



## 6. POLITICS – PROTECTION & GUIDANCE

I remembered a certain weariness about him when he admitted ‘there is only so much that a King can do’. I also suspect that Jigme acted when he did in order to spare his son, the crown prince, from having to take on the same powers and responsibilities that he had shouldered for twenty-six years – and this in a climate that is increasingly dubious about hereditary monarchs exercising real power. Whatever his motives, the fact remains that it is highly unusual for an absolute ruler to bow out voluntarily rather than – as in the case of Nepal – being pushed.

So unusual, indeed, that many ordinary Bhutanese now think their King may be a ‘hidden bodhisattva’. They point to the predictions of venerated lamas, to the astrological significance of his birth date, and declare that here was a child predestined to be a great Buddhist ruler. This has now been confirmed by his ‘enormous self-sacrifice’ in giving up so much of his power.

Jonathan Gregson *Kingdoms Beyond the Clouds: Journeys in Search of the Himalayan Kings*

The nature of Bhutanese politics is particularly distinctive. On the one hand, the Kingdom is the only place to have retained the traditional institution of Buddhist monarchy. It is an independent territory where the locus of power is a sovereign individual. On the other hand, the prevailing regime appears to have been unusually successful, particularly when interpreted within a regional context. A well-functioning system receives unwavering popular support and has ensured the maintenance of good governance. Respective monarchs are widely considered to be “enlightened” rulers. The outcomes of political processes are fundamental in determining the state of a nation, and assume heightened importance during inherently unstable (and often ineffective) modern transitions. A review of political history reveals a series of strong and influential decisions, which seem to curiously correspond to a collective national interest and have proved to be highly advantageous.

The functioning of the political system and its more outward expressions is best understood within underlying national and international political contexts. Although its contemporary relevance has been maintained through a certain intrinsic flexibility, Bhutanese politics remains rooted in its recent pre-modern past. The prevailing political culture means that legitimate authority is divinely determined. The exercise of power is, therefore, both heavily centralized and, to an extent, beyond reproach. Broader relations assume a personal character, where an individual is judged on perceived loyalty to sovereign and nation. National politics coalesces around the monarch, whose traditional responsibilities focus on the maintenance of internal stability and the protection of territory and society from outside threats. This serves to both promote a united national position and a clear division between internal and external affairs.

Due to the country’s small size and precarious location, foreign relations have always assumed prominence in domestic politics. The preservation of national sovereignty and independence in the context of inherent vulnerability is the fundamental political preoccupation. Indeed, the central goal of Bhutanese diplomacy has been to attempt to secure the nation’s identity within wider regional and global environments. Although the idea of an impregnable “Fortress Bhutan” is now both undesirable and unrealistic, the



approach towards external politics remains justifiably informed by a boundary perspective. The country is surrounded by instabilities, most notably poverty and insurgency. The underlying issue of Nepali economic immigrants flowing across the porous southern border developed into an extremely damaging conflict in the late 1980s and early 1990s. The presence of ULFA (United Liberation Front of Assam) and Bodo militants fighting for their respective causes from bases in the east currently represents the most pressing political issue of all. It is possible that Bhutan's sovereignty has never been in such danger.

Providing the broad backdrop is the ongoing challenge of development and the associated risks of a failed project. Modernization poses political problems of an altogether different nature. Whereas more traditional security issues can be confronted from a united national front, such powerful and problematic processes easily traverse borders and can potentially undermine the coherent fabric of a nation. A fundamental reorientation of perspective is required, emphasizing an internal focus and the maintenance of stability and balance during a volatile period of domestic evolution. From a political viewpoint this implies both concomitant institutional reform and direct policy actions to stimulate change, mitigate potentially critical disequilibriums and guide the nation on a successful trajectory. The Bhutanese political system is undergoing a gradual series of modifications, which will eventually transform the structural setup and significantly alter the formal distribution of power.

If Bhutan is to make a successful transition, the state will have played a defining role. Indeed, the Royal Government remains the lead actor in the development process, and retains significant influence over how events might progress. The general attitude may be characterized as cautious, pragmatic and holistic, seeking to gradually accommodate change and effect steady evolution. Particularly assertive regulatory policies and an emphasis on self-sufficiency reflect the protective collective outlook that typifies other external relations. The overall policy approach is encapsulated in the concept of maximizing Gross National Happiness. This notion highlights the multidimensionality of development processes, and stresses the need to maintain a balance between respective elements within a unified system. Although its consistent articulation remains exceptionally complicated, there exist a host of individual examples of policy interventions that appear to correspond to such values.

## AGENTS OF POWER

King Jigme Singye Wangchuck is the embodiment of temporal power in Bhutan. He is the central authority, commanding huge respect and possessing an immense presence. When discussed voices deferentially lower; attendance at public gatherings creates hushed excitement; his photograph assumes esteemed prominence in every home. The Druk Gyalpo occupies a special place in the nation's heart. His right to rule is unquestioned - many regard him a god – and he is considered above reproach. The idea of absolute monarchy (particularly in the Western context) carries with it certain negative connotations, such as decadence, the abuse of power and the abrogation of responsibility. Bhutan's Kings have however served their country admirably, and given respective



contexts each of their rules could be judged noteworthy successes. In this sense a divine right has been borne out through worldly actions.

Bhutan has inherited well-functioning traditional political system. Although major changes have been initiated and are continuously occurring, the underlying conditions remain strongly informed by a relatively consistent historical evolution and an established political culture. Bhutanese history traces the gradual birth and strengthening of a nation from its loosely linked parts. It encapsulates the consensus associated with religious diffusion, and the conflict and intrigue connected to political consolidation. Monarchy was introduced in the early twentieth century as a somewhat logical conclusion to the unification process. The traditional relationship between monarchic state and essentially feudal society was determined by the less intimate interactions implied by a pre-modern situation and the distant unconnected social conditions. Power was thus both formally centralized, and relatively devolved through regional appointees and informal community arrangements.

The origins of a Bhutanese political perspective lie in an intimate relationship with religion. Power is interpreted as divinely endorsed. The legitimacy to rule is therefore embodied within individual agents, rather than determined through rational structures. With power comes responsibility for the national well being, and the system has retained its coherence by maintaining and promoting this reciprocal paternalistic relationship. The records of successive monarchs reveal success in the implied duties of promoting a stable fostering internal environment and protecting it from external threats. Furthermore, such has been their ability to move with the times whilst placing the national over the personal interest, that labels of “benevolent” or “enlightened” are not wholly inappropriate. How does one interpret preemptory policies that have abolished feudal exploitations, limited the ability of the “elite” to pursue their personal ambitions and even significantly reduced the power of the monarchy itself? Monarchy relies to a large extent on luck in being allotted a strong, capable and sympathetic ruler. However, it is also a product of the Bhutanese political culture, since monarchs (similar to rinpoches) undergo a long nurturing process, as the correct attitudes and the necessary skills are developed.

With authority concentrated in the hands of a single ruler, formal politics revolves around interactions with the center. Within a traditional context this happens at “court”, the assembled collection of family, confidantes and advisors that surrounds the monarch. Power circulates within this setting, where it is distributed through the nature of individual relationships of trust, respect and influence with the hub. A strong leader directs affairs, and a weak one is managed. An extremely narrow and vertical formal hierarchy is implied by this style of governance. With the authority to make decisions residing solely with the leadership - whose judgment is not doubted – politics assumes a personal rather than ideological form. Where an individual is assessed in terms of character and loyalty, the system tends to promote political factions, individual and family alliances, secrecy, jealousy, paranoia, subtle intrigues and an overall conservatism. The personal style of political interaction is further reflected throughout a small society, where gossip is prevalent and discussions tend to place more emphasis on the broad personality of protagonists than on policy decisions.



The nature of such traditional political interactions is well reflected in the history of the Dorje family, and more specifically the events surrounding the assassination of Jigme Palden Dorje, the country's first and only Prime Minister. The political history of the Dorjes began in 1897, when Ugyen Wangchuck first met his distant relative Kazi Ugyen Dorje, a Bhutanese from Ha who lived mostly in Kalimpong, across the Indian border. They became close friends and the future King highly valued his advice and subsequent role in international affairs. On being crowned King Ugyen Wangchuck rewarded Kazi Ugyen Dorje for his services by appointing him Chief Chamberlain (gongzim), the post closest to the head of state, and made the position hereditary. The chamberlain resided mostly in Kalimpong and assumed the role of political agent or ambassador. The close relationship between the Wangchuck and Dorje families continued, as Gongzim Sonam Tobgye Dorje served King Jigme Wangchuck, and was further strengthened when his daughter Ashi Kesang married the Third King Jigme Dorje Wangchuck. The Queen's brother, Jigme Palden Dorje, inherited the office of Gongzim and maintained the strong bond of friendship and trust.

By this time the broad contexts had changed, with the King possessing the idea for a modern Bhutan. With the shift in emphasis Jigme Palden Dorje was appointed Prime Minister (lonchen), and worked closely with the King to promote his vision. The Dorjes had reached their political peak as the second family, being associated both through marriage and the hereditary Prime Ministerial position. However, affairs were to conspire against them as first the King took up a mistress and a subsequent issue over succession emerged between her son and the legitimate heir. Although events surrounding the 1964 assassination of the Prime Minister remain shrouded in mystery, it appears that court factions emerged which promoted a schism and, claiming that the authority of the monarch was being compromised, took matters into their own hands. As with most gossip, what was significant was not so much whether the accusations had any substance but that they achieved a degree of credibility and gained powerful advocates. Within the prevailing context it seems that the division of power between two focal points was inherently unstable and eventually untenable. Jigme Palden Dorje's death was much mourned by the King, who had lost a close friend and confidante. A subsequent reconciliation between the King and Queen confirmed Jigme Singye Wangchuck as the rightful successor and to an extent reestablished the Dorje's political standing. However, within the fast evolving political infrastructure their authority was not institutionalized.

## BORDER CROSSINGS

Foreign affairs play a fundamental role in Bhutanese politics. Indeed, "*Bhutan's vulnerable geopolitical location between vastly larger, richer, stronger, and occasionally antagonistic neighbors has made external relations critical not only to its survival as an independent state, but also to its internal politics*" (Rose (1977:55)). International political history traces the accommodation of external concerns whilst striving to preserve an autonomous internal realm. The established political system is structured in a way that defines a clear division between internal and external spheres, positioning the monarch at the interface. This allows for strong, flexible and swift decisions and



responses. The situation is further accentuated by the country's seclusion during much of its history, and the enduring control that the state maintains over internal matters. A particularly distinctive stance is reflected in the policy of self-imposed isolation pursued during the period when the British occupied India. This tactic undoubtedly fostered internal political and cultural consolidation and facilitated the maintenance of the nation's sovereignty and independence.

