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AGREEMENT ON TRADE AND COMMERCE
BETWEEN
THE GOVERNMENT OF INDIA
AND
THE GOVERNMENT OF THE KINGDOM OF BHUTAN

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

Conscious of the age old ties between India and Bhutan and animated by the desire to strengthen them,

Convinced of the benefits which accrue to their people from the expansion of trade and from collaboration in economic development, and

Recognising the social and economic changes that have taken place particularly in Bhutan,

Have, in furtherance of the afore-mentioned, agreed as follows :

ARTICLE - I

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

ARTICLE - II

Notwithstanding Article - I, the Royal Government of Bhutan may, henceforth, impose such non-tariff restrictions on the entry into Bhutan of certain goods of Indian origin as may be necessary for the protection of industries in Bhutan. Such restrictions, however, will not be stricter than those applied to goods of third country origin.

ARTICLE - III

Notwithstanding Article - I, the Government of India may impose such non-tariff restrictions on entry into India of goods of third country origin as may be necessary.

ARTICLE - IV

In view of the free movement of goods flowing between the two countries and of the possibility of the flow from one to the other of goods of third country origin, the Governments of the two countries shall have annual consultations on the Royal Government's third country trade.

ARTICLE - V

All exports and imports of the Royal Government of Bhutan to and from countries other than India will be free from and not subject to customs duties and trade restrictions of the Government of India. The procedure for such exports and imports and the documentation in lieu thereof is detailed in the Protocol of this Agreement and may be modified by mutual agreement from time to time.

ARTICLE - VI

Notwithstanding the foregoing provisions, either contracting party may maintain or introduce such measures or restrictions as are necessary for the purpose of :

- (i) Protecting public morals;
- (ii) Protecting human, animal and plant life;
- (iii) Safeguarding implementation of laws relating to import and export of gold and silver bullion; and
- (iv) Safeguarding such other interests as may be mutually agreed upon.

ARTICLE - VII

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

ARTICLE - VIII

The Royal Government of Bhutan shall continue to operate freely its special account with the State Bank of India, Calcutta, into which would be credited the foreign exchange earnings of Bhutan from commodity exports in accordance with the procedures outlined in the Protocol to this Agreement.

ARTICLE - IX

Each of the Governments agrees to provide appropriate refund to be mutually decided annually in respect of excise duties on goods of its origin exported to the other.

ARTICLE - X

Merchant ships sailing under the flag of Bhutan shall be accorded treatment no less favourable than that accorded to ships of any foreign country in respect of matters relating to navigation, entry into and departure from the Indian ports, use of ports and the harbour facilities in India, as well as loading and unloading dues, taxes and other levies, except that the provision of this Article shall not extend to coastal trade.

ARTICLE - XI

The two Governments agree to enter into immediate consultations with each other at the request of either side in order to overcome such difficulties as may arise in the implementation of this Agreement satisfactorily and speedily.

ARTICLE - XII

This Agreement shall come into force upon signature and shall remain in force for a period of five years.

The Agreement may be renewed by mutual consent subject to such changes and ratifications as may be agreed upon between the two countries.

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

Done, in duplicate at Thimphu on the Twenty Seventh Day of December One Thousand Nine Hundred Eighty Three, in Hindi, Dzongkha and English languages. In case of conflict between the three texts the English text shall prevail.

Sd/-

Shri Abid Hussain
Secretary
Ministry of Commerce

For the Government of the
Republic of India

Sd/-

His Royal Highness Namgyel Wangchuk
Minister for Trade, Industry &
Forests

For the Government of the Kingdom
of Bhutan