

MONTHLY REVIEW

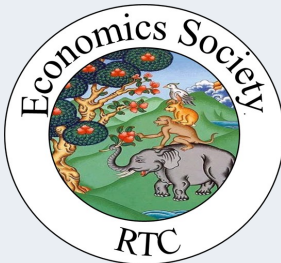


A Monthly Newsletter by Rational Expectations Economics Society (REES) of Royal Thimphu College

Explaining the REES logo

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The logo of REES

The logo of Rational Expectations Economic Society (REES) symbolizes the unity of the Economics students at Royal Thimphu College (RTC). As Henry have mentioned “united we stand, divided we fall” the REES is formed for promoting unity and integration among the Economics students at RTC.

The logo is designed based on the story of four friend (Elephant, Monkey, Rabbit and Bird). Four friends symbolizes harmony and unity in family or society, it has a world of meaning contrary to its commonplace perception as an obvious symbolism of harmony. (Penjor, 2005). The story of the four friends goes back a long time “Once in a forest in Varanasi, four animals: An elephant, a rabbit, a monkey, and a partridge disputed about the ownership of a tree where all of them had fed. The elephant claimed, well, this is my tree because I saw it first. To this the monkey replied: Now, elephant do you see any fruits on this tree? The elephant agreed that the tree was without any fruit. The monkey continued: “That’s because I had been feeding on the fruits of the tree long before you ever saw it.” Next the rabbit spoke up: I fed on the leaves of this tree when it was just a small sapling before the monkey ate its fruit and way before the elephant ever saw it. Finally the partridge that had been watching the argument, came forward and asserted: The tree belongs to me because the tree wouldn’t have grown if I hadn’t spit it out as a seed. I helped plant the seed that grew into this huge tree before the rabbit fed on it, or the monkey ate its fruit, or the elephant saw it.” The elephant, monkey, and rabbit, conceded that the partridge was the first to know the tree. So all of bowed to the partridge and regarded it as their elder brother.

The four animals became friends and decided to share the tree together in peaceful harmony, enjoying the beauty of the tree’s fragrance, the nourishment of its fruits, and the bounty of its shade. They worked together to obtain fruits: The fruits on the ground and on the lowest branches, the partridge and rabbit found by working together. The monkey climbed the tree and dropped the fruits for everyone to share but only the elephant could reach the highest branches with his trunk. The four animals worked co-operatively and with their combined strength, each one benefited and no one went hungry.” (Morrison & Singh, 2006). Similarly REES is going to enjoy the benefits of the unity.

The logo was developed by Mr. Chenchu Dorji, Kuenzang Dorji and Pema Chogyal of BA Eco&Evs, 2012 batch.

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Agriculture and WTO: Lessons to Be Learnt

Sanjeev Mehta

Professor

The Former Prime Minister of Bhutan once mentioned that unless we know what would be the benefits and disadvantages of joining WTO, we should not hurry up with the process. What additional benefits would Bhutan derive if it decides to join WTO? The answer cannot be given with greater objectivity as personal ideology takes a central role. The objective judgment can be made only after we consider all the relevant issues. Accession to WTO brings following issues- Agreement on Agriculture (AoA), trade in services, Trade Related Property Rights (TRIPs), Trade Related Investment Measures (TRIMs), competition policy and finally the dispute settlement mechanism. The issues involved are many and therefore cannot be addressed together and I will attempt to address them through a series of articles. One should bear in mind that when such issues are debated people are either with WTO or against; usually there is no middle path.

Bhutan continues to remain an agrarian economy despite of its share in GDP is steadily falling to about a fourth, because about two third of the population is still dependent on this sector for its livelihood. How WTO is going to shape this sector's prospects should be the primary concern. The experiences of the other Least Developed Countries force us to take a pessimistic view. Center of the issue is AoA, which intends to liberalize the global trade in agriculture to create a level playing field. But, unfortunately, two important players-USA and EU are engaged in a battle over reduction in the aggregate measure of support and therefore continue to protect their market from agricultural trade. This has prevented and would continue to prevent countries like Bhutan from having market access in agricultural products. We should remember that Bhutan will not be able to reap its export potentials in the organic products unless the big players remove protective barriers. WTO will make us reduce tariffs on manufactured goods but without any parallel reduction in tariffs on farm products. Bhutan, then, would be faced with worsening trade deficit. Even if the developed countries de-protect their farm market, the ability to enter the market would then be conditioned to the technical requirements of Sanitary and Phyto Sanitary (SPS). Our farmers, especially the smaller ones, are not equipped to meet this requirement and market access would still remain a mirage.

