



# The Kingdom of Bhutan

## Background

The Kingdom of Bhutan is a small, landlocked Himalayan country situated between India and China. The mountainous kingdom is about half the size of Indiana, with an estimated population of 792,000, approximately a quarter of which is in the capital, Thimphu. Bhutan's economy has grown primarily as a result of hydropower, agriculture, and forestry development. The United States has no significant trade relations with Bhutan, and its foreign aid mission and bilateral consular affairs are handled by the U.S. Embassy in New Delhi, India. Bhutan has participated in a U.S. Agency for International Development (USAID) regional program for South Asia directed at developing power infrastructure, and it has implemented programs intended to help mitigate some of the effects of climate change.

---

### Bhutan in Brief

**Form of Government:** Constitutional Monarchy  
**Head of State:** King Jigme Khesar Namgyel Wangchuck  
**Area:** 18,146 square miles, or about half the size of Indiana  
**Geography:** Mountainous country with 2.6% arable land located between China and India  
**Population:** 792,000 with 1.05% annual growth  
**Religion:** 75.3% Buddhist, 22.1% Hindu, and 2.6% other  
**Life Expectancy:** 70.1 years (2016 est.)  
**Literacy:** 64.9% (2016 est.)  
**Poverty:** 13% live below the poverty line (2012 est.)  
**Unemployment:** 2.5% (est. December 2016)  
**GDP Growth/Per Capita (PPP):** 6.5% (2015)/\$2,532 (2016)  
**Origins of GDP:** Agric. 16.4%, Industry 42.1%, Services 41.5%  
**Principal Exports:** Electricity, ferrosilicon, cement, calcium carbide, copper wire, manganese, and vegetable oil  
**Sources:** CIA World Handbook, World Bank 2016.

---

## The Constitution, Recent Elections, and the Wangchuck Dynasty

The constitution of Bhutan establishes three branches of government: legislative, executive, and judicial. The bicameral legislature, or *Chi Tshog*, includes the National Assembly (*Tshogdu*), with 47 elected representatives, and the National Council (*Gyelyong Tshongde*), with 25 members, 5 of which are selected by the king. Legislators serve five-year terms. The executive branch includes the "Dragon King" (*Druk Gyalpo*), currently King Jigme Khesar Namgyel Wangchuck, as Head of State, and the prime minister, presently Tshering Tobgay, as Head of Government. The king is hereditary and appoints the majority leader in the parliament as prime minister. There is also a Council of Ministers (*Lhengye Zhungtshog*), whose members are nominated by the king, in consultation with the prime minister, and approved by the National Assembly. Ministers serve five-year terms. The judiciary consists of the Supreme Court, the High Court, District Courts (*Dzongkhag*), and Sub-District Courts (*Dungkhag*). The Supreme Court has five members. The Chief Justice, appointed by the king, serves up to two five-year terms, and

the four Associate Justices (*Drangpons*) serve up to two 10-year terms.

Bhutan's path to democracy was not spurred by a popular movement but was initiated and encouraged by the fourth king and fifth king of the Wangchuck dynasty. According to Bhutan's first prime minister, Jigme Y. Thinley, who came to power in the country's first election of 2008, the Bhutanese people were apprehensive about the new system because "in many of the countries, democracy had failed or was in the process of failing, and leading to tremendous upheavals, strife among the people." The king, however, insisted that the long-term interests of the people were best served by elected leaders. The first election went smoothly in 2008, and the second election, in 2013, brought a peaceful transition of power in which the opposition People's Democratic Party won 32 of the 42 elected National Assembly seats.

The birth of the hereditary Wangchuck dynasty in 1907 has shaped Bhutan's democracy. The first ruler, King Ugyen (1907-1926), introduced reforms and Western education. The second ruler, King Jigme (1926-1952), continued his father's moderation and centralization efforts by building more schools and roads and bringing public institutions under government control. Two generations later, the third ruler, King Jigme Dorji (1952-1972), established a high court, introduced a bicameral legislative branch, set up a planning commission, and created the Council of Ministers. The sudden death of the third king brought his son, King Jigme Singye (1972-2006), to power, and, like his forefathers, King Jigme Singye continued his father's legacy. In 2006, the fourth King abdicated in favor of his son, Jigme Khesar Namgyel, who started a top-down democratic process. In July 2008, Bhutan's political system changed from an absolute monarchy to constitutional monarchy with a parliamentary form of government.

## Ethnic, Religious, and Refugee Issues

Bhutan has four ethnic groups: the *Ngalops* (westerners), the *Sharchop* (easterners), aboriginal groups, and the *Lhotshampa* (southerners). The *Ngalops* migrated from Tibet to Bhutan around the ninth century CE. They introduced Tibetan culture and Mahayana Buddhism to Bhutan. The *Ngalops* are the majority in central, western, and northern Bhutan, and they dominate cultural, religious, and political elements in modern Bhutan. The *Sharchops*, an Indo-Mongoloid origin, are thought to have originated from Assam, in present-day India, or perhaps Burma, and they also practice Mahayana Buddhism. Several aboriginal groups (*Drokpa*, *Lepcha*, *Doya*) live and practice Hinduism throughout Bhutan. Hindu Nepali settlers, the fourth group, are the majority in the south. These southerners, or *Lhotshampa*, arrived in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries

in search of arable land. Many of the *Lhotshampa* settlers are not legal residents of Bhutan.

