

การลงทุนโดยตรงจากต่างประเทศและผลกระทบต่อเส้นทางการพัฒนาของภูมิภาค



นายดอร์จิ เซเตน

สถาบันวิทยบริการ

จุฬาลงกรณ์มหาวิทยาลัย

วิทยานิพนธ์นี้เป็นส่วนหนึ่งของการศึกษาตามหลักสูตรปริญญาศิลปศาสตรมหาบัณฑิต

สาขาวิชาเศรษฐศาสตร์และการเงินระหว่างประเทศ

คณะเศรษฐศาสตร์ จุฬาลงกรณ์มหาวิทยาลัย

ปีการศึกษา 2551

ลิขสิทธิ์ของจุฬาลงกรณ์มหาวิทยาลัย

FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON DEVELOPMENT PATH OF BHUTAN

Mr. Dorji Cheten

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

A Thesis Submitted in Partial Fulfillment of the Requirements

for the Degree of Master of Arts Program in International Economics and Finance

Faculty of Economics

Chulalongkorn University

Academic Year 2008

Copyright of Chulalongkorn University

Thesis Title FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON  
DEVELOPMENT PATH OF BHUTAN

By Mr. Dorji Cheten


Field of Study International Economics and Finance

Thesis Principal Advisor Associate Professor Buddhagarn Rutchatorn, Ph.D.

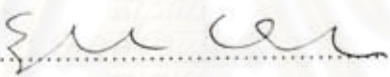
Thesis Co-advisor Associate Professor Somchai Ratanakomut, Ph.D.

---

Accepted by the Faculty of Economics, Chulalongkorn University in Partial  
Fulfillment of the Requirements for the Masters Degree

  
..... Dean of the Faculty of Economics  
(Professor Teerana Bhongmakapat, Ph.D.)

THESIS COMMITTEE

  
..... Chairman  
(Associate Professor Suthiphand Chirathivat, Ph.D.)

  
..... Thesis Principal Advisor  
(Associate Professor Buddhagarn Rutchatorn, Ph.D.)

  
..... Thesis Co-advisor  
(Associate Professor Somchai Ratanakomut, Ph.D.)

  
..... External Member  
(Associate Professor Sriwongse Sumitra)

จุฬาลงกรณ์มหาวิทยาลัย

ดอร์จิ เซเดน : การลงทุนโดยตรงจากต่างประเทศและผลกระทบต่อแนวทางการพัฒนาของภูฏาน  
(FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON DEVELOPMENT PATH OF BHUTAN)  
อาจารย์ที่ปรึกษาวิทยานิพนธ์หลัก : รศ.ดร.พุทธกาล รัชกร, อาจารย์ที่ปรึกษาวิทยานิพนธ์ร่วม : รศ.ดร.  
สมชาย รัตนโกมุท , 155 หน้า

ความสุขมวลรวมประชาชาติเป็นแนวความคิดที่มีต้นกำเนิดมาจากราชอาณาจักรภูฏานในเทือกเขา  
หิมาลัย โดยสมเด็จพระราชาธิบดีจิกมี ซิงเย วังชุก กษัตริย์องค์ที่ 4 แห่งราชวงศ์วังชุก เป็นผู้เสนอแนวคิดนี้ในปี  
พ.ศ.2515 ปัจจุบันแนวความคิดนี้ได้แพร่ขยายไปทั่วโลก โดยประเทศภูฏานได้พยายามนำเสนอกรอบยุทธศาสตร์  
การพัฒนาเพื่อสร้างความสมดุลระหว่างการพัฒนาทางจิตวิญญาณและการพัฒนาทางวัตถุในช่วงที่เศรษฐกิจกำลัง  
เจริญเติบโต ในขณะที่หลักการความสุขมวลรวมประชาชาติได้เป็นที่รู้จักของประชาคมโลกนั้น ภูฏานเองก็กำลัง  
เตรียมตัวที่จะเชื่อมโยงกับสังคมโลกให้แน่นแฟ้นยิ่งขึ้น งานวิจัยนี้จึงพยายามศึกษาผลกระทบที่อาจเกิดขึ้นกับ  
ภูฏาน เมื่อต้องเชื่อมโยงกับสังคมโลก จากการเปิดรับการลงทุนโดยตรงจากต่างประเทศให้เข้ามาสู่ระบบ  
เศรษฐกิจของภูฏาน

การทำความเข้าใจผลกระทบของการลงทุนโดยตรงจากต่างประเทศต่อหลักการพัฒนาของภูฏาน  
ในวิทยานิพนธ์ฉบับนี้ได้ใช้แบบสอบถามเป็นเครื่องมือหลักในการวิจัย แบบสอบถามถูกแจกจ่ายไปยังกลุ่ม  
ตัวอย่างมากกว่า 450 คน ใน 3 แหล่งการค้าที่สำคัญของภูฏานที่ปัจจุบันมีการลงทุนโดยตรงจากต่างประเทศแล้ว  
ได้แก่ พาโร ทิมพู และ พูนโซลิ่ง การวิเคราะห์ข้อมูลได้อาศัยโปรแกรม SPSS for Windows version 16.0 ผล  
การวิเคราะห์ถูกสรุปในรูปความถี่ ร้อยละ ค่าเฉลี่ย และส่วนเบี่ยงเบนมาตรฐาน นอกจากนี้ได้ใช้การทดสอบไค-  
สแควร์และการทดสอบนัยสำคัญของสัมประสิทธิ์ในการทดสอบทางสถิติอีกด้วย

จากการศึกษาได้ข้อสรุปว่าการลงทุนโดยตรงจากต่างประเทศจะส่งผลเชิงบวกต่อการพัฒนาทาง  
เศรษฐกิจอย่างยั่งยืนรวมทั้งการบริหารจัดการที่ดี และไม่พบว่ามีผลคุกคามต่อวัฒนธรรมและสิ่งแวดล้อมทาง  
ธรรมชาติ การบริหารจัดการที่ดีเป็นหลักสำคัญต่อความสุขมวลรวมประชาชาติดังแสดงได้จากผู้ตอบรับส่วน  
ใหญ่ ดังนั้นการลงทุนโดยตรงจากต่างประเทศจึงเป็นที่คาดว่าจะส่งผลเชิงบวกต่อความสุขมวลรวมประชาชาติ

การลงทุนโดยตรงจากต่างประเทศของภูฏานยังอยู่ในช่วงเริ่มต้น ดังนั้นผลกระทบของการลงทุน  
โดยตรงจากต่างประเทศจึงยังไม่สามารถกำหนดได้ทั้งในปัจจุบันและอนาคต อย่างไรก็ตามผลการศึกษานี้  
สามารถนำมาเป็นพื้นฐานให้กับการศึกษาอื่นต่อไปในอนาคตได้เมื่อการลงทุนโดยตรงจากต่างประเทศมี  
ความสำคัญมากขึ้น

สาขาวิชาเศรษฐศาสตร์และการเงินระหว่างประเทศ ลายมือชื่อนิสิติ .....

ปีการศึกษา 2551

ลายมือชื่ออาจารย์ที่ปรึกษาวิทยานิพนธ์หลัก .....

ลายมือชื่ออาจารย์ที่ปรึกษาวิทยานิพนธ์ร่วม .....

## 5085644629 : MAJOR INTERNATIONAL ECONOMICS AND FINANCE

KEY WORD: FOREIGN DIRECT INVESTMENT / SOCIO-ECONOMIC DEVELOPMENT / GROSS NATIONAL HAPPINESS / GLOBALIZATION/SPILL OVER EFFECT / UNEMPLOYMENT/POVERTY ALLEVIATION

DORJI CHETEN: FOREIGN DIRECT INVESTMENT AND ITS IMPACT ON DEVELOPMENT PATH OF BHUTAN. THESIS PRINCIPAL ADVISOR: ASSOC. PROF. BUDDHAGARN RUTCHATORN, PH.D., THESIS COADVISOR: ASSOC. PROF. SOMCHAI RATANAKOMUT, PH.D., 155 pp.

Gross National Happiness, a valued concept originated in tiny Himalayan Kingdom of Bhutan was first enunciated by His Majesty the Fourth King Jigme Singye Wangchuck in the year 1972. This concept has now become a globalized concept. Bhutan today is deeply rooted in diligently introducing the strategic framework in balancing development between its spirituality and materialism in this rapidly growing economy. As GNH has travelled across the globe, so is Bhutan, now ready to integrate in the global community as well. This research tried to study the implications that Bhutan would face if to integrate with global economy by opening its economy to Foreign Direct Investment.

In understanding the implications of FDI on development philosophy of Bhutan, questionnaires were used as the main research mechanism by distributing to over 450 respondents in three places in Bhutan, namely, Paro, Thimphu and Phuenstsholing respectively. The data obtained were then analyzed in SPSS window version 16.0. The results obtained were summarized in frequency, percentage, mean, standard deviation. Chi square test is conducted as part of statistical test.

This study concludes that FDI would positively assist sustainable economic development and good governance, while it might not be of serious threat to culture and natural environment. Good governance is viewed as the most important pillar for GNH as expressed by majority of the respondents. Hence FDI in Bhutan is expected to bring in positive impact on GNH.

FDI in Bhutan is still at nascent stage, hence its implication can not be determined now nor forecast in future. However this study provides a base for future endeavor when the FDI gain its momentum.

Department: Economics

Field of study: International Economics and Finance

Academic year: 2008

Student's signature.....

Principal Advisor's signature.....

Co-advisor's signature.....

## Acknowledgements

This piece of work is an accomplishment of joint effort of group of people from diverse background, which I wish to spell out the names one by one. I shall always treasure these two figures, Associate Professor Buddhagarn Rutchatorn, Ph.D, and Associate Professor Somchai Ratanakomut, Ph.D for their invaluable advice and unwavering support. My appreciation is extended to Chairman and thesis committee member(s), Associate Professor Suthiphand Chirathivat, Ph.D and Associate Professor Sriwongse Sumitra for their valuable comments and feedback. My heartfelt gratification is extended to my classmates, faculty members including visiting professors for their moral support and imparting knowledge and wisdom. I particularly want to thank two program officers of MAIEF office, for their continuous support. I would also like to express my deep appreciation to Mr. Nitisan Phongpiyaphaiboon and Ms. Natthiya Doungsawat for their untiring support and assistance.

Thailand International Development Cooperation Agency (TICA) deserves my sincerest gratification for offering me the most prestigious scholarship to pursue my Masters Degree of Arts in International Economics and Finance in Chulalongkorn University. I also would like to extend my deep appreciation to Mr. Techaphast Chuavichien, Program Officer for his timely help and assistance.

I also would like to thank the management and staffs of Bhutan National Bank Limited and other well-wishers for their continuous moral support. I am indebted to my parents and relatives for their untiring support at times when my family was undergoing difficulties. Last of all, I am grateful to my wife and loving son for their wishes and prayers in every endeavor I undertook and I share this success with them.

จุฬาลงกรณ์มหาวิทยาลัย

## TABLE OF CONTENTS

Abstract (Thai).....	iv
Abstract (English).....	v
Acknowledgements.....	vi
Table of Contents.....	vii
List of Figures.....	ix
List of Tables .....	xi
List of Abbreviations.....	xvi
<b>CHAPTER I INTRODUCTION.....</b>	<b>1</b>
1.1 Background.....	1
1.2 Statement of Problems.....	3
1.3 Objectives .....	4
1.4 Research Questions.....	4
1.5 Scope of the Research.....	5
1.6 Expected Benefits of this Study.....	5
1.7 Organization of this Study.....	5
<b>CHAPTER II LITERATURE REVIEW.....</b>	<b>6</b>
2.1 Overview on Economics and Happiness Concept.....	6
2.2 Gross National Happiness and Principles.....	6
2.3 Overview of Bhutan Economy .....	11
2.4 Motives, Theories and the determinants of the FDI.....	25
2.5 Foreign Direct Investment and Income Distribution.....	31
2.6 Analysis of Openness, Globalization with regard to Trade and then FDI.....	34
2.7 Review on How FDI could create Happiness.....	36
2.8 Brief Description of FDI Determinants in Bhutan. ....	42

<b>CHAPTER III RESEARCH METHODOLOGY &amp; APPROACH: DESCRIPTIVE.....</b>	<b>45</b>
3.1 Conceptual Framework.....	45
3.2 Research Design .....	46
3.3 Ethical Consideration .....	49
 <b>CHAPTER IV DATA ANALYSIS AND FINDINGS .....</b>	<b>50</b>
4.1 Frequency of the Demography of the Respondent and summary of responses .....	50
4.2 Cross Tabulation Analysis.....	68
 <b>CHAPTER V DISCUSSION, LIMITATIONS, CONCLUSION, RECOMMENDATIONS AND FUTURE ENDEAVOR.....</b>	<b>101</b>
5.1 Discussion.....	101
5.2 Conclusion.....	111
5.3 Limitations.....	112
5.4 Recommendations.....	113
5.5 Future Endeavor .....	115
 <b>REFERENCES.....</b>	<b>117</b>
<b>APPENDICES .....</b>	<b>123</b>
<b>BIOGRAPHY .....</b>	<b>157</b>

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย



## List of Figures

	<b>Page No.</b>
Figure 2.1: Organogram of Royal Government of Bhutan .....	10
Figure 2.2: Value of Exports and Imports of Bhutan in Millions Nu. 2001-2006 .....	11
Figure 2.3: Percentage share of economic activity contribution to GDP, Bhutan, 2006 on 2000 prices .....	12
Figure 2.4: Gross Domestic Product in 2000 prices, 2001 to 2006 .....	12
Figure 2.5: FDI contribution in different sectors reflected in numbers and percentage in Bhutan .....	14
Figure 2.6: Source of FDI countries reflected in numbers and in percentages .....	14
Figure 2.7: FDI shareholding by foreign investor in different sectors in Bhutan.....	14
Figure 2.8: FDI shareholding pattern by domestic investor in Bhutan .....	14
Figure 3.1: Pictorial representation of conceptual framework .....	46
Figure 4.1: Percentage of gender description of the respondents .....	50
Figure 4.2: Percentage of age description of the respondents .....	51
Figure 4.3: Percentage of occupation of the respondents .....	52
Figure 4.4: Percentage of educational background of the respondents .....	52
Figure 4.5: Percentage of monthly income details of the respondents .....	53
Figure 4.6: Percentage of response on importance of pillar I to GNH .....	54
Figure 4.7: Percentage of response on importance of pillar II to GNH .....	54
Figure 4.8: Percentage of response on importance of Pillar III to GNH .....	54
Figure 4.9: Percentage of response on importance of pillar IV to GNH .....	54
Figure 4.10: Percentage of response on ratings of current status of pillar I in Bhutan .....	55
Figure 4.11: Percentage of response of ratings of current status of pillar II in Bhutan .....	55
Figure 4.12: Percentage of response on ratings of current status of pillar III in Bhutan .....	56
Figure 4.13: Percentage of response of ratings on current status of pillar IV in Bhutan .....	56
Figure 4.14: Percentage to what extent respondents agree/disagree that FDI in Bhutan would help in regional development .....	57
Figure 4.15: Percentage to what extent respondents agree/disagree	

	that FDI in Bhutan help in poverty reduction .....	57
Figure 4.16:	Frequency and percentage of opinions on FDI venture obtained from the respondents .....	59
Figure 4.17:	Percentage showing respondent's views on impact of FDI on efficiency of good governance .....	63
Figure 4.18:	Percentage showing respondent's views on impact of FDI on integrity of good governance .....	63
Figure 4.19:	Views on impact of FDI on innovation of good governance .....	63
Figure 4.20:	Percentage to what extent respondents agree/disagree that FDI in Bhutan would improve living standard of people thus contributing to GNH .....	64
Figure 4.21:	Percentage to what extent respondents agree/disagree that FDI should Be promoted now by the new government of Bhutan .....	64
Figure 4.22:	Percentage of how happy is respondents in life .....	65
Figure 4.23:	Cross-tabulation of analysis shown in frequency and percentage of response on impact of FDI efficiency of good governance in Bhutan .....	92
Figure 4.24:	Cross-tabulation of analysis shown in frequency and percentage of response on impact of FDI on integrity of good governance in Bhutan .....	93
Figure 4.25:	Cross-tabulation of analysis shown in frequency and percentage of response on impact of FDI on innovation of good governance in Bhutan .....	94
Figure 4.26:	Cross-tabulation of analysis in frequency and percentage on if FDI in Bhutan will improve living standard thus, contributing to GNH .....	96
Figure 4.27:	Cross-tabulation of analysis in frequency and percentage of view on FDI in Bhutan should be promoted now by new Govt. of Bhutan .....	97
Figure 5.1:	Frequency of tourist arrival in Bhutan since 1996 - 2007 .....	105
Figure 5.2:	Representing the investment in million Ngultrums and percentage growth rate of four financial institutions, 2001-2006 .....	108
Figure 5.3:	Investment in million Ngultrum of four financial institutions in each sector, 2001-2006 .....	109
Figure A.C.1:	Map of Kingdom of Bhutan .....	143

## List of Tables

	<b>Page No.</b>
Table 4.1: Frequency and percentage of gender description of respondent .....	50
Table 4.2: Frequency and percentage of age description of respondent .....	51
Table 4.3: Frequency and percentage of occupation of the respondents .....	51
Table 4.4: Frequency and percentage of educational background of respondents .....	52
Table 4.5: Frequency and percentage of monthly income of the respondents .....	53
Table 4.6: Frequency and percentage of importance of each pillar to GNH being obtained from respondents .....	54
Table 4.7: Frequency and percentage of ratings of the current status of each pillar of GNH being obtained from the respondents .....	55
Table 4.8: Frequency and percentage whether respondents agree/disagree that FDI will help in regional development and poverty alleviation in Bhutan .....	56
Table 4.9: Frequency and percentage to what extent respondents agree/disagree on RGoB's decision of inviting FDI in some sectors as indicated .....	58
Table 4.10: Frequency and percentage to what extent respondents agree/disagree on RGoB's decision of inviting FDI some prominent sectors .....	58
Table 4.11: Frequency and percentage of opinions on FDI venture obtained from the respondents .....	59
Table 4.12: Frequency and percentage of respondent's views of negative influence of FDI in some cultural aspects of Bhutan .....	60
Table 4.13: Frequency and percentage of respondent's views of negative influence of FDI in some cultural aspects of Bhutan .....	60
Table 4.14: Frequency and percentage whether respondents agree/disagree that FDI in some sectors would have negative impact on natural environment .....	61
Table 4.15: Frequency and percentage whether respondents agree/disagree that FDI in some sectors would have negative impact on natural environment .....	62
Table 4.16: Frequency and percentage of impact of FDI on aspects of good Governance the last pillar of GNH .....	63
Table 4.17: Frequency and percent to what extent respondents agree/disagree that FDI	

	will improve living standard of people in Bhutan and FDI should be promoted now by the new government .....	64
Table 4.18:	Frequency and percent of ratings of overall happiness in a life .....	65
Table 4.19:	Descriptive statistics .....	67
Table 4.20:	Cross-tabulation analysis of the response obtained on importance of Pillar I of GNH from diverse educational background .....	68
Table 4.21:	Cross-tabulation analysis of the response obtained on importance of Pillar II of GNH from diverse educational background .....	69
Table 4.22:	Cross-tabulation analysis of the response obtained on importance of Pillar III of GNH from diverse educational background .....	70
Table 4.23:	Cross-tabulation analysis of the response obtained on importance of Pillar IV of GNH from diverse educational background .....	70
Table 4.24:	Cross-tabulation analysis of the response obtained on current status of Pillar I of GNH from diverse educational background .....	71
Table 4.25:	Cross-tabulation analysis of the response obtained on current status of Pillar II of GNH from diverse educational background .....	72
Table 4.26:	Cross-tabulation analysis of the response obtained on current status of Pillar III of GNH from diverse educational background .....	73
Table 4.27:	Cross-tabulation analysis of the response obtained on current status of Pillar IV of GNH from diverse educational background .....	73
Table 4.28:	Cross-tabulation analysis of the response obtained on FDI helps in regional developments in Bhutan .....	74
Table 4.29:	Cross-tabulation analysis of the response obtained on FDI helps in poverty reduction in Bhutan .....	75
Table 4.30:	Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI allowed in hotel and tourism sector in Bhutan .....	76
Table 4.31:	Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in ICT sector in Bhutan .....	77
Table 4.32:	Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in education sector in Bhutan .....	77

Table 4.33:	Cross-tabulation analysis of frequency and percentage of respondent's View on should FDI be allowed in manufacturing sector in Bhutan .....	78
Table 4.34:	Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in hydro-power sector in Bhutan .....	79
Table 4.35:	Cross-tabulation analysis of frequency and percentage of respondent's view on FDI be allowed in natural resource extraction sector in Bhutan .....	79
Table 4.36:	Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in finance and banking sector in Bhutan .....	80
Table 4.37:	Cross-tabulation analysis of frequency and percentage of respondent's view on which agency in Bhutan should undertake FDI joint venture .....	81
Table 4.38:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on national dress code of Bhutan .....	82
Table 4.39:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on Buddhism of Bhutan .....	82
Table 4.40:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on national language of Bhutan .....	83
Table 4.41:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on traditional arts & crafts of Bhutan .....	84
Table 4.42:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on local and national festivals of Bhutan .....	84
Table 4.43:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on social lives of Bhutan .....	85
Table 4.44:	Cross-tabulation analysis of frequency and percentage of view impact of FDI in hotel & tourism sector on natural environment in Bhutan .....	86
Table 4.45:	Cross-tabulation analysis of frequency and percentage of respondent's view on impact of FDI in ICT sector on natural environment in Bhutan .....	87
Table 4.46:	Cross-tabulation analysis of frequency and percentage of opinions on impact of FDI in education sector on natural environment in Bhutan .....	88
Table 4.47:	Cross-tabulation analysis of frequency and percentage of view on impact of FDI in manufacturing sector on natural environment in Bhutan .....	88

Table 4.48:	Cross-tabulation analysis of frequency and percentage of view on impact of FDI in hydro-power sector on natural environment in Bhutan .....	89
Table 4.49:	Cross-tabulation analysis of frequency and percentage of view on impact of FDI in natural resources extraction sector on natural environment in Bhutan .....	90
Table 4.50:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in finance and banking sector on natural environment in Bhutan .....	90
Table 4.51:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on efficiency of good governance in Bhutan .....	91
Table 4.52:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on integrity of good governance in Bhutan .....	92
Table 4.53:	Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on innovation of good governance in Bhutan .....	93
Table 4.54:	Cross-tabulation analysis of frequency and percentage of respondent's view on FDI will improve living standard of people in Bhutan, hence contributing to GNH .....	95
Table 4.55:	Cross-tabulation analysis of frequency and percentage of respondent's view on should new government of Bhutan promote FDI now .....	96
Table 4.56:	Cross-tabulation analysis of frequency and percentage of respondent's ratings of their overall happiness in life .....	97
Table 5.1:	Frequency of tourist arrival and earnings in million dollars in the year 1996-2007 .....	105
Table 5.2:	Depicting investment and growth rate of four financial institutions in Bhutan beginning 2001-2006 .....	107
Table 5.3:	Reflects investment in million Ngultrum of four financial institutions in each sector in Bhutan, 2001-2006 .....	108
Table 5.4:	The tariff per unit of power consumption starting July 2007 to June 30 2010 in Bhutan .....	110
Table A.B.1:	FDI companies in Bhutan .....	142

Table A.C.1: Population of Bhutan .....	143
Table A.C.2: Statistics of Education in Bhutan .....	144
Table A.C.3: Transport and Communications facilities in Bhutan .....	144
Table A.C.4: Balance of Payment of Bhutan, 2003-2005 .....	145
Table A.C.5: National Accounts of Bhutan, 2004-2006 .....	145
Table A.C.6: Public Finance of Bhutan, 2003-2005 .....	145
Table A.D.1: Bhutan's GDP and GDP per Capita at Current Prices in US Dollars, 1980-2007 .....	146
Table A.E.1: Value of Exports and Imports, Bhutan, 2001-2006 .....	147
Table A.E.2: Top Ten Commodities of Exports, Bhutan, 2006 .....	147
Table A.E.3: Top Ten Commodities of Imports, Bhutan, 2006 .....	148
Table A.F.1: Value and its percentage share of Imports from Top Ten selected countries, Bhutan, 2006 .....	149
Table A.F.2: Value and its percentage share of Exports to Top Ten selected countries, Bhutan, 2006 .....	149

## List of Abbreviations

DPT:	Druk Phuensum Tshogpa
FDI:	Foreign Direct Investment
FYP:	Five Year Plan
GDP:	Gross Domestic Product
GNH:	Gross National Happiness
Govt:	Government
HE:	His Excellency
HM:	His Majesty
HPAEs:	High-performing East Asian economies
ICT:	Information & Communication Technology
MDGs:	Millennium Development Goals
MoEA:	Ministry of Economic Affairs of Bhutan
NEC:	National Environment Commission of Bhutan
NGOs:	Non Governmental Organizations
NSB:	National Statistical Bureau
Org:	Organization
PDP:	People's Democratic Party
PHCH:	Population Housing and Census of Bhutan
PPP	Public Private Participation
RCSC:	Royal Civil Service Commission of Bhutan
RMA:	Royal Monetary Authority of Bhutan
R&D:	Research and Development
WTO	World Trade Organization
SAARC:	South Asian Association for Regional Cooperation
SAPTA:	South Asian Preferential Trade Agreement
UNCTAD:	United Nations Conference on Trade and Development
UNDP:	United Nations Development Programme
UN:	United Nations
WIR:	World Investment Report
WIPO:	World Intellectual Property Organization



# CHAPTER I

## INTRODUCTION

### 1.1 Background

Residing between two gigantic and populous countries, China to the north, and India to the south, is the tiny Himalayan Kingdom of Bhutan with a population of 634,982 (PHCB, 2005) and total land area of 38,394 square kilometers. In the midst of modernization, Bhutan enjoys the waves of rapid modernization with its rich endowment of environment and intact age-old cultural and traditional values. Bhutan, having gifted with dynamic and farsighted leaders, enabled to shape the country as one of the happiest countries in the planet. It is still an amazing, yet envying for others to witness despite of its isolation for ages.

