

## The good earth

### *Landlocked Bhutan Identifies Infrastructural Obstacles to Improved Regional Connectivity*

*Road connectivity and infrastructure is the backbone of all the needed development in a landlocked country. Bhutan, being a landlocked nation, needs to develop its infrastructure urgently because the present state of infrastructure in Bhutan is at sub-optimal level. This infrastructural development will be helpful for Bhutan in ideally utilising its economic potential. Further, this development will impact the livelihood of the local economy, women and ultimately resulting in reduction of poverty. Therefore, this Policy Brief brings out issues related to hard infrastructure in Bhutan affecting connectivity, and offers suggestions to overcome them.*

### Introduction

Bhutan's economic development policy is guided by the overarching philosophy of Gross National Happiness (GNH), which is based on four pillars: sustainable economic development; preservation and promotion of culture and tradition; conservation of environment; and good governance.

The country faces several economic challenges, such as a small domestic market and an insignificant export base. These challenges are compounded by inadequate infrastructure and high transportation costs. Difficulties in getting access to land and finance have aggravated the economic challenges further.

Bhutan's competitive advantages include its preserved natural environment and reliable and competitively priced energy potential. The peace

and security of the country along with political stability offers the right environment for economic activities to flourish.

The Economic Development Policy (EDP) targets diversification of the economy and addressing economic challenges without harming the country's pristine environment. As a result, the EDP calls for low-volume green services and products that do not hurt the environmental policy of the country as well as other pillars of the GNH. Only economic sectors which help to keep up the environmental goal are validated by the EDP when it comes to investment and development.

Since trade connectivity is recognised as a harbinger of economic growth, ushering in prosperity and reducing poverty within and across countries in the sub-region, several initiatives such as rail, road, and port projects at the sub-regional

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scale have been undertaken. In order to understand the present state of infrastructural development, two corridors have been considered:

- (a) Thimphu-Phuentsholing-Jaigaon-Changrabandha-Burimari-Dhaka
- (b) Pemagatshel-Samdrup Jongkhar-Rongia-Birathnagar

As a landlocked country, Bhutan primarily depends on trade through road connectivity, mainly with India. India is the partner for 70-80 per cent of Bhutan's trade. The major border check points in Bhutan are Phuentsholing, Samtse, Gelephu and Samdrup Jongkhar with India. Phuentsholing is the major port for Bhutanese trade, while other ports distribute supplies to the eastern part of Bhutan. Bhutan's cross border trade can be classified into two categories, trade with India and trade with third countries through India.

Bhutan largely depends on the Kolkata and Haldia ports located on the east coast of India for trade with other countries. Trans-shipment of goods at borders and high transportation costs escalates the overall cost of doing business, thereby affecting the country's overall global trade competitiveness adversely.

## State of Infrastructure

### *Poor condition of roads*

For Bhutan, roads are the principal mode of transportation, and road construction in the country is costly and challenging because of the rugged mountain terrain.

Dilapidated conditions of roads and bridges are major hazards for truckers and other commuters. The problems aggravate especially during monsoons when landslides are common. In Pasakha, the industrial estate, the road disappears under water during monsoons causing a lot of damage to the cars and a major threat to the lives of drivers. An initiative has been taken to build an Integrated Check Post (ICP) at Bolan Chopati on the Indian side. It is believed that this will solve some of the infrastructure-related issues by connecting India directly with Pasakha.

### *Poor state of approach roads*

The approach roads to Land Customs Stations (LCS) at Phuentsholing and Samdrup Jongkhar are in a poor conditions. The narrow approach roads disturb the smooth flow of traffic often creating heavy traffic congestion and accidents. There are not enough parking spaces at the inspection sites,

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which delays the clearance process as it does not allow for multiple inspections. Lack of adequate parking space forces drivers to park trucks alongside the road, which leads to further traffic congestion and a penalty may be imposed on the driver by road safety and transport authorities.

#### ***Lack of facilities at border check points***

Some of the major infrastructural concerns at borders in Jaigaon include the absence of quarantine facilities, manual inspection of consignments, absence of proper warehouses and cold storage facilities, absence of EDI facilities, lack of uninterrupted supply of electricity, and non-availability of separate restrooms for men and women.

#### ***Shortage of staff at check posts***

Paucity of human resources for managing the increasing volume of vehicular movement along ports and corridors in Bhutan is a major concern. The inadequacy of modern techniques and lack of facilities, such as computers and internet facility, also hinders the pace of transit procedures.

#### ***Manual inspection at LCSs***

The LCSs are still not equipped with facilities, such as scanners, weighbridges, and so on, and the whole consignment has to be inspected manually. Both Phuentsholing and Samdrup Jongkhar LCSs have inadequate facilities, the Phuentsholing LCS is overburdened because it faces greater traffic.

#### ***Policy Recommendations***

- ***Integrated cross-border checkpoints***  
Integrated cross-border checkpoints are recommended to facilitate smoother trade. Officials from both countries can operate these checkpoints jointly. Construction of dry ports in Phuentsholing and Pasakha Industrial estates are expected to take care of a lot of concerns related to storage and other facilities. However, if Jaigaon LCS is not upgraded, it will not make much of a difference. ICPs would improve predictability in trade. This calls for bilateral or sub-regional agreements among countries of the region.

- **Need to diversify traffic**

While Bhutan shares a number of border crossing points with India, there is undue concentration at Phuentsholing and hence there is a need for diversification of traffic from this port as this will not only reduce congestion at Phuentsholing but also ensure distribution of trade across the southern and eastern parts of Bhutan.

- **Improve road and transport infrastructure**

Transportation costs in Bhutan are three times higher than in India. There is a need to improve road and transport infrastructure in order to facilitate smooth traffic.

- **Linking ICT services with banking system**

There is a need to connect ICT services with the banking system in the country to enhance digitisation of trade. Financial connectivity enabled through online payment systems is crucial for digital connectivity and boosting trade.

- **Single window information facility**

There is a need for efficient single window facility that provides all trade and travel related information regarding countries of the region. Information and higher quality of risk management in the region is urgently needed. This could also include creating awareness on traffic rules and regulations in India and beyond

- **Encourage and facilitate 24/7 support services along the highways**

There are limited support services along the highways. This naturally restricts the travelling

time for vehicles and forces the drivers to cook their meals along the way. The drivers are on the wheels for long periods, and it would be convenient for them if support services are available by way of like basic health facilities, utility shopping, affordable food, resting place and vehicle servicing along the highways and corridors. This would be important especially at the time of landslides and other disasters, which restrict the movement of people and vehicles.

- **Equipping the checkpoints**

The checkpoints should be better equipped with automated scanning and adequate number of skilled employees for managing the trade flow. Development and upgrading of new Indo-Bhutan cross border trade routes, establishment of new entry points/ports along the border are expected to give a substantial boost to trade and commerce in the country.

- **Private sector involvement**

It will be essential for the development of infrastructure in Bhutan. Large investments are required to improve the infrastructure facilities, which will increase the scope of trade, and travel and tourism in the country.

- **Need for the Hashimara-Toribari rail connection**

Development of a railway link from Toribari to Hashimara would reduce the cost and time for Bhutanese traders, especially Pasakha-based businesses.

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