The overall approach adopted following the ongoing process of integration and the associated intensification of external relations remains strongly informed by a boundary perspective. Whereas the country has accepted supervision of its external affairs, it aims to tightly control influences on the internal environment, particularly with regard to commercial interests and cultural penetrations. The focused foreign policy pursued may be described as "*pragmatic, utilitarian, neutral and traditional: suspicious of ideologies, conducted only when necessary, and based around personal diplomacy*" (Mathou (1994:62)). Bhutanese diplomacy has pursued three broad interrelated objectives: the preservation of the country's independent status; the safeguarding of the nation's sovereign integrity, including the promotion of nationhood and the conservation of its religious, cultural and ecological heritage; and the sponsorship of development and modernization processes whilst encouraging self-reliance (particularly within the economic sphere).

At the core of foreign policy is the relationship with India, with whom Bhutan is closely allied and heavily dependent on for independence, trade and aid. Relations could be described as intimate, with India as the principal development partner, providing significant technical and economic assistance, maintaining a military presence within the Kingdom and exercising significant influence over external affairs. Notably Bhutan has not become involved in any political brinkmanship, attempting to play off the agendas of its neighbors in an attempt to gain short-term advantage. Following international integration, the country joined the Colombo Plan in 1962, the International Postal Union in 1969 and in 1971 became a member of the United Nations. Multilateral relations have been developed with SAARC, the UN and the EC. Personal bilateral relationships have been expanded to include Bangladesh, Japan, Denmark, Switzerland and the Netherlands. There is not a heavy NGO presence – there are representations from WWF and Save the Children– with the state favoring the consistent channeling of assistance through government institutions. Although remaining dependent on foreign aid, the extent of aid financing is limited by the objective of long-term self-sufficiency. Rare among developing countries, Bhutan does not try to attract as much assistance as possible, and does not accept all aid offered.

With porous borders, Bhutan cannot detach itself from regional issues of poverty, migration and instability. Although not a recent occurrence - there was already a significant presence by the turn of the Twentieth Century - the matter of Nepali migrants streaming through the southern border and settling within the country reached a head in the late 1980s and early 1990s. The insurgency was sparked off by a 1988 census that discovered thousands of illegal immigrants in the southern districts, a subsequent policy that set 1958 as the cut-off date for the granting of Bhutanese nationality and attempts at



strengthening the national identity (which included the symbolic introduction of a national dress code). By the spring of 1990 events took a marked turn for the worse: the one side, buoyed by the recent “democratic” successes in Nepal, took to launching a campaign against the monarchy and the Royal Government; the other side stuck to its policy of expelling “illegals”, labeling the rebels “anti-nationals”. The manner in which violence escalated on both sides was exceptionally damaging, as allegiances swiftly polarized. The problem has now pretty much diffused, although the scars remain, and there is still the thorny issue of much-inflated refugee camps existing in limbo across the border. The fact that the public relations campaign was won by the rebels has led to many negative and imbalanced reports “by gullible, unprofessional, or sympathetic news organizations in Nepal and India ... picked up thirdhand by the international press” (Crossette (1995:30)). The “Southern Problem” has unfortunately (and unfairly) come to define Bhutan and its prevailing regime in the international arena.

Although sadly destructive, the incident is instructive in highlighting certain national and regional political contexts. At its foundation is the regional population explosion (notably among the Nepali community), the subsequent exacerbation of poverty and substantial migratory movements across the Himalayan region. This massive and relentless influx is the major factor behind Sikkim’s erosion of sovereignty and then loss of independence in 1974, and the instabilities associated with the Gorkhaland movement in the Darjeeling area. Neither of these changes proved particularly beneficial. The protective Bhutanese were acutely aware of these trends and sought to mitigate a similar situation. That a degree of heavy handedness was involved (albeit overstated) in the response to the agitation, particularly as it filtered down through society, may be explained within the national political culture. To have very openly criticized the King and challenged his rule was culturally unacceptable - tantamount to reacting against the nation itself - and threatened a key source of popular identity. Furthermore, although the conflict was couched in terms of national security, democracy and ethnicity, it is likely that individual agendas and personal politics may have been hugely influential on both sides. In this sense the situation may be interpreted as having developed from within the prevailing system, before a host of wider issues were incorporated.

Bhutan’s inherent vulnerability to events unfolding all around it continues. No sooner had the “Southern Problem” abated than a possibly much more chronic one emerged. The nation’s most critical current political issue centers on the presence of ULFA (United Liberation Front of Assam) and Bodo insurgents in southeastern Bhutan. These groups are fighting a well-supported and well-armed struggle against the Indian government. Settling in camps and interacting with the local population, they have come to use Bhutan as a safe-haven from advancing Indian military offensives. Anxious to protect its sovereignty, Bhutan has been reluctant to allow a sweeping Indian military campaign on its soil. However, the room for maneuver is continually reducing, with significant Indian pressure from one side and threats of major reprisals from the other. There is a very real danger that Bhutan may become embroiled in a war that has no direct relevance and potentially will have no conclusive winner. Already minor skirmishes have occurred and there has been much ecological destruction from uncontrollable poaching activities. However, such losses may appear negligible, as a dark threatening cloud hangs over the



Land of the Thunder Dragon. That it should have blown in from outside is unsurprising, the unavoidable consequence of geographical and geopolitical realities.

## RESTRUCTURING

The imperatives of modernization and development have necessitated fundamental ongoing political reforms. The nature of the state and its relationship with society is of critical importance to the maintenance of equitable and sustainable development. In 1953 a National Assembly was established as the first fully representative national forum. Traditional feudal relations were brought to an end with the abolition of serfdom in 1956, soon followed by an extensive series of land reforms. The 1969 Forest Act nationalized all forests, and the 1980 Land Act set a land ceiling of 25 acres (although orchard land is exempted). Such policies have been particularly successful in limiting the abilities of established nobilities to enhance their personal wealth. Since the inception of planned development in the early 1960s state infrastructure has expanded substantially, in keeping with the government's role as principal agent in the development process. State-society relations have now significantly changed in size and scope, and there has been a trend towards increased formalization.

Governance issues in Bhutan essentially comprise of accommodating change within a functioning system. The Kingdom has been blessed with the institution of hereditary monarchy, providing a constant source of wisdom and inspiration, affording a stable and consistent policy environment, ensuring good governance and playing a pivotal role in guiding the nation's development. Good governance is aided by a system of double accountability (to the King and to the National Assembly) and the transparency of a small community. High priority has been given to the promotion of a strong and professional civil service. A new formal political hierarchy has emerged from within the preexisting political culture related to an expanding state. However, although the distribution of power remains concentrated, the will and ability of the elite to further their own interests at the expense of the national interest is limited. As the political climate is being transformed by a series of major structural reforms, power will become increasingly devolved.

The political system remains a monarchy, where His Majesty King Jigme Singye Wangchuck is the head of state. The throne retains its status as the fulcrum of the system, although power and authority is now shared with several other political and administrative institutions. Institutions of state are divided by function and responsibility into legislature (National Assembly), judiciary (courts), advisory (Royal Advisory Council) and executive (Cabinet of Ministers). Government administration consists of seven ministries (Foreign Affairs, Home Affairs, Trade and Industry, Agriculture, Health and Education, Finance and Communications), five commissions (Civil Service, Dzongkha Development, Planning, Environment and Cultural Affairs), and several other bodies. Regional administration is divided into 20 districts (Dzongkhags) under district administrators (dzongdags), and further sub-divided into 196 blocks (gewogs), headed by elected community members (gups).



The Bhutanese state evolved from the traditional institution of monarchy, with its implied hierarchies, reciprocity and top-down style of rule. Although such a system has proved particularly appropriate for the initial stages of transition, it is accepted that fundamental changes in the requirements of society and correspondingly the responsibilities of the state necessitate a dynamic and increasingly inclusive style of governance. In 1998, at the insistence of the King, there occurred major reforms in the constitutional setup, including the following important alterations: Ministers are to be elected for a term of 5 years by the National Assembly (previously they were appointed by the King for an indefinite period); the Cabinet of Ministers is vested with full executive powers, where the Chairman of the Cabinet (on a one year rotation among elected Ministers) functions as Head of Government (before the King was Head of Government and Chairman of the Cabinet); the National Assembly can register a vote of no confidence in the King.

With the increased abilities and opportunities associated with modern developments translated onto a traditional political structure, it is very common the power becomes more centralized. Fledgling democracies often experience power vacuums and a de-linking of state from society. The nature of the interface between state and society therefore needs continual renegotiation. The whole social fabric of the nation is undergoing a transformation. Many traditional institutional arrangements are and will increasingly come under threat, and it is crucial that important institutions are either maintained or replaced by alternatives within the modern state infrastructure. A unique system of decentralization has been developed as an ongoing process, based around local institutions and customs, linking the central level to the local level in the decision-making process. Formal institutions were formed at the district and block levels in 1981 and 1991 respectively. The eventual aim is to promote a fully participatory approach to decision-making and render the development of the nation an inclusive process.

### **GROSS NATIONAL HAPPINESS**

The Royal Government of Bhutan remains the lead agent in the development of the country, where a pragmatic approach is evidenced in the nature of development policy. Policy interventions, essentially paternalistic, can be split into development and regulatory policy. Whereas development policy is predominantly focused on the majority rural agrarian population and the development of physical and institutional infrastructure, regulatory policy is generally aimed at limiting the activities of the more modernized urban and business communities. Regulatory policy styles may be interpreted as either hard or soft, generally regarding urban and rural populations respectively, and corresponding to the state's different priorities and capabilities for policy intervention. The role of the state has and is being redefined from that of provider to that of enabler, thereby focusing on conditions that mobilize the energies and imagination of the people.

Since 1961 government has directed the development process through a series of Five-Year Plans. The first three Five-Year Plans (1961/2-1975/6) placed an emphasis on the development of basic physical infrastructure, with other significant areas being social services (notably education and health facilities) and agricultural inputs. In the Fourth and Fifth Plans (1976/77-1986/7) the distribution of outlay became more balanced, with a



greater emphasis on the development of industry, and the objectives of national and regional self-reliance and decentralization. The Sixth Plan (1987-92) introduced the objective of the preservation of national identity, and the Seventh Plan (1992-97) that of sustainability. The broad objectives of the Eighth Plan (1997-2002) are as follows: (a) Self-reliance; (b) Sustainability; (c) Preservation and promotion of cultural and traditional values; (d) National security; (e) Regionally balanced development; (f) Improving quality of life; (g) Institutional strengthening and human resource development; (h) Decentralization and community participation; (i) Privatization and private sector development.