The kingdom emerged out of the self-isolation and embarked on the path of planned development in the early 1960s. Hence, convincing that Bhutan is late comer on development stage. Since then, Bhutan embarked towards the path of development strategy by introducing Five Year Plan development program. Currently Bhutan is heading towards the execution of the 10<sup>th</sup> Five Year Plan commencing 2008- 2013, exactly at an era of Bhutan with its historically first elected new democratic government, Druk Phuensum Tsohgpa (DPT).

It is a universal fact that any country, rich or poor, places economic development as its primary objective. This truth is accepted almost without controversy. To raise the income, well-being, and economic capabilities of peoples everywhere is the most crucial social task facing us today. Every year, aid is disbursed, investments are undertaken, policies are framed, and elaborate plans are hatched so as to achieve this goal, or at least to step closer to it (*Development Economics, Debraj Ray*). The progress of the economy is singly and dominantly measured by the Gross Domestic Product (GDP). As a matter of fact, GDP so far proved to be the measurement index of the economy. However, it fails to take into an account of the so called degrading environment, ecological imbalance, loss of one's cultural identity, increasing social problems, etc. Although GDP figure might be impressive, however, it is not a concluding remark to make a judgment that an economy is progressing positively.

There are many aspects which are not featured in it. It is wondering to note that on the one hand, we say that economy is developing and on the other hand, economic inequalities, social crimes, youth problems are increasing.

Since the accession of His Majesty the Fourth King Jigme Singye Wangchuck into the golden throne in 1974, he has dedicated himself to defining and realizing long-term vision and direction for the country. He promoted an approach of development which calls for careful balance creation of material wealth and the spiritual, cultural and social needs of the society.

Keeping in view of the sustainable development at the centre of the visionary leader, His Majesty the Fourth King Jigme Singye Wangchuck, pronounced Gross National Happiness in the year 1972 to be the ultimate goal not Gross National Product.

GNH driven policies does not follow in isolation with economic development rather they go hand in hand. Realizing the fact that Bhutan is now no more in isolation era, it has gradually opened up its economy to the outside world. Bhutan in her own small or big capacity is trying to take part and also contribute in the so called globally integrated economy. Bhutan joined as the World Trade Organization (WTO) observer-member since September 1999 (Source: [www.wto.org](http://www.wto.org)) and yet to accede to the organization as a fully fledged member. This was a bold move being initiated by the Royal government of Bhutan (RGOB). Erstwhile minister of Ministry of Trade and Industry (now Ministry of Economic Affairs) of RGOB, H.E Yeshey Zimba rightly remarked that “in an increasingly interdependent world, Bhutan must create an open and liberal environment for private sector promotion, export growth and integrate into the regional and multilateral trading system”. He also said that “at the same time we have to ensure that the pursuit of economic development and globalization does not adversely affect our fragile mountain environment and degrade the rich culture and heritage”. (*WTO: 2005 news items, 6 October 2005*).

Since then, in the year 2002, RGOB has opened up its economy for the foreign direct investment (FDI). Foreign Direct Investment has grown rapidly, even faster than international trade, in the recent past. It is widely believed that the trend towards globalized production and marketing has major implications for developing countries' attractiveness to foreign direct investment (FDI). The increasing importance of free

trade and economic unions which aim at reducing barriers are encouraging companies to go beyond their borders and make foreign direct investment.

However, in recent times, the importance of FDI has been taken for granted. As a consequence, the debate among academics and policymakers has shifted from whether or not countries should attract FDI to how countries can attract and reap the full benefits that come with FDI.

The benefits of FDI include serving as a source of capital, employment creation, and technology transfer, to mention a few. As expected, the answer to the question “why is FDI important to a country” will depend on the needs of the country.

Bhutan is also of no exception when talking of global economic integration as the waves of globalization have already entered the land of Bhutan. Hence it is of utmost importance for Bhutan to cautiously integrate with it.

Bhutan as deeply committed towards pursuing of the Gross National Happiness, FDI will be of immense benefits for the sustainable development of its economy. This study is conducted to study the impact of FDI that would bring into each pillar of GNH.

## **1.2 Statement of Problems**

Bhutan is a small landlocked country with limited resources, poor infrastructure and small population as classified by the United Nations as one of the least developed country (UNCTAD, 2006). The geographical location and logistics difficulties imposed by the rugged terrain, in the large part, have constrained dynamic economic development and interactions with the outside world. However, over the last four decades, since country embarked on the stage of rapidly developing world have achieved significant progress towards modernization.

Although, Bhutan is truly emphasizing in pursuing of GNH, yet there are substantial percent of population living under national poverty line and to quote exactly 23.3 percent of the total population (*National Statistical Bureau, 2007*). According to the poverty analysis report 2007 furnished by the National Statistical Bureau of Bhutan, people is considered to be poor if their earnings per month is less than Nu. 1,096.94 i.e 27.53 US dollars. ( USD 1= Nu. 39.85, *Source: BNB, Thimphu, March 14 2008*).

This problem arises on account of the unbalanced distribution of income and resources amongst regions within a country. It will be of mounting challenges for Bhutan to pursue its valued goal so called Gross National Happiness (GNH), when its people are struggling to find piece of meal to fight for their bare survival. It is high time for Bhutan to come out with some remedial measure to bridge off the gap between rich and poor existing in the country. This is the right time for Bhutan to introduce some balanced investment schemes within country at the onset of democratic constitutional monarchy in the Kingdom. I personally do not foresee much problem in pursuing the development philosophy, as Bhutan has a small population size of 634,982 (PHCB, 2005). At the same time, Bhutan has potential resources, provided it invites prospective investors from abroad. Bhutan today can make best use of its hydro-power resources which is endowed in abundance.

In ultimatum, I would like to begin that foreign direct investment serves as better solution in overcoming some of the challenges of unequal distribution of income and wealth, and at least paving path for pursuance of GNH in Bhutan. Although, foreign direct investment has its pros and cons and I shall study its impact on each pillar of the Bhutan's development philosophy, GNH.

### **1.3 Objectives**

The purposes of this study (s) are:

1. To analyze the impact of FDI on GNH pillars.
2. To identify key business sectors for FDI in Bhutan.
3. To find the relationship between FDI and regional development in Bhutan.

### **1.4 Research Questions**

It was necessary for me to develop few research questions keeping in line with the research objectives which are as follows:

- What makes people in Bhutan to live under poverty line?
- Is there huge gap in terms of regional balanced development in Bhutan?
- Can Bhutan encourage FDI to remedy the above-mentioned problems?

- In which sectors should Bhutan attract FDI?
- What impact will FDI create on each pillar of GNH in Bhutan?

### **1.5 Scope of the Research**

GNH is a new measure of well being pursued by people of Bhutan. This paper studies to analyze the impact of FDI on four pillars of GNH namely:

- Equitable and sustainable socio-economic development,
- Preservation & promotion of cultural heritage and values,
- Conservation of the natural environment, and
- Establishment of Good governance.

### **1.6 Expected Benefits of this Study**

The findings of this study are expected to produce following benefits.

1. Providing of valuable insights of FDI impacts on GNH four pillars.
2. This study might also help in providing information to the business communities, financial institutions, foreign investors, researchers, etc.
3. The findings of this research will contribute to future academic researchers and the policy makers in Bhutan.

### **1.7 Organization of this Study**

**Chapter 1** describing the background, rationale, statement of problems, research objectives, scope of study, expected benefits of this study

**Chapter 2** describes on literature review from various relevant books, articles, seminar, workshops and journals about happiness, FDI and GNH.

**Chapter 3** describes on research methodology such as conceptual framework, research design, data collection, ethical consideration.

**Chapter 4** describes on the findings of the study and present analysis.

**Chapter 5** conclusion, limitations, recommendations and direction for future endeavor.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.1 Overview on Economics and Happiness Concept**

The idea of happiness in general is too long and complex. It is a qualitative and subjective concept. There is no uniform and well defined meaning of happiness. However, I shall present some excerpts of the happiness meaning being propelled by some of the world renowned philosophers, leaders, economists etc. It goes like that, happiness for Aristotle was the self-evident goal; every men and women want to be happy. "By happiness I mean feeling good - enjoying life and feeling it is wonderful. And by unhappiness I mean feeling bad and wishing things were different." quoted by Richard Layard (The Guardian, Tuesday June 24, 2008). Stuart Mill: "Ask yourself whether you are happy and you cease to be so." For Jeremy Bentham defines well-being as the balance between pleasures and pains. Veenhoven (1991) terms happiness as the degree to which an individual judges the overall quality of life favorably. Happiness to me means the ultimate goal of human life through which materialism alone will not be able to achieve and also as an individual. Hence, in order lead oneself happy life and society at large, one has to work hand in hand with all walks of human and non human beings, happiness in itself has an innate value which worth striving to work towards this attainment.

However, this research is not about studying in-depth of happiness concept and its application in the contemporary economics, hence shall restrict by highlighting about it.

#### **2.2 Gross National Happiness and Principles**

Over the last two decades the GNH has become the international brand for Bhutan and gained its momentum of international scholars. There is no single or standard definition of the GNH. However, GNH gained momentum since the UN Millennium meeting at Seoul, Korea in 1998. H.E. Jigme Y. Thinley now the first prime minister of the newly elected democratic government, DPT, erstwhile the Chairman of the Council of Bhutanese Ministers (1998) said. "Gross National Happiness best captured

our distinct perception of the main purpose of development, rooted in our philosophical and political thought. Added to that were also the lessons we could draw from the experiences of other developing countries. We asked ourselves the basic question of how to maintain the balance between materialism and spiritualism, in the course of getting the immense benefits of science and technology. The likelihood of loss of spiritualism, tranquility, and gross national happiness with the advance of modernization became apparent to us”.

The term “Gross National Happiness” evokes smiles, laughter and occasionally a questioning frown” (Rajni Bakshi, February 2004).

Information about perceptions and satisfactions of citizens is quite useful in the policy process, and the degree to which citizens live long and happy is an important criterion for final policy effectiveness. (Ruut Veenhoven, April 2004).

GNH is a holistic socio-economic development approach with equal adherence on the spiritual, environmental, emotional and cultural needs of the people of Bhutan. In the Ninth Plan Main Document 2002-2007, (*Planning commission, 2002*) describes that GNH is the overarching development philosophy of Bhutan. Mark Mancall in the Gross National Happiness and Development, he states that “GNH is an ideology which is to say that it is, or must become, a program of social and economic change and development”. GNH seems to refer to a balancing act, balancing between mind/matter, market/government, self-organization/planning, opening up/retaining control and compassion/competition. (Tideman, Sander G. 2004, p.243).

Having accepted GNH as the ultimate goal of the country, it was necessary to identify the main areas which would accomplish it. Thus, the country has identified major areas as the four pillars (represented as PI, PII, PIII and PIV respectively) of GNH which are discussed hereunder. In other term, these pillars can be regarded as the four spokes of the GNH wheel.

### **2.2.1 Equitable and Sustainable Socio-economic Development (PI).**

Like any other country, Bhutan too also emphasis on fostering economic growth by way of creation of physical infrastructures, investment on human resources, narrowing off the income disparities, encouragement of the private sector development, inducement of foreign direct investment, etc. As a result, translates into

jobs, adequate resources for decent living and freedom from poverty. As I mentioned somewhere earlier that GNH driven policies are carried out hand in hand with the economic development of the country. The GNH concept does not in any way exclude or deny the importance of economic growth but strongly advocates achieving harmonious balance between the material and non-material dimensions of development. (Tenth Five Year Plan, 2008-2013, Vol. I: Main Document). Bhutan in order to emerge itself as an egalitarian and equitable society and to this end, Poverty Reduction has been articulated as the main objective and theme of the 10<sup>th</sup> plan. Through which it has come out with varied strategic framework that will ultimately pave the path towards attainment of GNH. To name a few, vitalizing of economic and industrial development, implementing national spatial planning, synergizing integrated rural-urban development, expanding strategic infrastructure, investing in human capital and enhancing enabling environment.

### **2.2.2 Preservation and Promotion of Cultural Heritage and Values (PII).**

But "one way or another, change is coming," King Wangchuck told the former *New York Times* South Asia correspondent Barbara Crossette a few years ago. "Being a small country, we do not have economic power. We do not have military muscle. We cannot play a dominant international role, because of our small size and population and because we are a landlocked country. The only factor we can fall back on . . . which can strengthen Bhutan's sovereignty and our different identity is the unique culture we have." (Quoted from *Frontline World*, by Orville Schell, May 2002). This pillar is very unique and it is very much placed at the heart of every citizen of the country. This safeguards the sense of identity in a rapidly globalizing world. The traditional beliefs and customs underpinned by strong reverence for all sentient beings and the environment promotes tolerance, compassion, respect, charity, which are fundamental values for harmonious co-existence between mankind and nature (Planning Commission, 2002). This very pillar best commensurate with the first pillar of the GNH, as Bhutan today is an admiring country for the outside world for having preserved and promoted its pristine culture and tradition. Through which most of the tourists are attracted to visit Bhutan, whereby, by way of contributing to the national exchequer helps improving the welfare of the people and the nation at large.



### **2.2.3 Conservation of the Natural Environment (PIII).**

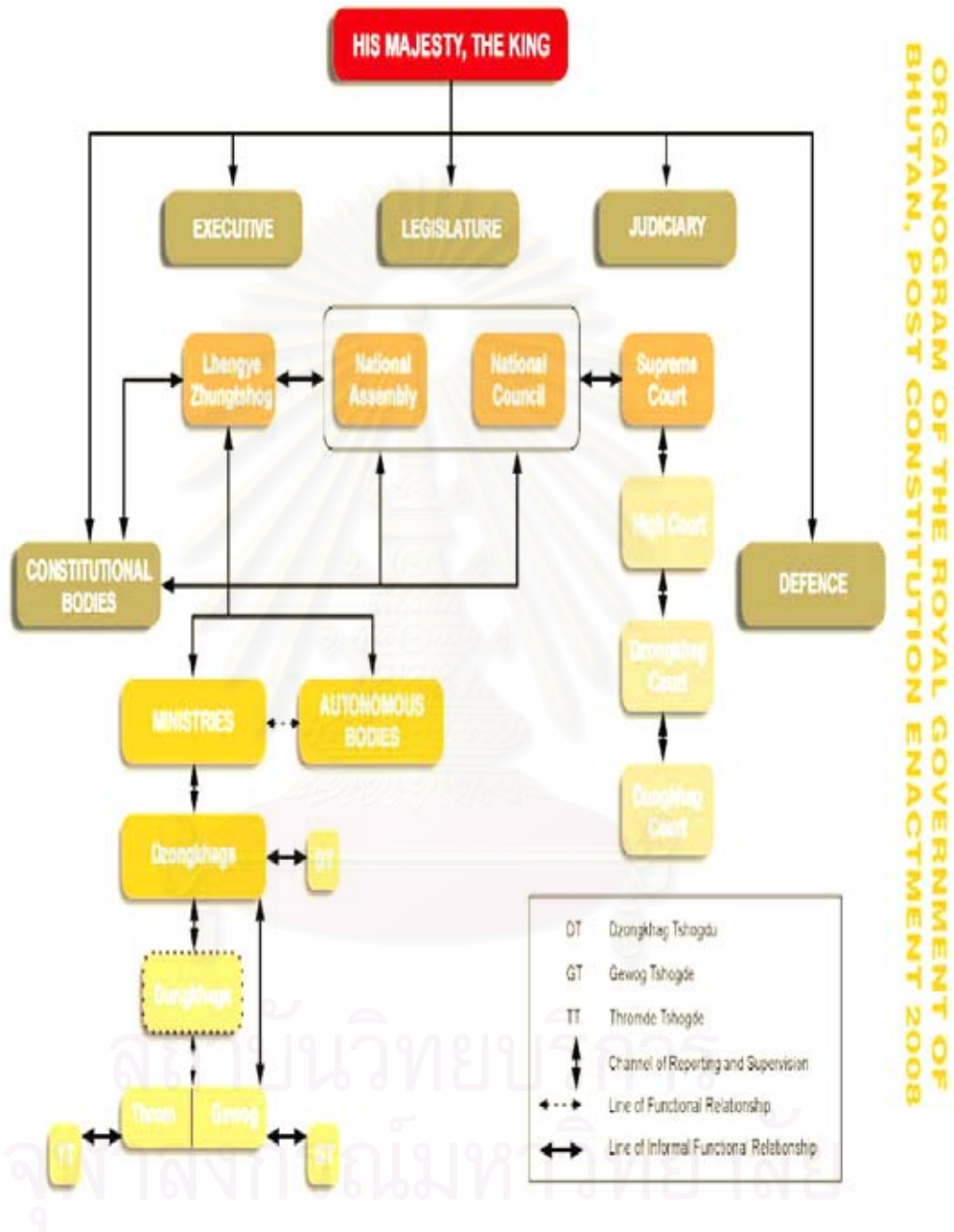
Bhutan today can proudly boast of its pristine natural environment. This is the most valuable asset of the country for which its sustainability would depend. As per the report on Bhutan's state of environment furnished by National Environment Commission (NEC) in 2005, more than 72% of the land area is covered by forest and 26% of total land areas are designated under protected area management. In deep recognition to the Bhutan's commitment towards conservation of clean environment, His Majesty the Fourth King Jigme Singye Wangchuck was conferred the most prestigious J. Paul Getty Conservation Leadership Award in the year 2006. ([www.kuenselonline.com](http://www.kuenselonline.com)). Realizing the importance of unspoiled environment in this globalizing world and the global warming knocking at the Bhutans' door, it is mentioned in the constitution under article 5 section 3, that a minimum of sixty percent of Bhutan's land should be maintained under forest cover for all time. Bhutan must harness this asset with utmost care. The future sustainability of Bhutan's livelihood will depend on this very resource.

### **2.2.4 Establishment of the Good Governance (PIV).**

Individual happiness, quest for inner and outer freedom has been always in the heart of our visionary leader. His Majesty the King managed to maintain our country as sovereign and independent nation. Step by step, HM the Fourth King introduced a vigorous program of administrative and political reforms.

On the 15<sup>th</sup> day of the 10<sup>th</sup> Bhutanese month corresponding to November 30, 2001 HM the Fourth King commanded the drafting of the constitution paving the new history towards democracy. To this end, historical and successful nationwide election was held on 24<sup>th</sup> March 2008. There were two political parties with 47 constituency members each contesting for the formation of first democratic government. The people of Bhutan unequivocally elected Druk Phuensum Tshogpa (DPT) as the first new government winning 45 from 47 seats in the parliament and People's Democratic Party (PDP) as the opposition party with 2 seats in the parliament. DPT's main motto is promotion of 'Growth with Equity and Justice' in the kingdom.

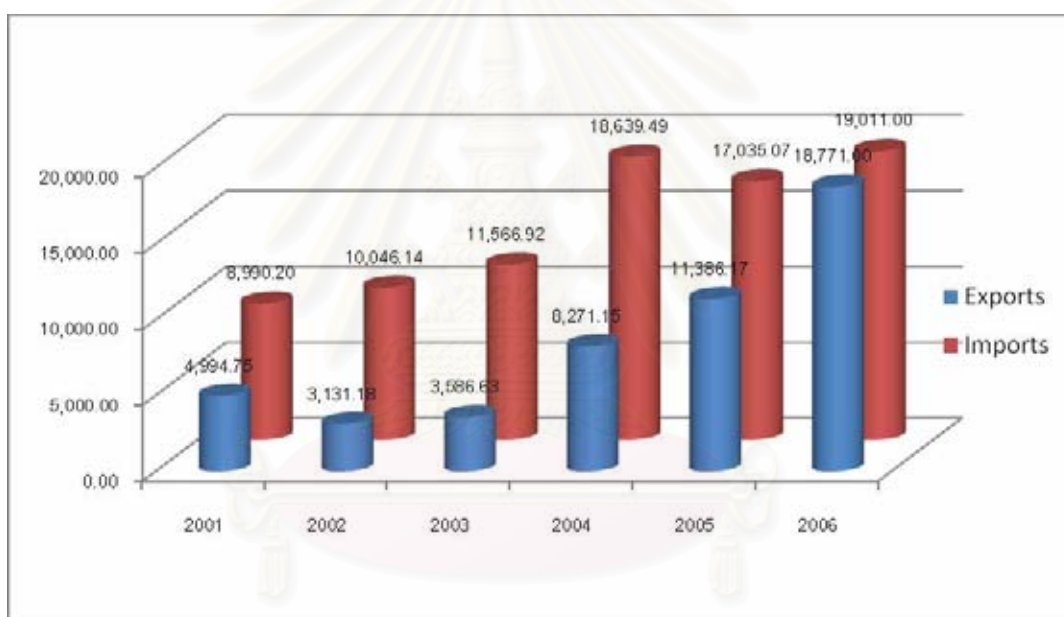
Figure 2.1 Organogram of Royal Government of Bhutan (Source: RCSC)



### 2.3 Overview of Bhutan Economy

The economy of Bhutan is characterized by the predominance of people depending and engaging in agrarian sector. Agriculture still appears to be predominant sector providing employment to around 63% of the labor force (National Statistical Bureau, 2006). Bhutan's economy is engulfed by the huge imports from its neighboring country namely, India, Bangladesh, Nepal in regards to low exports. The details of value of exports and imports (2001-2006) are presented below:

**Figure 2.2: Value of Exports and Imports of Bhutan in Millions Nu. 2001-2006**

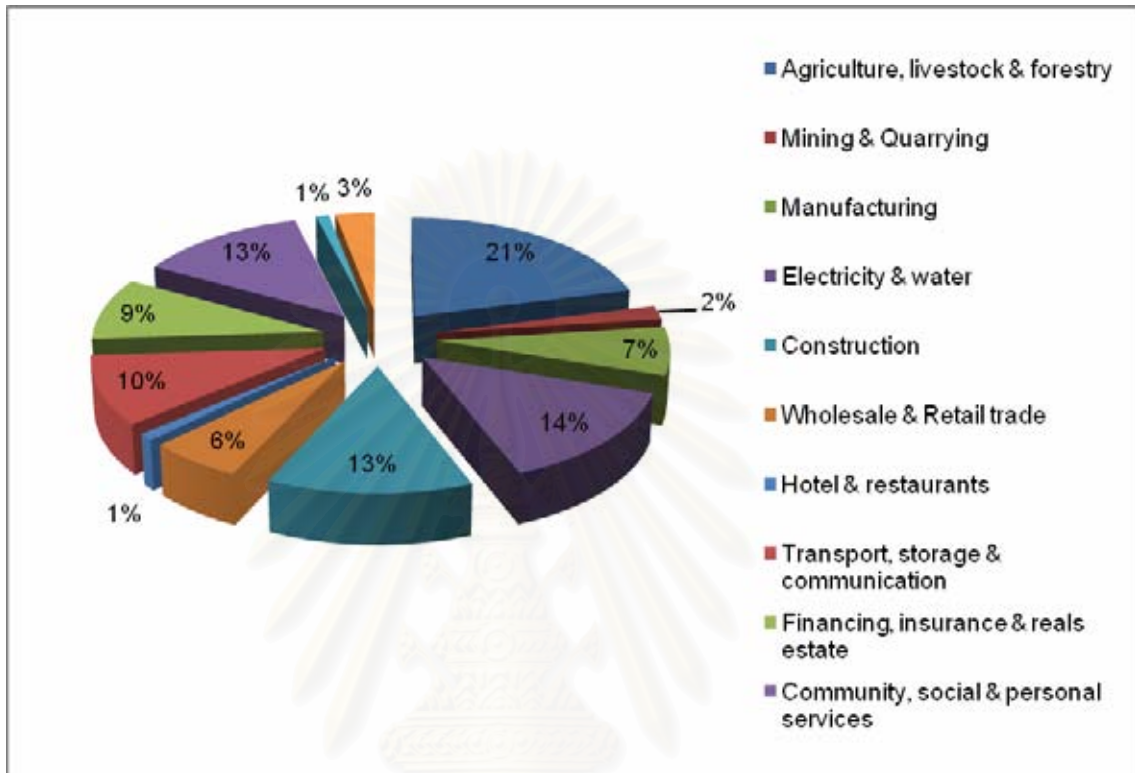


Source: *Department of Revenue and Customs, Ministry of Finance, Thimphu*

It is clearly visible from the above figures that Bhutan heavily depends on imports against export, and gaining its momentum in balancing trade in recent years. The leading export of Bhutan is electricity and its destination is our neighboring country, India. With small volume of export and high volume of import of goods and services indicates Bhutan experiencing national current deficit which is met through international aid and grants. Bhutan's economic activities which contribute to GDP

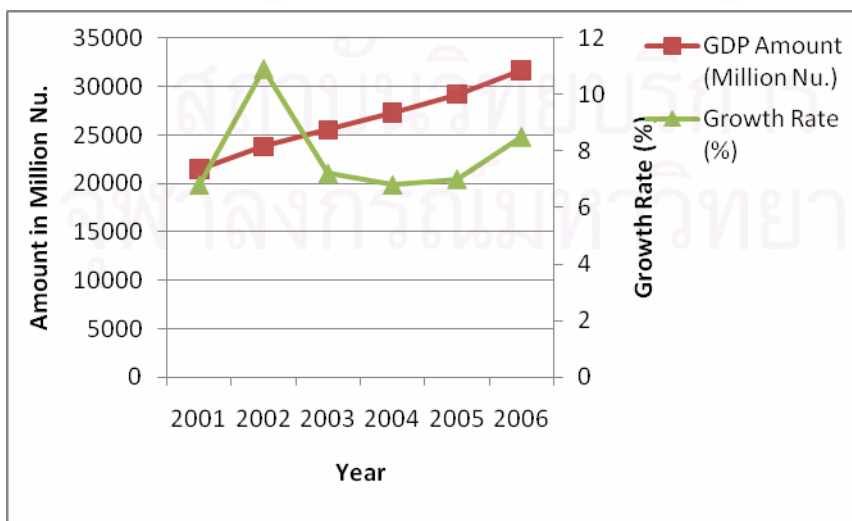
are agriculture, manufacturing activities, mining & quarrying, electricity, hotels & restaurants, construction, transport & communication, financing activities, etc.

