

## Bhutan in 2020

### *Controlling the Pandemic*

#### ABSTRACT

The year 2020 in Bhutan was dominated by the coronavirus pandemic, a decline in state revenues, and territorial claims by China. In 2019, Bhutan's strong economy suggested that the country would graduate from the least developed country category in 2023. The economic impact of the coronavirus pandemic on the economy makes this less certain.

**KEYWORDS:** border, health, revenue, unemployment, tourism

IN NOVEMBER 2019, THE WORLD Health Organization (WHO) and Bhutan's Ministry of Health held an exercise at Paro Airport, the only international airport in Bhutan. The exercise was based on the scenario of dealing with the arrival of a traveler with a new strain of coronavirus. As global awareness of a new strain of coronavirus grew, the ministry prepared a National Preparedness and Response Plan in January 2020 and published an updated version in March. The first confirmed case of the coronavirus, a tourist, was announced on March 6. The authorities immediately restricted entry by foreign nationals. On March 22, the king, Jigme Khesar Namgyel Wangchuck, announced in a national address the closure of Bhutan's borders. A three-week quarantine for all entering Bhutan was enforced from early April. In August, mass COVID-19 testing was implemented in the country. Although Bhutan borders India, which has been badly hit by the virus, the

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WHO commended Bhutan for its performance in controlling the pandemic. By the end of November, Bhutan, a country of around 775,000 people, had registered 410 cases (primarily people returning from outside Bhutan), and no deaths.

Political stability and the continued absence of terrorism and violence have contributed to a steady increase in Bhutan's rankings in the World Bank's Worldwide Governance data; it is now first among the countries of the South Asian Association for Regional Cooperation. Bhutan has also risen to 64th of 180 countries in the World Press Freedom Index as of 2020 (from 80th in 2019). Public support of the Bhutanese authorities' response to during the pandemic reflects the stability of the country. Lyonchhen Lotay Tshering, the current prime minister (elected in October 2018), is a doctor, as is Lyonpo Tandi Dorji, the foreign minister. And Lyonpo Dechen Wangmo, the health minister, has a PhD in public health. It is noted that they drew on their professional backgrounds to ensure effective disease control. Throughout 2020, the message from the Bhutanese government and health officials has been clear and consistent. And although his role is nonpolitical, the king played an important public role in supporting the prime minister and the government.

Another feature of the coronavirus pandemic is the high level of reported trust in the government. Building on the National Preparedness and Response Plan, the authorities were able to implement quarantine measures quickly. The government arranged throughout 2020 to fly Bhutanese nationals back from a range of countries, including India, the US, the UK, Europe, Asia, and the Middle East. In April, the government secured a US\$ 5 million COVID-19 Emergency Response loan from the World Bank.

The pandemic highlighted the importance of the emerging civil society and of community in Bhutan. In April, the King's Relief Fund (Druk Gyalpo Kidu Fund) was announced, which would support those affected by the pandemic. By October, the fund had made awards to 33,000 beneficiaries. In March, all members of parliament, including the ministers, donated one month's salary to the government to support its work to contain the pandemic. The pandemic also saw the use of *desuups* (guardians of the peace), a volunteer organization established by the king in 2011, to help support efforts to promote health messages, guard the borders, and contain the virus. By the end of 2020, three new cohorts had graduated from the training program.

## ECONOMY

In 2019, Bhutan enjoyed sustained economic growth of 4.4%, and a 15% increase in tourist numbers, to 315,600. However, because of the pandemic, estimates suggest a contraction of the economy by 2.1% in 2020. Hydropower remains the main industry, but tourism is the second-largest source of revenue, and it was seriously hampered by the pandemic. Following the first confirmed case, a visiting tourist, on March 6, the government immediately restricted foreign tourists for two weeks. By March 23, only one foreign tourist remained in the country. Bhutan Airlines suspended all flights, with Druk Air conducting repatriation flights on behalf of the government. The closure of the borders similarly prevented Indian tourists from entering the country. Commenting on the impact on tourism, Ugyen Dorji, the minister of labor and human resources, noted the need to strengthen the tourism infrastructure to promote sustainable tourism in the country and the wider region.

The restriction of tourism in 2020 significantly reduced government revenue, and about 50,000 lost their jobs in the sector. There was a 14% increase in the sale of electricity from the hydropower schemes, but further work on such projects was stopped because of the pandemic. In September, the government announced its first sovereign bond, designed to support the economy's recovery from the pandemic while diversifying financial sources. The sovereign bond was introduced with the support of the UN's Economic and Social Commission for Asia and the Pacific. The bond issue was successful, with banks dominating but non-bank institutions such as pension and insurance companies also applying, as well as civil society organizations. The bond is a major step to enable the Bhutanese government to meet the country's fiscal requirements without relying on overseas development assistance and concessionary loans.

In June, the government announced that due to the financial pressures of the pandemic it would defer some of the activities set out in the Twelfth Five-Year Plan (introduced in 2018), and reprioritize others. Per the Economic Contingency Plan introduced by the government to address the economic issues caused by the pandemic, it will emphasize economic growth in agriculture, construction, and tourism. Unemployment among young people (ages 15 to 24) is estimated to have risen to over 11%. This is significantly higher than the estimated overall unemployment rate of 2.4%. However, the full impact of the pandemic on unemployment in Bhutan remains unclear.

## DIPLOMATIC ISSUES

The year was dominated by the social and economic impact of the coronavirus. However, a new diplomatic issue arose unexpectedly in June. India and China had begun a standoff near the Galwan Valley in eastern Ladakh, 800 miles (1,300 km) northwest of Bhutan. At the 58th meeting of the Council of the Global Environment Facility, the Bhutanese government sought funding to support activities in the 750-square-kilometer Sakteng Wildlife Sanctuary in the Trashigang District of eastern Bhutan. China sought to block the funding, saying that the sanctuary was a disputed area. The Chinese Foreign Ministry said that the China–Bhutan border had never “been delimited.” This claim added to the list of areas within Bhutan’s borders that are claimed by China. In 2017, there was a standoff between Indian and Chinese troops at Doklam, an area adjacent to the China–India–Bhutan border.

China and Bhutan have held 24 rounds of border talks since 1984. In 1998 Beijing formally recognized Bhutan as a sovereign state and promised to respect its “territorial integrity and independence,” signing a Treaty to Maintain Peace and Tranquility on the Bhutan–China Border Areas. The last round took place in 2016, and the 25th was delayed following the Doklam incident in 2017. At no point in the earlier meetings did China claim the territory of the Sakteng Wildlife Sanctuary. At present, there is no confirmed date for a further round of border talks. It is unclear how far China will pursue this claim, or whether it is being made to persuade the Bhutanese to cede the more strategic Doklam to China.