APPENDICES

APPENDIX 1

Country Note on Bhutan

History

1. Little is known of the early history of Bhutan or Druk Yul (Land of Thunder Dragon). According to tradition, it appears that a tribe from the environ of Cooch Behar ruled the country prior to the Christian era. By the middle of the 17th century, a form of government came into existence with dual control as represented by the ‘Dharam Raja’ (Spiritual leader) and ‘Deb Raja’ (Temporal Ruler). The country was divided into three provinces Dagana, Paro and Tongsa - each headed by a Governor (Penlop). In the latter half of the 19th century, real power was vested in the Penlop of Tongsa District. The office of the ‘Deb Raja’ ceased to exist after 1907. In 1907, the then Penlop of Tongsa Sir Ugyen Wangchuck was elected by a Bhutanese Council as a hereditary King. He was recognised as such by the British Government of India. He was succeeded by his son, Jigme Wangchuck in 1926, who was followed by Jigme Dorji Wangchuck in 1952. The present King, Jigme Singye Wangchuck, ascended the throne in July 1972.

Area and Population

2. Bhutan lies in the heart of the Eastern Himalayas. The country has an area of about 46,500 Sq. kms. and a population of about 6 lakhs. It is roughly rectangular in shape extending about 300 kms east to west and about 150 kms north to south. The capital, Thimphu, is situated in the western part of Bhutan at a height of about 2440 mts. The majority of the Bhutanese are Mahayana Buddhists mostly of the Druk Kagyu sect.
Geography

3. Bhutan can be broadly divided into three zones; Southern, Central and Northern Bhutan. Southern Bhutan consists of low foothills with an intricate maze of streams and rivers merging into the southern plains in West Bengal and Assam. This area of Bhutan is a 5-10 kms wide belt, running from East to West, separating the plains from the valleys of Central Bhutan.

4. Central Bhutan has beautiful valleys at heights ranging from 1880 metres to 2400 metres. They are comparatively broad and flat. High mountain ranges with heights of 3600 to 4500 meters separate these valleys in the region. Valleys in the central region of Eastern Bhutan are at a height of about 915 meters.

5. Northern Bhutan consists of high mountain ranges with rugged peaks covered with snow and ice. The range has a mountain peak rising upto 7300 meters in the West and runs eastwards including two prominent peaks of about 6400 meters. In addition, the Black Mountains which run from north to south cut Bhutan into two, both geographically and linguistically.

6. There are seven principal rivers and valleys in Bhutan, viz. Ha, Paro, Thimphu, Punakha, Wangdi, Tongsa and Bumthang. These valleys follow the general direction of the ranges (north to south). The population of Bhutan is mainly concentrated in these valleys where the land is fertile and mostly under-cultivated.

Natural Resources

7. Bhutan has deposits of gypsum, dolomite, copper, graphite, limestone, coal and tungsten. Their exploration is constrained by inaccessibility and high extraction and processing cost. The possibilities of exploiting them are being explored with the help of the Geological Survey of India. About 70% of Bhutan is covered by forests. Bhutan has considerable potential for hydel power development.

Languages

8. There are four main languages spoken in Bhutan:

(a) Dzongkha - spoken in western and northern Bhutan is also the official language of the country;

(b) Bumthangkha in Central Bhutan,
Religion

9. A majority of the Bhutanese are Mahayana Buddhists of Drukpa Kagyu sect. They were converted to Buddhism in the 8th Century A.D. by the well-known Indian saint, Padmasambhava. The people of Nepali origin, who are concentrated mainly in the hot and humid duars of Southern Bhutan, are predominantly Hindu.

SOCIAL CUSTOMS

10. Unlike its neighbours, Bhutan has never had a rigid class system. Social and educational opportunities are not affected by rank or birth. There is tremendous social mobility. Bhutanese women enjoy equal rights with men. Archery is the national sport of Bhutan. Many Bhutanese men are skilful archers. Football, basketball, tennis and golf are other popular sports.

11. Traditional Bhutanese art is rare and its forms and patterns are dictated by age-old beliefs. Its impulse is primarily spiritual, the belief that to create tributes to the deities - whether in painting, sculpture, architecture, dance or song - is a pious act. Thus, over the centuries the Bhutanese have synthesised many artistic traditions, Indian, Nepalese, Chinese, Tibetan and Central Asian.

Ruler

12. The present Ruler of Bhutan is His Majesty Jigme Singye Wangchuck (born on 11th November 1955) who is called the Druk Gyalpo, which literally means King of the Dragon country. He ascended the throne in July 1972.