Another, and arguably the most crucial, issue is related to food security and small farmers. The trends in LDCs suggest that food system is undergoing a rapid transformation as the economic power is getting concentrated in the hands of few big players. With globalization domestic prices of food would adjust downwards and this would hurt the small farmers the most that mainly produce food grain. On the other hand, the big players would shift away from food grain to commercial crops which fetch better returns. Slowly, we will shift away from multi-cropping to mono-cropping, a trend definitely inimical to the biodiversity.

In medium to long run the small farms would be contracted away for commercial farming. This shift can create advantage in terms of more employment and better income or alternatively can result in mechanization led unemployment and rising micro food insecurity. The trends reflect the second outcome is more likely. Small farmers are lured towards commercial farming by undertaking fresh investments through borrowed funds. Highly volatile global agricultural prices have great potential to increase the indebtedness of the small farmers. If this happens, poverty and micro level food insecurity may increase alarmingly, reversing the trends of improvement in the quality of life. Rising number of farmers committing suicide in India is a pointer to this direction. Unless we have a well developed and easily accessible social security net, joining WTO would through many of our small farmers in to a deep trench.

Joining WTO would force us to accept a global regime of protection of intellectual property called TRIPs. We are importers of agricultural technology and soon our farmers will have to pay heavily to buy improved seeds and other inputs. With TRIPs, small farmers will become more vulnerable in future, they will lose control of their seeds and reap no rewards for the breeding work they have done over generations. Transnational corporations will dominate the seed production through patent rights. This will definitely affect our food security adversely. Unless we develop our R&D framework joining WTO would greatly risk the goal of food security. Unfortunately, we do not have the financial resources and technical knowhow to build an indigenous R&D framework. Besides, our farmers have been developing new plant varieties and seeds over different generations whose knowledge remain in public domain and consequently unprotected. The experience of other countries suggests that transnational corporations undertake bio-piracy and the creator of the technology lose the right to use it without paying a rent. There dispute settlement mechanism is prohibitively costly and many countries would not afford as well as lack legal expertise to use the legal route to settle such dispute.

As it is said- "those who do not read history are condemned to repeat it", unless we learn from other's experiences and create an institutional and structural background that ensures our survival along with big sharks, we should not swim in the unknown waters. Need of hour is to initiate academic research in this direction to find scientific answers, that are locally relevant, that would light our way and help us to prepare to meet the eventuality.

Bhutan at a Glance 2014

ENERGY			
Energy	2011	2012	2013
Electricity Generation (MU)	7,066.50	6,823.70	7,550.04
Sales of Energy (Million Nu.)	2,830.00	3,096.90	3,346.60
Number of Consumer	116,354	116,354	146,500
Sale of Energy from Chhukha Power Plant (Million Nu.)	3,466.70	3,269.50	3,698.70
Sale of Energy from Tala Power Plant (Million Nu.)	6,281.10	6,380.80	7,459.50
Sale of Energy from Kurichu Power Plant (Million Nu.)	462.6	492	560.7

LABOUR & EMPLOYMENT			
Labor Force	2011	2012	2013
Total labor force	334,200	336,391	345,786
Male	173,300	164,484	186,403
Female	160,800	171,907	159,383
Unemployment rate	3.1	2.1	2.9
Rural	2.1	1.5	1.50
Urban	5.9	3.5	6.3
Labor force participation rate	67.4	64.4	65.3
Total civil servants	22,444	24,275	25,306

National Statistics Bureau

Royal Government of Bhutan

www.nsb.gov.bt

Ease of Doing Business in Bhutan

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In Bhutan investment has been playing a vital role in building up the private sectors through making profitable investment. In general investment is the processing of adding to the already existing stock of capital. It is important to take place as to replace the depreciated value by maximizing profits through minimizing costs. But the private sector investment in Bhutan is still in limited number though the country has stepped through 50 years of development. As a result private sector investment has been an overwhelmed issue ever since. Therefore the reasons that prevents private sector from making profitable investment are due to long bureaucratic legal formalities consuming more time and involving huge financial capital requirement. And also due to high interest rate charged on borrowing, it prevents entrepreneurs and investors to make investment in private sectors whereby preventing them from making profitable investment.