Guiding principles for the future development of the nation are complemented by a single unifying concept, the distinctly Bhutanese notion of Maximizing Gross National Happiness. Although first propounded by His Majesty the King in the late 1980s, some of the principles embodied have guided the nation's evolution over a much longer period, being rooted in the cultural heritage. In Bhutanese culture the original definition of development was based on the acquisition of knowledge. In a similar vein the process of communal enrichment was based on a dynamic in which those who possessed superior knowledge imparted that knowledge to others. In the Buddhist religion this concept of personal development was further refined to entail overcoming the delusions arising from ignorance, aggression, and the desire for consumption and acquisition.

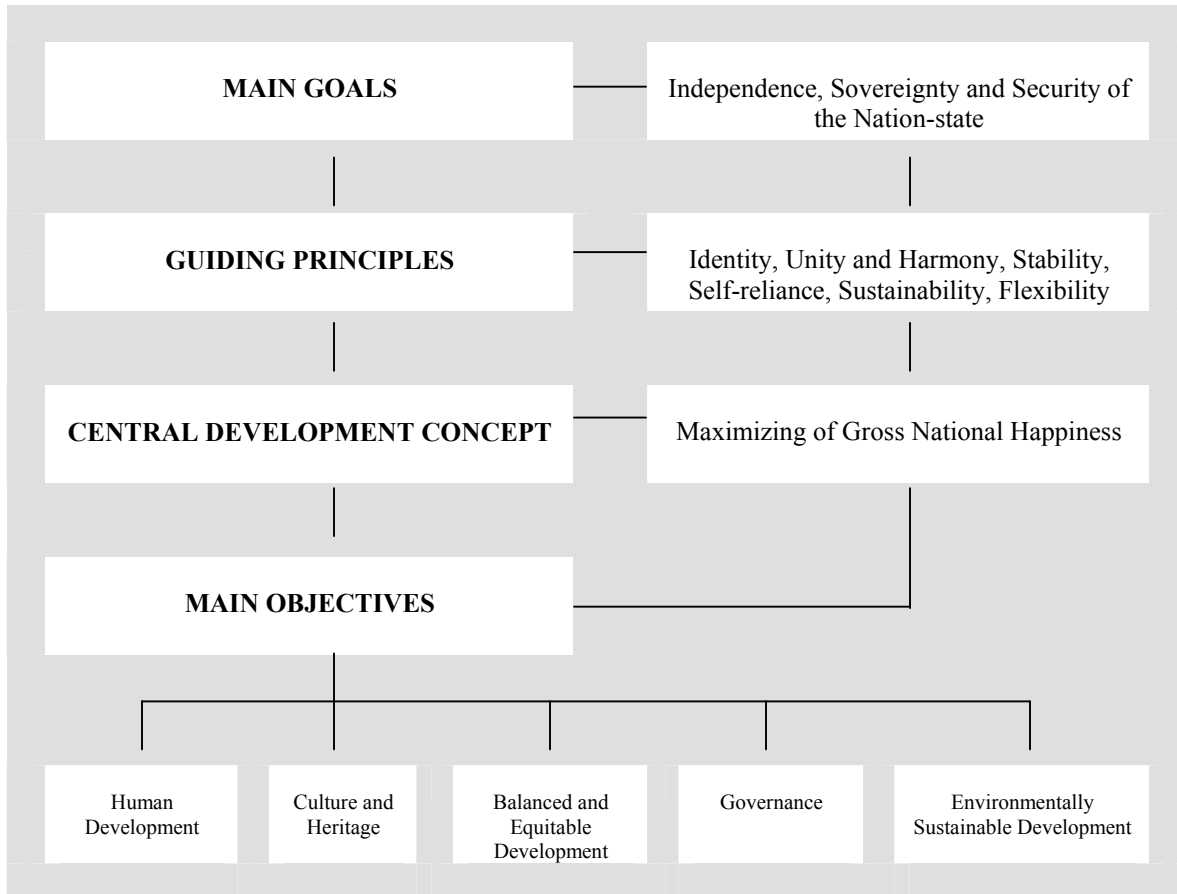
The concept of Gross National Happiness was articulated to indicate that development has many more dimensions than those associated with Gross National Product, and that it should be understood as a process that seeks to maximize happiness rather than economic growth. Although economic growth remains a precondition for the achievement of self-reliance, improved standards of living and enlarged opportunities and choices, Gross Domestic Product is perceived as insensitive to issues such as personal disenchantment, social problems and natural resource depletion. For Gross National Happiness the individual is placed at the center of all development efforts, recognizing that people have material, spiritual and emotional needs. It asserts that spiritual and emotional development cannot and should not be defined exclusively in material terms.

The aim of Maximizing Gross National Happiness, as a particularistic Bhutanese basis for development planning, promotes several important values. However, to provide direction to the Kingdom's long-term development, the concept must be translated into tangible goals. Towards this end, five themes are identified, providing powerful objectives for steering the process of change: human development, the promotion and preservation of culture and heritage, balanced and equitable socio-economic development, good governance, and environmentally sustainable development. Human development aims at maximizing the happiness of the population and enabling the fulfillment of its innate potential. Concerted efforts to produce sustainable improvements in the standard of living, quality of life, choices and opportunities need to take place within a framework of traditional values and ethics. The dynamic articulation of an unambiguous cultural imperative fulfills as important role as a source of values and inspiration for a society in transformation, meeting spiritual and emotional needs,



maintaining a distinct identity, and cushioning the people from some of the negative impacts of modernization.

### THE NORMATIVE ARCHITECTURE FOR CHANGE AND DEVELOPMENT



Source: Planning Commission (1999)

The benefits of development should be shared equitably between different income groups, genders and regions, in ways that promote social harmony, stability and unity, and contribute to the maintenance of a just and compassionate society. The system of governance needs to be developed to reduce dependence on others, to manage an increasingly complex process of development, and to enlarge opportunities for people at all levels to participate more fully and effectively in decisions that affect them. Development choices must embody the principle of environmental sustainability, protecting the biological productivity and diversity of the natural environment in the interests of present and future generations. The continuing challenge resides in the articulation of an ongoing balance between material and non-material components of development, incorporating new ideas and principles where appropriate, to give still firmer substantive content to the concept.



## 7. SOCIETY – EXPANDING PARAMETERS

We pass through villages where the entire community is at work in one family's fields, or where everyone has gathered to help build a house, plastering the woven bamboo walls with mud. Each village seems a world unto itself, a tightly knit, closely related, interdependent community, with an elected *gup* who acts as the headman, settling minor disputes and keeping whatever community records exist. A wealthier family may have paid for the grinding stones to extract oil from mustard seeds, or a manual threshing machine, but these are often used by everyone. Everyone knows what everyone else has – their belongings, their business, their plans, their problems. It is not possible here to close your doors to your neighbors, to live in tiny isolated units, nodding impersonally as you pass each other. In fact, the privacy that we so zealously guards in the West would be fatal here, where a mountain stands between one village and the next, between one village and the nearest hospital, wireless office, shop.

Jamie Zeppa *Beyond the Sky and the Earth: A Journey into Bhutan*

Bhutan is a sparsely populated land of some 650,000 inhabitants, spread out over the inaccessible and inhospitable mountainous landscape in miniature agrarian settlements. Within what essentially remains a traditional framework, individual units come together to compose a loosely linked social collage. A nation that collectively appears so different - united by centralized political and religious institutions and a common historical experience - possesses immense domestic diversity. Bhutanese society centers on community - a collection of lives interwoven in such a way that everyone appears important, no one is invisible. Within distanced villages, inclusive relations assume heightened intimacy, joining the rich with the poor, the old with the young, women and men in collective survival strategies. The prevailing social situation is characterized by a long-established underlying stability. In this sense it is somewhat atypical – underdeveloped, yet essentially free from the major social problems associated with poverty, disparity, unemployment and degradation.

The few major urban centers, relatively new occurrences, are indicative of the fact that, although at a formative stage, Bhutanese society is undergoing fundamental transformations. Following the nation's entry into the modern world in the early 1960s and ongoing development interventions, people are experiencing significant alterations in the parameters within which they exist. A basic communications network now loosely links the country both internally and externally. The relationship between centralized state and devolved society is becoming more intimate. Modern infrastructures have much improved the health status and broadened the skills base. A range of new choices and opportunities has emerged, associated with technological innovations and structural adjustments. Whereas previously lives were heavily circumscribed and pretty predictable, young schoolchildren now face an exciting though uncertain future.

The traditional order is gradually making way for a period of restless reformation. From inward looking to outward oriented, communities are coalescing to form a national playing field. With opportunity comes aspiration and ambition, as the savvy and streetwise jostle for position within a partially formed modern system. Hierarchies are developing around the center related to relationships with multiple aspects of modernity, the most significant and lasting associated with wealth. Whereas more subtle evolutions



are evident at the village level, towns represent the primary arenas for the formation of a modern Bhutanese society.

There is no guarantee that amidst the sweeping changes the nation will retain its overall consistency. The process of social reorganization involves a delicate balancing act, and trends are surfacing that have the potential to disrupt a steady transition. The population is growing and urbanization is on the increase. Informal local arrangements are being supplemented, substituted or simply eroded by the formal national infrastructure. Certain inequalities are emerging in wealth and status, between genders and regions. Instances of delinquency are slowly on the increase, as some are finding themselves outside mainstream arrangements. Benefiting from the host of modernisms and caught in an optimistic whirlwind, popular expectations are running well ahead of society's ability to fulfill them. In the tricky and unpredictable state between tradition and modernity, the nation and its citizens face a series of unprecedented challenges.

### TRADITIONAL FOUNDATIONS

Traditional Bhutanese society is encapsulated in the tiny communities that are interspersed throughout the dominant natural environment. Clusters of evenly styled buildings framed by neat fields nestled within the rolling forested landscape. Composed farmers, proceeding undistracted about their business, continue a tough though serene existence that seems to have changed little over the centuries. The whole unflustered uncorrupted atmosphere possesses a certain poise and grace. Bucolic village settings appear located in an alternative epoch, a halcyon past where a simple holistic way of life perpetuates within shielded internally consistent microcosms. There is something intrinsically appealing about a situation that is both extremely backward and yet essentially calm, cheerful and devoid of the abject suffering that is often associated with underdevelopment. It is these circumstances that can for the modern outsider conjure projected fantasies of an innocent paradise lost.