Constitution and form of Government

13. Traditionally, the monarch in Bhutan has enjoyed absolute power. However, Jigme Dorji Wangchuck, the third King of Bhutan, progressively took steps to liberalise the country's political structure by establishing institutions associating the people in running the affairs of the State. In 1953, he established the Tshogdu or National
Assembly. It has a membership of 150 and is composed of three categories of members, viz., (a) people’s representatives; (b) monastic representatives; and (c) official representatives. Its principal functions are to enact laws, and advise on all matters of national importance. A smaller body called the Royal Advisory Council was set up in 1965 comprising representatives of the people, the Lamas and the Government. The Royal Advisory Councillors were members of both the Cabinet and the National Assembly. The main function of the Council is to advise the King and his Ministers on all matters of national importance. There are 20 districts (Dzongkhags), each under a District Officer (Dzongda).

14. **76th Session of the National Assembly:** The recently concluded 76th session of the National Assembly held from 29th June to 30th July, 1998 was historic in that fundamental changes were introduced in the system of governance in Bhutan. On 26th June 1998 His Majesty dissolved the Cabinet and on the opening day of the National Assembly session (29th June 1998), issued a ‘Kasho’ (royal edict) proposing three basic changes viz., that all cabinet ministers should henceforth be elected by the National Assembly; the National Assembly should decide on the role and responsibilities of the cabinet; and the National Assembly should adopt a mechanism to move a vote of confidence in the King. The National Assembly endorsed the royal edict on all the three points.

15. **The Cabinet:** The royal edict stated that the cabinet should comprise elected ministers and members of the Royal Advisory Council; cabinet ministers should be elected by the National Assembly through secret ballot; they should be selected from among persons who have held government posts not less than the rank of Secretary to the Royal Government; a candidate must secure a majority of the votes cast to be considered elected; the portfolios for the elected ministers should be awarded by the King; and the ministers should serve for a term of five years after which they should face a vote of confidence in the National Assembly.

16. The royal edict also stated that all decisions adopted by the cabinet will be based on consensus. While enjoying full executive powers, the Cabinet must keep the King informed on all matters relating to the security and sovereignty of the country. As proposed in the edict, it was also agreed to constitute a committee comprising members of the government, clergy and people’s representatives of the 20 Dzongkhags in the National Assembly which would go into the question
of the role and responsibilities of the cabinet and submit its recommendations to the 77th session of the National Assembly.

17. On 1st July 1998, the National Assembly elected six ministers whose names and portfolios were proposed by His Majesty. On 20th July, His Majesty handed over the reigns of governance to the new Cabinet. Lyonpo Jigme Y. Thinley, the Minister for Foreign Affairs who secured the maximum number of votes in the ministerial elections was appointed Chairman of the council of Ministers and Head of Government. The Chairmanship of the Council of Ministers will be on a one year rotation among the elected Ministers.

18. **The Monarchy:** In the royal edict, His Majesty also expressed the wish that the National Assembly should adopt a mechanism to register a vote of confidence in the King. A two-thirds vote of no confidence would require the King to abdicate in favour of the Crown Prince or the next-in-line of succession. The National Assembly accepted this and decided to form a committee comprising elected representatives of the Assembly from the 20 dzongkhags and members representing the clergy and the government to draft the mechanism and procedure of the vote of confidence and to present it to the 77th session of the National Assembly.

**Economy**

19. The agricultural sector provides the main livelihood employing about 85% of the people. Cultivation practices are still labour-oriented. As of 1993, Bhutan was 77% self-sufficient in food grains. Animal husbandry is an important component of the rural economy. The livestock production accounted for 8.5% of GDP in 1994. Until recently, the industrial sector played a relatively small role in the kingdom's economy. The mining industry is as yet comparatively under developed. The manufacturing industry is dominated by a small number of major operators such as the Penden Cement Plant, Bhutan Board Products Ltd., Bhutan Carbide and Chemicals Ltd., etc. Besides Bhutan Agro Industries Ltd., there are a number of other small manufacturing plants concentrated in the food processing sector.

20. Prior to 1970, most taxes had been paid in kind, either in the form of agricultural produce to the monasteries and the Government or as compulsory labour. In 1970, agricultural taxes in kind were abolished and cash taxes based on the type of land
holdings were introduced with the result that effective rate of taxation got reduced significantly. At present, the Ministry of Finance is the sole revenue collector. Primarily due to high level of external assistance, little or no recourse has been taken to expansionary finance. The revenue base is not broad with the bulk of the revenue coming from indirect taxes, corporate income tax, and royalties and dividends from public sector corporations.

