution in Bhutan's Five-Years Plans

Year	Total allocations in USD	India's Total contribution in USD	Percentage of India's contribution
1st FYP 1961–1966	1,611,000	1,611,000	100 %
2nd FYP 1966–1971	3,039,000	3,039,000	100 %
3rd FYP 1971–1976	7,143,000	6,412,000	90 %
4th FYP 1976–1981	16,628,000	12, 822,000	77 %

5th FYP 1981–1987	66,747,000	20,142,000	30.2 %
6th FYP 1987–1992	142,798,000	60,126,000	42.1 %
7th FYP 1992–1997	353,237,000	112,735,000	31.9 %
8th FYP 1997–2002	601,255,000	157,829,000	26 %
9th FYP 2002–2008	1,337,793,000	392,340,000	29.3 %
10th FYP 2008– 2013	2,239,675,000	511,067,000*	23 %
11th FYP 2013– 2018	3201,684,000	676,412,000	22 %

* excludes India's assistance towards mega projects

Source: own figure. Data from: Indian Embassy Thimphu and manually converted to USD.

The above data depicts the financial allocations in the five year plans. Over the time we have seen the massive increase in the overall allocations. In the third five year plan it has been observed steadily drop in the contribution, despite the drop in the absolute contributions we have seen significant rise. Initially the initiatives were fully funded, as the year progressed its reliance on external funding increased.

Since there was a treaty signed among the Royal Government of Bhutan (RGoB) and Government of India (GoI) in 1949, the Government of India (GoI) and the Royal Government of Bhutan (RGoB) signed a treaty in 1949, there has been unrestricted trade and business within both countries' territory. Nonetheless, the GoI and RGoB signed their first official agreement on trade and commerce in 1972. Currently there is a trade, as well as Transit Agreement among the Royal Government of Bhutan and the Government of the Republic of India which is in effect until 2026.

Since Bhutan gained statehood in 2007, there has been a connection between India and Bhutan. After securing 45 of 47 parliamentary seats, D. Jigme Y. Thinley was chosen as Bhutan's first democratic president in April 2008. Thinley as well as Chinese Premier Wen Jiabao met unexpectedly in 2012 during the Rio+20 Summit in Brasil to address bilateral concerns. On what was spoken at the discussion, however, both parties dispute one another. the country is prepared to establish formal diplomatic ties with Bhutan, relating in the MoFA's website, which also mentioned that Prime Minister Thinley of Bhutan considered the meeting to be of "great historic significance, as it marks the initial interaction across the heads of the two authorities."

and that "Bhutan wishes to forge formal diplomatic ties with China as soon as possible" (MoFA 2012). A few weeks prior to Bhutan's second-ever democratic elections, the United Progressive Alliance (UPA) government of India stated in the early summer of 2013 that gasoline subsidies would no longer be provided to the country. Jigme Thinley with his Druk Phuensum Tshogpa (DPT) party were overthrown in July 2013 by Tshering Tobgay, the pro-Indian candidate for prime minister as well as holder of 32 of 47 parliamentary seats, of the

People's Democratic Party (PDP). India consented to contribute to Bhutan's 11th Five-Year Plan just some months later. With a contribution of USD 676,412,000, India's share represented 68 percent of the total committed external assistance to the mountain kingdom (Embassy of India n.d., "Economic Cooperation with Bhutan"). Unfortunately, the CS does not possess an archive, and this information is hence only accessible through an article by The Bhutanese (Choden 2012).

Meanwhile, a contract on four further joint venture hydropower projects was reached by the two nations in the spring of 2014 (MEA 2014). Following his election as India's new prime minister, Narendra Modi decided to make Bhutan his first foreign destination in June of that year. The day following Modi's departure, Bhutan's Prime Minister Tobgay declared that "there is no question of Chinese embassy in Bhutan." His official visit coincided with a new round of talks between both countries (Kumar 2014). The goal of the Free Trade Agreement (FTA) is to improve bilateral trade and economic relations for the two nations' mutual growth and to further solidify their long-standing connections.