In the late 1980s and early 1990s, the government of Bhutan viewed the *Lhotshampa*, which made up about 28% of the population, as a threat to the country's cultural identity. Many *Lhotshampa* were expelled or voluntarily emigrated to India and Nepal, escaping government attempts to forcibly integrate them into mainstream Bhutanese culture. Such forceful assimilation attempts have been viewed as a threat to their Nepali culture. This tension led to unrest in the south of Bhutan in the early 1990s and resulted in an estimated 107,000 Hindu Nepali settlers returning to Nepal as refugees.

## Economic Development and “Gross National Happiness (GNH)”

The World Bank projects the acceleration of Bhutan's economic growth in 2018, citing hydropower projects, robust economic policy, and India's positive economic outlook as drivers. New hydropower plants are expected to come online in the next eight years; past hydropower profits have been invested by the government in public health care, contributing to an increase in Bhutanese life expectancy. Bhutan's financial policy has controlled exchange rates and inflation, as evidenced by “single-digit inflation, a relative stable exchange rate, and accumulating international reserves,” according to the World Bank. Because Bhutan's economy is inextricably linked to India's, a projected positive economic outlook in India would benefit Bhutan. With an average 8% GDP growth from 1996 until 2015, Bhutan fits the low middle-income group profile.

In contrast to Gross Domestic Product (GDP), Gross National Happiness (GNH) has a deep-rooted history in Bhutanese culture. In 1987, the fourth king stated, “We are convinced that we must aim for contentment and happiness.” The king's vision of happiness has since been enshrined in Article 9 of the 2008 Constitution of Bhutan, which reads, “The State shall strive to promote those conditions that will enable the pursuit of Gross National Happiness.” Established by the Royal Government of Bhutan, the Centre for Bhutan Studies & Gross National Happiness Research (CBS & GNH), which describes itself as “an autonomous research institute” based in the capital Thimphu, is mandated by the government to study the GNH concept and develop indicators for the Royal Government of Bhutan's Gross National Happiness Commission (GNHC), which is responsible for integrating “GNH into national planning process.” The GNHC chair and vice chair are the prime minister and finance minister, respectively. GNHC ensures all government policies “are formulated and implemented in line with the principles of GNH including: (a) developing a dynamic economy as the foundation for a vibrant democracy, (b) living in harmony with tradition and nature, (c) effective and good governance, and (d) investing in our people, the nation's greatest asset.”

## Foreign Relations

Bhutan's external relations have been influenced by the United Kingdom and India for much of the past century.

The 1910 Treaty of Punakha and 1949 Treaty of Friendship allowed the British and Indian governments, respectively, to direct Bhutan's external affairs. Both treaties promised the policy of “no interference in the internal administration of Bhutan” and provided protection from external encroachment. India and Bhutan signed another treaty of friendship in 2007 that grants Bhutan more independence in its foreign relations. Bhutan has joined a number of international organizations and entered into several international agreements. It was a co-founding member of the South Asian Association for Regional Cooperation (SAARC) in 1985 and joined the South Asian Free Trade Agreement in 2004, the same year it also joined the Bangladesh, India, Myanmar, Singapore, and Thailand Economic Cooperation (BIMSTEC) forum. Bhutan also has representation at the United Nations, which it joined in 1971. Bhutan also joined 174 other countries to sign the Paris Agreement on Climate Change in 2016.

Bilateral relations with the United States are limited, with no formal diplomatic relations. According to the U.S. Department of State, however, “the two countries maintain warm informal relations.” The United States has helped resettle *Lhotshampa* refugees residing in Nepal, and since 2006, the United States has admitted 92,462 of these refugees, including 650 in 2017 to date.

China also does not maintain formal diplomatic relations with Bhutan, but some progress in developing relations has been reported. In 2016, China and Bhutan held their 24<sup>th</sup> round of border talks in Beijing. China is currently building rail links across the Tibetan plateau and has plans to extend the railway toward the Bhutanese border.

## Security Concerns

Bhutan had experienced external and internal security challenges in recent years. In the 1990s, Indian separatist militants (the United Liberation Front of Assam and others) left India to establish bases in southern Bhutan. The king, concerned about sovereignty, warned India not to cross into Bhutan. Meanwhile, the National Assembly discussed peaceful and military options to drive out the groups. After five rounds of talks with the militants failed, the National Assembly approved “Operation All Clear” in 2003 to remove the groups forcefully. The operation captured or killed 650 militants, including top ULFA leaders.

New security threats emerged prior to the March 2008 election. Before the election, several bombs exploded in Thimphu and other districts. A new group, the United Revolutionary Front of Bhutan (URFB), claimed responsibility for the bombings to highlight the rights of *Lhotshampa*. There were no URFB-related bomb threats in the March 2013 elections. There was, however, a case of a URFB bombing claim in Phuentsholing, 100 miles south of Thimphu, in 2012.

**Bruce Vaughn**, Specialist in Asian Affairs

IF10660

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.