According to kuensel- 31st October 2014, Bhutan's rank rises in Ease of Doing Business index where it tells us the brief background of problems and the weaknesses faced by the country regarding the business. It also tells us the importance of doing Business in Bhutan and depicts us about the situations that the private sectors are facing regarding the investment.

5 indicators used by EDBI ranking to measure how it is to do business from a regulatory and bureaucracy perspectives are:

Starting a business:

For the immediate benefits for the companies and business owners and employees, formal registration of companies is must to start a business. It is because it allows companies to have easy access to services and institutions from courts to banks including new markets. It covers or measures the ease of starting a business in the economy by keeping access to all the procedures required by an entrepreneur to start up and officially operate any business.

Internationally, Bhutan stands at 92 in the ranking of 189 economies on the ease of starting a business.

Main problem that the company usually face while starting a business is due to 8 bureaucratic legal formalities which has to be followed and fulfilled. Such procedures not only consume time (maximum 17 days) it also adds cost costs 4.4% of income per capita and requires paid-in minimum capital of 0.0% of income per capita to the producers which discourage the entrepreneurs to start up the business. Whereby, the investors are discouraged to do the investment directly affecting the decisions on investment.

Dealing with construction permits:

In order to protect the public, regulation of construction is important. To stay away from excessive constraints on a sector which plays an important role in every economy, it needs to be efficient. It measures and records the procedures, time and cost for a business in construction industry to gain all the required approvals to construct. Internationally Bhutan stands at 131 in the ranking of 189 economies on the ease of dealing with construction permits.

According to data collected by doing business, dealing with construction permits involve 21 procedures taking 150 days with cost 1.3% of the warehouse value which indirectly tells us that it is a lengthy procedures involving huge cost. Due to such issue, many business men are discouraged to do business.

Getting Electricity:

For business having access to consistent and affordable electricity is significant. To achieve a permanent electricity connection and supply for a standardized warehouse it records all the procedures for a local business. Internationally, Bhutan standing at 72 in the ranking of 189 economies on the ease of getting electricity. It is reported that a set of specific procedures must be completed by an entrepreneur to possess a warehouse connected to electricity which involves acquiring 5 procedures taking 74 days costing 606.5% of income per capita. It requires completion and verification from electricity regulatory agencies and independent professionals for those procedures. And also due to lack of architects, civil engineers and construction lawyers in a country, it is costlier to hire. As a result, such formalities and cost discourages the investors in Bhutan to invest and do their business.

Registering Property:

The most essential thing in the business is to ensure formal property rights because informal property rights leads to limiting access to finance and slight possibility of being accepted as collateral for loans. Transferring the property title to owner and recording the full sequence of procedures which is crucial for a business to possess property from another business is what this indicator does. Internationally, Bhutan stands at 86 in the ranking of 189 economies on the ease of registering property. Since these indicators are also based on a set of specific procedures where both the buyer and seller must complete to relocate the property to the buyer's name, it brings barrier to the private sector preventing them from making profitable investment.

Getting Credit:

Getting credit is also the factor that prevents private sector from doing business in Bhutan. Ease of getting credit in Bhutan is very high as compare to other countries because interest rate on borrowings is charged high (12-14%) for Bhutanese entrepreneurs as compared to India. An investor will not borrow at higher interest rate if return of investment is low. While borrowing, requirement of mortgage place the entrepreneurs at risk. As a result, entrepreneurs avoid borrowing money from the banks leading to delay in starting of business. Bhutan ranked 71 out of 189 economies in the ease of getting credit.