The guarantees for free commerce between the two nations and transit rights for Bhutan's trade with foreign nations are the two most significant aspects of the agreement on free trade. The free trade agreement, which permits the free movement of merchandise into other people's territory without any import duties, is responsible for the two nations' commerce's explosive expansion. Additionally, Bhutan may trade with the rest of the globe because to the route right provided by the FTA. By adding additional entrance and departure ports in India for Bhutan's external commerce, the Agreement has been renewed several times, allowing Bhutan to build upon these terms. Bhutan's political as well as financial advancements over the past few decades are reflected in the incremental modifications made to the Agreement's ambit. The FTA has been crucial for Bhutan's expansion of trade through additional nations as well as for increasing trade with India.

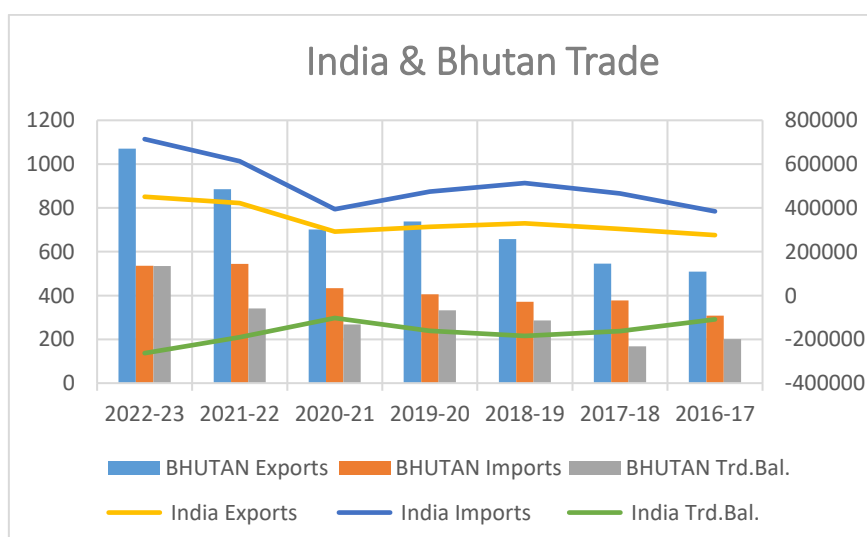
Since the beginning of the development plans, India has been Bhutan's biggest and most significant commercial relationship. In 2020, trade with India totalled Nu. 94.89 billions (including power), or 82% of Bhutan's total foreign commerce. When electricity was left out, trade with India totalled Nu. 67.18 billion, or 77% of Bhutan's total trade. Whether or not energy trade was taken into consideration, 87% of the entire import value came from India. Ninety percent of all exports, including power, and seventy-seven percent without, go to India.

Major Export Goods: Dolomite, Electricity, semi-finished iron or non-alloy steel, ferro-silicon, Portland pozzalana cement, cardamoms, silicon carbide, pebbles, gravel, gypsum, regular Portland cement, etc. are amid Bhutan's top exports to India. The entire export value in 2020 was Nu. 27.52 billion without electricity and Nu. 43.51 billion with electricity. Diesel, petrol, for the transportation of cargo (dumper), soy oil, ferrous items, telephones, passenger automobiles, electrical distribution panel boards, motor vehicles, coke and semi-coke, and petroleum bitumen are among Bhutan's main imports from India. With power included, India's total imports came to Nu. 51.37 billion.

