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## **Bhutan: One Year After the Elections: Update No. 106**

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The Elections to the National Assembly took place on July 13, 2013 and it is now more than eleven months since Prime Minister Tshering Tobgay took office in Bhutan.

The election of Tobgay in the run off (second round) was itself a surprise and stories are still current that India intervened to ensure that former PM Jigme Thinley was defeated in the second round. This rumour has gained strength as Jigme Thinley besides resigning from the National Assembly has completely vanished from the political scene. This is rather unfortunate as Thinley in my view was a good person, an able politician and he did his best to firm up democracy in Bhutan.

It is customary that the Prime Minister addresses each year on the "state of the Nation" in the norms set as "Tsa-Wa Sum"- meaning King, the Country and the People. This year however the Prime Minister while addressing the third Parliament session dwelt mostly on the state of the economy, though mention was also made on the country's progress, the government's achievements and the challenges ahead.

The economy last year grew by a mere 4.7 percent and food imports that stood at 5 billion Nu continued to make a big dent on the economy. The PM ( Lyonchhoen) admitted that the country is reeling from its economic downturn and is still struggling to recover. He said that the nation's economic vulnerability "serves as a lesson of unbalanced growth and the need for a resilient and sustainable economy." The country needs help and I am sure this must have been discussed when the Indian Prime Minister of India made a successful visit to Bhutan recently.

A long and infructuous debate took place in the National Assembly and in the National Council (upper house) over the increase in salaries

for the civil servants, parliament members and the ministers. The surprise was not in the quantum of the increase but in the heat that was generated in the discussions. While the National Council members refused to accept the pay rise, the Prime Minister who is already giving a portion of his salary for charity had also declined to take the rise.

In the package for the civil servants that was passed by the Assembly, the highest civil servant got a rise from Nu 41329 to 50599 and the lowest from Nu 6896 to 8907. A Ngultrim (Nu) is equivalent to an Indian rupee and compared to the Indian standards, the pay rise is not much. Moreover, the pay rise would not make a dent on the resources when the additional funds are to be found from the increased power rates that will be obtained from the Chuka project.

One refreshing change which I personally welcome is the decision not to continue the charade in respect of the refugees still left in the camps in eastern Nepal. The Prime Minister said to the house that he had met his Nepalese counterpart on two occasions recently and it has been agreed to let the process (of third country settlement) without any "interventions."

It was no surprise to read that Bhutan figures 16th in the list of most peaceful countries in the world. The only other country that is ahead of Bhutan in Asia is Japan. To me it looks that Bhutan should have been placed higher within the first ten after the Scandinavian countries, Finland and Austria.

Another event that one should look forward to is the celebrations that are being planned for the year 2015 to celebrate the 60th birthday of Gyalpo 4. Truly, he was and continues to be the chief inspiration for the well being of the country. His best contribution to the country is not the concept of Gross National Happiness but in ushering democracy when the country was neither inclined nor ready to change the system.

Some highlights on the plans and the achievements mentioned in the speech by the Prime Minister will include:

\* Trade deficit stood at 20 percent of the GDP and the current account deficit was at 30 percent. Inflation stood at 8 percent towards the end of the year though it was as high as 11.3 percent earlier. The plan to develop the economy is by focussing on its core competitive strengths of "Five Jewels" namely hydro power, agriculture, tourism, small enterprises and mineral development.

\* On Hydro power that is the mainstay, exports stood at Nu 13B and the best course will be to expedite the existing ongoing projects. A reference was made to the construction of an ongoing venture of a state of the art hydro power service centre at Gelephu with foreign investment.

\* 60 percent of the population depends on agriculture, farming and livestock, though all these contribute only 14 percent of the economy. The strategy for the coming year is to increase production, access and marketing.

\* Tourism contributed Nu 16.2 B to the economy and the present policy of " high quality- low impact" will continue. Plans are afoot to attract a

larger number of tourists this year.

\* 13,000 cottage and small enterprises comprised 97 percent of all business in the country though their contribution to the economy is hardly 3 percent. There is scope for increasing the number and also improve productivity, but there are limitations.

\* One area which needs attention is the mining industry. The country is blessed with abundant minerals though mining has contributed only 2 percent to the economy. The Government is going to start a State Mining Corporation with the objective of exporting minerals to India and Bangladesh.

The biggest drain on the resources is the import of fossil fuel and the latest decision to allow import of cars will only add to the problem. One way would be to increase the taxation for fuel cars and at the same time look for alternatives like using electric vehicles, more public transport and in the process improve the infrastructure.

The Prime Minister was justifiably proud in announcing that the foundation of Bhutan's democracy is strong with laws and institutions in place. The problem in the near future would be to find employment for the young population where 56 percent are below 24 years of age. Here India could help as scope for employment in Bhutan is very limited.

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