Problem of investment faced in Bhutan is mainly due to lengthy policies and formalities involved. This issues can be resolved if government can reorganized and reframe the policies which are not ad equable. The government of Bhutan should reduce the number of formalities and the procedures by allowing investors to obtain their license through a single Ministry instead of undergoing through various Ministries. Making procedures simpler and faster by setting up technology like online facilities and making credit facility effective and also by reducing capital requirements (cost) for the procedures can also be the solutions. Increasing the scope, coverage and accessibility of credit information and building up the legal rights of lenders and borrowers under collateral and bankruptcy laws can also be the solution to those problems.

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Women Empowerment for Economic Development

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“If man is educated, a member of the family will be educated but if women is educated whole family will be educated”, with this line empowerment of women is the process of providing power to women to stand up against the control of authentic practiced and believers of the people. There are thousands of women/girls who are still suffering in the corner of the world. Gender discrimination has been a problem over past few decades and still at present we can see there is gender discrimination all across the globe. Some countries still have gender inequality present which we can see at workplace, class room, and society. As a result today women participation and decision making is very low and they do not have productivity and does not contribute much to the production. At present we can see the scenario of gender discrimination being improved since women are going to school, improvement in life expectancy and law favoring to the women. Still there are some well qualified people, who ignore the importance of women in society.

In earlier period women were left behind and not able to get freedom to participate in any economic or political affairs. Women are looked down as not having any capability to run a nation. Moreover, women died in their early ages (reproductive age) due to HIV/AIDS such as in country like Sub-Saharan Africa. They even experienced domestic violence and did not have any right to make decision within family. Even well qualified parents feel that girl child should not be outgoing and should remain in house itself, so it controls women to go forward. In addition, some of the countries still think that women don't have capability to build a nation, since women are not allow to attend school such as more than million of girls still had not got chance to attend school in developing countries.

Imagine 20-30 years from now into the future, how will the country of the women, ultimately the country of the world be if such things are not addressed and considered with proper precaution and judgments before it is too late. Still there are lots of unbelievable acts like mothers struggling her own new born child and preferring abortion just because the child is girl.

In this twenty first century almost 80% of the people are educated and has reached moon, and have achieved great things but still they are not able to stop this believes. Women should need fresh and more capable environment so that they can take their own right decisions in every area whether for themselves, family, society or country. In order to make the country fully developed, women empowerment is an essential tool to get the goal of development. Therefore we as being educated we should have wide concern about such issues.

Though, Bhutan has improved a lot with accessible with various facilities like National Commission for Women and Children (NCWC) and RENEW ((Respect, Educate, Nurture and Empower Women) but still we could see that there is not that much effective in empowering of women. “Women's empowerment is catalytic and central” to achieving social and environmental goals, UNDP Associate Administrator Rebecca Grynspan said, “Women are central actors making the case for the sustainable development triple-win strategy” meaning economic development, social development, and environmental sustainability.

Gender inequality is a major issue across the globe and in Bhutan too. Over the past few decades gender equality had been improving and it had helped especially the women of developing nations compared to develop. At present gender inequality still do exist but not that much compared to past. Therefore gender inequality is a major concern and it should be taken care off through various policies in favor of women and girls.

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For an excellent and vigorous economy, 10 indicators are used by the Ease of Doing Business index to measure how easy it is to do business from a regulatory and bureaucracy perspective whereby Bhutan rank highest on getting credit (71th) while at the other end, it ranks lowest on resolving insolvency (189th). Ease of Doing Business for Bhutan is important where people who are interested to take up the business and people who have already taken interest must find it easy to do business in our economy. Besides facing many challenges, Bhutan is continuing to work towards achieving a rank of hundred by going through various solutions.

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GNH: A policy umbrella: Way forward

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Gross National Happiness (GNH) was first coined by His Majesty the 4th king of Bhutan in 1972. His majesty first came up with this idea, when he toured around Bhutan interacting with common people and evidence suggest that he even drank water from the ordinary spring. While touring around the kingdom, His Majesty realized that the only way to keep the country happy was not by focusing on materialistic things but one must be happy from both spiritually and physically. The idea of GNH first came into existence when His majesty was first asked question by a TV reporter in Delhi airport about the GDP of Bhutan. He replied that GDP is not important for the happiness of the people rather it is the Gross National Happiness in which he is more interested. Since then, the term GNH became popular all around the world. This philosophy aims at maximizing well-being and minimizing suffering by balancing economic needs with spiritual and emotional needs. GNH is actually originated from the Buddhist philosophy in which the teachings of Buddha basically talks about, one must be happy internally no matter how much wealth, he or she possess because wealth remains temporarily in ones hand as long as he or she is alive but cannot take with us when we are dead.