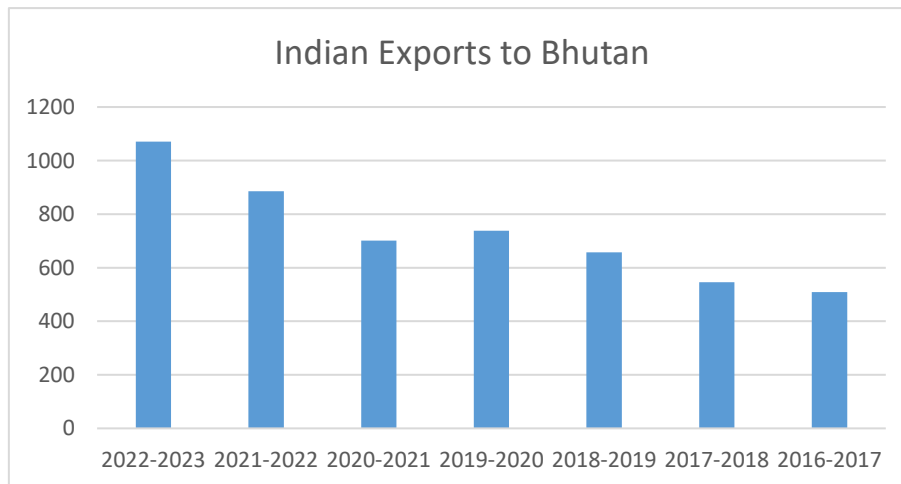
Table 3: India's Trade with Bhutan

Country	Year	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017
BHUTAN	Exports	1070.37	885.81	701.02	738.6	657.33	546.12	509.28
	Imports	535.61	545.04	433	405.73	370.96	377.99	307.82
	Total Trade	1605.98	1,430.84	1,134.02	1,144.33	1,028.29	924.11	817.1
	Trd. Bal.	534.76	340.77	268.02	332.87	286.37	168.13	201.46
India	Exports	450958.4	4,22,004.40	2,91,808.48	3,13,361.04	3,30,078.09	3,03,526.16	2,75,852.43
	Imports	714042.5	6,13,052.05	3,94,435.88	4,74,709.28	5,14,078.42	4,65,580.99	3,84,357.03
	Total Trade	1165001	10,35,056.45	6,86,244.36	7,88,070.32	8,44,156.51	7,69,107.15	6,60,209.46
	Trd. Bal.	-263084	-1,91,047.65	-1,02,627.40	-1,61,348.24	-1,84,000.33	-1,62,054.83	-1,08,504.60

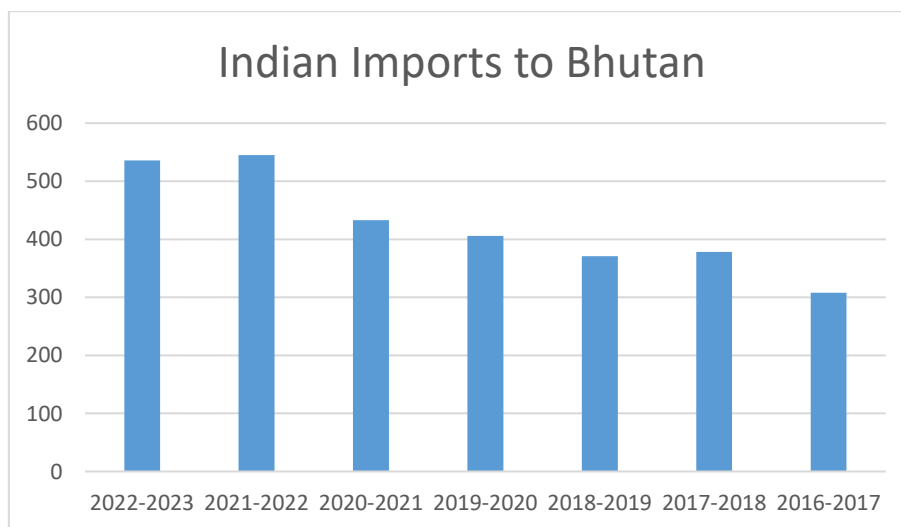
The exports from India to Bhutan between 2016 and 2023 has raised steadily from ₹509.28 Cr to ₹1070.37 Cr, where the imports are fluctuating during this time, so we can say that the India has managed a trade surplus with Bhutan.