Bhutan is one of the least populated countries in South Asia, with an estimated population of 637,777 (1998). Society at large is located nearer to a stable pre-modern past than to an irresistible modern future. It remains the accumulated product of a history of ongoing migrations, as small isolated agrarian communities established footholds within the inhospitable natural terrain. The overall national condition therefore possesses numerous legacies from this recent secluded traditional order. The population density is the lowest of the Himalayan countries. 85% live in rural areas, the majority concentrated in the fertile southern and central valleys, while large areas at higher altitudes are virtually empty except for nomadic herders. There are three main ethnic groups - the Sharchops of Indo-Mongoloid origin, the Ngalops of Tibetan origin and the Lhotsams of Nepali origin – and there remain a few distinct tribal communities. Bhutanese rural society consists of a dispersed collection of close-knit village settlements of average size 43 persons.

Distance and livelihood are major factors explaining the profusion of separate units, and a strong community orientation. Bhutan's geographical conditions have encouraged



whole-scale separations, both vertically - between the high northern, broad central and tropical southern belts - and horizontally - between respective valleys, separated by prohibitively high passes. Some areas still remain days walk from each other or the nearest road. Respective villages are essentially self-sufficient units, living off the limited fertile tracts through integrated farming systems. Most are sedentary, although there was a tradition for certain groups to seasonally migrate. Simple relations were maintained with the regional administrative and religious headquarters within the dzongs. The further one goes from these centers however the less the interactions, and there was little systematic effort on the part of the state to interfere at all in the activities of more distant agro-pastoral groups.

The country is a territorial and social mosaic of distinct village communities, where physical detachment and self-reliance has led to a kaleidoscopic localization of social organization and cultural practices. While loose linkages were certainly maintained between neighboring villages and districts, the huge variety of separate dialects, some spoken by only a few hundred people, indicates that communities were essentially able to develop independently. There therefore remains both overt and subtle intercommunity differentiation, demarcating a few distinct tribal groups and separating neighboring locales by dialect, specific livelihood, resident deity or indigenous institution. The people occupying the northern areas of Laya, Lunana and Lingshi are predominantly yak-herds, in summer grazing high pastures, in winter descending to more temperate climates to trade. Trading relations were also maintained across the border with Tibet. They speak dialects of Dzongkha, the principal language of the west, which may be barely intelligible to standard Dzongkha speakers. The Layaps, especially the women, retain their distinctive dress – predominantly black yak-hair and sheep wool fabrics and conical bamboo hats.

There is an immense social complexity within the geographically diverse central valleys. A very rough division can be drawn along historical and linguistic lines between the western, central and eastern zones. The peoples of the western regions share a similar Ngalop tradition and speak Dzongkha. Within the central regions there are a multitude of peoples and dialects, mostly associated to the Bumthang language family, closely related to Tibetan. Eastern Bhutan is lower, has a warmer climate and is more heavily populated. The majority are Sharchops, speaking Sharchopkha, a clear language set. There are however other defined groups, such as the Brokpas, who occupy the high valleys of Merak and Sakteng. These peoples also sport a distinctive apparel – women wear a short poncho like dress and red jackets, men wear leather leggings and woolen trousers, woolen tunics and leather sleeveless vests, both sexes wear a peculiar hat of yak felt with long twisted tufts.

The southern belt was previously thinly populated, due to the mountain people's fear of tropical disease. Over time, however, there have been significant migrations from north and south. The progressive arrival of peoples of Nepali descent gives the area a very varied ethnic and linguistic character. They are an extremely assorted group, from the plains dwelling Hindu Bahun-Chhetris and Newaris to the hill people of Mongoloid stock, including Sherpas, Gurungs, Tamangs, Rais and Limbus. In Samtse there are



certain tribal communities considered to be aboriginals, notably the Lhopus. Living in extremely close-knit isolated communities, they maintain their distinct way of life, which includes the worship of local deities associated with animism and the marrying of cross cousins.

Individual communities were structured in a way that they could essentially function independently. Each may be interpreted as deriving their individual methods, although there are often marked similarities due to the very comparable situations encountered. Indigenous local institutions have evolved through which a village headman is elected, roles and responsibilities are allocated between sexes and age groups, and mutually beneficial collective arrangements are promoted. In many cases women are the heads of the household, the owners of the land and the economic decision-makers. Male power derives more from a religious role, which should not be underestimated. Although there are inevitable gaps between rich and poor, the limited economic opportunities maintain such discrepancies within acceptable margins, and the small internal environment means that inclusive symbiotic relationships remain.

This marked community orientation promotes a common bond, a distinct localization of outlook and a strong source of individual identity. Within the larger urban environments most still associate with their original village and maintain close links through family, friends and extended livelihood approaches. The traditional way of life, with its implied hardships, promotes intimate interrelations and a strong sense of solidarity, where collective detachment has mitigated internal dislocations. Attitudes are essentially relaxed, encouraging friendly exchanges and a very matter-of-fact outlook. This carries over to sexual practices, most notably “night hunting”, when young men climb through windows to reach sometimes unsuspecting suitors. Should they be together in the morning it is assumed that they are married.

Each group has its particular body of stories - amusing anecdotes, fascinating occurrences and auspicious events. Personal relations assume heightened importance and command overwhelming interest. Individual histories are common knowledge, as are private joys and problems and future plans. Where such information is currency, there is a marked proliferation of gossip and rumor. Wonderful storytellers spin fantastic tales; lives are portrayed in brilliant Technicolor, a fascinating fusion of fantasy and reality. Although composed on a small canvas, one is afforded an intricacy of human detail that would otherwise become submerged.

## WIDENING HORIZONS

Distance is a principal feature of Bhutan’s contemporary social circumstance. For much of its history the whole territory was sheltered from the outside world. Essentially insulated from modern influences, traditional structures were retained and allowed to mature within a settled background. Spread out over inaccessible mountainous terrain, society remained only very loosely connected, where people existed in miniature community centered life-worlds. Although the total land area is relatively small, villages and regions are separated by hours and days. Travel - on horseback or by foot traversing



high hills and steep valleys on narrow winding tracks - was a protracted experience, encouraging a very localized perspective of time and space. However, as the nation becomes integrated, both externally and internally, underlying contexts are transforming. Gaps are closing and horizons expanding, as the nation enters a new era of compression, convergence and modernization.

Essential circumstances have altered and new national imperatives have become introduced. Bhutan is now committed to development and change. Although it appears needless, almost destructive, to disturb well-functioning systems, encounters with modernity are inexorable. Indeed, reactionary romanticism denies the many traditional hardships, the host of potential benefits and the basic inevitability of modernization. Bhutanese society is now experiencing some fundamental structural changes. Since the inception of planned development in the early 1960s a concerted effort has been made to create an enabling environment, whereby society might undertake the transition to a modern condition. Although still at a formative stage, the situations encountered by the majority of the population are becoming somewhat removed from the stable restricted past.

Associated with the requirement for state regulatory and development policy interventions, there now exists a more intimate relationship between a centralized paternalistic state and society. From informal and detached to formal and integrated, the institutional environment is gradually becoming transformed. Social activities are now governed by a blend of traditional and modern arrangements. The Royal Government has placed emphasis on human development, most notably in the fields of physical infrastructure, health and education. A basic health coverage system has been established, and there is now universal primary health care. The health status of the population has improved dramatically, with life expectancy at 66 years (1999). Modern educational institutions provide educational opportunities from primary to tertiary level, with the gross primary enrolment rate estimated at 72% (1999).

Bhutan's total road network measures about 3,200 km, the main routes consisting of an east-west highway and four north-south highways, connecting all the districts and the major towns. However, inhibited by the mountainous terrain, certain regions and the majority of villages remain unconnected. The country now has an airport, at Paro in western Bhutan, from where the national airline, Druk Air, provides regular services to Delhi, Calcutta, Kathmandu, Dhaka and Bangkok. A basic telecommunications network has been established, consisting of telephone, telegraph, telex, fax, e-mail and internet access. Such advantages are accessible in the main urban centers and all but a few regional headquarters, and civil wireless facilities are available in all the dzongkhags. Electricity is now available in certain areas, with the development of more than 20 hydroelectric schemes as well as the installation of diesel generators. 39 towns are now electrified and 5% of the population has access to electricity.

With the introduction of modern technologies and methods, the economic opportunities are slowly increasing. A new livelihood division has emerged between traditional and modern sectors. Whereas traditional agrarian pursuits provide ample employment



possibilities, there are only limited productivity improvements available. Despite the progress made in the development of a more efficient modern sector, employment opportunities are currently limited, predominantly to public service and small-scale trade, with only 7,000 jobs so far created and around half of these occupied by expatriates. The overall extent of modernization is reflected in the rural-urban distribution. Bhutan is one of the least urbanized countries in the world, with only 15% of the population living in urban areas. Thimphu is the capital city, with a population between 30,000 and 40,000. The other major urban settlements are Gelephu, Phuntsholing and Samdrup Jongkhar, all in the south, where industrial activity is concentrated. Towns are developing in all 20 dzongkhag (district) headquarters and altogether 44 settlements, with a minimum of 500 inhabitants, have been recognized as urban.

**SELECTED DEVELOPMENT INDICATORS, 1977 AND MOST RECENT ESTIMATES (MRE)**

INDICATOR	1977	MRE (1999)
Crude birth rate (per thousand)	43.6	39.9
Crude death rate (per thousand)	20.5	9.0
Life expectancy (years)	46.1	66.1
Immunization coverage (%)	N/A	90
Infant mortality rate (per 1,000 live births)	N/A	70.7
Maternal mortality rate (per 100,000 live births)	N/A	3.8
Under-5 mortality rate (per 1,000 live births)	162	96.9
Number of hospitals	10	28
Number of dispensaries	38	N/A
Number of Basic Health Units	31	145
Number of doctors	52	101
Number of primary schools	92	250
Number of junior high schools	14	44
Number of high schools	6	18
Number of tertiary and training institutions	N/A	10
Primary school enrolment rate (%)	N/A	72
Number of students in school	14,553	100,198
Students in tertiary education	866	2,004
Number of teachers	922	2,785
Adult literacy rate (pilot) (%)	17.5	54
Population served with electricity	N/A	31,639
Population (rural) with access to potable water (%)	31	58
Population (rural) with access to safe sanitation (%)	NA	80
Number of telephone exchanges	15	26
Number of telephone lines	N/A	9,314
GDP per capita (US\$)	100	551
Human Development Index	N/A	0.510

Source: Planning Commission (1999)

**SHIFTING THE GOALPOSTS**

Thimphu is a building site, a collection of almost new and half-formed structures. Since its establishment as the permanent capital in 1952-3, when there was little more than a Dzong surrounded by a small collection of huts, the town has witnessed a dramatic expansion into a spread out settlement of some 35,000 inhabitants. As the political and administrative center, it has become the fulcrum for modern development initiatives and a symbol of the nation's future. What is revealed is an eclectic mix of old and new, as very different worlds coalesce. Government guidelines have determined that architecture and dress retain their traditional character, a move that provides the impression of continuity. Yet this rather messy and congested urban environment of concrete, cars and



corrugated iron is somewhat distanced from its country cousins. The ubiquitous dzong, monasteries and chortens are now complemented by the necessary functionality of shopping malls and housing colonies. An abounding and sometimes gaudy variety of imported goods share space with more simple and artistic traditional wares. The powerful elite, astute businessmen and women, highly educated civil servants and overseas development workers pass hesitant foreign and domestic visitors, recent rural migrants and red-robed monks.