**Figure 2.3: Percentage share of Economic Activity Contribution to GDP, Bhutan, 2006 on 2000 prices**



Source: Statistical Year Book of Bhutan 2007, National Statistical Bureau

**Figure 2.4: Gross Domestic Product in 2000 prices, 2001 to 2006**



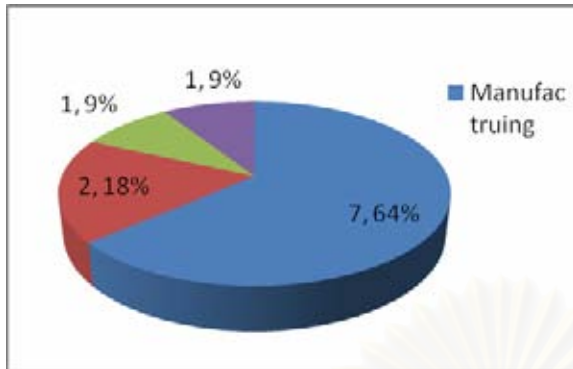
From the above chart, it is observed that over last five years, economy of Bhutan has been growing at an annual average rate of 8% and expected to grow once it is open for the foreign direct investment.

### **2.3.1 History and Development of FDI in Bhutan**

The government has realized the essence of rapid economic development in order to enhance the wellbeing of the country. However, it has been strongly constrained by the Bhutanese capacity in promoting the economy forward. Bhutan is very much backward in technology, capital, and knowhow which are very essential for shaping the country's economy progressively and positively. Since then, role of private-public sector participation in positively shaping the economy was encouraged, yet it has not been impressive as expected.

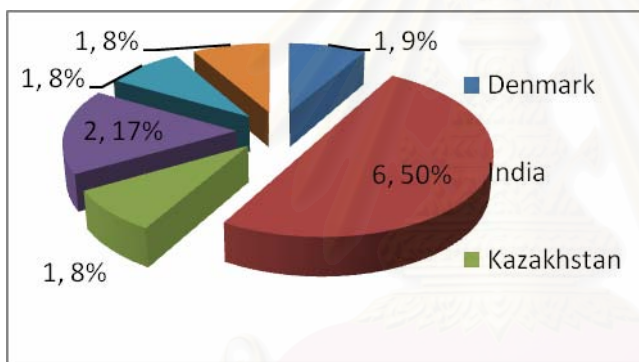
Until 2002, there was no policy or legal framework for the foreign direct investment to be operated in Bhutan. However, there were very limited business ventures being operated under the umbrella of FDI, namely, Marubeni Corporation of Japan with Bhutan Ferro Alloys Limited (BFAL) whose main line of production is Ferro Silicon, Asian Development Bank (ADB) and Citibank of India with Bhutan National Bank in financial service, State Bank of India (SBI) with government owned bank, Bank of Bhutan in financial service, and HPL Leisure Ventures Pvt. Ltd of Singapore with Bhutan Eco Ventures Ltd. in hotel and tourism industry. These FDI based companies in fact were established before the FDI policies were drafted. Currently, there are eleven projects being executed under the umbrella of FDI amounting US\$ 57.595 million (Nu 2,298.41 million) (Kuensel 5 May, 2008). Most of the FDI ventures in Bhutan are Greenfield investment and are mostly concentrated in the manufacturing sectors with very few in the service sector. These FDI Greenfield investment have created an employment opportunities of 2,062 for people of Bhutan (MoEA, RGoB, 2008). The details of FDI composition in different sectors and origin in Bhutan are graphically depicted below.

**Figure 2.5: FDI in different sectors reflected in numbers and percentage in Bhutan.**



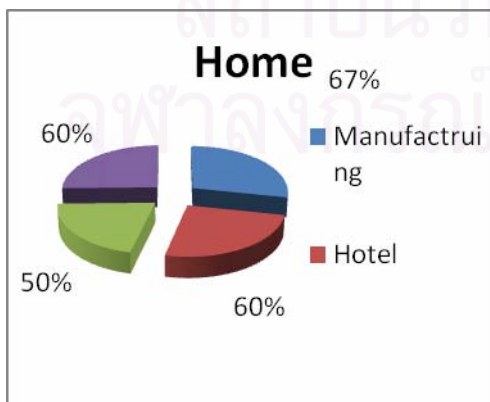
Source: Authors calculation from data available in MoEA, Thimphu.

**Figure 2.6: Source of FDI countries reflected in numbers and in percentages.**

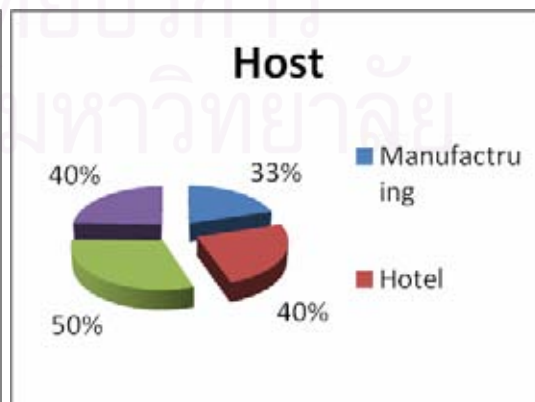


Source: Authors calculation

**Figure 2.7: FDI shareholding pattern by foreign investor in different sectors in Bhutan.**



**Figure 2.8: FDI shareholding pattern by domestic investor in Bhutan.**



Source: Authors calculation from MoEA's data of FDI in Bhutan.

It is notable from the above chart representations that FDI in Bhutan are clustered into few sectors. The inflow of FDI in Bhutan is still at an embryo stage and also the source of foreign is also concentrated in few countries. It is encouraging for Bhutan to diversify its FDI in different sectors by framing specific and attractive incentives. It is understandable that inflow of FDI in Bhutan have not been significant mainly because of no clear FDI policies or introduction of FDI very lately.

The FDI policy was approved by the Lhengye Zhungtshog (cabinet) during its 229<sup>th</sup> session held on 3<sup>rd</sup> December 2002, and delegated the responsibility for the implementation of the policy to the Ministry of Trade and Industry (which is now Ministry of Economic Affairs).

The broad objectives of encouraging foreign direct investment in the country are to:

- Support private sector development;
- Generate employment;
- Facilitate skills development;
- Promote capital inflow;
- Foster transfer of technology;
- Expand market access and international trade;
- Enhance convertible foreign exchange earnings; and
- Broaden revenue base.

Increased levels of foreign investment are expected to contribute to the attainment of the objective of Gross National Happiness, through creation of additional economic benefits, in ways, which are consistent with the Kingdom's goal of preserving its environmental and cultural heritage.

### **2.3.2 Foreign Direct Investment Rules and Regulations, 2005**

Since then FDI policy 2002 has been revised to Foreign Direct Investment Rules and Regulations, 2005 which came into force on 1<sup>st</sup> July 2005. In accordance to this rules and regulations, foreign direct investment (FDI) means any activity for the purpose of generating revenue in industry, and includes any company which foreign investors owns or beneficially holds a minimum of 20% and maximum of 70% of the equity of investment.

Foreign investors mean:

- In the case of an individual - a person who is not a Bhutanese subject;
- In the case of a company – a company incorporated or registered in a country other than Bhutan;
- And in every other case – an entity which is not incorporated or not constituted under the law of Bhutan.
- The minimum size of the investment shall be US \$ 1 million in the manufacturing sector and US \$ 0.5 million in the service sector.
- Sectors open to the investors are classified as :

**a. Manufacturing sector:**

- Mineral Processing
- Agriculture and Agro-processing
- Forestry and Wood-based Industries
- Livestock-based Industries
- Light Industries including Electronic Industries
- Engineering and Power Intensive Industries

**b. Service sector:**

- Tourism including Hotels
- Transport Services
- Roads and Bridges
- Education
- Business Infrastructure
- Information Technology
- Financial Services
- Housing

However there are no clear cut policies for the sector-specific. In my opinion, owing to lack of sector-specific policies, foreign investors are less motivated. Hence, the RGoB must now come out with clear framework so as to attract FDI in Bhutan and helping to shape the economy positively thus increasing the national welfare. Bhutan



possesses some potential sectors where it can induce foreign investment that would have minimal impact on its culture and environment and greatly contributing to the rapid socio-economic development of the country.

Since the inception of FDI policy in Bhutan, the flows of investment from outside country have not been significant. It is of essence for the government to introduce some attractive policies and incentive to attract foreign investors and to motivate private investors enabling to venture in the businesses in the country. Until now, major investors come from our neighboring country, India. Bhutan has long way to gain its momentum in attracting foreign investors if the government's act of initiatives towards FDI is at the present pace. It is clearly visible from the fact that policies were framed in a conservative and restrictive manner whereby the foreign investors were barred from investing in Bhutan. Bhutan today however should not compromise its culture and value in the immediate gain from the inducement of the FDI, it should be executed under the vigilant scrutiny and the experience from other countries. Bhutan today should reap the economic merits of globalization and also should act it quickly to shield off the negative impact of globalization.

### **2.3.3 International Trade Policy of the Kingdom of Bhutan**

With the formulation of international trade policy, Bhutan strived to fulfill the following objectives during its Ninth Five Year Plan (2002-2007) which was extended to 2008:

- To stimulate the growth of the export sector and enhance export earnings during the plan period.
- To create an open, liberal and stable policy environment that is conducive for the growth of private sector and trade.
- To promote the integration of the country into the international and regional trading system.
- To build an information base including trade statistics to assist the private sector to keep abreast of the trends and opportunities in international markets for goods and services.

In order to achieve the above-mentioned objectives, RGoB has come up with the following strategies which are worth mentioning:

- Accession to the World Trade Organisation (WTO);
- Promote the process of trade liberalisation initiative within the framework of the SAPTA and the establishment of the SAFTA ;
- Simplification of administrative procedures, establishment of a transparent and liberal export and import regime and creation of incentives to encourage and support exporters;
- Encourage trade in services including knowledge-based industries;
- Strengthen long-term trade relations with principal trading partners and negotiate preferential trade treaties with new and potential trading partners;
- Collaborate with the Financial Institutions to make export finance available;
- Develop trade infrastructure including dry ports and warehousing facilities at Phuentsholing (main commercial hub) and other major border towns; and
- Strengthen interaction and networking with relevant government and international agencies and the private sector within as well as outside Bhutan to facilitate the flow of information through the Export Promotion Centre.

Some of the important clauses under the International Policy of Bhutan are discussed below:

### **Import Regime**

The RGoB intends to establish a transparent and liberal import regime that facilitates economic growth and supports the efficient allocation of its resources through:

- **Tariffs and other Charges:** it is the intention of the RGoB to autonomously liberalize the import regime through progressive reduction of tariffs and promoting trade initiatives with existing and potential trading partners through negotiations on mutual reduction of tariffs and non-tariff barriers to international trade.
- **Quantitative Restrictions:** There are no quantitative restrictions on import and the RGoB will continue to maintain this policy.
- **Import Licensing and Restrictions:** Import will maintain an import licensing system that is clear, simple, quick and transparent.

- **Standards and other Requirements:** In ensuring the improved and quality of goods imported and produced in Bhutan, the RGoB will non-discriminatorily apply the standards on both domestic and imported products.
- **State Controlled Items:** Regulated trading in those items which are currently available in Bhutan on quota basis will be eliminated as and when control on such products is lifted in India.
- **Rules of Origin:** For the purposes of applying preferential tariff regime under the SAPTA, the following rules of origin will be applied as provided under SAPTA Agreement :
  - A product will be classified as being originating provided that 40% value added can be shown.
  - The aggregate content (under cumulative rules of origin) of a product originating in the country should not be less than 50% of its f.o.b. value.
  - Products originating in the LDC members of SAPTA (Bangladesh, Nepal and Maldives) will be allowed 10% favourable points
- **Contingency Protection Instruments:** Given the small scale of both international trade and domestic market in Bhutan, the need for contingency protection instruments such as anti-dumping measures, anti-subsidies and anti-trust legislation, the need for such measures has not arisen yet. The Royal Government however reserves the right to develop and review such instruments as and when required.

### **Export Regime**

The export regime of the RGoB shall be open, clear and simple and further simplify administrative and other procedures to reduce transaction costs of exports.

- **Export Taxes:** There are no export taxes at present and no such taxes will be imposed in the future.
- **Export Control, Prohibition and Licensing:** Any individual or firm with valid trade or industrial license can undertake exports and no separate license will be required for goods allowed for exports. And there will be an

expeditious system of issuance of certificate of origin, Generalized Systems of Preferences (GSP) certificates of origin or any other document that may be required by authorities in the importing countries for quick market access.

- **Export Incentives:** The RGoB will provide concessional airfreight for those exporters exporting high value products subject to production of proof of foreign exchange earnings. The RGoB will continuously assist to provide tax related incentives in further promoting export oriented industries. To name a few incentives under this regime: tax holidays, customs tariffs and Bhutan Sales Tax exemption on plant and machineries, raw materials and equipments.
- **Export Finance and Insurance:** The RGoB will work with international and local financial institutions to establish export funds which offer export finance.
- **Export Promotion and Marketing:** Export promotion is a key feature in export development; the Bhutan Export Promotion Centre will be strengthened, the centre will build an information base, a National Export Development Strategy will be formulated.

Having mentioned some key information on international trade policy of the RGoB, it is understood that FDI in Bhutan will best commensurate in achieving exports of Bhutan thus ensuring the sustainability of Bhutan. In other words, foreign investment in Bhutan will best compliment with trade in Bhutan.

#### **2.3.4 Tax Policy of Bhutan**

The Income Tax Act of the Kingdom of Bhutan, 2001 was enacted by the National Assembly of the Kingdom of Bhutan in the year 2001.

I shall discuss here some of the tax regimes which are pertinent to this study and are presented below:

##### **Personal Income Tax (PIT)**

**The following rates are applied on the Net Taxable Income:**

- First Nu.100,000 (basic exemption) - Nil
- Next Nu.250,000 - 10%
- Next Nu.500,000 - 15%

- Next Nu.1000,000 - 20%
- Nu.1000,001 & above - 25%

### **Business Income Tax (BIT)/ Corporate Income Tax (CIT)**

Tax Rates are as follows:

- 30% of the net profit for the permanent establishment
- 3% of the contract value for the contractors and consultants
- 5% of the gross amount for income from interest and royalty and
- 10% of the gross amount for income from dividend.

### **Sale tax/custom/excise duty/royalties/other tax**

Sale Tax: 0% to 100% depending on the nature of commodities.

Custom duty: 0% to 100% depending on the nature of commodities.

Excise duty: This is imposed on distillery products.

Royalties: Royalties of forestry products, mines, mineral and tourism industries.

Other tax: Tax on export of goods in primary form such as timber, motor vehicle tax, land and house tax.

### **2.3.5 Foreign Exchange Regulations of Bhutan, 1997**

The foreign exchange regulation of Bhutan was approved by the cabinet during its 179<sup>th</sup> meeting held on 21<sup>st</sup> August 1997. Since then there were no amendments in the acts. Briefly, let me highlight on the currency of Bhutan and its exchange rate for 1 USD is Nu. 42.55 (buying rate, *Source: BNB, Thimphu Updated for July 4 2008*). Legal tender of Bhutan is Ngultrum (Nu.) and it is pegged with an Indian currency, Rupees (Rs) which is also accepted as a legal tender in Bhutan. Royal Monetary Authority of Bhutan (RMA) is the central bank of Bhutan which has the right to make any rules and procedures for the effective implementation pertaining to any monetary transaction involved in the country. As such, there is no clear policy on the foreign exchange requirement on the FDI companies in Bhutan, though clearly mentioned in the FDI policy of 2005. I found out from some of the officials in the RMA that the

policy is under review which is due to be endorsed by the cabinet for the implementation. Hence, it is wise for me to discuss those reflected in the FDI policy in regards to the foreign exchange.

All foreign exchange (convertible currency) required during the lifetime of the investment business shall be arranged

- i. By the business within the policy framework of the Royal Monetary Authority of Bhutan and the Foreign Exchange Regulations of the Royal Government of Bhutan, and national legislations and by-laws.
- ii. Or met from the foreign exchange receipts from the business

All foreign currency loans shall be subject to prior approval of the Ministry of Finance. Repayment of foreign currency loans shall be as per the terms and conditions set at the time of approval of the said loan.

Repatriation of capital on sale, liquidation, nationalization, expropriations of the business including capital gains shall be in the currency of investment.

Royalties, technical services fees and management fees shall be allowed in foreign exchange as appropriate on approval of the royalty agreement, technical service/management agreements.

All businesses shall be allowed to open a foreign currency account with the banks in Bhutan.

All business transactions shall be routed through the normal banking channels in Bhutan.

Remittance of dividends and repatriation of capital shall be governed by the applicable provisions of the Income Tax Act of the Kingdom of Bhutan, 2001; the Foreign Exchange Regulations of Bhutan, 1997 and the amendments thereof; the Foreign Direct Investment Policy, 2002; and these Rules and Regulations.

Repatriation of profits/dividends shall be in the currency of earning of the business and in proportion to the various currencies earned by the business.

### **2.3.6 Labour and Employment Act of Bhutan 2007**

This act governing employment and working conditions have been enacted by the National Assembly of Bhutan during its 86<sup>th</sup> Session held on 16<sup>th</sup> November 2007. In its preamble it states that,

The well being of workers contribute to the GNH;

Workers play a crucial role in the development of the Kingdom, it is essential that their welfare is promoted and protected through a fair and just labour administration system suitable for Bhutan;

It is the desire of HM King Jigme Singye Wangchuck, that all Bhutanese, particularly the educated youth are gainfully employed;

It is the desire of the country to create employment opportunities including self-employment and;

It is the desire of the government to encourage private sector development and entrepreneurship.

Hence from this preamble it is encouraging that in order to make a gainful employment of the younger citizens of the country, it is essential to encourage some key FDI firms operate in Bhutan. There is no restriction on the employment of the foreign expertise provided it is routed through proper channel. Chapter XIV has a clear provision on the employment of foreigners in the act. It is also clear from the FDI policy of 2005 that those firms operating under FDI ventures are allowed to employ foreign expertise based on the size of the investment detail which are mentioned below:

- i. Business with investment above US Dollar 5 million – 5 expatriate personnel
- ii. Business with investment between US dollar 1-5 million Dollar – 3 expatriate personnel
- iii. Business with investment below US Dollar 1 million -2 expatriate personnel.

On approval of the business, a memorandum of understanding (MOU) shall be signed with the Ministry of Labour and Human Resource on the training and recruitment plan

Recruitment of expatriate workforce, not including automatic entitlement, shall be as per the legislation, policies and procedures of the Royal Government of Bhutan.

The business shall implement a training program endorsed by the Ministry of Labour and Human Resources for transfer of technology and enhancement of skills of Bhutanese workers employed by the business.

### **2.3.7 Privatization and Role of Private Sector Development in Bhutan**

Since the inception of development concept emerged in Bhutan, RGoB has been the driving force for behind the nation's economic development until the execution of the Sixth FYP in the late 1980s. In the Sixth FYP, the RGoB pronounced the role of increasing importance of the private sector in fostering economic growth and as a source of employment, with the RGoB seeking to create the conditions which make it possible for the private sector to become the main engine of the nation's future economic growth. The growth of the private sector is also essential for the enlargement of the nation's tax base (Bhutan 2020, RGoB 1999). In other words, the Royal Government began to look at the private sector as a potential partner in nation building, a theme that was subsequently developed through the Eighth Plan, whereby the Government now features the sector as a major vehicle for economic growth, employment and revenue generation.

With the recognition of the private sector's importance in economic development, the Royal Government is laying emphasis on transforming its role as the provider of services and main source of economic growth in the country, to that of an enabler or facilitator. It is committed to maintaining a small, compact and efficient civil service and facilitating the transition of the mantle of growth to the private sector (FDI Policy of Bhutan, 2002)

The Royal Government has embarked on a programme to gradually liberalize trade, industries and financial policies to encourage and facilitate the development of the private sector. In 1996, it introduced customs tariff schedule, representing a significant reduction of customs duty on a range of imports from third countries. To support trade liberalization, the Royal Government introduced Foreign Exchange Regulations in 1997, removing several restrictions on foreign exchange transactions. An important element of the liberalization process has been the development of legislations and transparent rules and procedures. Several legislations have been enacted and adopted to strengthen the legal framework. These, among others, include the Bankruptcy Act, 1999; Movable and Immovable Properties Act, 1999; Companies Act, 2000; Environmental Assessment Act, 2000; Sales Tax, Customs and Excise Act, 2000; Income Tax Act, 2001; Industrial Property Act, 2001; and the Copyright Act, 2001, FDI policy 2002 now reviewed to FDI Rules and Regulations 2005 which is again ongoing policy reform.



## **2.4 Motives, Theories and the determinants of the FDI**

It is of paramount importance for me to present some motives of foreign production as it will have an impact on Bhutan in accordance to its purpose of foreign direct investment. FDI is not new concept in other developed and developing world, however, it is very new concept in Bhutan. As mentioned earlier that policies on FDI have been enacted in the year 2002 which is a clear evident of the fact that Bhutan opened up its economy to the outside world. No doubt that, Bhutan is also optimistically and boldly looking forward in reaping the merits of FDI by way of integrating with global economy. Though the majority of the MNE activity is undertaken by private business enterprises from market economies which are motivated primarily by what they perceive to be in the interests of their stakeholders, rather than that of the wider community of which they are part (Dunning, 1993). So, viewing the motive of the MNEs it is even more discouraging for Bhutan to open up its small economies to FDI. However, the RGoB is seriously looking forward in deriving the benefits of FDI in certain specific sectors which has the potential for FDI and for the country at large and where I shall explore the impact that FDI would bring on four pillars of GNH in particular.

The motives of foreign production are classified into four types of MNE activity and these are:

### **i. The resource seekers**

There are three main types of resource seekers. Firstly, primary producers and manufacturing enterprises, from both developed and developing countries seek to engage in FDI in order to acquire physical resources (minerals, raw materials, agricultural products, etc). This investment is relatively location-bound as will ensure the security of supply resources and cost minimization.

Secondly, MNEs seek for the supply of cheap labor in the host countries that would supply labour intensive intermediate or final products for final export. Most of this type of MNE activity is in the more advanced industrializing developing countries.

The third type of resource seeking FDI is prompted by the need of firms to acquire technological capability, management or marketing expertise and organizational skills.

### **ii. The market seekers**

The market seeking enterprises invest in a particular country or region to supply goods or services to markets in these or in adjacent countries. It is being undertaken to sustain or protect existing markets or to exploit or promote new markets. The main four reasons that prompt firms to engage in market seeking investment are:

The first reason is in order to maintain its globally oriented clients in the leading markets of the world (Dunning, 1990). The second reason is to adapt its product to local tastes or needs, and to indigenous resources and capabilities. Also to familiarize with local language, business customs, legal requirements and marketing procedures, etc. the third reason is for serving local market from an adjacent facility. The fourth and increasingly important reason for market seeking investment is that an MNE may consider it necessary, as part of its global production and marketing strategy, to have a physical presence in the leading markets served by its competitors. However, undoubtedly the single most important reason for market seeking investment remains the action of host governments encouraging such investment (Dunning, 1993).

### **iii. The efficiency seekers**

The intention of the efficiency seeking MNE is to take advantage of different factor endowments, cultures, institutional arrangements, economic systems and policies, and market structures by concentrating production in a limited number of locations to supply multiple markets. Efficiency seeking FDI is of two kinds:

The first is designed to take advantage of differences in availability and cost of traditional factor endowments in different countries. The second kind is that invests in countries with similar economic structures and income level and is designed to take advantage of the economies of scale and scope, and differences in consumer tastes and supply capabilities.

#### **iv. The strategic asset seekers**

This motive for strategic asset seeking investment is to promote their long-term objectives- sustaining or advancing their international competitiveness. The strategic asset acquirer also aims to capitalize on the benefits of the common ownership of diversified activities and capabilities, or of similar activities and capabilities in diverse economic and potential environments (Dunning, 1993).

#### **Different theories on FDI and its determinants**

Until 1960s, there was no established theory of the MNE or of FDI and some of the prominent theories of FDI are discussed below.

#### **Theories of Industrial Organization**

Hymer's (1960, 1968) dissatisfied with the theory of indirect (or portfolio) capital transfers to explain the foreign value-added activities of firms had come out with an industrial organizational approach to the theory of foreign production. He argued that FDI not only engages in the financing of the capital as per the portfolio theorist but also accompanies with the transfer of package of resources (technology, management skills, entrepreneurship, etc). In other words, FDI involved no change in the ownership of resources which forms a fundamental characteristic of FDI. Having recognized for Hymer's works for its application of an industrial organizational approach to the theory of production, he made an argument that firms to own and control foreign value-adding facilities they must possess some kind of innovatory, cost, financial or marketing advantages – specific to their ownership – which is sufficient to outweigh the disadvantages they faced in competing with indigenous firms in the country of production. Another approach to the theory of FDI is based on models of 'oligopolistic competition' and stresses that the advantages that enable a firm to attain a large size in its domestic market facilitate the expansion of its foreign subsidiaries (Caves, 1974).

### **Product Life-Cycle Theory**

This theory was first propounded by Vernon (1966) states that based on comparative advantage arising from the pattern of factor endowments; initially a product was invented in the home country with comparative advantage in technology and innovatory capabilities, and produced for the home market. At a later stage of the product-cycle, owing to the favorable combination of innovation and production advantages, the product is then exported to other countries having similar demand and supply patterns to home country. Gradually, as the product becomes standardized or mature, and labor forming important ingredient of production costs, the foreign firms on account of its location advantages in terms of labor abundance attracts production. Eventually, replacing exports from the parent company and even exporting back to the home country.

### **Internalization Theory**

Group of economists in the mid 1970s namely, Lundgren (1977); Swedenborg (1979); MacManus (1972); Buckley and Casson (1976, 1985) and Hennart (1982) propounded this theory to explain why the cross-border transactions of intermediate products are organized by hierarchies rather than determined by market forces. Its basic hypothesis of this theory is that multinational hierarchies represent an alternative mechanism for arranging value-added activities across national boundaries to that of the market, and that firms are likely to engage in FDI whenever they perceive that net benefits of other joint ownership of domestic and foreign activities, and the transactions arising from them, are likely to exceed those offered by external trading relationships. The core prediction of the internalization theory is that, given a particular distribution of factor endowments, MNEs activity will be positively related to the costs of organizing cross-border markets in intermediate products. Internalization can be in the form of vertical and horizontal integration of the foreign production.