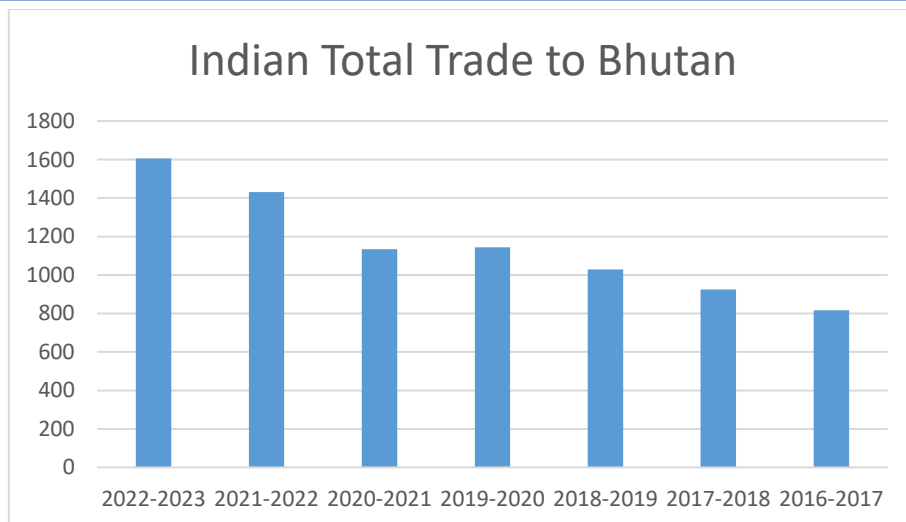
During the same time India's exports and Imports with SAFTA countries has increased significantly ₹4,50,958.43 Cr and ₹7,14,042.45 Cr respectively due to which India's trade deficit has widened significantly. The trade relationship with SAFTA countries is growing and it shows the economic interdependence with positive trade development despite the imbalance. India may need to diversify its export offering to SAFTA countries to reduce deficit.



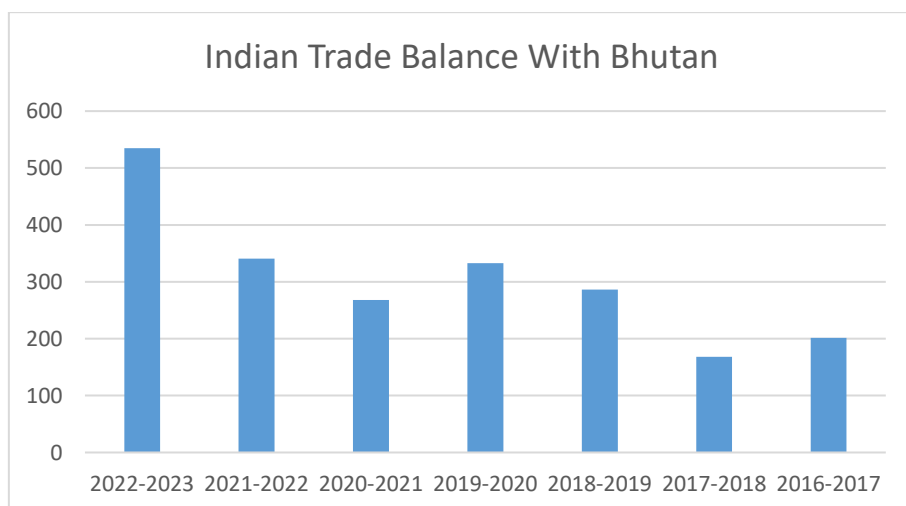
The exports to Bhutan has shown a consistent upward trend from ₹509.28 in 2016-2017 to ₹1070.37 in 2022-2023. Despite global disruptions like pandemic, exports have shown resilience and a long term rising trajectory and a strong rebound post 2020 which indicates strong fundamentals and demand. Here Bhutan shows an opportunity to strengthen its domestic industries and maintain economic sovereignty.



The imports from Bhutan to India has shown a positive trend during 2016-2023 and it has grown from ₹307.82 Cr to ₹535.61 Cr. There were fluctuations during pandemic but during pandemic there was a modest growth. The overall trend shows a cautiously expanding economy and a robust asymmetric trade relationship with space for import substitution and trade optimisation.



The above data examines the total bilateral trade between India and Bhutan over a period of seven years. During 2016-2023 the total trade rose from ₹817.1 Cr to ₹1605.17 Cr. In 2020-2021 there was a slight dip due to pandemic but after that there was a quick rebound of 26.18% and it continued in 2022-23. This data shows the Bhutan's economic vivacity and also a prompt to diversify its trade portfolio also.