GNH communicates the Bhutanese about preserving the culture, respect for environment and to live in harmony with each other. In fact, GNH focus mainly on four pillars, such as enhance socio economic development, preservation of culture, conservation of environment and good governance. Keeping in mind those four pillars, GNH in fact has similar meaning with sustainability in which its pillars basically talks about keeping balance between, social, economic and the environment. Sustainability on environment mainly talks about limits while economic talks about efficiency and deriving maximum profits, and if this two are integrated together, then achieving GNH can become more realistic. GNH was more realistic in 1970's when Bhutanese culture was intact, majority of the area was dominated by forest cover and the population was limited. The wants and needs of the people were restricted to few, there was less influence from the outside world and there was no impact of television on Bhutanese lifestyles. The economic depression and the global financial crisis had no impact on the Bhutanese economy.

However, looking at the present scenario in Bhutan, achieving GNH is farfetched and the irony of the situation is that Bhutan does not even fall in top ten of the happiest countries in the world. Even though, Bhutan is progressing fast toward modernization, it is accentuated with recurrent problems, such as unemployment, increasing debt problems, balance of payment problems, increasing suicide rates, drugs and alcohol related cases, burglary and theft, regional disparities, transition to democratic form of government and waste issues. This shows that GNH was well written only in books and papers but was rarely implemented on the ground.

In Bhutan, empirical evidence suggest that majority of the Bhutanese have little knowledge about GNH and its components. The reason could be that majority of the Bhutanese are illiterate and only few are interested in GNH, such as Bureaucrats and researchers and basically it is a top down approach. If Bhutan has to strictly follow the philosophy of GNH and make it a reality then it must focus on unemployment problem, social problems, growth of economy, declining culture, regional development and waste problems.

Unemployment is one of the serious issues in Bhutan. The growth rate of unemployment is increasing every year while the ability of the government and private sector to provide job remained stagnated. The youth unemployment rate in 2012 was 2.1% and has increased to 7.3 % in 2013 (Kuensel, 2013). The recent RCSC reforms suggests that government plans to make the civil service compact and efficient, meaning that only few and best ones will be employed in civil service with high salary. This indicates that government is going to employ few and best, while majority of the youth will remain unemployed. The other reason is that Bhutanese economy is growing slowly and the law restricts the growth in private sector stating that growth in these sectors would result into concentrating wealth in the hands of few. Hence, private sector still remain in infancy stage and can only employ few people and depend mostly on Indian laborers. To solve unemployment problems, the government's first priority must be to generate employment in agriculture sector, then government and in private sector. To attract people to work in agriculture sector, the government must provide subsidy, credit facilities, irrigation facilities and market to enable the people to commercialize on their goods. The government must either review in the civil service reforms or promote more employment in private sector. This can only be possible if government liberalize on growth in private sector. Evidence shows that private sectors have enough financial means to expand their company and there is also high scope for FDI to come to Bhutan. These are the only possible areas, where Bhutan can generate more employment, if it were to reduce unemployment problem. According to Millennium Development Goals (MDG), UNDP suggest that Bhutan has to create additional employment opportunities for about 82000 jobseekers to maintain full employment of 97.5 % (kuensel, 2013). The first step towards attaining GNH is to provide employment in which most of the people will have ability to live a better life and it will in fact act as a baseline for reducing other problems.

Social problem includes drug related cases, juvenile crimes, suicide cases and theft/burglary. These issues are reflected consistently in media reports. It is disheartening to see such unfortunate situation happening in the country mostly known to the outside as the GNH country. To the outside world Bhutan is literally known as "the last Shangri-La" and the foreigners gets fascinated by the prayer flags, colorful architects and beautiful scenic beauty. But the inside story narrates a different situation.

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It is not uncommon to see in news about the murder, thefts, and crimes and it is rapidly expanding. Government and law makers should be concerned about this arising issues and must immediately find a better solutions. Government must focus more on solving problems relating to youths, after all the ultimate aim of GNH is to achieve universal happiness for the people of Bhutan.