### **The Eclectic Theory of International Production**

The ownership, location and internalization (OLI) paradigm developed by Dunning (1977) seeks to offer framework for determining the pattern and extent of both foreign-owned production undertaken by country's own enterprises and also that of domestic owned foreign enterprises. The 'eclectic theory' of FDI combines the ownership advantage from the industrial organization approach with the location advantage associated with the product cycle. The theories on industrial organization and product cycle were presented separately in earlier part of this topic i.e. on the determinants of FDI. The OLI advantages for the engagement of FDI beyond natural boundaries of the home country are briefly discussed below.

### **i. Ownership (O) specific advantage**

Any company that are interested to engage in the foreign direct investment (FDI) is dependent on the possession or the ability to acquire ownership of specific advantages such as like tangible assets: natural endowments, manpower and capital; and intangible assets or capabilities: technology and information, managerial, marketing and entrepreneurial skills, organizational systems and access to intermediate or final goods markets (Dunning 1993, p. 77). In other words, Caves (1996) describes on proprietary assets, the most fruitful concept for explaining the non-production bases for the MNEs is that of assets having these properties:

- The firm owns or can appropriate the assets of their services;
- They can differ in productivity from comparable assets possessed by competing firms;
- The assets or their productivity effects are mobile between national markets;
- They may be depreciable (or subject to augmentation), but their life spans are not short relative to the horizon of the firm's investment decision.

A company having equipped with these capacities will engage in the foreign production which in foreign land does not have the same abilities but has the potential for the prospective business abroad.

### **ii. Location (L) specific advantage**

The assets mentioned above are specific to particular location but available to all firms. Acquiring proprietary assets should also be commensurate with the location advantages for the successful execution of the FDI in any host countries such as availability of abundant natural resources endowments, cheap labor, accessible market and prospects for market growth, sound legal, political and government institution, clear legislation and policies of the government, enabling business environment, etc. Hence, owing to the availability of the location advantage, home country endowed with specific ownership of assets will then execute FDI in the host countries that possess location assets.

### **iii. Internalization (I) advantages**

Owing to the imperfect market information, the MNEs are most likely to execute FDI in the host countries endowed with the L assets countries in order to diversify their value-adding activities. In other words O assets firms will find greater incentives in internalizing its production activities with its own firms in the foreign country hence they engage in more outbound production. In doing so will help MNEs reaping the benefits of lower transaction cost, uninterrupted supply of raw materials, price discrimination, lesser exploitation by the host government intervention (quotas, tariffs, price controls, tax differences, etc), safeguarding the patents, trademark, brands, knowhow, etc.

The OLI paradigm of international production postulates that the level and structure of a firm's foreign value-added activities will depend on four conditions. These are:

1. A firm possessing ownership-specific (O) advantage in the form of intangible assets which creates a wealth-creating capacity of a firm, and hence the value of its assets;
2. Having fulfilled the condition 1, the firm instead of selling its intangible assets to foreign firms, it rather adds value by way of market internalization (I) advantages. These may reflect their ability to exercise monopoly power over the assets under their governance.
3. Assuming conditions 1 and 2 are satisfied, the extent to which the global interest of the enterprise are served by creating, or utilizing, its O advantages in a foreign

location. The distribution of these resources and capabilities is assumed to be uneven and, hence depending on their distribution, will confer locational (L) advantage on the countries possessing them over those who do not.

4. Given the configuration of the ownership, location and internalization (OLI) advantage facing a particular firm, the extent to which a firm believes that foreign production is consistent with its long-term management strategy.

So based on the eclectic paradigm, at any moment of time, the more a country's enterprises, relative to those of another, possess O advantages, the greater the incentive they have to internalize rather than externalize their use, and the more they find it in their interest to exploit them from a foreign location, then the more likely to engage in outbound production.

Furthermore, the paradigm offers a robust tool for analyzing the role of FDI as an engine of growth and development as well as for evaluating the extent to which the policies of source and host governments are likely both to affect and be affected by that activity.

## **2.5 Foreign Direct Investment and Income Distribution**

Foreign direct investment (FDI) has long been a subject of interest in international economics and development fields. (Pan-Long Tsai, 1995). The interest has been greatly reinforced in recent years because of the rapid increase in the FDI flowing to developing countries which has been the main source of new technology, management know-how, improved market access and of all the significant force for development. In 2006, developing countries attracted \$380 billion in foreign direct investment — more than ever before. While two thirds of these flows went to rapidly growing markets in Asia, virtually all developing regions participated in the increase. Investments rose particularly fast in many countries that are richly endowed with natural resources (World Investment Report, 2007). WIR, 2007 reports that global inflows of FDI in 2006 soared up to \$1,306 billion – growth of 38% marking third consecutive year of growth, the record high inflow of FDI was experienced in 2000, \$ 1,411 billion.

Since, this research is about the study of an impact of FDI on the four pillars of GNH, and in particular I wish to study that FDI in Bhutan would help minimizing income

inequality impeding Bhutan in pursuing its state policy reflected in the Article 9 of the constitution. In so doing, it first need to understand theories of FDI impact on host developing countries' income distribution, that is to say that whether the inward FDI is associated with increase in income inequality or the vice versa. There are two theories being propounded to support this study which is briefly discussed below.

### **Modernization hypothesis**

The modernization perspective is built on the orthodox of economic concepts of marginal productivity theory as well as the role of saving and consumption propensities. It stresses that sufficient output must be first produced before it can be redistributed. It is wise perception that an inequality is a necessary precondition for eventual improvement of everyone's income, which is demonstrated in the celebrated Kuznets' inverted -U curve hypothesis that income inequality increases at the early stages of development but declines later once a certain stage of development is reached. Modernization theorists seldom address the distributional impact of FDI directly and explicitly, their position is clearly implied in their treating foreign and domestic capital as homogeneous goods, as eventually its benefits is spread throughout the economy. Towards the initial stage of FDI inducement in the host countries will stimulate growth in some leading sectors; however, the growth in the leading sectors could in the long run facilitate more even income distribution. For instance, FDI in the export processing zones in East Asia has been very instrumental in increasing employment at low wages, and thus raising the labor share and improving the size of distribution of income.

The study by Andelman and Morris (1973) did come out with the findings that Kuznets' inverted- U curve exists; improvement in the human capital in general help lower income inequality; but the direct government activities and the short-term growth rate of per capita GDP are not significantly related to the income distribution.

### **Dependency hypothesis**

The dependency theory approaches the inequality problem from a world-economy and historical perspective. It maintains that it is the social control and organization of



production, rather than economic output and wealth that affect income inequality. As industrialization proceeds with the presence of FDI, it is widely observed in the host LDCs that employees in the international sectors tend to form a new social class, which through this formation will bargain for the raise in wages in the capital intensive production which in turn leads to increased unemployment in the traditional sectors. As consequence, an increase in the relative share of labor income not only fails to bring about greater equality, but contributes directly to rising inequality (Pan-Long Tsai, 1995). In other words, under this type of dependent industrialization, the spread and multiplier effects suggested by the modernization theorists do not actually occur.

As far as the relationship between FDI and inequality is concerned, two salient features were emerged in the study by Pan-Long Tsai, 1995: first, the partial correlation between stocks of FDI and inequality by using the basic model is extremely sensitive to the inclusion of geographical dummies; second, to the extent FDI does give rise to more unequal income distribution in the host LDCs, only the East/Southeast Asian LDCs appear to be the ones really harmed by the inflow of FDI during the period under consideration. However, this statement refers to the marginal impact only.

It is understood that there is mixed impact of FDI on the LDCs host economies of income distribution. Bhutan which is also one of the LDCs in the world being bounded by rugged geographical terrain split into twenty districts with limited infrastructures is positively looking forward in deriving the benefits of FDI. It is with hope that if Bhutan opens up its potential hydropower sector to the FDI will help in the balanced regional development of Bhutan in general and nation in particular. By way of opening its door of potential resources to FDI, will inject rapid expansion of economic infrastructures, creation of employment opportunities, enhancement of managerial and technical capacities of Bhutanese, etc of course with minimal impact on its pristine culture and environment. Although Bhutan is still in the first stage of economic development, yet, I do not foresee that FDI might bring out income disparities in Bhutan. Bhutan should welcome FDI to help developing the country, thus paving the path for pursuing GNH. The present newly elected democratic government pursuing its goal by promoting its slogan “growth with equity and

justice”. Bhutan is opening up hydro-power sectors to FDI as a result help in bringing the balanced regional economic development in Bhutan and also clearly depicted about it in the 10<sup>th</sup> FYP main document.

## **2. 6 Analysis of Openness, Globalization with regard to Trade and then FDI**

With the advent of science and technology, through its continuous and rapid invention, the waves of globalization has now become and inevitable in shielding off in getting transmitted into any big or small country. It first needs to spell out a clear description of word globalization which here it means economic globalization which constitutes integration of national economies into the international economy through , FDI, trade, short-term capital flows, international flows of workers and technology (Bhagwati, 2004). The word globalization as the reader reads have mixed reactions, as some may see as positive and others negative, as it has introduced both of these in the global community.

Foreign Direct Investment (FDI) occupies a special place in the connection between economic development and globalization (Ashoka Mody, 2007). Perhaps the most dramatic and transparent economic event of the last two decades has been the growing liberalization of both national and international markets. Though most vividly demonstrated by the removal of Berlin Wall in 1989, and the opening up of the People’s Republic of China to inbound FDI, the reconfiguration of national economic policies of most Latin American countries, India, and some African economies, and the move towards closer macro-regional integration in various parts of the world, have all contributed to the renewed vitality of the market system as the main instrument for the harnessing and deployment of scarce resources and capabilities throughout the world (Dunning, 2000).

Since the early 1980s, artificial barriers to trade tumbled, at the same time both transport and communication costs have dramatically fallen hence, paving path for the profitable ventures within and across national boundaries for MNEs. The effect of openness and globalization being transmitted by the waves of trade and FDI have contributed lot to emerging economies of Asia, most commonly referred to as ‘newly

industrializing' economies namely Hongkong, Taiwan, Singapore and South Korea, were among the wealthiest thirty countries in the world in 1997 (World Bank, 1998).

Trade could affect poverty either through economic growth or through income distribution.

As mentioned above, countries open to international trade tend to have a higher rate of economic growth. This is because an open trade regime facilitates efficient transmission of price signals from the international market to the national economy, enhances diffusion of production and management knowledge, and improves domestic efficiency as a result of intensive international competition. Undistorted price signals allow more efficient resource allocation in accordance with a country's comparative advantage, which in turn leads to more rapid economic growth. Through the "trickle down" effect, trade thus contributes to poverty reduction. Moreover, higher economic growth means more tax revenue, enabling the government to invest in infrastructure such as education, transportation, disease control and a social safety net, which are of crucial importance for poverty alleviation (Dollar & Kraay et al)

Similar to the case of trade, most of the recent literature treats openness to inward FDI as part of the integration into the global economy. Being a collection of external capital, production technology and management skills, inward FDI could affect the host country's level of poverty directly through employment creation, technical training and higher wage rates, or indirectly through economic growth as well as backward and forward linkages. Under such circumstances, we would expect inward FDI to affect the average income of the bottom quintile positively. Of course, it would be naive to conclude that inward FDI contributes automatically to poverty alleviation. It is perfectly likely that low-skilled labor-intensive production activities for the investing countries are in fact high-skilled labor-intensive for the host developing countries. As a result, the benefits of inward FDI bypass the low-skilled low-income workers and exacerbate income inequality. In that case the envisaged positive relationship between FDI-led growth and poverty reduction would fail to stand up. On balance, however, researchers and policy makers tend to accept that the growth-enhancing effect of inward FDI is stronger than the income distribution effect. (Pan-Long Tai and Chao-Hsi Huang, 2007).

Isolated Bhutan was and will also not be freed from the waves of globalization, and it is of utmost importance for small country like Bhutan to cautiously reap the fruits of globalization. Bhutan is very late comer to the stage of development, as there were no roads, schools, hospitals and many other social infrastructures, etc prior to 1960s.

Life was not only harsh, it was also short. It has been estimated that a Bhutanese born in 1960 could expect to live to the age of about 35. Prior to opening its doors to the outside world in 1961, Bhutan's health infrastructure consisted of four small hospitals and a handful of dispensaries. There were only two trained doctors in the whole of the country, and two of the hospitals were staffed by untrained compounders (Bhutan 2020, RGoB, 1999). On top of that Bhutan was dwelling under extreme poverty, very low literacy rate, no media and communication facilities. Gradually, after Bhutan opened its door to the outside world, it began to cultivate the fruits of its openness and globalization. Life expectancy of the people have improved, better health and education facilities, improved access to transport and communication facilities, introduction of democratic constitutional monarchy, etc. Had Bhutan not integrated to the global economy, the above mentioned favorable facts could not have been attained.

## **2.7 Review on How FDI could create Happiness**

As such there are no direct literatures that FDI would create happiness. However, this research perceives that FDI has a positive impact on some key ingredients of happiness in the host countries which are discussed below.

### **2.7.1 Human Development**

It is universal fact that economic activity is designed to promote human welfare. Every respective government of rich or poor strives to promote and improve the wellbeing of their citizens. It is important to note that government or leader alone will not achieve this very important goal, it involves all classes of its citizens, workers, civilians, managers, leaders, businessmen/women etc. Every government invests in

the form of public expenditure in constructing new roads, schools, hospitals, dams, and many other social infrastructures so as to serve the needs of the community. Of all, investments in educational institutions have become an increasingly important for all the developed and developing countries. Since the main input to drive the economy forward is the human capital.

Human Development is a development paradigm that is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests. People are the real wealth of nations. Development is thus about expanding the choices people have to lead lives that they value. And it is thus about much more than economic growth, which is only a means. Fundamental to enlarging these choices is building human capabilities; the range of things that people can do or be in life. The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community. Without these, many choices are simply not available, and many opportunities in life remain inaccessible ([www.undp.org](http://www.undp.org)). Human development, in the form of people being better educated, more healthy, less debilitated, and so on, is not only constitutive of better quality of life, but it also contributes to a person's productivity and her ability to make a larger contribution to the progress of material prosperity. Indeed, recent works on economic growth have demonstrated the far-reaching role of education, health, and other human qualities in generating economic growth (Anand S. & Sen A., 2000). Let us be reminded ourselves with the antecedent of the so called "East Asian Miracle" that rapidly growing human capital were one of the principal engines of the greater economic success (World Bank, 1993).

The trade and globalization, multilateral institutions can best assist in delivering these potential benefits by expediting economic growth, creating jobs, raising incomes, etc., hence advancing human development around the world (UNDP, 2003). However, with minimal negative impact of globalization and trade that might introduce in the world at large. FDI in the host economies best supports its objective of human development by way of "spill over effect" of it. The transfer of technology from MNC

parents to its affiliates and other host country firms is not only embodied in machinery, equipment, patent rights, and expatriate managers and technicians, but is also realized through the training of local employees (Blomström & Kokko, 2003). While the role of MNCs in primary and secondary education is marginal, there is increasingly clear evidence that FDI have a noticeable impact on tertiary education in their host countries. Since the MNCs provide attractive employment opportunities to highly skilled graduates which may be an incentive to all students to complete tertiary training as a result encouraging government to invest in higher education. To remind, Bhutan ranks in the 133 position in terms of HDI ranking by the UNDP in 2005 with HDI value of 0.579. The main reason for its low position is mainly on account of the low life expectancy and literacy rate which was 64.7 years and 47.0% respectively and of course low per capita GDP. Hence it is anticipative from the fact that with substantial inflow of FDI in Bhutan would improve its HDI ranking as being enunciated in the earlier paragraphs on the benefits of FDI in terms of human development.

### **2.7.2 Employment Creation**

Among the indicators of international production, employment in foreign affiliates is of particular interest to host countries, most of which are concerned about the impact of FDI on employment within their economies. The increase in FDI in recent years has led to rising employment in foreign affiliates of TNCs. An estimated 73 million workers were employed in foreign affiliates of TNCs in 2006, and their total employment accounted for an estimated 3% of the global workforce and their total employment accounted for an estimated 3% of the global workforce (UNCTAD, WIR, 2007).

Unemployment is one of the major hurdles of any country which directly or indirectly affects the welfare of the nation. Employment is one of the key ingredients to make a decent living. Today one of the main challenges that Bhutan is facing is the provision and creation of employment opportunities for educated youth. There are more than ten thousand of unemployed youth in the country, and on account of the unemployment problem there is series of problems arising out of it. To name a few, increasing youth crimes, drug smuggling, theft, burglary, vandalism, etc. Bhutan currently cannot

generate employment opportunities in according to the prevailing labor supply in the market, this is mainly because of the infant private sector development and mainly due to the closed economy. Hence, there is great scope for Bhutan in reducing or eliminating unemployment problems if Bhutan fully acknowledges the merits of FDI by way of opening its potential sectors to the outside investors. It is clear that with few existing FDI companies have created an employment opportunities for 2062 citizens of Bhutan and many more for the labors from India (MEA,2007). Thus, Bhutan at an earliest stage should boldly and strongly encourage FDI by introducing various incentives for both foreign and local investors, such as like, tax holidays, exemptions of tax on import of machineries, equipments, raw materials, efficient immigration procedures, prompt issuance of environmental clearance, etc.

### **2.7.3 Regional Development**

Bhutan is administratively divided into twenty districts which are further broken down into 205 blocks. Owing to the rugged terrain and geographical landscape, developments amongst the regions are uneven. The current pace of development is clustered in the few notable districts of Bhutan, which is unfair for the majority citizens of the country. It is indeed serious challenge for the RGoB in introducing the balanced regional development, yet, there is path for the achievement by way of opening doors for those sectors in the regions which has a potential in attracting FDI. The most prominent sector for attracting FDI is hydro-power sector as there are huge capacities in those undeveloped regions which can draw the benefits of FDI. It is impressive to note that RGoB is opening up this very sector for FDI and which shall serve as an engine in balancing the regional economic development of Bhutan. The model that RGoB adopting is Build, Operate, Own and Transfer (BOOT). Since at the time of conducting this research, there was no published official document as it was under immense discussion, thus, there is nothing much to elucidate about this strategy. However, opening up of this sector alone will not attract FDI unless very strong and positive incentives are clearly spelled out in the FDI policy which currently lacks in the FDI Rules and Regulations of 2005.

### **2.7.4 Poverty Alleviation**

The number 1 goal of the Millennium Development Goal 2015 (MDG) is to eradicate extreme poverty and hunger and its target is “Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day” (UN, MDG, 2007). Worldwide, the number of people in developing countries living on less than \$1 a day fell to 980 million in 2004 – down from 1.25 billion in 1990. It is exactly in the midway of 15 year of the MDG period since it was first conceptualized in the year 2000 by the world leaders. In order to ensure the achievement of this very goal and many other MDGs, will require inclusive sound governance, increased public investment economic growth, enhanced productive capacity, and the creation of decent work. These pronouncements are imperative for the FDI which will contribute directly or indirectly in succeeding to achieve the goal of poverty reduction by halve in the 2015. There is some evidence that since the inflow of FDI in the Asian economies, the rate of poverty of has impressively fallen from 41.1% in Southern Asia to 29.5% and 33% to 9.9% in Eastern Asian in the year 1990 and 2004 respectively. Similarly, the fall in poverty rate has not been up to the mark in some sub-Saharan African countries as the poverty rate still dwells close to the rate in the 1990 46.8% which is dropped to 41.1% respectively. (MDGs Report, 2007). Hence, it clearly indicates that with influx of FDI in the Asian economies have accelerated its economies while the flow of FDI in sub-Saharan Africa is substantially low, thus poverty is comparatively higher.

While Bhutan is still at an embryo stage of economic development with close to one-fourth of its population living under the poverty line (NSB, 2007) and it is severe challenge for the RGoB in pursuing its much valued development philosophy, GNH. The RGoB thus propelled poverty alleviation as the main theme of 10<sup>th</sup> FYP (2008-2013). It is no secret that Bhutan by its size of economy is very small, yet, there are few potential sectors that can tap the benefits by attracting investors from abroad. Bhutan’s extraordinary bilateral relation with one of the biggest economies of the world, India best provides huge market by way of harnessing its hydro-power resources. Since private investors in Bhutan are weak in terms of financial capacity, it is high time that these resources are garnered in the right time and the only solution is to open for FDI. I found from the reliable sources that there are interested investors from abroad willing to venture in this Greenfield investment projects. In nutshell, FDI



participation in harnessing the untapped resources will help positively in alleviating poverty.

### **2.7.5 Living Standard**

Degree of prosperity in a nation, as measured by income levels, quality of housing and food, medical care, educational opportunities, transportation, communications, and other measures. The standard of living in different countries is frequently compared based on annual per capita income. On an individual level, the standard of living is a measure of the quality of life in such areas as housing, food, education, clothing, transportation, and employment opportunities (www.answer.com). Decent living standard is one of the key ingredients for well-being of the subject in particular and nation at large. Provision of better living standard of the people is one of the mounting challenges as it requires lot of investment in public utilities which is constrained by scarce financial resources. Be it big or small economy, it is inevitable that both are an integrated part of the global economy. With the emergence of science and technology, it has made so convenient for the global community to closely interact with each other by means of political and economic means. Hence it is widely plausible on the fact that FDI play a key role in the integration of global village. Though, motive of FDI is basically profit seeking, yet in the process of this motive, there are series of positive contribution in both the source and host countries arising from the same. It is especially true for developing countries. Many now believe that FDI brings capital to the host country and helps create jobs. FDI is also viewed as an important source of technology. FDI transfers advanced technologies and management to the host economy, and improves the skills of local workers through training (Ting Gao, 2005). Injecting the idea of spillovers effect of the FDI in the host country will directly or indirectly leads to the improvement of the living standard of the host country. Since the advent of FDI in the east-Asian economies and referring to the antecedent of the East Asian miracles, as a result of the rapid, shared growth, human welfare has improved dramatically. Life expectancy in the developing HPAEs increased from 56 years in 1960 to 71 years in 1990. In the HPAEs, the proportion of people living in absolute poverty, lacking such basic necessities as clean water, food, and shelter, dropped--from 58 percent in 1960 to 17 percent in 1990 in Indonesia, for

example, and from 37 percent to less than 5 percent in Malaysia during the same period. Absolute poverty declined in other developing economies, but much less steeply. A host of other social and economic indicators, from education to appliance ownership, have also improved rapidly in the HPAEs and are now at levels that sometimes surpass those in industrial economies (World Bank, 1993).

Linking Bhutan to the global community by allowing foreign investors in the selective potential sectors of Bhutan, will tremendously contribute to the betterment of the living standard of the people of Bhutan. Hence, paving path towards attainment of Gross National Happiness.

## **2.8 Brief Description of FDI Determinants in Bhutan.**

It is very clear that Bhutan is still in the process of opening its door for FDI, to be very specific, Bhutan first came up with FDI policy in the year 2002, which was then revised to FDI Rules and Regulations in 2005. At the time of conducting this research, it is again found that policy is undergoing intensive revisions which shall come into effect once it is endorsed by the cabinet. It is wise to explain some of the potential sectors in Bhutan for FDI in line with the theories of determinants of FDI, which are is briefly discussed below.

### **1. Market factors.**

The size and growth of the hosts markets or accessibility to the export markets are one of the main factors that would influence the FDI in the host country. Bhutan though is composed of small market size and low purchasing power of the people, yet there is a scope for FDI in venturing into export processing activities which can be supplied to the huge Indian market. The majority of the FDI in Bhutan is clustered into the manufacturing activities being attracted owing to the cheap power supply and is fully export-oriented activities.

### **2. Low labor costs.**

Availability of the cheap labor in the host market is also an important factor for the foreign investor's decision to invest abroad. Also how readily available labors in

terms of skills matching the need of foreign investors will also affect the investment decision. Despite of the small size of the population in Bhutan, yet, it enjoys the proximity of the labor market, neighboring states of India. Should FDI be motivated by the cost saving factors by way of cheap labor cost, Bhutan provides this avenue for the foreign investment.

### **3. Rich resources.**

Accessibility to the cheap and good quality raw material in the host country is welcoming sign for FDI. Bhutan today enjoys the forestry coverage of 72% of the total land area. However, Bhutan today is very much concerned about the environmental degradation, hence sustainable use of the natural environment is one of the pillars for the pursuit of GNH. It doesn't mean that, Bhutan will not at all harness the opportunities of its minerals and resources, as abundantly endowed with rich hydro power resources, Bhutan can best make use of this resource by opening its door to the foreign investors at an earliest. Bhutan needs to be reminded with this phrase "make hay while the sun shines".

### **4. Investment climate**

This factor governs those factors like investment licensing, regulations on export, import, tax, immigration & labor, foreign exchange, land, environmental, anti-trusts, etc. Any stringent regulations that the host government imposes on FDI will discourage to invest. Since, Bhutan's FDI policy is still undergoing revision, it is of utmost importance in incorporating the most favorable regulations for the foreign investors if they need to be encouraged. Bhutan can improve the system of license procedure, environmental regulations, foreign exchange regulations, etc. However, Bhutan by way of its success in maintaining political stability for ages, is one strong positive sign that foreign investor should look at. Also, Bhutan is in the final stage of accession to the membership of WTO.

### **5. Other factors**

Availability of sound infrastructures namely efficient transport and communications facilities, capital, technology, knowhow, etc is also some of the important determinants for FDI in the host countries. For a small country like Bhutan and also in lieu of its rugged terrain, it places no venue for FDI, yet, Bhutan can strategically frame attractive policies and incentives so as to induce FDI in Bhutan. It should be remembered that balanced regional economic development is one of the pillars in fulfilling to pursue GNH. Similarly, there is no avenue on the count of technology, capital, knowhow, etc. even then, Bhutan through its sound policies can attract FDI, by way of technology transfer, acceptance of foreign expatriates, and also promotion of R&D related activities. These could be executed by imposing low of no tax on import of equipments, machines, etc, introduction of flexible immigration regulations, and safeguarding the patents of the firms. Bhutan is a member of various WIPO's treaties.



สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

## CHAPTER III

### RESEARCH METHODOLOGY & APPROACH: DESCRIPTIVE

#### 3.1 Conceptual Framework

As this framework was of very much essence in conducting this research on the impact of foreign direct investment on four pillars of GNH, hence it was designed in such a manner that would fulfill in successfully completing this research. Various theoretical frameworks on FDI are being referred to especially OLI paradigm by Dunning, theories of industrial organization, product life cycle theory, internalization theory, etc which are explained in chapter two under literature review. Similarly, four pillars of GNH are also being spelled out in chapter two. Since there are no direct literatures on impact of FDI on GNH or happiness, I try to connect to some extent that FDI especially in host countries, it leads to increase in the welfare, meaning help enhancing happiness of the people. Hence, from the existing literatures, I have spelled out that FDI can help in human development, alleviating poverty, creating employment opportunities, improving living standard, assist in balance regional development in the country, etc.

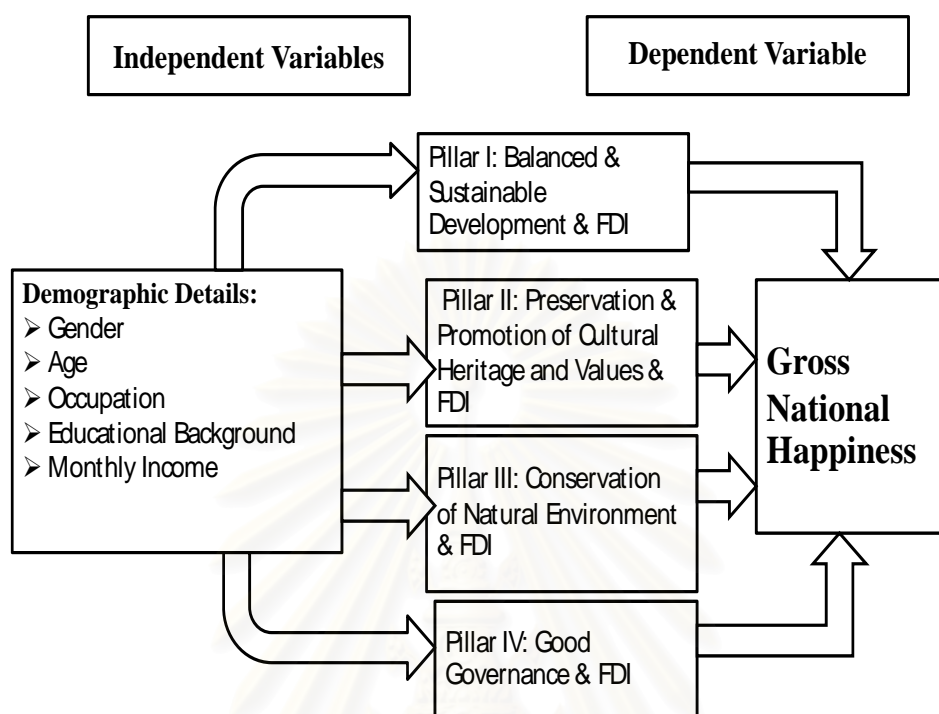
In order to explain whether Bhutan possesses some potential sectors for FDI, I tried to explain the determinants of FDI in Bhutan based on the following factors.

- Market factors
- Cost factors
- Investment-climate factors
- Resource factors
- Other factors

In order to present this research elaborately, some of the relevant policies for this study have been mentioned and these are the followings.

- Foreign Direct Investment Policy of Bhutan
- Trade Policy of Bhutan
- Tax Policy of Bhutan
- Foreign Exchange Regulations of Bhutan
- Labor Act of Bhutan
- Privatization Policy

**Figure 3.1: Pictorial representation of conceptual framework:**



**Hypothesis:**

1. Sustainable and balanced socio-economic development contributes the most to the GNH among other pillars.
2. FDI can help in narrowing down of the income gap in Bhutan.
3. FDI can create positive impact on GNH in Bhutan.

**3.2 Research Design**

The research design is explained one by one below:

**3.2.1 Questionnaire Design**

Research questionnaire was used as the main instrument in conducting this research. Questionnaires were prepared based on the research objectives mainly using 5 point likert scale, where the respondent were given an option to rate the question's answers as suited best for them. The questionnaire was structured into six major heads. The

first and the last one are about the demographic details of the respondent and conclusion respectively. The rest are the questions on foreign direct investment and four pillars of GNH, as being framed to answer the research objectives. The questionnaire was prepared at length's discussion with my advisors, friends residing in Bangkok and Bhutan. Then it was pretested by distributing the questionnaires to the Bhutanese residing in Bangkok and made changes as per the feedback given by them. The questionnaire is attached as appendix G.

### **3.2.2 Site Selection**

Owing to the financial and time constraints, I limited my study by restricting in three regions in Bhutan and that also in urban, namely Paro, Thimphu and Phuentsholing. The significance of the places mentioned is briefly described below.

**Paro** is the gateway for international visitors to Bhutan. The only international airport of Bhutan is situated in this district. It is an hour journey by road to capital city of Bhutan from this place. The total population of this district is 36,433 (NPHC, 2005). Of which people residing in main town of this district is 2,932 (NPHC, 2005). It has also got few hotels and resorts being established under the umbrella of FDI. The flight journey from Bangkok to Paro is appx. 3 hours and there are daily flights between these two destinations. Currently there are two hotels operating under the umbrella of FDI.

**Thimphu** is the capital city of Bhutan. It has a total urban population of 79,185 (NPHC, 2005). It covers people of diverse ethnicity and profession.

**Phuentsholing** is the main commercial hub of Bhutan which is situated at a distance of 171 kms from capital city, Thimphu towards south. It has an urban population of 20,537 (NPHC, 2005). The region has clusters of manufacturing industries established under FDI.

### **3.2.3 Population and sampling**

The population for this study is defined as the citizens of Bhutan residing in urban area of these places being chosen to conduct research. There is total population of 102,654 as per the National Population and Housing Census record being conducted by National Statistical Bureau of Bhutan in the year 2005.

For the calculation of sample for the study, Cochran's (1977) formula is applied, which is derived as follows:

$$n_0 = \frac{(t)^2 * (p)(q)}{(d)^2}; \text{ i.e., } n_0 = \frac{(1.96)^2 * (.5)(.5)}{(.05)^2} = 384$$

Where t = value for selected alpha level, .05;

(p)(q) = Estimate of variance and

d = Acceptable margin of error, 5%.

Incorporating the population size:

$$n_1 = \frac{n_0}{(1 + n_0 / \text{Population})}$$

$$n_1 = \frac{(384)}{(1 + 384/102,654)} = 383 \text{ (round off figure).}$$

N1 is the final sample computed for the study.

### 3.2.4 Data collection

#### Primary source:

The data is obtained through the field survey by way of distribution of questionnaire from different classes of individuals residing in abovementioned places in Bhutan. The respondents were broadly categorized to gender, age, occupation, educational level and monthly income status. The researcher has distributed total questionnaire of 450 of which 347 were collected where the response rate is 77%. However, I could not meet the sample as worked out to be 384. The distribution of questionnaires was made on random basis to array of respondents. I sort help of all my friends in all places in distributing questionnaires to diverse respondents to obtain views by answering my research questionnaires. The respondents of my research are from all walks of life except farmers, since they lack knowledge on FDI as well GNH. I would like to admit that data obtained were genuine.



### Secondary sources.

Primary source was main data, however, I obtained relevant information and data from past research articles, journals, publications, etc in regards to the GNH concepts and principles and for the economy status too from National Statistical Bureau, different ministries, autonomous agencies, corporations in Bhutan. Besides, I also extracted from World Bank, UNCTAD, UNDP, etc.

### 3.2.5 Data Analysis

a) Using basic descriptive statistical tools such as frequency, percentages, mean, standard deviation, and cross-tabulations analysis.

b) Final analysis of data being processed in SPSS software.

The measurement scale engaged were basically, Likert 5 point scale. It is for the convenience, I have broken this scale range in the following manner:

**Data range: =  $(\text{Maximum} - \text{Minimum})$**

**Maximum**

In questionnaire the ratings were 1 – 5 point scale

Hence, data range is =  $(5-1)/5$

= 0.8

Therefore, in each scale interpretation there will be difference of 0.8 and these are discussed below.

Mean score between 4.20 – 5.00 ➤ very important, strongly agree & strongly positive;

Mean score 3.40 – 4.19 ➤ Important, agree & positive;

Mean score 2.6 – 3.39 ➤ moderately important, undecided;

Mean score 1.8 – 2.59 ➤ of little importance, disagree, negative and;

Mean score 1 – 1.19 ➤ unimportant, strongly disagree & strongly negative.

### 3.3 Ethical Consideration

This research was not conducted illegally in Bhutan. Prior conducting this research, I approached National Statistical Bureau an authorized agency to obtain clearance to conduct this research in Bhutan. Hence, official clearance was granted to me.

## CHAPTER IV

### DATA ANALYSIS AND FINDINGS

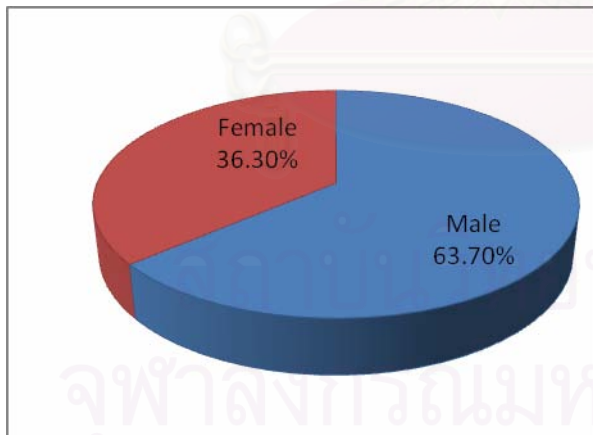
#### 4.1 Frequency of the Demography of the Respondent and summary of responses

The questionnaires were distributed on random basis in three places chosen for the field study. Hence, 347 samples were obtained and of the total, 221 were male and 126 female respondents respectively. In other words, 63.70% and 36.30% of the respondents were male and female respectively which are represented in table and figure drawn below.

**Table 4.1: Frequency and percentage of gender description of respondent**

Gender Description	Frequency	Percent
Male	221	63.7
Female	126	36.3
<b>Total</b>	<b>347</b>	<b>100</b>

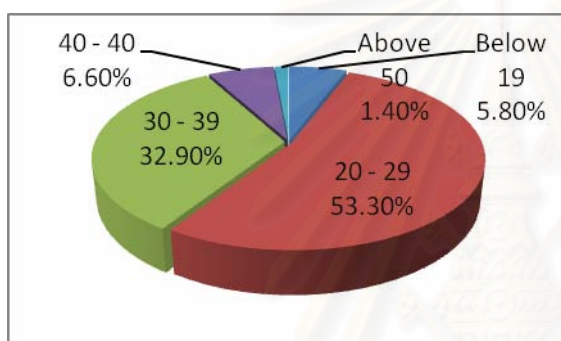
**Figure 4.1: Percentage of respondent as per the gender description.**



Likewise, in table 4.2 and figure 4.2 represents the age of the respondents being grouped into five categories. These are drawn below too.

**Table 4.2: Details of age of the respondents**

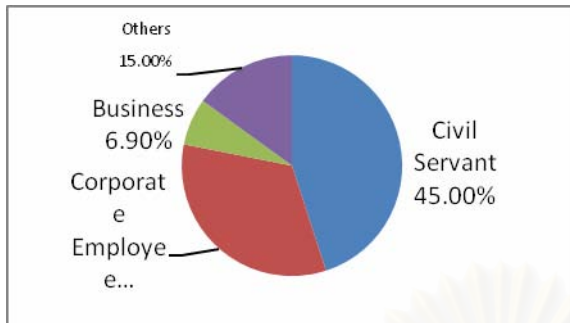
Recode_Age	Frequency	Percent
Below 19	20	5.8
20 - 29	185	53.3
30 - 39	114	32.9
40 - 49	23	6.6
Above 50	5	1.4
<b>Total</b>	<b>347</b>	<b>100</b>

**Figure 4.2: Percentage of age description of the respondents**

The following table 4.3 and figure 4.3 reflects the details of the occupation of the respondents. Civil servants and corporate employees dominated as the respondents. Their composition is 45% and 33.1%, followed by others (students, unemployed, politicians, NGOs workers) with 15% and business 6.9%, respectively.

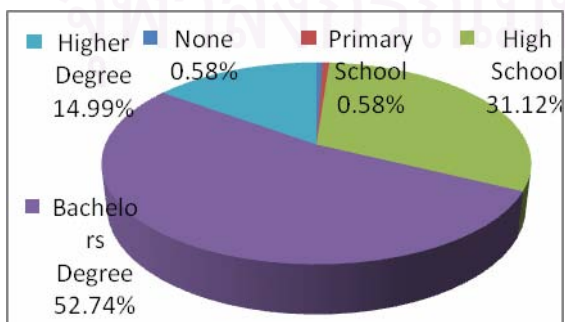
**Table 4.3: Frequency and percentage of occupation of the respondents**

Occupation	Frequency	Percent
Civil Servant	156	45
Corporate Employee	115	33.1
Business	24	6.9
Others	52	15
<b>Total</b>	<b>347</b>	<b>100</b>

**Figure 4.3: Percentage of occupation of the respondents****Table 4.4: Frequency and percentage of educational background of the respondents**

Educational Background	Frequency	Percent
None	2	0.6
Primary School	2	0.6
High School	108	31.1
Bachelors Degree	183	52.7
Higher Degree	52	15
Total	347	100

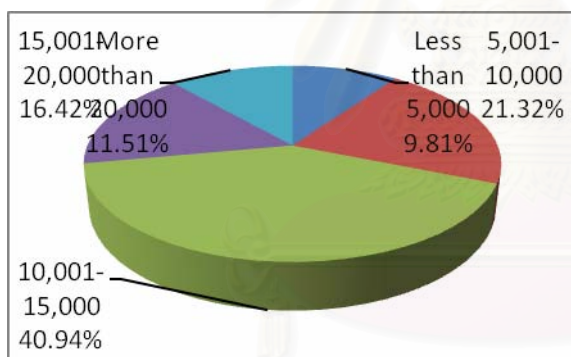
The above table 4.4 is about the educational background of the respondents. The major qualification of the respondents in ascending order is bachelors degree, high school, masters degree and primary and none, finally. In terms of percentage composition, it is 52.7%, 31.1%, 15% and 1.2% respectively. The remaining 1.2% is of those respondents who did not attend school and who at least attended primary school. The same is drawn in the figure 4.4.

**Figure 4.4: Percentage of educational background of the respondents**

**Table 4.5: Frequency and percentage of monthly income of the respondents**

Monthly Income (In Nu.)	Frequency	Percent
Less than 5,000	34	9.8
5,001-10,000	74	21.3
10,001-15,000	142	40.9
15,001-20,000	57	16.4
More than 20,000	40	11.5
Total	347	100

The final demographic background of the respondent is their monthly income status. The income have been scaled to five level, so as the respondent were made comfortable in declaring their income rather than keeping open, otherwise is hesitant. This detail is given in the table 4.5 and figure 4.5.

**Figure 4.5: Percentage of monthly income details of the respondents**

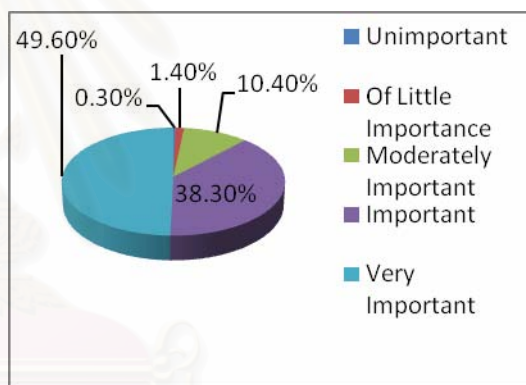
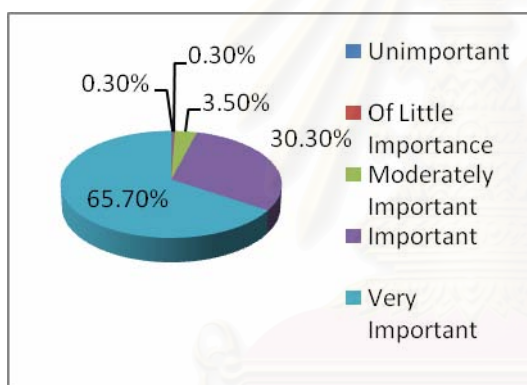
Having obtained the detail of the demography of the respondents, I will now proceed in presenting the response of the questionnaire, the same will presented in tables and charts. These responses are general without cross-tabulation and without statistical test. The responses obtained are just in frequencies, means, percentages which are presented in tables and figures.

Question no. 6 is about the how important is the each pillar to GNH. The responses obtained are presented in the table no 4.6 and comprehensively presented in figures which are drawn below.

**Table 4.6: Frequency and percentage of importance of each pillar to GNH being obtained from respondents.**

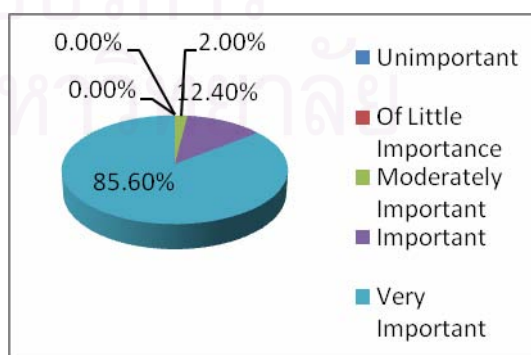
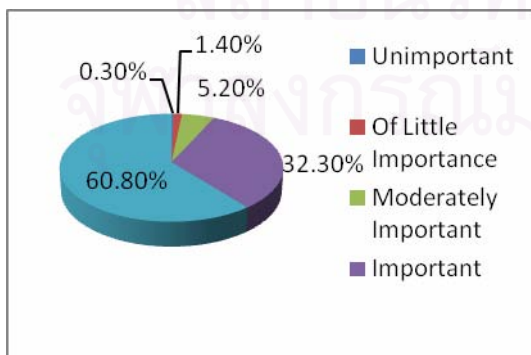
Pillars	Equitable socio-economic development		Preservation of culture		Conservation of Natural Environment		Establishment of Good governance	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Unimportant	1	0.30%	1	0.30%	1	0.30%	0	0.00%
Of Little Importance	1	0.30%	5	1.40%	5	1.40%	0	0.00%
Moderately Important	12	3.50%	36	10.40%	18	5.20%	7	2.00%
Important	105	30.30%	133	38.30%	112	32.30%	43	12.40%
Very Important	228	65.70%	172	49.60%	211	60.80%	297	85.60%
<b>Total</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>

**Figure 4.6: Percentage of response on importance of pillar I to GNH**      **Figure 4.7: Percentage of response on importance of pillar II to GNH.**



**Figure 4.8: Percentage of response on importance Of Pillar III to GNH**

**Figure 4.9: Percentage of response of pillar IV to GNH**



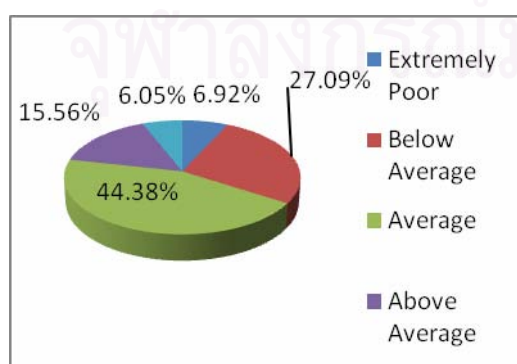
It is indicative from the above table and respective figures that all pillars of the GNH are very important if not important. Notably, the fourth pillar, good governance, is the most important of all pillars of GNH, as the mean score is 4.84 which appear to be the highest, followed by first pillar, equitable and sustainable socio-economic development whose mean score is 4.61. The other two pillars, natural environment and culture, seems to prefer less, as their mean scores are 4.52 and 4.35 respectively. The descriptive statistics is mentioned in table 4.19 under this same chapter.

Question no. 2 is about the ratings of current status of each pillar of GNH in Bhutan. The responses obtained are presented in table 4.7 and also presented in figures for better understandings which are as follows.

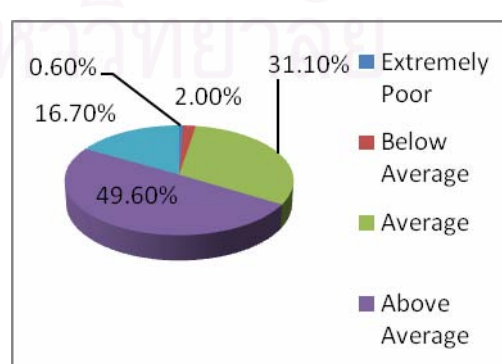
**Table 4.7: Frequency and percentage of ratings of the current status of each pillar of GNH being obtained from the respondents.**

Pillars	Equitable socio-economic development		Preservation of culture		Conservation of Natural Environment		Establishment of Good governance	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Extremely Poor	24	6.92%	2	0.60%	1	0.29%	11	3.20%
Below Average	94	27.09%	7	2.00%	10	2.88%	27	7.80%
Average	154	44.38%	108	31.10%	80	23.05%	157	45.20%
Above Average	54	15.56%	172	49.60%	162	46.69%	107	30.80%
Excellent	21	6.05%	58	16.70%	94	27.09%	45	13.00%
<b>Total</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>

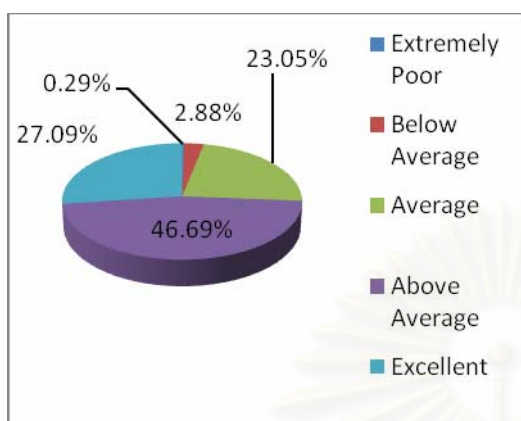
**Figure 4.10: Percentage of response on ratings of current status of pillar I in Bhutan.**



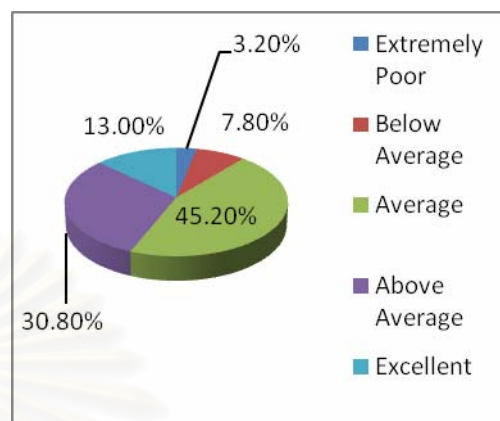
**Figure 4.11: Percentage of response of ratings current status of pillar II in Bhutan.**



**Figure 4.12: Percentage of response on ratings of current status of pillar III in Bhutan.**



**Figure 4.13: Percentage of response on ratings of current status of pillar IV in Bhutan.**



Presently, the status of each pillar of GNH is above average, except the first pillar. The mean score of each pillar in terms of its current status is above 3.40, whereas the mean score of the first pillar of GNH is 2.87, which is just an average.

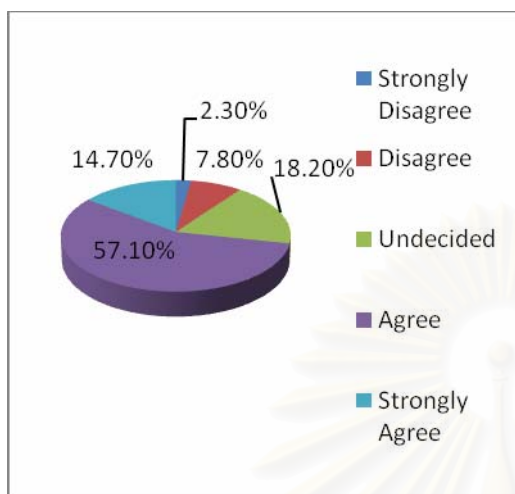
Question no. 8.a and 8.b is about whether FDI in Bhutan would help in regional development and alleviation of poverty respectively. The responses obtained are presented in table 4.8 and figures 4.14 and 4.15 respectively.

**Table 4.8: Frequency and percentage to what extent respondents agree/disagree that FDI would help in regional development and poverty alleviation in Bhutan.**

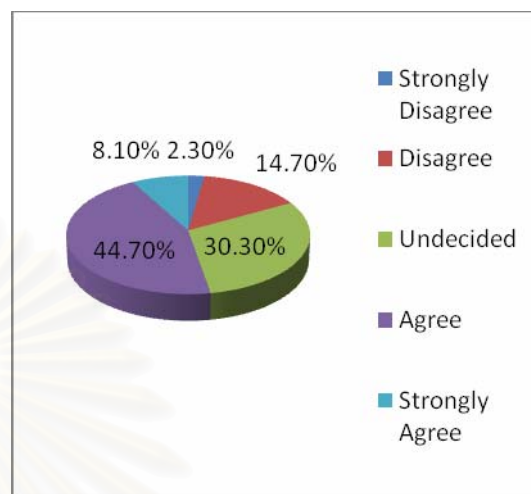
Statement	FDI & Regional Development		FDI & Poverty Alleviation	
	Frequency	Percent	Frequency	Percent
Strongly Disagree	8	2.30%	8	2.30%
Disagree	27	7.80%	51	14.70%
Undecided	63	18.20%	105	30.30%
Agree	198	57.10%	155	44.70%
Strongly Agree	51	14.70%	28	8.10%
<b>Total</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>



**Figure 4.14: Percentage to what extent respondents agree/disagree that FDI in Bhutan would help in regional development.**



**Figure 4.15: Percentage to what extent respondents agree/disagree that FDI Bhutan help in poverty reduction.**



As mentioned in literature review that Bhutan is divided into twenty districts by rugged terrain and mountains, where the access to physical infrastructures such as roads, schools, hospitals, etc, are of serious challenges for the major citizens residing in those districts. Owing to this is mounting challenge for the RGoB in pursuing its valued goal, GNH. when larger number of residents of Bhutan are isolated from basic socio-economic infrastructures. Similarly, with almost, 24% of the population hovering under the national poverty line is infact bigger challenges too in pursuing the valued goal of Bhutan, GNH. In response to the question on FDI will help in balance regional development and poverty alleviation, majority of the respondents agree if not strongly agree that it will help in solving these challenges. The mean score for FDI assisting positively for regional development in Bhutan is 3.74 and FDI for reducing poverty is 3.41. Both these means are above 3.39 which is marked to be undecided about the question. FDI's role in reducing poverty has narrowly escaped the gate of respondent's indecision.