The above data represents the trade balance of India and Bhutan from 2016 to 2023 which is in India's favour and it increased from ₹201.46 Cr to ₹537.76 Cr. The widening trade deficit may drain Bhutan's foreign reserves. The Bhutan must expand the service sectors beyond hydropower, it must encourage manufacturing sector and promote local industries. Although the bilateral trade supports Bhutan's development, the mounting trade imbalance must be taken care of through sustainable export growth, diversity, and domestic industrial revitalization.

Conclusion and Future prospects:

India will continue to be the largest trading partner of Bhutan with the FTA offering the most generous trade agreement with Bhutan for any nation. The government, therefore, rides on to ensure that bilateral trade engagements are sustained to capitalise on these trade flows. The annual bilateral Trade, Commerce and Transit meeting at the level of Commerce Secretary, between GoI and RGoB, has been helpful in finding amicable solutions to trade and transit

related matters that impinge upon the bilateral trade and prima facie has served as a forum dedicated to discuss various avenues to broaden the trade and commerce avenues between the two countries. They conclude, after careful examination:

Findings:

The results of the aforementioned study demonstrate that domestic factors, such as Bhutan's economy and politics, as well as its strategic importance, have a significant impact on India-Bhutan bilateral relations. New Delhi must take these factors into consideration when addressing the main issues that both locations face in the twenty-first century. The set is making some suggestions. Suggestion: It is essential to create and start some corrective reactions that are investigating the foreign policy choices that are made in both India and Bhutan in order to address these issues and carry on with the bilateral relations into the future. Regarding India i) Support for Bhutan's Look South Policy: Bhutan has taken the initiative to introduce trading practices with Bangladesh and Nepal, therefore it must support them with open arms and urge them to develop more liberal speech patterns. ii) India's priorities should change: India's FP-floors should move from the capital to the borderlands of Bhutan: India must focus its foreign policy efforts on the cross-border regions of Bhutan rather than New Delhi. The social infrastructure of India's bordering areas with Bhutan has to be given more attention in order to improve and maintain the way individuals contact amongst the two regions. iii) Job Creation in Bhutan: India's assistance for Bhutan's development must focus on creating job opportunities in accordance with local sentiments because the country's economy is under stress due to a lack of skilled labour to work in the various development sectors it has launched, especially the hydropower sector and the slow growth of its primary sector. iv) Health Care in Bhutan: In order to enhance the health care environment, India should also expand its knowledge in this field. iv) A defensive system should be established: In order to investigate Chinese participation in Bhutan, the MEA and MOD in Sikkim should build up an arsenal of defences on JV in a way that ensures that future diplomatic Indo-Bhutan relations are not ruined by such miscommunications. v) India should also be considerate to Bhutanese cultural sensibilities. The possibility of moving the ITEW headquarters from the former Ha District in North Western Bhutan should be investigated whenever feasible. vi) Impact of the hydropower sector: In India's bordering regions, the growing of agricultural products other the raising of livestock have long been severely hampered by flooding and water from the rivers shortages.

Regarding Bhutan i) Promotion of Agriculture, Animal Husbandry, and Traditional Craft: Bhutan should prioritise the promotion of traditional crafts over the hydropower industry. The Ministry of Agriculture and Food, which is part of the Royal Government of Bhutan, should pay particular attention to agriculture and husbandry in order to generate jobs that might somewhat alleviate the employment situation in both rural and urban areas. ii) Growth of Small and Cottage Industries: It has been demonstrated that small and cottage industries are another important step in addressing India's unemployment issue. Bhutan may solve her unemployment problem in the same way. iii) Improvement of Border Construction, Business, and Customs Law Practice: Benefits for Importing and Exporting Goods and Services Roads, energy, telecommunications, data connections, and customs laws and practices should all be prioritised by the Bhutanese royal government as a high priority in order to facilitate the import and export

of goods and services. iv) Trade-Related Technical Assistance and Membership in Foreign Direct Investment Treaties: The Royal Government of Bhutan is expected to have asked the worldwide community for trade-related assistance, to aspire to be a member of worldwide investment treaties for incoming investment, and, lastly, to lower the trade deficit resulting from her trade balance through import and export.v) Considering the world class friendly relationship between the two Governments and peoples, it is anticipated that the two would continue to contribute extremely significantly to take the socio - economic relationship to new levels through bilateral trade with India.

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