Economy in Bhutan is in a bad state and despite the rising living standard, the volume of import has been accelerating over the years with declining exports. Agriculture is the most dominant sector but over the years, it showed a sharp decline in agriculture productivity. As a result, Bhutan spends millions of ngultrums on importing agriculture products. This is attributed to increasing rural urban migration where majority of the land are left fallowed due to absence required infrastructure to enhance productivity. Rural villages are deprived of irrigation facilities, road networks, credit facilities and market area for commercialization activities. As a result, most rural people practice subsistence farming and due to lack of necessary facilities for agriculture activities, they also depend on import agricultural products for consumption. Development in private sector has been restricted by stringent government policies and subsequently it is not able to compete with imported goods because of lack of comparative and competitive advantages. The contribution to the GDP from the large scale manufacturing and chemical industries are the lowest sector as compared to hydropower and service sector. The Economic stimulus plan, which present government has initiated to uplift rural economy has no contribution to large scale industries. ESP would rather lead to import of more goods and leakage of Indian rupees. The construction of Hydro power has led to more debt problems and may take 25 years to payback the loans. Although, service sector has seen a drastic improvement over the years, the policy of "high value low impact tourism" has detrimental impact on its progress. The government must reform Economic development policy and should be best suited to the current scenario. Sustainability in stricter sense is not only about conserving environment but must look into both economic and social aspects. ESP must not only focus on small and medium scale industry but must also provide equal opportunities to large scale industries.

Bhutanese culture has been declining since Bhutan opened its doors to the outside world and started integrating with other countries. Since then, the Bhutanese culture has been deteriorating and has impact on philosophy of GNH. In fact GNH can directly relate to Bhutanese culture, where our culture teaches people to have sense of belonging in the society, respect each other, and help to the vulnerable. However, due to social media, television and communication, it has a massive impact Bhutanese cultures. According to kuensel, the urban life is becoming stress full due to job and social stress and the annual "lochoe" (annual puja) in a rented flat is looked upon as noise pollution (2015). Social capital has been declining, and the cultural evolution in which Bhutan has been practicing for generations has been on the verge of disappearing. Bhutan is experiencing a cultural influx from other countries, which some critics termed as 'westernization'.

Youths in Bhutan are so much obsessed with westernization that they find western culture attractive and fulfilling and Bhutanese culture are mainly focused on putting restrictions on human behavior. "Drig Lam Namsha" which was strictly practiced during the 70's are being neglected by younger generations and only few people which have a concern for the culture tries hard to follow and practice it. Drig Lam Namsha is a disciplinary method which every students from primary to college practice and it teaches Bhutanese how to behave, respect and follow rules. It was included in school curriculum during 90's, but it is hardly being used today and youth see it as violation to their rights. So, to keep Bhutanese culture intact, Bhutan must go back to previous years and follow the same procedures to keep our sensitive culture alive. "Drig Lam Namsha" must be followed strictly by different work of life and it must be included in the school curriculum, if Bhutanese are to bring back culture.

The regional development in Bhutan has been imbalanced, and the evidence shows that some regions are developed and has all the facilities for their advancement, while some regions are deprived of facilities required for development. The poverty analysis report shows that about 75 per cent of the poorest households are in the Pemagatshel, Zhemgang, Mongar, Trashigang and Sampdrup-Jongkhar districts (NSB, 2013). This is due to lack of development in these area and people were deprived of rural amenities which in other parts of Bhutan enjoys. In western region majority of the villages have access to roads, electricity, market and health facilities which enables the people to earn more income. This cause regional disparities and as a result these people are subjected to poverty. The main concern for the policy makers to keep alive the GNH policy is that there development strategy must be concentrated in least developed regions.