Question no. 8.c. is whether respondents would agree/disagree if RGoB allows FDI in 7 sectors mentioned in the questionnaire. The detail of the responses are presented in table 4.9-4.10 respectively.

**Table 4.9: Frequency and percentage to what extent respondents agree/disagree on RGoBs decision of inviting FDI in following sectors.**

Sectors	Hotel & Tourism		Information & Communication Technology		Schools, Institutes & Universities		Manufacturing Industries	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	6	1.73%	2	0.58%	4	1.15%	5	1.44%
Disagree	38	10.95%	13	3.75%	32	9.22%	35	10.09%
Undecided	38	10.95%	48	13.83%	51	14.70%	56	16.14%
Agree	203	58.50%	199	57.35%	162	46.69%	189	54.47%
Strongly Agree	62	17.87%	85	24.50%	98	28.24%	62	17.87%
<b>Total</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>

**Table 4.10: Frequency and percentage to what extent respondents agree/disagree on RGoB's decision of inviting FDI in following sectors.**

Sectors	Hydro-power projects		Mining, Minerals & Quarrying		Finance and Banking	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	4	1.15%	20	5.76%	5	1.44%
Disagree	53	15.27%	85	24.50%	32	9.22%
Undecided	51	14.70%	93	26.80%	52	14.99%
Agree	147	42.36%	117	33.72%	171	49.28%
Strongly Agree	92	26.51%	32	9.22%	87	25.07%
<b>Total</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>

The seven identified key sectors for FDI are hotel and tourism, ICT, schools, institutes & universities, manufacturing, hydro-power, mining, minerals & quarrying and finance & banking. The response obtained from the respondents is positive, meaning that, it is welcoming sign to open up these sectors for FDI. Except mining, minerals and quarrying sector an indecisive sector, otherwise respondents are supportive to allow FDI in other sectors.

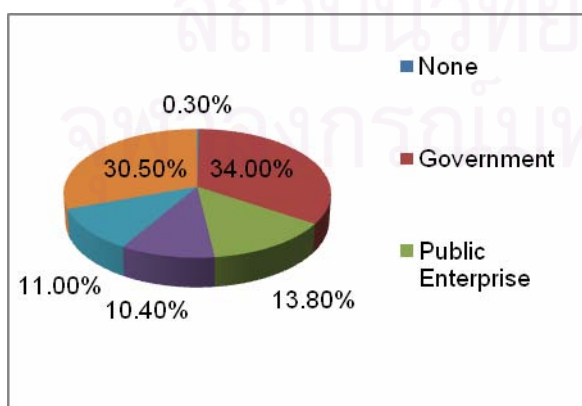
Question no. 8.d is about should hydro-power sector be opened up for FDI, then which agencies in Bhutan should undertake joint venture with FDI.

**Table 4.11: Frequency and percentage of opinions on FDI venture obtained from the respondents.**

Agencies	Frequency	Percent
None	1	0.30%
Government	118	34.00%
Public Enterprise	48	13.80%
Private Sector	36	10.40%
International Organization	38	11.00%
Government & PPP	106	30.50%
<b>Total</b>	<b>347</b>	<b>100.00%</b>

Of the key sectors of Bhutan, I identified hydro-power sector as the most potential sector in Bhutan for FDI. Hence, information asked in the question was in case this sector is opened up for FDI, which agency should venture from Bhutan in partner with FDI. Most of the respondents want government to partner with FDI firms, as 34.00% favors it, followed by Govt & PPP with 30.50%, 13.80% wants public enterprise, 11.00% wants international organization and 10.40% private sector, respectively. The same is represented in figure 4.16 which is drawn below so as to give clearer picture.

**Figure 4.16: Percentage of opinions of respondents regarding the agency to tie up with FDI joint venture in hydro-power sector in Bhutan.**



Question no. 9 is about whether FDI in Bhutan would have negative influence on some prominent cultural aspects of Bhutan. The response is presented in table 4.12 – 4.13 below.

**Table 4.12: Frequency and percentage of respondent's views of negative influence of FDI in following cultural aspects of Bhutan.**

Cultural Aspects	National Dress Code		Buddhism		National Language	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	36	10.37%	36	10.37%	27	7.78%
Disagree	157	45.24%	169	48.70%	146	42.07%
Undecided	39	11.24%	48	13.83%	40	11.53%
Agree	76	21.90%	72	20.75%	108	31.12%
Strongly Agree	39	11.24%	22	6.34%	26	7.49%
<b>Total</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>

**Table 4.13: Frequency and percentage of respondent's views of negative influence of FDI in following cultural aspects of Bhutan.**

Cultural aspects	Traditional Arts & Crafts		Local & National Festivals		Social Lives	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	26	7.49%	37	10.66%	16	4.61%
Disagree	154	44.38%	185	53.31%	90	25.94%
Undecided	60	17.29%	54	15.56%	66	19.02%
Agree	79	22.77%	52	14.99%	137	39.48%
Strongly Agree	28	8.07%	19	5.48%	38	10.95%
<b>Total</b>	<b>347</b>	<b>100.00%</b>	<b>347</b>	<b>100.00%</b>	<b>347</b>	<b>100.00%</b>

From the mean scores of impact of FDI on each cultural aspects of GNH is indecisive that all means lies in a range of 2.60 and 3.39 which is marked as indecisive response. However, notably we can make some inferences from the percentage composition of each response on FDI's impact on each aspect of culture. So, it can be derived that, except for social lives, respondents disagree that FDI will bring in negative influence on each aspect of culture. In other words, FDI will not have negative impact on majority of the aspects of culture of Bhutan as being interpreted from table 4.12 and 4.13. Respondents comprised of 55.61% perceives that FDI will not have negative impact on national dress code of Bhutan, like wise 59.07%, 49.85%, 51.87% and

63.97% respective respondents disagree on the statement that FDI will impose a negative impact on national language, traditional arts & crafts, local & national festivals, respectively. However, 50.43% of the respondents believes that FDI will have negative impact on social lives of the people. Social lives, here I mean is social bondage such as like association with family, friends, relatives, people, entertainemnt etc.

Question no. 10 is about should FDI opened to seven sectors as I identified would have negative impact on natural environment in Bhutan. Natural environment is third pillar of GNH of Bhutan. Hence it is of utmost importance to study the impact of FDI on this pillar should FDI flow into seven key sectors in Bhutan as mentioned in questionnaire. The summary of the result is analyzed in table 4.14 and 4.15 which are drawn below.

**Table 4.14: Frequency and percentage to what extent respondents agree/disagree that FDI in following sectors would have negative impact on natural environment.**

Sector	Hotel & Tourism		Information & Communication Tech		Schools, Institutes & Universities		Manufacturing Industries	
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	31	8.90%	34	9.80%	31	8.93%	16	4.60%
Disagree	135	38.90%	178	51.30%	189	54.47%	97	28.00%
Undecided	46	13.30%	64	18.40%	62	17.87%	48	13.80%
Agree	118	34.00%	62	17.90%	55	15.85%	132	38.00%
Strongly Agree	17	4.90%	9	2.60%	10	2.88%	54	15.60%
<b>Total</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>	<b>347</b>	<b>100%</b>

**Table 4.15: Frequency and percentage to what extent respondents agree/disagree that FDI in following sectors would have negative impact on natural environment.**

Sector	Hydro-power projects		Mining, Minerals & Quarrying		Finance and Banking	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	20	5.76%	11	3.20%	54	15.56%
Disagree	117	33.72%	57	16.40%	184	53.03%
Undecided	62	17.87%	61	17.60%	58	16.71%
Agree	120	34.58%	143	41.20%	37	10.66%
Strongly Agree	28	8.07%	75	21.60%	14	4.03%
<b>Total</b>	<b>347</b>	<b>100.00%</b>	<b>347</b>	<b>100.00%</b>	<b>347</b>	<b>100.00%</b>

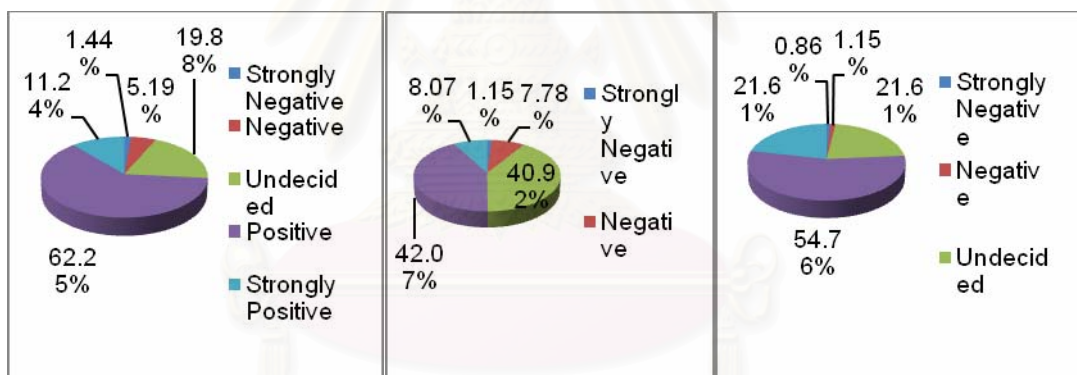
Taking into an account of the mean score comparisons, FDI flowing in ICT, schools, institutes & universities and finance& banking sectors poses no negative threats on natural environment. As the means of this responses are less than 2.60, which is to state that respondents doesn't agree with the statement about FDI in these sectors would have negative impact on natural environment. However, notably, respondents agree with the statement that FDI in mining, minerals and quarrying sector will have serious negative threats on pristine environment of Bhutan. FDI in three sectors namely, hotel and tourism, hydro-power and manufacturing are inconclusive from the mean comparisons as their means lies between 2.60 and 3.39 which is the mean computed for undecided responses. It is however conclusive from the frequency tables above that respondent comprising of 47.8% views that FDI in hotel and tourism sector will have no negative impact whereby 13.3% of the respondents are undecided. In other two sectors, namely, manufacturing and hydro-power, majority of the respondents share same opinion that FDI will have negative impact on natural environment as supported by 53.6% and 42.65% of the respondents respectively.

Question 11 is about what impact (positive/negative) would bring on some aspects of good governance of GNH in Bhutan. The details are highlighted in the tables and figures drawn below respectively.

**Table 4.16: Frequency and percentage of impact of FDI on following aspects of good governance the last pillar of GNH.**

Aspect of Good Governance	Efficiency		Integrity		Innovation	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Negative	5	1.44%	4	1.15%	3	0.86%
Negative	18	5.19%	27	7.78%	4	1.15%
Undecided	69	19.88%	142	40.92%	75	21.61%
Positive	216	62.25%	146	42.07%	190	54.76%
Strongly Positive	39	11.24%	28	8.07%	75	21.61%
<b>Total</b>	<b>347</b>	<b>100.00%</b>	<b>347</b>	<b>100.00%</b>	<b>347</b>	<b>100.00%</b>

**Figure 4.17, 4.18 & 4.19: Percentage showing respondent's views on impact of FDI on three aspects of good governance namely, efficiency, integrity and innovation respectively.**



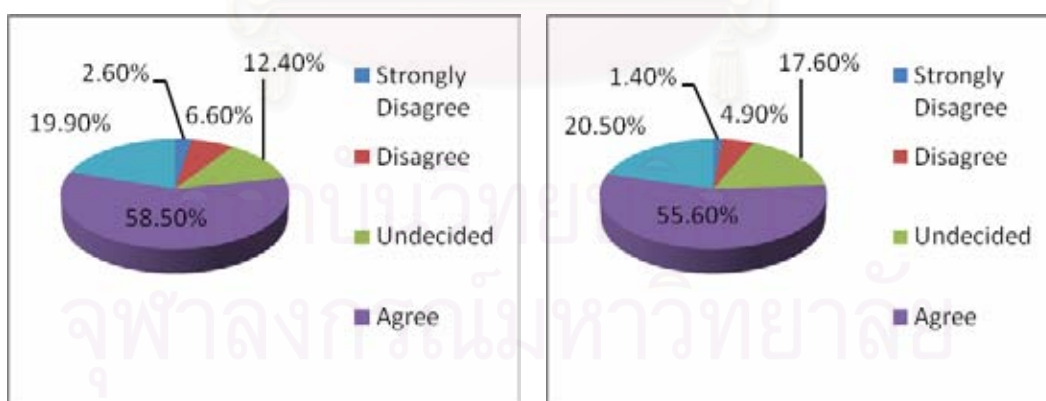
It is unquestionable from the above frequency tables and the figures, that FDI in these aspects of good governance will have positive impact. Even looking at the means of the responses obtained on the impact of FDI on good governance's three aspects namely, efficiency, integrity and innovation, it can be remarked that FDI will bring in positive impact. The means lies above 3.39, and to be specific, computed means are 3.77, 3.48 and 3.95 for each FDI's impact on efficiency, integrity and innovation, respectively.

Question no 12.a to 12.c are the concluding remarks, such as whether respondents would agree/disagree that FDI in Bhutan would help improve living standard of people, hence contributing to GNH and should government promote FDI now and the final question is to rate each respondents' over all happiness in life from 1 to 7.

**Table 4.17: Frequency and percent to what extent respondents agree/disagree that FDI will improve living standard of people in Bhutan and FDI should be promoted now by the new government.**

Items	FDI and Living Standard		FDI should be promoted	
	Frequency	Percent	Frequency	Percent
Strongly Disagree	9	2.60%	5	1.40%
Disagree	23	6.60%	17	4.90%
Undecided	43	12.40%	61	17.60%
Agree	203	58.50%	193	55.60%
Strongly Agree	69	19.90%	71	20.50%
<b>Total</b>	<b>347</b>	<b>100.00%</b>	<b>347</b>	<b>100.00%</b>

**Figure 4.20 & 4.21 : Percentage to what extent respondents agree/disagree that FDI in Bhutan would improve living standard of people thus contributing to GNH and should be promoted now by the new government of Bhutan.**



In response to these statements, 78.4% and 76.1% of the respondents unanimously agree that FDI will contribute to GNH and should be promoted by the new government in Bhutan now. Considering from the angle of mean comparisons of the

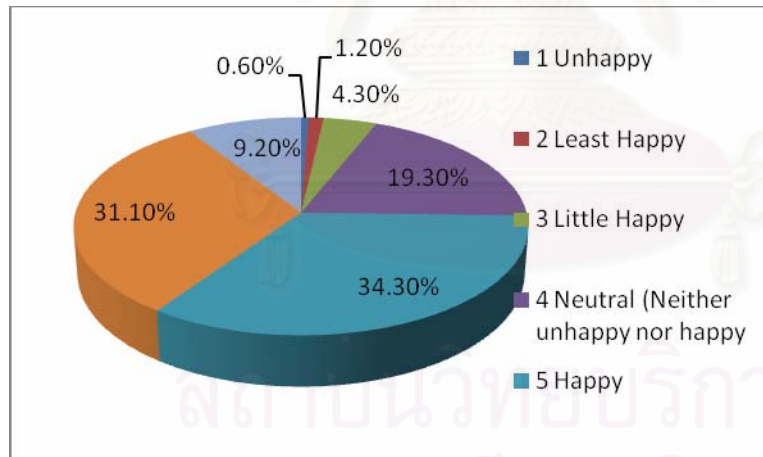


each response, it is very clear that the means lie above the range of undecided responses of 3.39, which are 3.86 and 3.89 respectively.

**Table 4.18: Frequency and percent of ratings of overall happiness of the respondents in a life.**

Happiness rating	Frequency	Percent
1 Unhappy	2	0.60%
2 Least Happy	4	1.20%
3 Little Happy	15	4.30%
4 Neutral (Neither unhappy nor happy)	67	19.30%
5 Happy	119	34.30%
6 More than Happy	108	31.10%
7 Most Happy	32	9.20%
Total	347	100.00%

**Figure 4.22: Percentage of how happy is respondents in life.**



The respondents were asked to rate their overall happiness in a life from a 1 to 7 point scale, 1 being unhappy and 7 the most happy.

**Data range =  $\frac{(\text{Maximum} - \text{Minimum})}{7} = \frac{7-1}{7} = 0.86$**

**Maximum**

6.14 – 7 ➤ Most happy;

5.28 – 6.13 ➤ More than happy;

4.42 – 5.27 ➤ Happy;

3.56 – 4.42 ➤ Neutral (Not happy nor unhappy);

2.7 – 3.55 ➤ Little happy;

1.84 – 2.69 ➤ Least happy and ;

1.00 – 1.83 ➤ Unhappy

The mean of the response in terms of rating of the respondents' overall happiness in life is 5.16, which can be concluded that respondents are happy as notable from the above data ranges. However, if to interpret from the frequency table of happiness ratings, 25.4% of the respondents fall below the range of being happy of which 19.30% of the respondents are neither happy nor unhappy, 4.30% is little happy and 1.80% least happy or unhappy. On the other hand, 74.6% of the respondents view themselves as happy if not more than or most happy.

The summary of the descriptive statistics, sample, range, mean and standard deviation is drawn in the table below.

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

**Table 4.19: Descriptive statistics**

Details	Sample	Minimum	Maximum	Mean
Gender description	347	1	2	1.36
Recode_Age	347	1	5	2.447
Educational Background	347	1	5	3.81
Monthly Income (In Nu.)	347	1	5	2.99
question 6.a	347	1	5	4.61
question 6.b	347	1	5	4.35
question 6.c	347	1	5	4.52
question 6.d	347	3	5	4.84
question 7.a	347	1	5	2.87
question 7.b	347	1	5	3.8
question 7.c	347	1	5	3.97
question 7.d	347	1	5	3.43
question 8.a	347	1	5	3.74
question 8.b	347	1	5	3.41
question 8.c.i	347	1	5	3.8
question 8.c.ii	347	1	5	4.01
question 8.c.iii	347	1	5	3.92
question 8.c.iv	347	1	5	3.77
question 8.c.v	347	1	5	3.78
question 8.c.vi	347	1	5	3.16
question 8.c.vii	347	1	5	3.87
question 8.d	347	0	5	2.89
question 9.a	347	1	5	2.78
question 9.b	347	1	5	2.64
question 9.c	347	1	5	2.88
question 9.d	347	1	5	2.8
question 9.e	347	1	5	2.51
question 9.f	347	1	5	3.26
question 10.a.i	347	1	5	2.87
question 10.a.ii	347	1	5	2.52
question 10.a.iii	347	1	5	2.49
question 10.iv	347	1	5	3.32
question 10.a.v	347	1	5	3.05
question 10.a.vi	347	1	5	3.62
question 10.a.vii	347	1	5	2.35
question 11.a	347	1	5	3.77
question 11.b	347	1	5	3.48
question 11.c	347	1	5	3.95
question 12.a	347	1	5	3.86
question 12.b	347	1	5	3.89
question 12.c	347	1	7	5.16

## 4.2 Cross Tabulation Analysis

Since the cross-tabulation analysis for the responses obtained and to detail it with the demographic background of respondent would be a prolonged and tedious process. Hence, I limited by choosing educational background of the respondent for the detailed analysis of the responses being provided for each of research question. It is because, educated people in Bhutan undertake any key decisions or policies on behalf of the government. Also, clearly convincing from our new democratic government that those who wished to be a politician must bear minimum qualification of bachelors degree. The educational qualification is categorized into three namely, high school and below (includes, non-formal education learner, and from classes kindergarten to 12), bachelors degree and higher degree (post graduate, masters degree, Ph. D). As obtained from sample, there were only four respondents who studied up to primary school which is then categorized as high school and below. Statistical test namely, chi square and contingency coefficients were conducted and presented accordingly.

**Table 4.20: Cross-tabulation analysis of the response obtained on importance of Pillar I of GNH from diverse educational background.**

<b>Educational Background</b>	<b>Unimportant</b>	<b>Of Little Importance</b>	<b>Moderately Important</b>	<b>Important</b>	<b>Very Important</b>	<b>Total</b>
High School & below: Frequency	1	0	3	47	61	112
Percent	0.90%	0.00%	2.70%	42.00%	54.50%	100%
Bachelors Degree: Frequency	0	0	6	42	135	183
Percent	0.00%	0.00%	3.30%	23.00%	73.80%	100%
Higher Degree: Frequency	0	1	3	16	32	52
Percent	0.00%	1.90%	5.80%	30.80%	61.50%	100%
Total: Frequency	1	1	12	105	228	347
Percent	0.30%	0.30%	3.50%	30.30%	65.70%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.197 <sup>a</sup>	8	.007
Likelihood Ratio	19.179	8	.014
Linear-by-Linear Association	1.300	1	.254
N of Valid Cases	347		

a. 8 cells (53.3%) have expected count less than 5. The minimum expected count is .15.

**Table 4.21: Cross-tabulation analysis of the response obtained on importance of Pillar II of GNH from diverse educational background.**

Educational Background	Unimportant	Of Little Importance	Moderately Important	Important	Very Important	Total
High School & below: Frequency	0	3	7	34	68	112
Percent	0.00%	2.70%	6.20%	30.40%	60.70%	100%
Bachelors Degree: Frequency	0	1	21	76	85	183
Percent	0.00%	0.50%	11.50%	41.50%	46.40%	100%
Higher Degree: Frequency	1	1	8	23	19	52
Percent	1.90%	1.90%	15.40%	44.20%	36.50%	100%
Total: Frequency	1	5	36	133	172	347
Percent	0.30%	1.40%	10.40%	38.30%	49.60%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.039 <sup>a</sup>	8	.015
Likelihood Ratio	17.472	8	.026
Linear-by-Linear Association	8.956	1	.003
N of Valid Cases	347		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is .15.

**Table 4.22: Cross-tabulation analysis of the response obtained on importance of Pillar III of GNH from diverse educational background.**

<b>Educational Background</b>	<b>Unimportant</b>	<b>Of Little Importance</b>	<b>Moderately Important</b>	<b>Important</b>	<b>Very Important</b>	<b>Total</b>
High School & below: Frequency	0	4	4	30	74	112
Percent	0.00%	3.60%	3.60%	26.80%	66.10%	100%
Bachelors Degree: Frequency	0	0	7	67	109	183
Percent	0.00%	0.00%	3.80%	36.60%	59.60%	100%
Higher Degree: Frequency	1	1	7	15	28	52
Percent	1.90%	1.90%	13.50%	28.80%	53.80%	100%
Total: Frequency	1	5	18	112	211	347
Percent	0.30%	1.40%	5.20%	32.30%	60.80%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.276 <sup>a</sup>	8	.003
Likelihood Ratio	21.038	8	.007
Linear-by-Linear Association	3.028	1	.082
N of Valid Cases	347		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .15.

**Table 4.23: Cross-tabulation analysis of the response obtained on importance of Pillar IV of GNH from diverse educational background.**

<b>Educational Background</b>	<b>Unimportant</b>	<b>Of Little Importance</b>	<b>Moderately Important</b>	<b>Important</b>	<b>Very Important</b>	<b>Total</b>
High School & below: Frequency	0	0	1	13	98	112
Percent	0%	0%	0.90%	11.60%	87.50%	100%
Bachelors Degree: Frequency	0	0	3	23	157	183
Percent	0%	0%	1.60%	12.60%	85.80%	100%
Higher Degree: Frequency	0	0	3	7	42	52
Percent	0%	0%	5.80%	13.50%	80.80%	100%
Total: Frequency	0	0	7	43	297	347
Percent	0%	0%	2.00%	12.40%	85.60%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.758 <sup>a</sup>	4	.313
Likelihood Ratio	3.730	4	.444
Linear-by-Linear Association	2.255	1	.133
N of Valid Cases	347		

a. 3 cells (33.3%) have expected count less than 5. The minimum expected count is 1.05.

Referring from the above facts and figures on the response of importance of four pillars of GNH being obtained from respondents, I would like to briefly present its significance. It is unambiguous that all the respondents irrespective of educational attainment view good governance, pillar IV as the most important pillar for GNH. Classifying the response of each pillar, 99.1% of high school respondent views pillar IV the most important as compared with 98% of bachelors degree and 98% of higher degree respondents, respectively. Coming to pillar I, equitable and sustainable socio-economic development, stands second, while pillar III, conservation of natural environment and pillar II, preservation and promotion of cultural heritage and values are ranked third and fourth in terms of its importance for GNH respectively.

**Table 4.24: Cross-tabulation analysis of the response obtained on current status of Pillar I of GNH from diverse educational background.**

<b>Educational Background</b>	<b>Extremely Poor</b>	<b>Below Average</b>	<b>Average</b>	<b>Above Average</b>	<b>Excellent</b>	<b>Total</b>
High School & below: Frequency	6	18	45	30	13	112
Percent	5.40%	16.10%	40.20%	26.80%	11.60%	100%
Bachelors Degree: Frequency	14	61	80	22	6	183
Percent	7.70%	33.30%	43.70%	12.00%	3.30%	100%
Higher Degree: Frequency	4	15	29	2	2	52
Percent	7.70%	28.80%	55.80%	3.80%	3.80%	100%
Total: Frequency	24	94	154	54	21	347
Percent	6.90%	27.10%	44.40%	15.60%	6.10%	100%

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.858 <sup>a</sup>	8	.000
Likelihood Ratio	34.285	8	.000
Linear-by-Linear Association	18.165	1	.000
N of Valid Cases	347		

**Table 4.25: Cross-tabulation analysis of the response obtained on current status of Pillar II of GNH from diverse educational background.**

Educational Background	Extremely Poor	Below Average	Average	Above Average	Excellent	Total
High School & below: Frequency	1	5	28	51	27	112
Percent	0.90%	4.50%	25.00%	45.50%	24.10%	100%
Bachelors Degree: Frequency	0	0	65	96	22	183
Percent	0.00%	0.00%	35.50%	52.50%	12.00%	100%
Higher Degree: Frequency	1	2	15	25	9	52
Percent	1.90%	3.80%	28.80%	48.10%	17.30%	100%
Total: Frequency	2	7	108	172	58	347
Percent	0.60%	2.00%	31.10%	49.60%	16.70%	100%

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.119 <sup>a</sup>	8	.010
Likelihood Ratio	23.039	8	.003
Linear-by-Linear Association	1.403	1	.236
N of Valid Cases	347		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is .30.