Since the inception of planned development, policy interventions have focused on the universal provision of social services and physical infrastructure. The vast majority of the population have thus benefited from modernizing processes in very tangible ways. However, to successfully transform society, individuals will require the appropriate opportunities, and the necessary capacities and capabilities, to suitably fulfill their innate potentials and meet their perceived needs. There is a risk of significant gaps emerging between traditional rural and modern urban environments. Furthermore, power may become polarized and it is common for political vacuums to occur. The manner in which society reacts to the host of new possibilities and potentials is of critical importance. Social changes associated with modernization are inherently destabilizing and often ambiguous as to its outcomes. Aiming to effect a steady and balanced transition Bhutan now faces a host of new complex challenges.

Uneven trends are emerging that have the potential to jeopardize successful social evolution. One of the greatest challenges facing the nation is the rapid rate of population growth. If the current growth rate of 3.1% per annum remains unchecked, then the population will double in 23 years. The country's demographic transition, with 43% of the population currently under 15 years of age, will mean that growth in the demand for jobs will far exceed supply. Indeed, it is estimated that a total of 267,000 jobs need to be created in the next 20 years, even under the most favorable demographic assumptions. The requirements of a fast expanding population could undermine social stability, creating political and social stresses and placing unsustainable pressures on the natural resource base.

Thimphu may not be characteristic of the greater part of the country, neither possessing its medieval ambiance or its picturesque beauty, yet it is an integral part. With the development process comes increased expectations. Rural-urban migration has been increasing rapidly, particularly to the principal urban centers, with some estimates suggesting that the population of Thimphu is increasing at 10% per annum. If the present trend continues, the nation's urban population could approach 400,000 within the next 20 years. Although rural-urban migration is a natural corollary of development and modernization, such increases pose a major threat to stability. Many urban areas, located in narrow valleys, are physically unable to absorb such volumes of new inhabitants, and do not possess the necessary physical and social infrastructure. Furthermore, rapid urbanization could be environmentally and socially destructive, with unsustainable levels of localized natural resource utilization and many migrants unable to find the work that they seek. The creation of suitable employment is already a critical issue, with an excess demand for jobs in the modern sector and a shortage of farm labor.



If harnessed prudently the elements embodied in traditional systems might constitute a valuable development resource. Indeed, where formal state institutions remain in the process of evolution, the perpetuation of such informal arrangements will greatly aid in the maintenance of stability and the provision of additional opportunities. Furthermore, in catering for the very specific conditions of a particular location, the synergy of traditional and modern techniques might be highly constructive towards the generation of appropriate localized strategies. However, the relationship between traditional and modern systems is not necessarily mutual, and can often be competing and contradictory, leading to the supplanting of the old with the new. The introduction of a partially developed modern institutional infrastructure can have a disorientating impact on efficacious traditional institutional arrangements, and potentially negative implications on related social behavior.

Equity issues pose fundamental challenges for the efficient and effective development and stability of the nation. Relatively equal access to and control of resources greatly aids the maintenance of an equitable society. A 1959 Land Reform and subsequent state policy interventions have determined that land and other resources are distributed relatively evenly through society. The state maintains ownership and control of the great majority of the national resource-base. Although the physical and institutional infrastructure has improved dramatically, and the vast majority of the population has benefited in very tangible ways, the benefits have thus far not been distributed equally between social groups and regions. In remote and isolated areas in particular, lives remain characterized by vulnerability, uncertainty and drudgery, where legitimate expectations and aspirations are not being fully met. Ensuring that such vulnerable and disadvantaged groups are able to benefit more fully from the process of economic and social development is a challenge that must be met in the years ahead.

Income differentials are a natural product of modernization, however, it is important that these remain within acceptable boundaries. This is currently promoted through redistributive and regulatory policies, such as a progressive system of taxation and the setting of defined parameters on the activities of particular social groups. The opportunities available to an emerging elite have thus been maintained within acceptable boundaries. Although the state currently maintains relatively balanced power relations, it will eventually be necessary to formally institutionalize political conditions. Towards this end, power is now being devolved through an extensive process of decentralization. The outcome of such empowering initiatives may be of critical future importance to the maintenance of an equitable and just society.

Bhutanese women enjoy equality with men, both before the law and in informal social arrangements. They are actively involved in all areas of economic, political and social life, as farmers, entrepreneurs, decision-makers, professionals and homemakers. Within traditional society gender roles afford equal status, power and freedom. However, there is the potential that this situation might change under the different working environments implied by modernization. Under changing circumstances, there is the possibility that women's roles remain the same, whereas men's roles are altered. Such a change might



impact upon the division of power within the household, and thereby compromise gender equality in the future. Perhaps the area where women are currently underrepresented is in formal decision-making processes, although this situation is being rectified. It will be increasingly important to mainstream gender roles in society, to ensure that these remain equitable and opportunities are distributed evenly.

Contemporary Bhutanese society possesses many of its traditional traits, carried forward onto a changing context. These have proved extremely beneficial in the preservation of a balanced and integrated social environment. However, circumstances are altering fundamentally and it cannot be guaranteed that equilibriums will be maintained. At both the national and individual levels objectives have transformed beyond recognition. The social environment is now dynamic and the emerging pressures possess a multidimensional complexity. It will involve a delicate and nimble juggling act if the nation is to become successfully modernized, whilst retaining the most valuable elements of an established tradition. Within the larger urban environments most still associate with their original village and maintain close links through family, friends and extended livelihood approaches. However, new, slightly narrower though often bigger, communities have also evolved around families, classmates, social status, career, or shared interests. Tiny microcosms encourage the Buddhist values of interconnectedness and interdependence. Is unlikely that such cohesion can be retained within a modern context.



## 8. ECONOMY – GROWING PAINS

The main factors of production that dominated in the past were land and labor, and as a result many institutions evolved to use labor from each household for various community and national tasks. There has not been much indigenous technological progress aimed at mass production, though farmers seem to have made innovations from time to time. The future will be dominated by technological and industrial modes of production; industrialists and mercantilists, as much as the farmers of horticultural plantations, will constitute the emerging dominant group. Technology comes from outside, and success will depend on how closely one can link up with the right sources. Technological innovation will be needed to sharpen the edge of market competitiveness. Choices concerning industry and technology will be extraordinarily important.

*Karma Ura Tradition and Development in  
Bhutan: Mountain Fortress of the Gods*

The Bhutanese economy is significantly underdeveloped in keeping with the Kingdom's late entry to the modern world. Although there have been considerable socioeconomic changes since the 1960s, the economy is still in its infancy. The livelihoods of the majority of the population remain based around traditional modes of production, namely subsistence agriculture and petty barter trade. Infrastructural improvements and technological inputs have encouraged the diversification of production, the development of markets and the emergence of a modern sector. The country has to date been able to generate very acceptable growth rates, connected to the gradual strategic exploitation of the natural resource base and the high initial returns on the mobilization of technology. However, the relatively small size of the predominantly trade-based modern private sector indicates that there is a long way to go.

The state will continue to play a central role as Bhutan's economy undergoes major structural transformations. As well as the responsibilities for macroeconomic management and development interventions, it is the principal resource owner, the leading producer and the major domestic market. Much still depends on the government's economic and broader development policies. The approach adopted is encapsulated in the unifying concept of Gross National Happiness, which emphasizes stability, balance and equity across all dimensions. Aiming to protect the culture and the environment and effect concomitant social and political reforms, the modern sector has been very gradually opened up. This is reflected in heavy market regulation and tight investment rules. Furthermore, the prudent management of public finance and external assistance has slowed immediate economic change. However, the development of a modern private sector is becoming of increasing importance to the maintenance of sustained growth and the provision of suitable employment opportunities.

Continued economic development is critical to successful modernization. Towards this end Bhutan possesses some important assets and some fundamental constraints. A well functioning state system, committed to national advancement, is endeavoring to create an effective enabling environment. Moreover, the country currently possesses the considerable advantages of a relatively small population and reasonably rich natural resource base. However, the impoverishment of the surrounding regions clearly alludes to some essential economic realities. The Himalayan area at large lies at the extreme



periphery of the world economy and the modernization process has had some not altogether beneficial repercussions, typified by the failure to achieve sustained economic development. The nature of Bhutanese agriculture means that the country is not best placed to make a smooth agrarian transition, and there is considerable risk of a dual economy emerging. Furthermore, the modern sector, forced to compete predominantly on the more competitive export market, is hindered by high labor and transaction costs. The relatively slow response of the private sector is indicative of the fact that the lucrative accommodation of modern technologies and associated forms of economic organization will be problematic. For the realization of the long term objective of an economy based around “*sophistication and civilization*” (Planning Commission (1999:94)), the government lead and the private sector response will be of critical importance.

### ARRESTED DEVELOPMENT

Due to Bhutan’s late start to modernization and subsequently a careful government approach, the economy remains in a considerably underdeveloped state. 85% of the population derives a living from agriculture and other activities in the traditional sector. It is estimated that only two-thirds of the money that could be expected in an economy of such size is actually in circulation. The economic structure remains shallow and narrow, overly reliant on certain specific growth areas, notably hydropower and government services and investment. However, although Bhutan is considered among the world’s poorest countries when measured in terms of GDP per capita, estimated at around US\$645 (1997), a UNDP Human Development Index rating of 0.510 ranks the country within the medium human development bracket. This indicates that, while the economy remains immature, developments have been relatively balanced and have yet to seriously founder. The country can therefore justifiably retain the optimism of youth.