Waste issues is a recent phenomenon and especially in urban centers, poor waste management is a bigger problem to deal with. The main reason with the increasing waste is lack of awareness amongst Bhutanese about the consequence of waste. The associated rising population with conspicuous consumption has contributed waste to a large extent and lack of budget from the government is not able to find a better solution for the disposal of waste. The Memelakha land fill which was initiated in 1993 to capacitate waste for 8 years is running 25 years (Thimphu city, 2015). Every day population in Thimphu generate about 55 tons of waste and it is being send to Memelakha landfills. However, rest of the waste either goes to river nearby or is dumped in open spaces, which degrades aesthetic beauty, environmental quality and affects human health. Therefore, in order to reduce the generation of waste, people must be sensitized on waste minimization techniques, such as reduce, reuse and recycle and materials and energy recovery.

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Should Bhutan Join WTO?

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The World Trade Organization (WTO) was established on 1st January 1995 and is based in Geneva. The WTO's top decision making body is the Ministerial Conference, which is normally held every two years. It is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War. Roberto Azevedo is the sixth Director General of WTO and there are more than 150 nations as members today. Bhutan applied for the World Trade Organization membership in 1999 and in the following year, the country was granted the status of observer nation. As per Zangpo, it is mentioned that Bhutan almost acceded to WTO in 2009, but the succession process was shelved by the Druk Phuensum Tshogpa government. The reason behind that was that the WTO agreements contradicted the Bhutanese philosophy of Gross National Happiness. However, Bhutan today is an observer in WTO but not yet decided to join WTO.

Some of the advantages of Bhutan joining WTO are to gain access to foreign market, enable economic reforms, to bridge the credibility gap and dispute settlement mechanism. According to some local economist as cited in Gyeltshen (2013), it says that joining WTO would provide more and better consumer choice, improvements in the standards and quality of goods and services, improved rules of engagement, business practices and inculcate good governance. Moreover due to MFN status the country gets non discriminatory treatment as all other members which will help country like Bhutan to have their stand equivalent to the other larger countries.

However, there is equal disadvantages as Bhutan being a developing country with poor resources endowments, technological backwardness and unfavorable in terms of trade will not stand to benefit much. Even if Bhutan join WTO and opens up its market we will have limited to export as the scale of our economy is relatively small and manufacturing base is almost nonexistent. At the same time, with the small market size of around 700,000 people which is determined by the population size where almost 60% live in rural areas and 12% below the poverty line in 2012 will have a minimum disposable and purchasing power.

Revenue to the government in the form of taxes will also come down, as WTO would require Bhutan to reduce its taxes on foreign goods entering Bhutan. With more goods flowing into Bhutan and exports remaining the same, it will also severely constrain balance of payments. As per one of the economist as cited in Gyeltshen (2013), said that other member countries would only be interested to sell goods and services in huge volumes so exporting goods to Bhutan would require tremendous transportation cost because of its remoteness and landlocked feature.

On the other hand if Bhutan joins WTO it has to accept AoA (Agreement on Agriculture) where developing countries have to provide 10% support on agriculture products in terms of value added. It mainly depends on the fiscal strength of the country and for Bhutan we are already facing fiscal problems so inflation will rise.

As there are both advantages and disadvantages in Bhutan joining WTO, it is difficult to make a decision. However, I feel that it is not the right time for Bhutan to join WTO because with the entry to WTO, Bhutan needs to open its market to international competitors so the present situation is not ripen for country to join WTO. The more important point is not a matter of whether to join WTO or not but the time when Bhutan should join WTO matters a lot. Therefore, Bhutan should join WTO if export base is huge otherwise there is nothing to gain but lose.

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Uncertainty

Pema Choden

BA Economics and EVS 1st Year

*I Dragged my legs towards the window and
Perched my hand on it,
As sun waves his hand for the day.*

I Glanced at my own face

*Reflecting at the tracks that I have traced,
Only to see unpleasant memories
As silent tear triggers a silent whisper.*

*I can see my ever gained feat
Running low in vain,
As I see my pleasant love dying
In the battle field of fake and lies.*

*Glowing light seemed dim,
And sky seemed not too blue.
Thought, the darkness never prevailed
When light is glowing,
And now I can see hatred in love.*

*Love is just the game,
Where you would derive fame and name,
But sometimes, it puts you in the broiling pane
Where your fragile heart tears apart and
Tears fall like monsoon rain.*

*Praise and love for the sweetness,
Who lacks faith causes sickness,
No stars are to be trusted,
As uncertainty is everywhere nested.*

Contact Us

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