21. Monetisation of economy is still limited and Indian Rupee, which is at par with Ngultrum, circulates freely within the country. Apart from the Royal Monetary Authority, established in 1982 to provide central banking services, the financial sector consists of the Bank of Bhutan, jointly owned by the Royal Government and the State Bank of India, and the Bhutan National Bank.

22. The Bhutanese economy grew at the average of 6.7% per year between 1980 to 1994. It has undergone a significant structural change evinced by the export of electricity and power intensive products such as cement and calcium carbide. The rapid growth of hydropower, manufacturing and mining compared with agriculture has led to a noteworthy change in the composition of GDP. The share of agriculture and forestry has declined from 44 per cent of GDP in 1990 to 39 per cent of GDP in 1994 as industry has grown from 25 per cent of GDP to 31 per cent during the same period.

23. During the 7th Five Year Plan period which ended on 30th June, 1997, Bhutan sustained an average growth rate of 6%. The per capita GDP reached a level of US $ 545. The reserves are US $ 170 million, adequate to cover 24 months import requirement.

This includes rupee reserves of 900 million. The GDP growth rate for the 8th Plan is projected at about 6.7% per annum.

**Bhutan and the world**

24. Bhutan began to emerge from centuries of self-imposed isolation by joining the Colombo Plan in 1962. Having made a beginning, she joined a number of international organisations in the following years; including the United Nations (1971), Non Aligned Movement (1973) and SAARC (1985). Bhutan has established resident Embassies in India, Bangladesh, Kuwait and Thailand and also
Permanent Missions to the United Nations at New York and Geneva. Bhutan maintains nonresident diplomatic relations with Nepal, Maldives, Sri Lanka and Pakistan in the SAARC region; South Korea, Japan, and Bahrain in Asia; Austria, Switzerland, Denmark, Sweden, Norway, Netherlands and Finland and the EEC in Europe. Bhutan has also appointed Honorary Consuls in Hong Kong, Singapore, Macau, Seoul and Osaka.

25. Bhutan has been receiving fair amount of aid from UNDP and other multilateral agencies, such as UNICEF, WHO, etc. It also receives some bilateral assistance from Japan, Australia, UK, Switzerland, etc. In 1981 Bhutan became a member of the International Monetary Fund, World Bank and in 1982 of the Asian Development Bank. Soft credits from these lending institutions have begun to flow into Bhutan to meet its developmental needs. At the 6th Round Table Meeting in Geneva in January 1997, 31 bilateral, multilateral, financial institutions and NGOs pledged US $ 450 million in support of Bhutan’s 8th Five Year Plan.

26. India is Bhutan's largest trade partner. Other important trade partners are Japan, Singapore, Denmark, Thailand, Bangladesh and Nepal.

Relation with India

27. Relations with India are governed by the Treaty between India and Bhutan signed in 1949. The Treaty provides, amongst other things, for perpetual peace and friendship, free trade and commerce, and equal justice to each other’s citizens. The relations between India and Bhutan have traditionally been and continue to be very close, friendly and mutually beneficial. A number of Indian organisations such as the Indian Military Training Team, the Border Roads Organisation, Geological Survey of India and Central Water Commission have been represented in Bhutan for a number of years.

Bhutan's Development plans and Indian cooperation

28. Development efforts in Bhutan began in the early 1960s with Indian financial and technical assistance. To-date, India is the principal donor in Bhutan’s economic development. So far, seven Five Year Plans on Bhutan have been completed, two of which were totally financed by India. The 8th Five Year Plan was launched in July, 1997.
29. The total allocation (plan-wise), made by the Royal Government during the year 1961-97, showing India’s contribution therein, is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total allocations</th>
<th>India’s contribution</th>
<th>% of India’s contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-66 (1st Plan)</td>
<td>10.72</td>
<td>10.72</td>
<td>100.00</td>
</tr>
<tr>
<td>1966-71 (2nd Plan)</td>
<td>20.22</td>
<td>20.22</td>
<td>100.00</td>
</tr>
<tr>
<td>1971-76 (3rd Plan)</td>
<td>47.52</td>
<td>42.66</td>
<td>90.00</td>
</tr>
<tr>
<td>1976-81 (4th Plan)</td>
<td>110.62</td>
<td>85.30</td>
<td>77.00</td>
</tr>
<tr>
<td>1981-87 (5th Plan)</td>
<td>444.05</td>
<td>134.00</td>
<td>30.20</td>
</tr>
<tr>
<td>1987-92 (6th Plan)</td>
<td>950.00</td>
<td>400.00</td>
<td>42.10</td>
</tr>
<tr>
<td>1992-97 (7th Plan)</td>
<td>2350.00</td>
<td>750.00</td>
<td>31.90</td>
</tr>
</tbody>
</table>

Embassy of India
Thimpu