#### BHUTAN HUMAN DEVELOPMENT INDEX: 1984 & 1994

	1984	1994
Life expectancy at birth (years)	47.5	66.0
Adult literacy rate (%)	28.0	46.0
Combined first, second and third level gross enrolment rate (%)	24.5	40.1
Real GDP per capita (PPPS)	1,652	2,418
Life expectancy index	0.373	0.683
Adult literacy index	0.280	0.460
Combined enrolment index	0.245	0.401
Educational attainment index	0.268	0.440
GDP index	0.290	0.433
<b>HUMAN DEVELOPMENT INDEX</b>	<b>0.310</b>	<b>0.510</b>

Source: Ministry of Planning (1996)

As indicated by GDP sectoral breakdowns, agriculture remains the major component. The high proportion of the workforce it currently employs, the welfare role it satisfies and the lower cost of living in rural areas further enhances the importance of the sector. Within the modern sectors, the dominance of the state is reflected in the contributions of mining and quarrying, electricity, transport and communication, construction, financial services and community and social services. The economy has thus far been able to register healthy growth rates, with an average rate of around 6.8% over the decade 1985-



95. The major growth areas lie within the small modern economy; however there has also been a steady increase in agricultural productivity.

#### GDP SECTORAL BREAKDOWN

	1985	1995	GROWTH (%)
Agriculture	54.9	38.0	2.9
Mining & Quarrying	0.8	1.3	11.6
Manufacturing	4.9	9.1	13.5
Electricity	0.4	8.3	48.2
Construction	11.1	10.8	6.5
Trade	8.7	6.0	3.0
Transport & Communication	5.2	8.2	11.8
Financial Services	7.2	9.5	9.8
Community & Social Services	8.2	10.9	9.8
Less Imputed Bank Service Charges	-1.6	-2.1	-
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>-</b>

Source: Ministry of Planning (1996)

#### GDP AT FACTOR COST BY KIND OF ACTIVITY IN 1980 PRICES

SECTOR	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	Comp. Growth (%) 1985-95
1. Agriculture	834	881	926	940	963	993	1025	1006	1045	1066	1119	2.9
1.1 Agriculture Proper	412	436	458	486	515	531	545	556	564	575	601	3.9
1.2 Livestock	169	177	185	192	202	212	229	202	227	232	246	3.8
1.3 Forestry & logging	254	267	283	263	247	250	250	249	254	259	271	1.0
2. Mining & quarrying	13	22	22	19	22	19	27	24	26	30	38	11.6
3. Manufacturing	75	71	105	110	129	158	187	209	217	224	268	13.5
4. Electricity & gas	6	60	229	225	222	204	200	210	232	230	245	48.2
5. Construction	169	142	152	129	136	137	116	157	182	280	317	6.5
6. Wholesale and retail trade	132	143	142	129	134	135	145	161	164	170	178	3.0
7. Transport, storage & communication	79	84	91	122	142	172	182	192	223	231	242	11.8
8. Finance, insurance and real estate	110	126	136	141	163	212	209	215	238	245	281	9.8
9. Community, social and personal services (government)	126	169	200	210	217	223	233	252	267	296	322	9.8
Less: Imputed bank service charges	-25	-24	-30	-32	-41	-29	-21	-28	-45	-55	-63	-
<b>GROSS DOMESTIC PRODUCT</b>	<b>1520</b>	<b>1675</b>	<b>1973</b>	<b>1994</b>	<b>2087</b>	<b>2225</b>	<b>2303</b>	<b>2397</b>	<b>2549</b>	<b>2716</b>	<b>2946</b>	<b>6.8</b>

Source: Ministry of Planning (1996)

Within the traditional sector an expanding range of government development services has helped stimulate increases in production and the gradual development of markets. An extra 5,000 ha of cultivable land has been added since 1980. However, due to the relative scarcity of productive plots – less than 8% of total land area is under cultivation - an emphasis has been placed on the more efficient use of existing areas. An extensive system of agricultural services has made possible significant increases in yields and some diversification of production. With the introduction and promotion of several cash crops, notably fruits and vegetables, the agricultural sector now supplies both domestic and regional markets. However, although nearly every farmer has experienced some benefits, the overall development of the sector is hindered by the perpetuation of traditional



subsistence-based modes of production, market constraints, particularly the limited road network, and relatively low land productivity. Furthermore, strategic emphases on rice production, food self-sufficiency and environmental concerns do not necessarily direct the sector towards its comparative advantages. With the increase in population and urbanization, a shift in dietary habits and the opening of markets, Bhutan is now not self-sufficient in the production of food grains.

The government has been and remains the driving force behind the development of a modern sector of the economy. The state is both the principal producer and source of demand through infrastructure projects. In the interests of stability and environmental and cultural conservation, many potential markets have yet to be fully exploited. Since 1987 there have been considerable initiatives to develop the private sector into a leading engine for future economic growth. Policies have been implemented which maintain macroeconomic stability while liberalizing the financial system. Public sector industries have been privatized or corporatized. Industrial infrastructure is being developed, in the form of estates and service centers. Special programmes have been set up to foster the development of cottage and small industries. However, in spite of such steps, the response from the private sector has currently lagged behind expectations. Most entrepreneurs possess a trading mentality and the modern private sector remains trade rather than industry based. The sector is therefore small, concentrated around the major urban centers, provides few employment opportunities and creates only limited added value.

## **WATERSHED MANAGEMENT**

Particularly during the revolutionary and difficult process of economic modernization, the state plays a crucial role in effecting change. Bhutan's economic development has been state-led and remains state dominated. Given its ownership of the majority of the natural resource-base, hydropower being a leading avenue for expansion and the huge ongoing requirement for development interventions, this scenario is unlikely to change in the near future. The already fundamental importance of good governance and sound economic management is therefore further enhanced. In this regard Bhutan possesses the notable advantages of few current social, political or environmental pressures, a relatively paternalistic government, responsible political economy and a high degree of state influence over the activities of the modern sector. The state therefore still has considerable room for maneuver in its policy decisions.

A pragmatic and gradualist approach to economic development is reflected in both the central concept of Gross National Happiness being of greater importance to Gross National Product and in a "Middle Path" strategy. These stress that the development process should be informed by the imperatives of balance and equity within and between spheres. Indeed, Bhutan's vulnerable position places additional emphasis on national security, and therefore stability. In this sense, the economy remains one of a number of priorities. It is significant that within the overall policy approach economic development is only a sub-category supporting human development and self-reliance, and framed by concerns for national security, good governance, social equilibrium and environmental



and cultural preservation. Economic goals therefore need to be interpreted in relation to respective social, political, cultural and ecological contexts.

The policy style is strong and relatively conservative. Policies may essentially be divided into development and regulatory interventions. Whereas development policies aim at expanding opportunities, regulatory policies seek to limit the potentially negative impacts deriving from uncontrolled responses to such new openings. Related to both the state's guiding principles and its ability to enforce laws, regulatory policies may be interpreted as relatively hard when applied to the activities of the modern sector and soft when concerning the traditional sector. In this way economic opportunism, related to the exertion of political power, has been limited, and the gaps between rich and poor have been maintained within acceptable boundaries. Development policies, as far as is possible, aim at effecting changes throughout society. Particular emphasis is placed on the expansion of the government, communication, health, education and power infrastructures and the provision of agricultural inputs.

#### GOVERNMENT EXPENDITURE ESTIMATES FOR 7<sup>TH</sup> FYP AND FORECAST FOR 8<sup>TH</sup> FYP

		7 <sup>th</sup> Five Year Plan					8 <sup>th</sup> Five Year Plan						
		92/93	93/94	94/95	95/96	96/97	TOT.	97/98	98/99	99/00	00/01	01/02	TOT.
1.	DOMESTIC REVENUE RECEIPT	1485	1602	1978	1903	1980	8948	2240	2436	2602	2766	2956	13000
2.	GOI PROGRAMME GRANT	325	300	300	300	300	1525	900	900	900	900	900	4500
3.	GOI PROJECT GRANTS	38	307	153	1162	1113	2773						
4.	DONOR RECURRENT FINANCING	98	118	114	190	181	701	274	299	290	353	405	1621
	<b>TOTAL (1+2+3+4)</b>	<b>1946</b>	<b>2327</b>	<b>2545</b>	<b>3555</b>	<b>3574</b>	<b>13947</b>	<b>3414</b>	<b>3635</b>	<b>3792</b>	<b>4023</b>	<b>4261</b>	<b>19121</b>
A	TOTAL EXPENDITURE (B+C+D)	2006	2416	2664	3716	3935	14737	3329	3484	3643	3921	4567	18943
B	RECURRENT EXPENDITURE	1240	1490	1667	1995	2198	8590	2450	2643	2871	3056	3757	14777
	1. Personal Emoluments	498	510	609	668	841	3126	1007	1020	1046	1046	1550	5670
	2. Interest Payments	63	218	199	206	188	874	136	163	194	187	171	850
	3. Travel, Utilities & Rent	146	152	186	233	241	958	269	301	336	376	420	1701
	4. Supplies & Materials	210	215	224	293	315	1257	352	393	440	491	549	2225
	5. Grants/Transfers & other expenses	154	192	168	208	200	922	223	249	278	311	348	1410
	6. Operation & Maintenance	169	202	280	387	414	1452	462	516	577	645	720	2921
C	CAPITAL (NET) EXPENDITURE	278	599	823	1617	1504	4821	511	511	481	480	420	2403
	1. Capital Expenditure	1157	1390	1592	3262	3447	10848	3246	3503	3866	4009	4468	19092
	<b>2. External Funding</b>	<b>879</b>	<b>791</b>	<b>769</b>	<b>1645</b>	<b>1943</b>	<b>6027</b>	<b>2735</b>	<b>2992</b>	<b>2904</b>	<b>3529</b>	<b>4048</b>	<b>16689</b>
D	LENDING/REPAYMENT (NET)	488	327	174	104	232	1325	368	329	292	385	389	1763
	1. Loans to Enterprises	127	188	6	-183	-32	106	91	92	93	94	95	464
	2. Repayment of Debt Principle	361	139	168	287	264	1219	277	237	199	292	295	1299
E	OVERALL FISCAL POSITION	-60	-89	-119	-161	-361	-790	85	152	149	102	-306	178
	Deficit (-) / Surplus (+) as % GDP	-1.1	-1.2	-1.4	-1.7	-3.3		0.7	1.1	0.9	0.5	-1.4	

All figures in Nu. million

Source: Ministry of Planning (1996)

The government has been very careful and considered in its approach to the macroeconomy. The management of public finance is informed by the priorities of stability and self-reliance. Government expenditure and deficit financing are therefore maintained within acceptable boundaries, and, although dependent on external assistance for capital expenses, recurrent costs are now met from domestic revenues. The Government of India (GOI) has been Bhutan's leading development partner since the start of planned development. The country now receives assistance from around 15 multilateral organizations, 19 individual donor countries, 4 financial institutions and a



few non-governmental organizations. In the early 1980s aid amounted to about 50% of GDP. However, with subsequent economic growth, this figure is now below 20%. The policy towards external assistance is guided by the need to avoid excessive dependence. In this sense, the government does not attempt to attract the maximum amount of aid available, favoring the development of longstanding relationships with non-aligned nations. Nevertheless, given the underdeveloped state of physical infrastructure and the high unit cost of development interventions, significant capital investments are required if the country is to successfully modernize.