**Table 4.26: Cross-tabulation analysis of the response obtained on current status of Pillar III of GNH from diverse educational background.**

<b>Educational Background</b>	<b>Extremely Poor</b>	<b>Below Average</b>	<b>Average</b>	<b>Above Average</b>	<b>Excellent</b>	<b>Total</b>
High School & below: Frequency	0	6	27	45	34	112
Percent	0.00%	5.40%	24.10%	40.20%	30.40%	100%
Bachelors Degree: Frequency	1	2	44	96	40	183
Percent	0.50%	1.10%	24.00%	52.50%	21.90%	100%
Higher Degree: Frequency	0	2	9	21	20	52
Percent	0.00%	3.80%	17.30%	40.40%	38.50%	100%
Total: Frequency	1	10	80	162	94	347
Percent	0.30%	2.90%	23.10%	46.70%	27.10%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.891 <sup>a</sup>	8	.085
Likelihood Ratio	14.327	8	.074
Linear-by-Linear Association	1.103	1	.294
N of Valid Cases	347		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .15.

**Table 4.27: Cross-tabulation analysis of the response obtained on current status of Pillar IV of GNH from diverse educational background.**

<b>Educational Background</b>	<b>Extremely Poor</b>	<b>Below Average</b>	<b>Average</b>	<b>Above Average</b>	<b>Excellent</b>	<b>Total</b>
High School & below: Frequency	3	2	32	46	29	112
Percent	2.70%	1.80%	28.60%	41.10%	25.90%	100%
Bachelors Degree: Frequency	5	19	99	46	14	183
Percent	2.70%	10.40%	54.10%	25.10%	7.70%	100%
Higher Degree: Frequency	3	6	26	15	2	52
Percent	5.80%	11.50%	50.00%	28.80%	3.80%	100%
Total: Frequency	11	27	157	107	45	347
Percent	3.20%	7.80%	45.20%	30.80%	13.00%	100%

**Chi –Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.879 <sup>a</sup>	8	.000
Likelihood Ratio	48.094	8	.000
Linear-by-Linear Association	30.710	1	.000
N of Valid Cases	347		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is 1.65.

**Table 4.28: Cross-tabulation analysis of the response obtained on FDI helps in regional developments in Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	0	8	22	65	17	112
Percent	0.00%	7.10%	19.60%	58.00%	15.20%	100%
Bachelors Degree: Frequency	4	15	31	107	26	183
Percent	2.20%	8.20%	16.90%	58.50%	14.20%	100%
Higher Degree: Frequency	4	4	10	26	8	52
Percent	7.70%	7.70%	19.20%	50.00%	15.40%	100%
Total: Frequency	8	27	63	198	51	347
Percent	2.30%	7.80%	18.20%	57.10%	14.70%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.158 <sup>a</sup>	8	.254
Likelihood Ratio	10.252	8	.248
Linear-by-Linear Association	2.283	1	.131
N of Valid Cases	347		

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is 1.20.

**Table 4.29: Cross-tabulation analysis of the response obtained on FDI helps in poverty reduction in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	3	15	40	45	9	112
Percent	2.70%	13.40%	35.70%	40.20%	8.00%	100%
Bachelors Degree: Frequency	3	24	54	88	14	183
Percent	1.60%	13.10%	29.50%	48.10%	7.70%	100%
Higher Degree: Frequency	2	12	11	22	5	52
Percent	3.80%	23.10%	21.20%	42.30%	9.60%	100%
Total: Frequency	8	51	105	155	28	347
Percent	2.30%	14.70%	30.30%	44.70%	8.10%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.685 <sup>a</sup>	8	.465
Likelihood Ratio	7.383	8	.496
Linear-by-Linear Association	.009	1	.923
N of Valid Cases	347		

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is 1.20.

In regard to response obtained from the respondents on the statement FDI would help in regional development and poverty reduction in Bhutan is positive. In other words, respondents irrespective of educational qualifications provide a consensus agreement to the above statement, particularly, on FDI's assistance in regional development. However, many respondents are undecided on FDI will help in alleviating poverty in Bhutan, as there is substantial percentage of respondents who could not decide, 35.70% of high school respondents, 29.50% of respondents with bachelors degree and 30.30% of respondents with higher degree. Yet, majority of the respondents positively agrees that FDI will help in regional development and elimination of poverty problem in Bhutan.

Comprehensively, I would like to present with figures on the response of each categorized educational background of respondents:

73.2% & 48.2% of high school respondents, 72.7% & 55.8% of degree holder respondents and 65.4% & 51.9% of the higher degree holder respondents supports the statement of FDI will positively develop regions and eliminate poverty in Bhutan respectively.

**Table 4.30: Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI allowed in hotel and tourism sector in Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	1	11	15	70	15	112
Percent	0.90%	9.80%	13.40%	62.50%	13.40%	100%
Bachelors Degree: Frequency	5	20	19	107	32	183
Percent	2.70%	10.90%	10.40%	58.50%	17.50%	100%
Higher Degree: Frequency	0	7	4	26	15	52
Percent	0.00%	13.50%	7.70%	50.00%	28.80%	100%
Total: Frequency	6	38	38	203	62	347
Percent	1.70%	11.00%	11.00%	58.50%	17.90%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.741 <sup>a</sup>	8	.284
Likelihood Ratio	10.172	8	.253
Linear-by-Linear Association	.756	1	.385
N of Valid Cases	347		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is .90.

**Table 4.31: Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in ICT sector in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	0	4	17	68	23	112
Percent	0.00%	3.60%	15.20%	60.70%	20.50%	100%
Bachelors Degree: Frequency	1	6	26	105	45	183
Percent	0.50%	3.30%	14.20%	57.40%	24.60%	100%
Higher Degree: Frequency	1	3	5	26	17	52
Percent	1.90%	5.80%	9.60%	50.00%	32.70%	100%
Total: Frequency	2	13	48	199	85	347
Percent	0.60%	3.70%	13.80%	57.30%	24.50%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.657 <sup>a</sup>	8	.574
Likelihood Ratio	6.599	8	.580
Linear-by-Linear Association	.382	1	.537
N of Valid Cases	347		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .30.

**Table 4.32: Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in education sector in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	1	8	18	48	37	112
Percent	0.90%	7.10%	16.10%	42.90%	33.00%	100%
Bachelors Degree: Frequency	2	20	25	85	51	183
Percent	1.10%	10.90%	13.70%	46.40%	27.90%	100%
Higher Degree: Frequency	1	4	8	29	10	52
Percent	1.90%	7.70%	15.40%	55.80%	19.20%	100%
Total: Frequency	4	32	51	162	98	347
Percent	1.20%	9.20%	14.70%	46.70%	28.20%	100%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.557 <sup>a</sup>	8	.697
Likelihood Ratio	5.634	8	.688
Linear-by-Linear Association	1.424	1	.233
N of Valid Cases	347		

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is .60.

**Table 4.33: Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in manufacturing sector in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	1	12	22	58	19	112
Percent	0.90%	10.70%	19.60%	51.80%	17.00%	100.00%
Bachelors Degree: Frequency	4	18	26	106	29	183
Percent	2.20%	9.80%	14.20%	57.90%	15.80%	100.00%
Higher Degree: Frequency	0	5	8	25	14	52
Percent	0.00%	9.60%	15.40%	48.10%	26.90%	100.00%
Total: Frequency	5	35	56	189	62	347
Percent	1.40%	10.10%	16.10%	54.50%	17.90%	100.00%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.842 <sup>a</sup>	8	.554
Likelihood Ratio	7.197	8	.516
Linear-by-Linear Association	1.203	1	.273
N of Valid Cases	347		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is .75.

**Table 4.34: Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in hydro-power sector in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	1	13	14	50	34	112
Percent	0.90%	11.60%	12.50%	44.60%	30.40%	100.00%
Bachelors Degree: Frequency	3	29	29	80	42	183
Percent	1.60%	15.80%	15.80%	43.70%	23.00%	100.00%
Higher Degree: Frequency	0	11	8	17	16	52
Percent	0.00%	21.20%	15.40%	32.70%	30.80%	100.00%
Total: Frequency	4	53	51	147	92	347
Percent	1.20%	15.30%	14.70%	42.40%	26.50%	100.00%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.012 <sup>a</sup>	8	.535
Likelihood Ratio	7.643	8	.469
Linear-by-Linear Association	2.020	1	.155
N of Valid Cases	347		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is .60.

**Table 4.35: Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in mining, mineral and quarrying sector in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	5	18	28	45	16	112
Percent	4.50%	16.10%	25.00%	40.20%	14.30%	100%
Bachelors Degree: Frequency	13	53	52	53	12	183
Percent	7.10%	29.00%	28.40%	29.00%	6.60%	100%
Higher Degree: Frequency	2	14	13	19	4	52
Percent	3.80%	26.90%	25.00%	36.50%	7.70%	100%
Total: Frequency	20	85	93	117	32	347
Percent	5.80%	24.50%	26.80%	33.70%	9.20%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.858 <sup>a</sup>	8	.086
Likelihood Ratio	13.952	8	.083
Linear-by-Linear Association	5.163	1	.023
N of Valid Cases	347		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 3.00.

**Table 4.36: Cross-tabulation analysis of frequency and percentage of respondent's view on should FDI be allowed in finance and banking sector in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	2	7	19	52	32	112
Percent	1.80%	6.20%	17.00%	46.40%	28.60%	100%
Bachelors Degree: Frequency	2	19	28	91	43	183
Percent	1.10%	10.40%	15.30%	49.70%	23.50%	100%
Higher Degree: Frequency	1	6	5	28	12	52
Percent	1.90%	11.50%	9.60%	53.80%	23.10%	100%
Total: Frequency	5	32	52	171	87	347
Percent	1.40%	9.20%	15.00%	49.30%	25.10%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.501 <sup>a</sup>	8	.809
Likelihood Ratio	4.720	8	.787
Linear-by-Linear Association	.545	1	.461
N of Valid Cases	347		

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is .75.



**Table 4.37: Cross-tabulation analysis of frequency and percentage of respondent's view on which agency in Bhutan should undertake FDI joint venture.**

<b>Educational Background</b>	<b>None</b>	<b>Govt.</b>	<b>Public Sector</b>	<b>Private Sector</b>	<b>International Organization</b>	<b>Govt. &amp; PPP</b>	<b>Total</b>
High School & below: Frequency	0	38	14	8	18	34	112
Percent	0.00%	33.90%	12.50%	7.10%	16.10%	30.40%	100%
Bachelors Degree: Frequency	1	63	24	21	14	60	183
Percent	0.50%	34.40%	13.10%	11.50%	7.70%	32.80%	100%
Higher Degree: Frequency	0	17	10	7	6	12	52
Percent	0.00%	32.70%	19.20%	13.50%	11.50%	23.10%	100%
Total: Frequency	1	118	48	36	38	106	347
Percent	0.30%	34.00%	13.80%	10.40%	11.00%	30.50%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.829 <sup>a</sup>	10	.456
Likelihood Ratio	10.147	10	.428
Linear-by-Linear Association	.614	1	.433
N of Valid Cases	347		

a. 3 cells (16.7%) have expected count less than 5. The minimum expected count is .15.

The respondents with diverse educational background have positive opinion in welcoming FDI in the seven sectors identified in Bhutan. Excepting natural resources extraction sector, the respondents unanimously agree to allow FDI in rest of the six sectors. The respondents comprising of 75.9% with high school background, 76% with bachelors degree and 78% with higher degree agrees on FDI be allowed in hotel and tourism sector in Bhutan. FDI should also be promoted in ICT sector, as 81.2% of respondents with high school background, 82% with bachelors degree and 82.7% with higher degree also accord on FDI in this sector. Likewise in education, manufacturing, hydro-power and banking & finance sectors too, the respondents with diverse educational background would accept FDI's promotion.

**Table 4.38: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on national dress code of Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	12	38	18	26	18	112
Percent	10.70%	33.90%	16.10%	23.20%	16.10%	100%
Bachelors Degree: Frequency	16	93	17	39	18	183
Percent	8.70%	50.80%	9.30%	21.30%	9.80%	100%
Higher Degree: Frequency	8	26	4	11	3	52
Percent	15.40%	50.00%	7.70%	21.20%	5.80%	100%
Total: Frequency	36	157	39	76	39	347
Percent	10.40%	45.20%	11.20%	21.90%	11.20%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.117 <sup>a</sup>	8	.079
Likelihood Ratio	14.101	8	.079
Linear-by-Linear Association	6.283	1	.012
N of Valid Cases	347		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.39.

**Table 4.39: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on Buddhism of Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	11	44	22	22	13	112
Percent	9.80%	39.30%	19.60%	19.60%	11.60%	100.00%
Bachelors Degree: Frequency	18	102	17	37	9	183
Percent	9.80%	55.70%	9.30%	20.20%	4.90%	100.00%
Higher Degree: Frequency	7	23	9	13	0	52
Percent	13.50%	44.20%	17.30%	25.00%	0.00%	100.00%
Total: Frequency	36	169	48	72	22	347
Percent	10.40%	48.70%	13.80%	20.70%	6.30%	100.00%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.917 <sup>a</sup>	8	.011
Likelihood Ratio	22.298	8	.004
Linear-by-Linear Association	4.013	1	.045
N of Valid Cases	347		

a. 1 cells (6.7%) have expected count less than 5. The minimum expected count is 3.30.

**Table 4.40: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on national language of Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	8	40	16	34	14	112
Percent	7.10%	35.70%	14.30%	30.40%	12.50%	100%
Bachelors Degree: Frequency	14	83	16	58	12	183
Percent	7.70%	45.40%	8.70%	31.70%	6.60%	100%
Higher Degree: Frequency	5	23	8	16	0	52
Percent	9.60%	44.20%	15.40%	30.80%	0.00%	100%
Total: Frequency	27	146	40	108	26	347
Percent	7.80%	42.10%	11.50%	31.10%	7.50%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.431 <sup>a</sup>	8	.133
Likelihood Ratio	15.731	8	.046
Linear-by-Linear Association	4.369	1	.037
N of Valid Cases	347		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 3.90.

**Table 4.41: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on traditional arts & crafts of Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	10	38	22	29	13	112
Percent	8.90%	33.90%	19.60%	25.90%	11.60%	100%
Bachelors Degree: Frequency	12	92	27	41	11	183
Percent	6.60%	50.30%	14.80%	22.40%	6.00%	100%
Higher Degree: Frequency	4	24	11	9	4	52
Percent	7.70%	46.20%	21.20%	17.30%	7.70%	100%
Total: Frequency	26	154	60	79	28	347
Percent	7.50%	44.40%	17.30%	22.80%	8.10%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.118 <sup>a</sup>	8	.257
Likelihood Ratio	10.212	8	.250
Linear-by-Linear Association	3.055	1	.080
N of Valid Cases	347		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 3.90.

**Table 4.42: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on local and national festivals of Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	11	52	22	18	9	112
Percent	9.80%	46.40%	19.60%	16.10%	8.00%	100%
Bachelors Degree: Frequency	20	106	22	27	8	183
Percent	10.90%	57.90%	12.00%	14.80%	4.40%	100%
Higher Degree: Frequency	6	27	10	7	2	52
Percent	11.50%	51.90%	19.20%	13.50%	3.80%	100%
Total: Frequency	37	185	54	52	19	347
Percent	10.70%	53.30%	15.60%	15.00%	5.50%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.166 <sup>a</sup>	8	.519
Likelihood Ratio	7.085	8	.528
Linear-by-Linear Association	2.197	1	.138
N of Valid Cases	347		

a. 1 cells (6.7%) have expected count less than 5. The minimum expected count is 2.85.

**Table 4.43: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on social lives of Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	7	25	26	43	11	112
Percent	6.20%	22.30%	23.20%	38.40%	9.80%	100%
Bachelors Degree: Frequency	6	52	30	74	21	183
Percent	3.30%	28.40%	16.40%	40.40%	11.50%	100%
Higher Degree: Frequency	3	13	10	20	6	52
Percent	5.80%	25.00%	19.20%	38.50%	11.50%	100%
Total: Frequency	16	90	66	137	38	347
Percent	4.60%	25.90%	19.00%	39.50%	11.00%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.507 <sup>a</sup>	8	.809
Likelihood Ratio	4.493	8	.810
Linear-by-Linear Association	.040	1	.841
N of Valid Cases	347		

a. 1 cells (6.7%) have expected count less than 5. The minimum expected count is 2.40.

It is conclusive from the above tables that FDI will as such not pose negative impact on almost all the cultural aspects except for social lives. As computed, 44.6% against 39.3% of respondents with high school background disagrees to the statement that FDI will bring in negative impact on national dress code of Bhutan. In other words,

FDI will not impose negative impact on this aspect of culture. FDI will also not pose negative threat on religion of Bhutan, Buddhism, as agreed by respondents with the above three educational background. In figures, 49.1% of respondents with high school background, 65.5% and 57.7% of respondents with bachelors degree and higher degree background also rejects the statement that FDI will have negative impact on religion of Bhutan. As regards to national language of Bhutan, Dzongkha, respondents with high school background views that FDI will impose a threat to this very aspect of culture of Bhutan, as 42.9% agrees that FDI will have a negative influence against 42.8% of respondents who denies that FDI will not have negative influence. However, respondents with background of bachelors and higher degree, doesn't view FDI's negative threat to national language of Bhutan, as 52.4% and 53.8% of respondents with bachelors degree and higher degree disagrees on the statement that FDI will bring in negative impact on national language of Bhutan. Similarly, respondents with different educational qualification have expressed a consensus decision that FDI will not pose negative impact on traditional arts & crafts and local & national festivals of Bhutan, while all three classes of educated respondents agree that FDI will have negative influence on the last aspect of culture, social lives, in the questionnaire.

**Table 4.44: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in hotel & tourism sector on natural environment in Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	12	42	19	35	4	112
Percent	10.70%	37.50%	17.00%	31.20%	3.60%	100%
Bachelors Degree: Frequency	12	72	22	67	10	183
Percent	6.60%	39.30%	12.00%	36.60%	5.50%	100%
Higher Degree: Frequency	7	21	5	16	3	52
Percent	13.50%	40.40%	9.60%	30.80%	5.80%	100%
Total: Frequency	31	135	46	118	17	347
Percent	8.90%	38.90%	13.30%	34.00%	4.90%	100%

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.113 <sup>a</sup>	8	.635
Likelihood Ratio	6.050	8	.642
Linear-by-Linear Association	.025	1	.874
N of Valid Cases	347		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 2.55.

**Table 4.45: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in ICT sector on natural environment in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	9	47	21	29	6	112
Percent	8.00%	42.00%	18.80%	25.90%	5.40%	100%
Bachelors Degree: Frequency	16	99	37	29	2	183
Percent	8.70%	54.10%	20.20%	15.80%	1.10%	100%
Higher Degree: Frequency	9	32	6	4	1	52
Percent	17.30%	61.50%	11.50%	7.70%	1.90%	100%
Total: Frequency	34	178	64	62	9	347
Percent	9.80%	51.30%	18.40%	17.90%	2.60%	100%

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.909 <sup>a</sup>	8	.007
Likelihood Ratio	20.654	8	.008
Linear-by-Linear Association	16.063	1	.000
N of Valid Cases	347		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is 1.35.

**Table 4.46: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in education sector on natural environment in Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	9	53	23	19	8	112
Percent	8.00%	47.30%	20.50%	17.00%	7.10%	100%
Bachelors Degree: Frequency	14	105	30	34	0	183
Percent	7.70%	57.40%	16.40%	18.60%	0.00%	100%
Higher Degree: Frequency	8	31	9	2	2	52
Percent	15.40%	59.60%	17.30%	3.80%	3.80%	100%
Total: Frequency	31	189	62	55	10	347
Percent	8.90%	54.50%	17.90%	15.90%	2.90%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.299 <sup>a</sup>	8	.003
Likelihood Ratio	28.132	8	.000
Linear-by-Linear Association	8.871	1	.003
N of Valid Cases	347		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is 1.50.

**Table 4.47: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in manufacturing sector on natural environment in Bhutan.**

<b>Educational Background</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
High School & below: Frequency	6	36	20	38	12	112
Percent	5.40%	32.10%	17.90%	33.90%	10.70%	100%
Bachelors Degree: Frequency	6	49	22	69	37	183
Percent	3.30%	26.80%	12.00%	37.70%	20.20%	100%
Higher Degree: Frequency	4	12	6	25	5	52
Percent	7.70%	23.10%	11.50%	48.10%	9.60%	100%
Total: Frequency	16	97	48	132	54	347
Percent	4.60%	28.00%	13.80%	38.00%	15.60%	100%



## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.393 <sup>a</sup>	8	.135
Likelihood Ratio	12.290	8	.139
Linear-by-Linear Association	1.940	1	.164
N of Valid Cases	347		

a. 1 cells (6.7%) have expected count less than 5. The minimum expected count is 2.40.

**Table 4.48: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in hydro-power sector on natural environment in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	8	34	25	38	7	112
Percent	7.10%	30.40%	22.30%	33.90%	6.20%	100%
Bachelors Degree: Frequency	8	59	28	69	19	183
Percent	4.40%	32.20%	15.30%	37.70%	10.40%	100%
Higher Degree: Frequency	4	24	9	13	2	52
Percent	7.70%	46.20%	17.30%	25.00%	3.80%	100%
Total: Frequency	20	117	62	120	28	347
Percent	5.80%	33.70%	17.90%	34.60%	8.10%	100%

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.860 <sup>a</sup>	8	.210
Likelihood Ratio	10.916	8	.206
Linear-by-Linear Association	.990	1	.320
N of Valid Cases	347		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 3.00.

**Table 4.49: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in natural resources extraction sector on natural environment in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	4	25	28	39	16	112
Percent	3.60%	22.30%	25.00%	34.80%	14.30%	100%
Bachelors Degree: Frequency	5	23	25	81	49	183
Percent	2.70%	12.60%	13.70%	44.30%	26.80%	100%
Higher Degree: Frequency	2	9	8	23	10	52
Percent	3.80%	17.30%	15.40%	44.20%	19.20%	100%
Total: Frequency	11	57	61	143	75	347
Percent	3.20%	16.40%	17.60%	41.20%	21.60%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.357 <sup>a</sup>	8	.038
Likelihood Ratio	16.268	8	.039
Linear-by-Linear Association	4.598	1	.032
N of Valid Cases	347		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 1.65.

**Table 4.50: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI in finance and banking sector on natural environment in Bhutan.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	14	47	25	19	7	112
Percent	12.50%	42.00%	22.30%	17.00%	6.20%	100%
Bachelors Degree: Frequency	31	106	26	15	5	183
Percent	16.90%	57.90%	14.20%	8.20%	2.70%	100%
Higher Degree: Frequency	9	31	7	3	2	52
Percent	17.30%	59.60%	13.50%	5.80%	3.80%	100%
Total: Frequency	54	184	58	37	14	347
Percent	15.60%	53.00%	16.70%	10.70%	4.00%	100%

## Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.481 <sup>a</sup>	8	.036
Likelihood Ratio	16.127	8	.041
Linear-by-Linear Association	10.072	1	.002
N of Valid Cases	347		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 2.10.

Figuring out from the above tables regarding the responses obtained from three classes of educational holding of the respondents, it is conclusive that FDI in ICT, education and finance and banking sector would not cause negative impact on natural environment in Bhutan. Even to some extent, FDI in hotel & tourism sector and hydro-power will also be of not immense threat to natural environment. However, FDI in manufacturing and mining, mineral and quarrying sector, respondents agree that FDI in these two sectors will have negative impact on natural environment.

**Table 4.51: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on efficiency of good governance in Bhutan.**

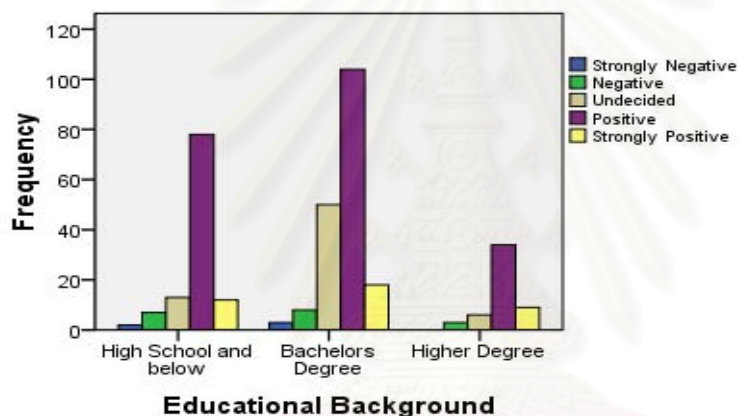
<b>Educational Background</b>	<b>Strongly Negative</b>	<b>Negative</b>	<b>Undecided</b>	<b>Positive</b>	<b>Strongly Positive</b>	<b>Total</b>
High School & below: Frequency	2	7	13	78	12	112
Percent	1.80%	6.20%	11.60%	69.60%	10.70%	100%
Bachelors Degree: Frequency	3	8	50	104	18	183
Percent	1.60%	4.40%	27.30%	56.80%	9.80%	100%
Higher Degree: Frequency	0	3	6	34	9	52
Percent	0.00%	5.80%	11.50%	65.40%	17.30%	100%
Total: Frequency	5	18	69	216	39	347
Percent	1.40%	5.20%	19.90%	62.20%	11.20%	100%

### Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.157 <sup>a</sup>	8	.040
Likelihood Ratio	17.129	8	.029
Linear-by-Linear Association	.174	1	.676
N of Valid Cases	347		

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is .75.