**BASELINE NATIONAL REVENUE ESTIMATE FOR 7<sup>TH</sup>FYP AND FORECAST FOR 8<sup>TH</sup>FYP**

	SOURCE	7 <sup>th</sup> Five Year Plan					TOT.	8 <sup>th</sup> Five Year Plan					TOT.
		92/93	93/94	94/95	95/96	96/97		97/98	98/99	99/00	00/01	01/02	
1.	<b>TAX REVENUE</b>	457	503	650	682	718	2910	1259	1378	1465	1540	1661	7304
	1.1. Corporate income tax	112	115	203	234	245	810	600	672	705	732	785	3494
	1.2 Business income tax	28	33	36	37	39	174	46	48	50	53	55	252
	1.3. Salary tax	5	6	7	7	7	32	8	8	8	9	9	41
	1.4. Health contribution	4	6	7	7	7	31	8	8	9	9	10	44
	1.5. Royalties							144	151	159	167	175	795
	1.6. Rural tax	6	6	6	6	6	30	7	7	7	8	8	37
	1.7. Bhutan sales tax	96	89	118	120	126	548	122	132	146	153	179	733
	1.8. Export tax on crops	2	8	11	11	12	44	13	14	15	15	16	73
	1.9. Excise duty	155	185	194	194	204	932	210	221	232	243	256	1162
	1.10. Motor vehicle tax	23	21	21	24	25	115	24	26	27	28	30	135
	1.11. Business and professional	5	4	5	6	6	26	6	6	7	7	7	34
	1.12. Import duty	11	23	30	24	25	113	38	40	42	45	47	212
	1.13. Gongda Woola	1	1	5	4	8	20						
	1.14. Other tax revenue	9	6	7	8	8	37	8	8	8	9	9	42
	1.15. Proposed taxes							25	37	50	62	75	249
2.	<b>NON-TAX REVENUE</b>	<b>1033</b>	<b>1070</b>	<b>1036</b>	<b>1171</b>	<b>1231</b>	<b>5543</b>	<b>981</b>	<b>1058</b>	<b>1137</b>	<b>1226</b>	<b>1292</b>	<b>5696</b>
	2.1. Net transfer of profits from public enterprises	556	529	455	605	638	2783	140	147	154	162	170	774
	2.2. Royalties	60	115	120	109	114	518						
	2.3. Dividends	87	63	44	47	49	290	357	393	427	470	493	2140
	2.4. Admin fees and charges	35	46	47	43	46	217	54	57	60	63	66	299
	2.5. Capital revenues	130	104	87	68	71	462	101	106	111	117	122	556
	2.6. Revenue from Govt. departments / agencies	161	210	280	296	310	1258	326	352	381	411	436	1910
	2.7. Other non-tax revenue	4	3	3	3	3	15	3	3	4	4	4	18
	<b>TOTAL REVENUE RECEIPTS</b>	<b>1490</b>	<b>1573</b>	<b>1687</b>	<b>1853</b>	<b>1949</b>	<b>8552</b>	<b>2240</b>	<b>2436</b>	<b>2602</b>	<b>2766</b>	<b>2956</b>	<b>13000</b>
	Tax revenue as % GDP	7.18	7.00	7.82	6.13	6.65		10.16	9.81	9.03	8.18	7.75	
	Non-tax revenue as % GDP	16.32	14.89	12.33	12.33	11.35		7.92	7.53	7.00	6.51	6.04	

**All figures in Nu. million**

Source: Ministry of Planning (1996)

Non-tax revenues dominate government income. In this regard, the state possesses considerable advantages derived from its ownership and measured exploitation of the natural resource base. With the current construction of additional hydropower facilities, energy generation will soon treble, and significant further potential remains. The government therefore possesses the ability to expand future development inputs without generating significant macroeconomic instabilities - through debt financing or increasing the money supply - or placing excessive pressure on the expansion of the tax base. Given the low surpluses within the traditional sector, revenues are predominantly accrued from the modern sector of the economy. However, it will become increasingly important to broaden the tax base and make the tax structure more efficient.



The responsibility for monetary policy lies with the Royal Monetary Authority. The central objectives are to maintain price stability whilst increasing the current level of investment. The inflation rate is currently under 9%, and inflationary pressures are controlled through the establishment of an exchange rate link, pegging the Bhutanese Ngultrum to the Indian Rupee and keeping a tight rein on the money supply. The state currently possesses significant foreign exchange reserves and maintains tight foreign exchange restrictions. There is currently no private foreign direct investment. Excluding grants the current account deficit is approximately 20% of GDP, with about 80% of all trade conducted with India. Gross Domestic Savings have increased appreciably, doubling over the past decade to approximately 30% of GDP. Interest rates are administratively determined, with borrowing rates at 15%. Efforts have been continuing to develop an efficient financial sector. There are now four major financial institutions and fledgling stock and bond markets have been established. However, there is currently a significant gap between interest rates on savings and borrowing and significant excess liquidity within the sector.

To date cautious policies have attempted to bring about a gradual evolution of the economy, whilst focusing attention on developing the social and political foundations upon which such transformations might occur. In this sense, although the economy is an important aspect, it certainly has not achieved political primacy and remains tightly regulated. However, given the fundamental social changes occurring, the ongoing development of a suitable and effective enabling environment will place increasing attention on economic development and structural change. The high initial productivity gains from technology and organizational innovations are now reducing, and focus is swiftly shifting from economic mobilization to efficiency, in both policy and business spheres. Indeed, successful economic development will require the increasing financial efficiency of development policy interventions and the creation of a macroeconomic environment that stimulates private enterprise and guides the restructuring of the economy towards the nation's comparative advantages.

## **EMPLOYMENT PROSPECTS**

The Royal Government of Bhutan is pursuing a human centered approach to development. The economy may therefore be interpreted from a livelihood perspective. As the country undergoes social transition and the population becomes larger and better educated and expectations expand, it will be increasingly necessary for the economy to provide suitable employment opportunities. Although development cannot be gauged entirely by the ability to achieve steady economic growth and development, growth is a precondition for successful transformation. Changes in the social environment need to be translated into concomitant increases in economic mobilization and productivity. The government has proved particularly successful at maintaining the status quo. However, the imperative of economic development presents the new challenge of successfully transforming an underdeveloped system as opposed to maintaining and managing a well-functioning one.



The achievement of sustained economic growth is notoriously problematic, and has been a major failing throughout the developing world. During the initial stages of transition the economy has been protected as much as possible and an emphasis has been placed on stability. However, as the modernization process proceeds, the challenges faced will become increasingly complex and the policy decisions far from clear-cut. The economic structure remains significantly underdeveloped, and there is a risk that considerable social pressures will emerge as acceptable livelihood opportunities are not created. Due to the small size of economy and society, tapping into foreign markets will be extremely important and growth will need to be export-led. This places additional emphasis on competitiveness. In an attempt to direct the economic structure towards the country's comparative advantages the economy is being gradually liberalized. The government is slowly deregulating the economy and working towards the satisfaction of international trading standards.

Three principal avenues have been identified for Bhutan's sustainable development: increased self-sufficiency in food production, hydropower expansion and industrial development. These refer to the traditional and modern public and private sectors respectively. The vast majority of Bhutanese earn their livelihoods within the traditional agricultural sector of the economy. Although the continued expansion of the modern economy will generate a gradual change in the employment structure, this situation is unlikely to transform in the near future. Steady growth rates are therefore important towards the achievement of balanced development and a stable transition. Indeed, as the lowest common denominator, such progress fulfills important economic and social roles, providing the majority of the population a basic livelihood. The leading growth area is likely to be horticulture (both fruits and vegetables). However, given the nature of the landscape, opportunities for increases in productivity lag behind those in other areas of the economy. Most improvements though will impact upon people in the less developed categories of society, and potentially raise the welfare base.

Central to growth will be the prudent harnessing of the natural resource-base, especially for the generation of hydropower, and there remains considerable potential for further development of these resources. Of the 16,280MW of the techno-economically exploitable hydropower potential only 355MW has currently been tapped, dominated by the 336MW Chukka scheme. This situation is fast changing with the current construction of the Kurichu (45MW), Basochhu (60.8MW) and Tala (1020MW) hydroelectric projects. Mineral extraction remains relatively limited, with only 30% of the country having been geologically mapped and much of the potential commercial exploitability yet to be determined. The industrial extraction of timber for export in an unprocessed form is heavily discouraged, due to potential environmental ramifications. The availability of a cheap and reliable supply of energy will aid in the future efficiency of natural resource-based processing industries.

Given the particular conditions in Bhutan, many forms of enterprise are at a competitive disadvantage. However, the uniqueness, wealth and diversity of the ecological and cultural environments opens up the possibility of catering to very specialized demands.



There appears to be significant potential for the exploration of such niche markets, for low volume – high margin trade, which perfectly suit a situation where there are high transactions costs. Examples include those markets in genetic resources and obscure foodstuffs. Perhaps the area where there exists the greatest prospect for growth is the tourism industry. Concern for the preservation of ecology and culture has led to the careful and gradual exploitation of this considerable asset. However, given the appropriate investments in infrastructure, the expansion of the industry, and the promotion of such markets as eco-tourism and cultural tourism, would be entirely consistent with other development objectives.

Efforts to deepen and broaden the nation's economic structure are confronted with formidable obstacles. These include a lack of semi-skilled and skilled labor, the small and still fragmented domestic market, the low purchasing power of the population, and severe diseconomies in production and distribution, translating in high production costs. Furthermore, given the relatively high wage rates and transportation costs, Bhutan is not ideally suited to the most basic forms of industrial production. It is likely that the country will need to specialize in more advanced industries competing on the international market. The government has selected the theme of 'sophistication and civilization' as the guiding principle for industrial transformation. This presents the vision of environmentally friendly industries, using sophisticated technology to produce high value/low volume products for the world market. Greater advantage will be made of the country's environmental and cultural resources, in both the promotion of tourism and the marketing of exports.

The continued emergence of the private sector in both rural and urban areas will be of fundamental importance. This will better integrate the population as stakeholders in the development process, increase options and opportunities, and create channels for the fulfillment of changing aspirations. The development of entrepreneurial skills and the creation of an environment nurturing to productive business ventures is of critical importance to the expansion of domestic and export markets and the restructuring of the economy along the lines of comparative advantage. Indeed, the harnessing of more flexible and dynamic individual initiatives will be fundamental to successful economic development. Unfortunately a follow-the-leader syndrome is currently evident, where private initiative has become heavily concentrated around certain business areas such as tourism, construction and petty trade. There have been only limited cases where enterprising individuals have ventured into more innovative fields.

That the modern private sector has been slow to respond to changes elsewhere may allude to some telling realities. The sector remains heavily trade-based, where a trading mentality encourages ventures where there is a relatively quick return on investment. Furthermore, the profitability of the financial sector leads to tight investment regulations, limiting access to significant amounts of capital. Both factors have possibly hindered industrial expansion. Potentially most disturbing of all may be the current lack of profitable business opportunities. In this light there is a risk of a dual economy emerging, with a small, modern, export-oriented enclave set in a sea of micro-enterprises producing low-value products with simple technologies for the domestic market, with few



interactions between them. Whatever the primary reasons, it will become increasingly important for the state to continue to develop an environment fostering to productive enterprise and to place a greater emphasis on the modern sector of the economy in general and certain key strategic industries in particular.

**SELECTED ECONOMIC INDICATORS  
 7<sup>TH</sup> FYP ESTIMATES AND 8<sup>TH</sup> FYP PROJECTIONS**

INDICATORS	7 <sup>TH</sup> FYP Compound Growth (%)	PROJECTIONS FOR THE 8 <sup>TH</sup> FIVE YEAR PLAN (1997-2002)					8 <sup>TH</sup> FYP Compound Growth (%)
		97/98	98/99	99/00	00/01	01/02	
GDP in 1980 prices (million Nu.)	5.88	3286	3462	3714	4016	4262	6.71
GDP growth (preceding year)		5.7	5.3	7.3	8.1	6.1	
GDP in current market prices	14.31	12389	14054	16229	18835	21437	14.69
Population growth rate (%)	2.78	2.92	2.83	2.74	2.65	2.56	2.71
Population (million)		0.62	0.64	0.65	0.67	0.69	
Per capita GDP (Nu.) – Nominal	10.97	19982	21959	24968	28112	31068	12.10
Per capita GDP (Nu.) – Real	2.79	5300	5409	5713	5994	6177	3.90
Exchange rate (Nu. per US\$)	8.17	37.4	39.2	41.0	43.1	45.0	4.73
Per capita GDP (US\$)	2.60	534	560	609	652	690	6.60
Per capita GDP (PPP US\$)	2.60	3204	3360	3654	3912	4140	6.70
CPI Index	8.42	503.4	542.7	583.9	627.1	672.3	7.50
CPI % change (June-June)		8.0	7.8	7.6	7.4	7.2	
	7 <sup>th</sup> FYP Total	1997	1998	1999	2000	2001	8 <sup>th</sup> 5YP Total
Trade balance (all million Nu.)	-7134	-1905	-2146	-2419	-2727	-3077	-12276
Current account balance (excl. grants)	-9450	-2561	-2886	-3251	-3663	-4127	-16490
Official transfers (grants)	10753	2955	3251	3576	3934	4327	18043
Current account balance	1302	394	365	324	270	200	1553
Current account (% GDP excl. grants)		-20.69	-20.54	-20.14	-19.51	-19.32	
Money supply (million Nu.)		3641	4442	5463	6774	8468	

Source: Ministry of Planning (1996)



## 9. CONCLUSION – PRECARIOUS PROGRESSION

His face is turned towards the past. Where we perceive a chain of events, he sees one single catastrophe which keeps piling wreckage upon wreckage and hurls it in front of his feet. The angel would like to stay, awaken the dead, and make whole what has been smashed. But a storm is blowing from Paradise; it has got caught in his wings with such violence that the angel can no longer close them. This storm irresistibly propels him into the future to which his back is turned, while the pile of debris before him grows skyward. This storm is what we call progress.

Walter Benjamin *Illuminations*

It is very common in Bhutan for a complete family of three or four generations to live within a single home and household. Over the last forty years some circumstances have altered significantly whilst others remain very similar. Most children go to school and adults must remain flexible in their approaches to accessing new livelihood opportunities. Many households have attempted to internally bridge the gap between tradition and modernity. There is now a shortage of farm labor and an aging of rural communities as young members move to urban areas in search of more lucrative openings. However, although families have become more spread out, they continue united, and values of family and community remain strong.

Contemporary Bhutan retains many elements from its traditional past as it gradually proceeds along the treacherous path to modernity. Religious belief is particularly strong and fully integrated within popular life-worlds and worldviews. Geographical circumstance and customary social and economic practices have preserved extremely rich, varied and relatively undisturbed ecosystems. A continuing cultural tradition provides a robust identity, an ongoing coherence and sense of balance. Divinely legitimized, benevolent and paternalistic political institutions have been a constant source of protection and guidance. Society remains diverse and distanced within a basic community-centered social framework. The economy is still significantly underdeveloped, with the majority still working within the traditional agrarian sector.

Existing somewhere between extreme underdevelopment and a seemingly idealistic traditional context, Bhutan is difficult to classify within extensive floating global hierarchies. Comparisons have often been made with Switzerland, a country of roughly the same size, landscape, and somewhat insular orientation. Possibly such associations also seek to promote impressions of success, for it is rare that connections are drawn across the overriding boundaries separating occidental and oriental, developed and underdeveloped worlds. Many visitors, buoyed by the optimism of arrival and a longing for a hidden paradise, offer wish-fulfilling utopian references. However, the product of a kaleidoscopic multi-centered pre-modern global tapestry, Bhutan may currently be on an alternative dimension but it is very much of this world.



## IMPERMANENCE

The distances in time and space between domestic and external realms are gradually narrowing. Bhutan is now experiencing the fundamental alterations associated with integration within the hegemonic assimilating modern world order, and the relatively consistent succession of internal events has given way to a phase of restless revolutionary amendments. The older generation has witnessed a period of immense and unprecedented change. Although they may look back wistfully at a past when the way of life was so different and there existed a greater degree of certainty and regularity, few would deny that they have enjoyed many benefits. Those of working age scramble for position within increasingly competitive semi-formed modern structures. Children will only recall the recent history through their aging relatives and look out on a future that will have only a very limited relationship with the past.

Changes have thus far been gradual, controlled and relatively evenly distributed between respective areas. Many useful traditional aspects have been translated onto a more modern context. A devoted monarch heads a political system that has served the country admirably during the initial stages of transition. Society remains internally integrated in its relationships with itself and the state. The agrarian economy currently provides a basic though adequate livelihood for all, and cases of absolute poverty are rare. Religious belief informs a confident and balanced outlook, and the natural environment is relatively intact. The whole system is held together through the perpetuation of a particularly Bhutanese cultural legacy. However, trends have been set in motion that will undoubtedly alter the state of the nation both faster and more significantly than ever before.

Changes should not necessarily be mourned, and modernization has the potential to significantly improve the Bhutanese quality of life. However, the process of transformation may also involve major associated costs. There exist a host of examples of incomplete projects, where countries and whole regions have been removed from their natural evolutionary roots, and not entirely fruitfully grafted onto a much larger alien body. There are no blueprints for successful adjustment to new global realities, indicative of the immense complexity of multidimensional processes, the uneven manner in which they are encountered and their tendency towards promoting imbalance. Potential dangers include political and economic polarization, population explosion, ecological disruption and the erosion of traditional values and social systems without adequate replacement.

## REINCARNATION

Bhutan's current status remains the accumulated product of both close and distant pasts. History traces a steady and relatively harmonious national evolution, as enriching aspects from the past have been produced and reproduced in a continuous cycle of rebirth. It is both unrealistic and untenable to expect to preserve the national character in its entirety. However, as Bhutan attempts to establish a particular niche within the global community



it may be of profound importance that many essential characteristics are retained into the modern age. It has certainly been highly beneficial that well-functioning traditional systems remain, which have greatly aided in the maintenance of stability. Furthermore, the national heritage possesses considerable value within a ‘postmodern’ climate, and could be the cornerstone upon which a strong national identity is translated onto a global context.

In “Bhutan 2020: A Vision for Peace, Prosperity and Happiness” the Royal Government envisages a preferable future national scenario. Bhutan will be a secure independent country, projecting a clear sovereign identity. The culture and heritage will continue to inform a distinct Bhutanese mindset, although it will have acquired new forms and meanings that will ensure its contemporary relevance. Society will retain a sense of harmony, unity and common purpose. The economy will have evolved into a dynamic sector, structured according to the nation’s comparative advantages, successfully competing on the world market and promoting livelihoods that are both ecologically and culturally sustainable and socially advantageous. The natural environment will stay significantly uncompromised, although it will become more efficiently utilized for development-oriented activities. The monarchy will remain the nation’s guiding light, although political institutions will have been reformed to accommodate changing contexts.

As Bhutan looks to the future, are such aspirations merely rhetoric and pipe dreams? The government thinks not, is expending considerable efforts towards achieving these goals. Regional realities however provide a sobering antidote to excessive optimism or complacency. Already considerable pressures are emerging that hint at the nation’s precarious position. Widening social horizons have led to excessive rates of population growth and urbanization, and a huge rise in expectations. The achievement of the simultaneous growth and development of a fledgling economy will be exceptionally problematic. Internal political reform can still easily be sabotaged by individual agendas. Particularly among the young urban generation traditional cultural values do not necessarily appear as enticing as those beamed in from outside. Isolated cases of environmental degradation are appearing, generated from within both traditional and modern sectors. Most immediately pressing is the threat to national security posed by the ULFA/Bodo situation in the southeast of the country.

*“We will have demonstrated that, with confidence, wisdom, forethought and imagination, it is possible for even a small mountainous nation to carve out a distinctive place for itself in the 21<sup>st</sup> Century”* (Planning Commission (1999:98). If Bhutan is to continue in a successful vein, the preservation and enhancement of its essential character traits is likely to be of fundamental importance. It is believed that an enlightened being can choose the body into which he or she will be reborn. For future reincarnations to be revealed it will take significant practical inspiration and a large degree of luck. Indeed, the path towards modernization is notoriously difficult and riddled with potential potholes. Rebirth within a fast changing environment could readily experience complications. However, who is to say that it is not possible in a country where collective prayers constantly invoke divine guidance.



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