**Figure 4.23: Cross-tabulation of analysis shown in frequency and percentage of response on impact of FDI efficiency of good governance in Bhutan.**



**Table 4.52: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on integrity of good governance in Bhutan.**

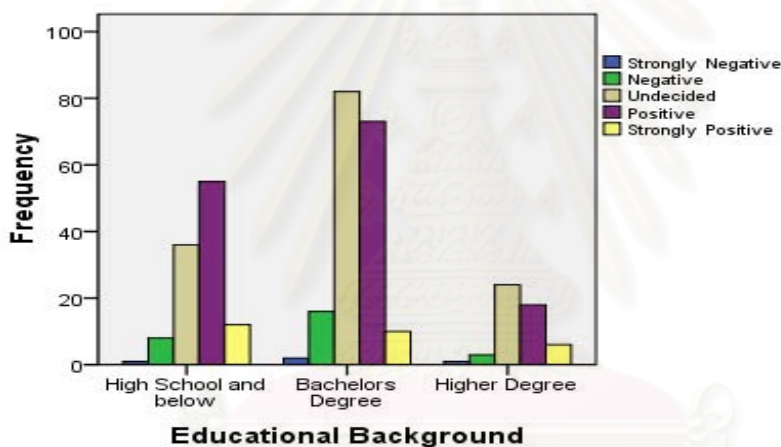
Educational Background	Strongly Negative	Negative	Undecided	Positive	Strongly Positive	Total
High School & below: Frequency	1	8	36	55	12	112
Percent	0.90%	7.10%	32.10%	49.10%	10.70%	100%
Bachelors Degree: Frequency	2	16	82	73	10	183
Percent	1.10%	8.70%	44.80%	39.90%	5.50%	100%
Higher Degree: Frequency	1	3	24	18	6	52
Percent	1.90%	5.80%	46.20%	34.60%	11.50%	100%
Total: Frequency	4	27	142	146	28	347
Percent	1.20%	7.80%	40.90%	42.10%	8.10%	100%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.516 <sup>a</sup>	8	.301
Likelihood Ratio	9.627	8	.292
Linear-by-Linear Association	2.335	1	.126
N of Valid Cases	347		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .60.

**Figure 4.24: Cross-tabulation of analysis shown in frequency and percentage of response on impact of FDI on integrity of good governance in Bhutan.**



**Table 4.53: Cross-tabulation analysis of frequency and percentage of respondent's view impact of FDI on innovation of good governance in Bhutan.**

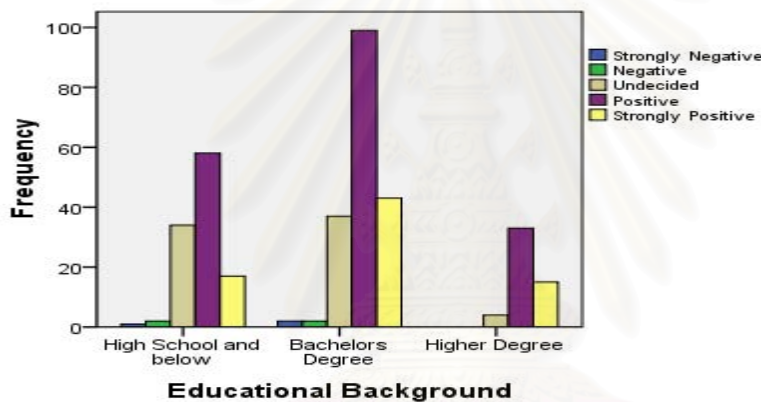
Educational Background	Strongly Negative	Negative	Undecided	Positive	Strongly Positive	Total
High School & below: Frequency	1	2	34	58	17	112
Percent	0.90%	1.80%	30.40%	51.80%	15.20%	100%
Bachelors Degree: Frequency	2	2	37	99	43	183
Percent	1.10%	1.10%	20.20%	54.10%	23.50%	100%
Higher Degree: Frequency	0	0	4	33	15	52
Percent	0.00%	0.00%	7.70%	63.50%	28.80%	100%
Total: Frequency	3	4	75	190	75	347
Percent	0.90%	1.20%	21.60%	54.80%	21.60%	100%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.964 <sup>a</sup>	8	.060
Likelihood Ratio	17.146	8	.029
Linear-by-Linear Association	12.047	1	.001
N of Valid Cases	347		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is .45.

**Figure 4.25: Cross-tabulation of analysis shown in frequency and percentage of response on impact of FDI on innovation of good governance in Bhutan.**



It is notable from the above figures in the tables being depicted on the impact of FDI on three aspects of good governance, efficiency, integrity and innovation. The respondents have a unanimous decision that FDI would bring in positive impact on efficiency and innovation which are chosen as two aspects of good governance in the questionnaire to study the impact of FDI on good governance. Splitting into figures, 80.3%, 66.6% and 82.7% of the respective respondents with an educational qualification of high school, bachelors degree and higher degree, reports that FDI will have positive impact on efficiency and innovation of good governance. While, FDI's impact on integrity is unpredictable as majority of the response reported as undecided, of course 59.8% of respondents with high school background believe that FDI will have positive impact on this aspect. Comprising of 45.4% of respondents with bachelors degree believe that FDI will have positive impact, but on the other hand

44.80% remains undecided and 9.8% reporting FDI will have negative impact. Similarly, 46.1% of respondents with higher degree background also do believe that FDI will have positive impact on integrity, yet, 46.2% remained undecided and 7.7% conceive FDI will have negative impact on integrity of good governance.

**Table 4.54: Cross-tabulation analysis of frequency and percentage of respondent's view FDI will improve living standard of people in Bhutan, hence contributing to GNH.**

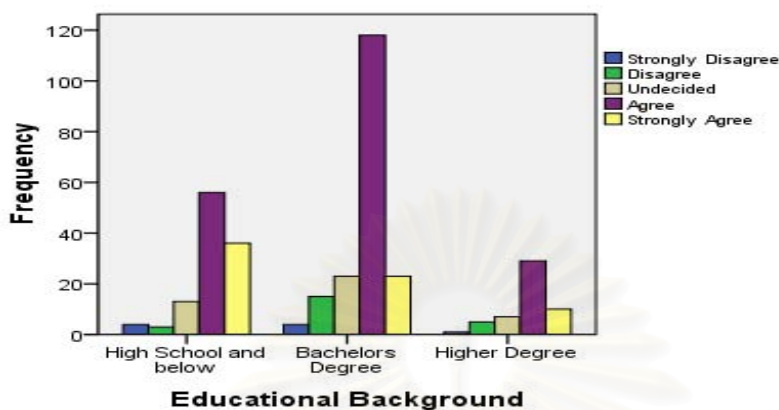
Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	4	3	13	56	36	112
Percent	3.60%	2.70%	11.60%	50.00%	32.10%	100%
Bachelors Degree: Frequency	4	15	23	118	23	183
Percent	2.20%	8.20%	12.60%	64.50%	12.60%	100%
Higher Degree: Frequency	1	5	7	29	10	52
Percent	1.90%	9.60%	13.50%	55.80%	19.20%	100%
Total: Frequency	9	23	43	203	69	347
Percent	2.60%	6.60%	12.40%	58.50%	19.90%	100%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.713 <sup>a</sup>	8	.008
Likelihood Ratio	20.766	8	.008
Linear-by-Linear Association	4.323	1	.038
N of Valid Cases	347		

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is 1.35.

**Figure 4.26: Cross-tabulation of analysis shown in frequency and percentage of response on whether FDI in Bhutan would improve living standard of people, thus, contributing to GNH.**



**Table 4.55: Cross-tabulation analysis of frequency and percentage of respondent's view on should new government of Bhutan promote FDI now.**

Educational Background	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
High School & below: Frequency	2	5	20	55	30	112
Percent	1.80%	4.50%	17.90%	49.10%	26.80%	100%
Bachelors Degree: Frequency	2	9	36	104	32	183
Percent	1.10%	4.90%	19.70%	56.80%	17.50%	100%
Higher Degree: Frequency	1	3	5	34	9	52
Percent	1.90%	5.80%	9.60%	65.40%	17.30%	100%
Total: Frequency	5	17	61	193	71	347
Percent	1.40%	4.90%	17.60%	55.60%	20.50%	100%

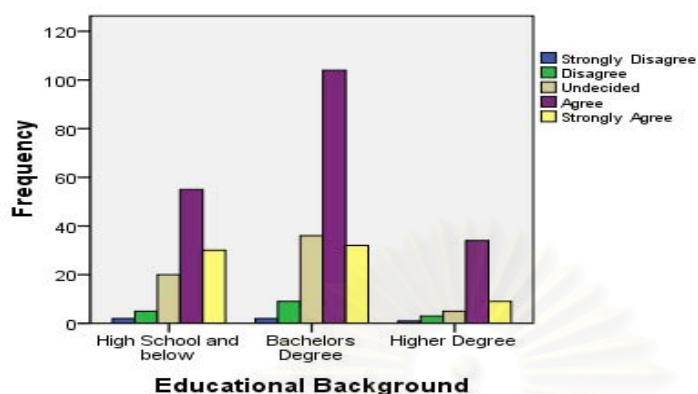
#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.818 <sup>a</sup>	8	.451
Likelihood Ratio	8.017	8	.432
Linear-by-Linear Association	.309	1	.578
N of Valid Cases	347		

a. 4 cells (26.7%) have expected count less than 5. The minimum expected count is .75.



**Figure 4.27: Cross-tabulation of analysis shown in frequency and percentage of response on whether FDI in Bhutan should be promoted now by the new government of Bhutan.**



In question no. 12.a and 12.b, respondents were asked whether they would agree that should FDI come into Bhutan would positively affect living standard of people of Bhutan, and the new government of Bhutan promote FDI now respectively. In figures, 82.1% of the high school respondents, 77.1% of bachelors degree respondents and 75% of the higher degree respondents supports that FDI will improve living standard of people of Bhutan, thus, shall contribute to GNH. Similarly, 75.9% of the high school respondents, 74.3% of bachelors degree respondents and 82.3% of the higher degree respondents have positive attitude towards the statement on FDI should be promoted now in Bhutan by the newly elected democratic government.

**Table 4.56: Cross-tabulation analysis of frequency and percentage of respondent's ratings of their overall happiness in life.**

Educational Background	Unhappy	Least Happy	Little happy	Neutral	Happy	More than happy	Most happy	Total
High School & below: Frequency	1	1	5	21	35	35	14	112
Percent	0.90%	0.90%	4.50%	18.80%	31.20%	31.20%	12.50%	100%
Bachelors Degree: Frequency	1	1	8	35	64	57	17	183
Percent	0.50%	0.50%	4.40%	19.10%	35.00%	31.10%	9.30%	100%
Higher Degree: Frequency	0	2	2	11	20	16	1	52
Percent	0.00%	3.80%	3.80%	21.20%	38.50%	30.80%	1.90%	100%
Total: Frequency	2	4	15	67	119	108	32	347
Percent	0.60%	1.20%	4.30%	19.30%	34.30%	31.10%	9.20%	100%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.469 <sup>a</sup>	12	.662
Likelihood Ratio	9.951	12	.620
Linear-by-Linear Association	1.823	1	.177
N of Valid Cases	347		

a. 9 cells (42.9%) have expected count less than 5. The minimum expected count is .30.

Notably from the above figures being depicted for overall happiness ratings of the respondent in their life, it is impressive that majority of the respondents are found to be happy. Respondents with high school background are found to be happier than respondents with bachelors and higher degree.

**Compilations of comments/suggestions which were left opened for the respondents to share their views on FDI in Bhutan. There were numerous and pertinent comments being expressed by respondents and these are compiled below:**

- FDI is paramount importance to pave the way for socio-economic development in Bhutan. While the implication of FDI needs to be evaluated by making a detailed cost-benefit analysis before undertaking major FDI in projects in Bhutan. Positive or negative implications of FDI in would depend on policies in place.
- Economic concerns for FDI should not be deprived of the moral concerns of Bhutan's political, social and religion, that harbors directly or indirectly the GNH. Filtration of FDI may be given the priority and its movement may be controlled, by introducing prudent policies and regulations, hence, with these wise policies, FDI would partly contribute to GNH. Without these, Bhutan is premature to accept the deals. Cross-cutting policies may need to be reformed if FDI is to meaningfully to contribute to the vision of GNH.

- Excessive dependence on FDI would be dangerous but the need of FDI is highly felt in Bhutan. Besides direct development of Bhutan economically through FDI, it will also lead to indirect economic developments through healthy competition, which is essentially needed at this point of time. So, FDI should definitely be given importance, but its cost and benefits needs to be ascertained.
- Besides capital, FDI in Bhutan should be accompanied by transfer of skills, technology and innovation.
- Bhutan should gradually and continuously open to FDI in important sectors which have a comparative advantage.
- FDI should be welcomed in sectors like, hydro-power development, hospitals, universities, ICT, hospitality, finance and banking while restricting on natural resources extraction. Public-private partnership is encouraged for hydropower development with FDI partner in Bhutan.
- Bhutan being small in terms of size of economy and market, FDI in Bhutan will play a vital role in integrating towards global economy. Also, Bhutan is in the process of acceding to the WTO.
- It is timely that Bhutan focus on long-term sustainability and self-reliance through economic cooperation by way of public-private partnership (PPP) in the areas of trade and FDI. Thus reducing dependence on external development assistance and fostering economic growth. Hence, FDI in Bhutan will foster/install social service by way of building infrastructural facilities, which to this end were being assisted by external donor agencies.
- FDI will bring in negative impacts such as dependence on foreign agencies, exploitation of natural resources, outflow of cash (local and community), domination by the investing agencies and disparities in income distribution. On the other hand it will also introduce some positive impacts, creation of employment opportunities, improve living standard, reduce poverty, proper utilization of rich natural resources, innovation/improve hence helping in capacity building the people in technical areas.
- The subject of FDI is still new and novel in Bhutan. People are yet to realize and fully understand its implication to country in general and lines of the

people in particular. All the stakeholders, people, private investors and govt. stakeholders need to be made aware of FDI concept.

- 1. FDI should be in sectors of economic activity where job opportunities to local people are maximum;
- 2. FDI should have positive impact on work behavior of Bhutanese, as they are known for nonchalant nature. High time that sense of competitiveness get ingrained in all sections of the society;
- 3. Unplanned FDI normally kills the opportunities of the locals. Hence, those sectors where Bhutanese are capable of delivering must not be opened for FDI;
- 4. Policy makers must take into account the trade-off between positive and negative impacts of FDI and finally;
- 5. Policy makers can decide on certain incentive (tax, other fiscal measurement, profit transfers, etc.) to attract FDI in those sectors where negative impact on four pillars of GNH is least. In other words, guidelines and policies for FDI should be formulated keeping in mind of GNH four pillars. We should not compromise our values, beliefs, religion, culture etc. for FDI.
- FDI would bring in positive changes in both social and economic aspects of developments in Bhutan if undertaken with practical approach to accountability, integrity and the common cliché' transparency.
- FDI policies are stringent; there is no strict regulatory framework/agency to regulate the FDI companies in Bhutan. Most of the time, approval for FDI companies depends on the FDI approval committee; there are no frameworks to check the fronting.
- FDI should be encouraged and promoted in Bhutan, as it generates employment opportunities, source of technology transfer, capital and know-how.
- The RGoB to set up an independent steering committee to approve, regulate, monitor, review, etc. FDI in Bhutan.

## **CHAPTER V**

### **DISCUSSIONS, CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS**

In this chapter which is the final chapter of this research presents on numerous topics as reflected in the topic of chapter 5 namely, discussions, conclusion, limitations, recommendations and future research endeavor.

#### **5.1 Discussion**

This research is all about studying the impact of foreign direct investment on the four pillars of GNH of Bhutan, to see whether FDI in will bring regional development in Bhutan and to see in which sectors in Bhutan have potentials for FDI. In other words, these were three broad objectives of this research that I wished to undertake to study. In order to obtain the answers for these research objectives, questionnaires were designed in line with objectives. The questionnaires were then used as the main instrument in understanding the opinions and views by distributing to 450 respondents in three places in Bhutan. These three regions were Paro, Thimphu and Phuenstholing and the main purpose for resorting to these regions being the recipients of FDI currently in Bhutan. Of the questionnaires distributed, 347 were responded with qualified answers and fit to analyze the data. The SPSS program was used in analyzing the data, mean, standard deviation were calculated and the interpretations were made based on these figures. Further, cross tabulation analysis was done by choosing educational background from five demographic backgrounds of the respondents. The results were presented in tables and charts, beside statistics like, chi-square, contingency coefficient were also computed. In order to present comprehensive discussion in this chapter, I decided to present findings for each of the research objectives in the following manner:

**Research objective 1: To analyze the impact of FDI on GNH pillars.**

As can be derived from the data analysis report in the preceding chapter 4, it is observed that FDI will create a positive impact on Pillar I, equitable and sustainable socio-economic development of GNH. Majority of the respondents in the comments and suggestions on FDI have expressed their opinion supporting that FDI will foster rapid socio-economic development in Bhutan. Bhutan owing to its poor infrastructures and weak financial position must now encourage FDI in Bhutan, however ensuring minimal threat on its four pillars of GNH. The respondents comprising of 34.01% have an opinion that its current status is below average, 44.38% views it as average and just 21.55% of the respondents viewing its status above average. Complimented by the positive responses on the statement that FDI in Bhutan will alleviate poverty problem signifies that FDI inducement in Bhutan will accelerate economic growth. Respondents comprising of 52.8% agrees that FDI will help reduce poverty problem, against this statements is 17% and the balance of 30.30% reports as undecided.

Surprisingly, it is notable that FDI will not impose negative threat to prominent aspects of culture of Bhutan as asked in the questionnaire. This is the second pillar of GNH. The features of culture were national dress code, official religion of Bhutan, Buddhism, national language, Dzongkha, traditional arts and crafts, local & national festivals and finally social lives. FDI will impose negative threat to the last aspect of culture, social lives.

In getting the opinion on the FDI's impact on natural environment, third pillar of GNH, respondents were made to respond on the statement whether FDI in seven sectors in Bhutan would pose in negative impact. The respondents unanimously agree that FDI in hotel & tourism sector, education sector, ICT and finance and banking sector will not have negative impact. However, FDI in manufacturing and natural resource extraction sector will have negative impact and to some extent, in hydro-power sector will also have negative influence on natural environment in Bhutan.

Good governance, the final pillar of GNH is viewed as the most important pillar amongst other three pillars by the respondents. The respondents make a distinctive

report that FDI will have positive impact on two aspect of good governance as asked in the questionnaire. If to be broken in to figures, 73.99% of the respondents have an opinion that FDI will have positive impact on efficiency, 76.37% of the respondents also have the same opinion on innovation. The impact of FDI on integrity is slightly inconclusive as 40.92% of the respondents are undecided, 8.93% reporting to have negative influence on it and of course 50.14% of respondents think that FDI will have positive impact.

### **Research objective 2: To identify key business sectors for FDI in Bhutan.**

Since FDI is a path that integrates towards global business community which at this era and is inevitable to be a member. Bhutan has already been reaping the benefits of this change that entered the stage of development of Bhutan and is still in an infancy state as far as this integration is concerned. It is essential as a researcher to identify some of the key business sectors in Bhutan feasible for the foreign investors. Hence following sectors were ought to fulfill the OLI eclectic theory of foreign direct investment which are briefly explained in regard to their potentialities.

#### **1. Hydro-power sector.**

Strategically, Bhutan is located in a mountainous Himalayan region enriched with water resources that has a huge potential in generating the electricity for its domestic consumption and for local industrial needs and of all constitutes major exports for revenue generations. Optimal exploitation of this resource will not only benefit the present generation but also the future generation too. It is estimated that Bhutan has a huge potential in generating electricity about 30,000 mega watt (MW), of which 23,750 MW are techno-economically exploitable and the current installed capacity of hydropower plants stand at 1,490 MW which is 6% of the total generating capacity (ESMAP, World Bank Group, 2007). Thus it is convincing that Bhutan hugely posses potential of hydropower resources for FDI partners. On the other hand, there is also an assured market, India whose GDP growth rate is impressive which requires cheap energy supply for its rapid economic expansion by way of industrialization.

“South Asia’s strong economic growth has translated into rapidly increasing energy demand and this growth is becoming constrained by significant shortages in energy supply,” said Alastair McKechnie, World Bank Director for Regional Programs in South Asia. “While there is undoubtedly potential for savings from improving energy efficiency, fostering of cross border energy investments and promotion of regional energy trade in order to take full advantage of the energy resources available within the region and its neighborhood are critical to tackle this problem. Importing clean fuels such as hydropower and natural gas, together with using energy more efficiently, are viable options for reducing the local and global environmental impacts of the energy sector in South Asia. Bhutan’s success in exporting hydropower to India demonstrates the substantial benefits of energy trade to both exporter and importer” ([www.worldbank.org](http://www.worldbank.org)).

Bhutan further received blessing when Prime Minister of India during his two day visit to Bhutan committed to double the target of 5,000 MW by 2020 to 10,000 MW (Kuensel, May 17, 2008). The government has already identified the top 11 hydro projects that will be developed first totaling around 6229 MW. The government will be starting around seven or eight major projects in the 10th plan (2008-2013). Around 7,000 MW of the hydropower project will be executed bilaterally between the governments of India and Bhutan and remaining 3,000 MW will be floated to private sector under the build, own, operate and transfer (BOOT) model. (Kuensel, May 25, 2008).

## **2. Hotel & Tourism sector**

The tourism industry in Bhutan has been the potential source for foreign exchange earnings since it was first opened in 1974. Despite of the RGoB’s policy of “high value low volume” and also coupled with problem of poor infrastructures and transport and communication facilities, the tourists numbers over the last many years have been in the increasing trend. In other words, there has been steady rise of tourist arrivals in the country during the 1990s through 2000, except a comparative decrease in 2002 owing to the terrorism and outbreak of SARS. The following tables and graph

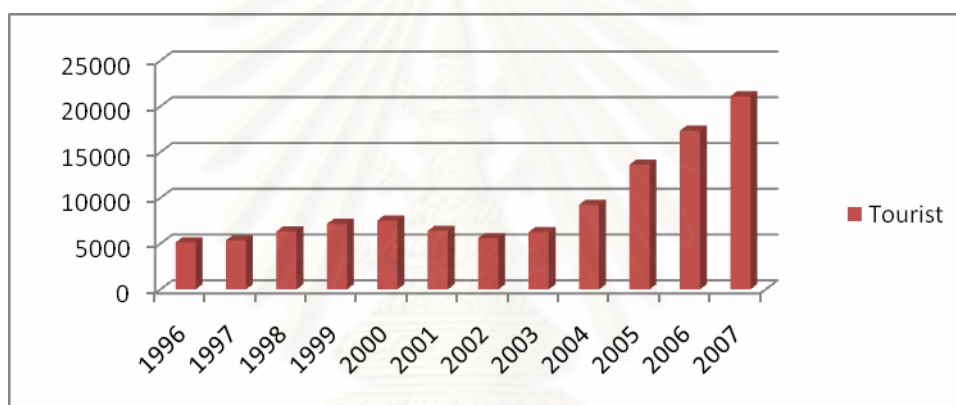


will present comprehensive picture on the tourist statistics and their gross contribution to the national exchequer.

**Table 5.1: Frequency of tourist arrival and earnings in million dollars in the year 1996-2007.**

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Tourist</b>	5,138	5,363	6,337	7,158	7,535	6,393	5,599	6,261	9,249	13,626	17,342	21,093
<b>Amt in Million USD</b>	6	7	7	8	9	9	8	8	13	16	24	30

**Figure 5.1: Frequency of tourist arrival in Bhutan since 1996 till 2007.**



**Source: Computed by author from the NSB 2001 and 2007.**

It is impressive that the tourist visit despite of the stringent tourism policy and poor infrastructures, yet, it is unquestionable the tourist arrival is on the rise every year. Having opened to FDI this particular sector and with operation of two hotels under FDI venture has accelerated the growth of tourist arrival as visible from the year 2004 onwards. Bhutan as committed in preserving its age old tradition and culture and being gifted with pristine natural environment, Bhutan shall always remain as one of the exotic destinations for tourist. Hence, investment in hotels and tourism industry at present will not only accelerate its economic growth but will also motivate to preserve and promote its culture in the era of globalization and will ultimately be good for the future sustainability development of Bhutan.

### **3. Information and Communications Technology sector**

It is now inevitable in this era of information being changing from industrialization that access to right information and communication technologies are a pre-requisite for socio-economic development in this global community. Bhutan being bounded by rugged terrains it is however not impossible to provide its every citizen and community once the stage of ICT picks up and especially if opened to the outside investment. It will be of immense challenge yet by framing some attractive incentives will still pave path for foreign investor. With cheap and uninterrupted power supply is the strength of Bhutan for IT industries. Hence there is potential for IT industries in Bhutan, given that students have been educated in the most prevalent international language (English). Establishment of call centre, medical transcription centre, software industries are feasible options in Bhutan.

### **4. Health and Education sector**

In Bhutan, health care and availing education is free. The RGoB bears heavy costs in referring its patients outside country owing to lack of facilities inside. There is potential in this sector that RGoB on case by case might privatize this sector in which the nationalities of Bhutan have no capacity, which is ultimately available for FDI venture. With the rapid economic development taking place in the country, people by then become more health conscious and their purchasing power increasing will motivate them to refer to private hospitals. The Ministry of Health alone in the year 2005-2006 spent close to Nu. 82 million for those patients referred to India, and this figure doesn't take into an account of those patients referred to third countries esp. Thailand and also of those privately seeking medical treatment outside Bhutan, also of those corporate and NGO's employees being referred outside Bhutan for medical treatment at the expense of organizations. Hence, substantial amount must be flowing out of Bhutan yearly. Thus, health sector does possess potential for the foreign investor in the long run. Similarly, with education too, is provided free of cost for its citizens studying up to class ten which is considered the basic education. There are currently two degree colleges in Bhutan and one has been opened very lately.

Meaning there are ample opportunities for domestic and foreign investor choosing to invest in education sector. As per the report being published by Ministry of Education in their document, General Statistics, 2007, there were 152,194 students as of March 2007. Of which, 16,807 are studying in class IX-X, 8,816 in class XI-XII respectively. Hence, this statistic alone is convincing that there is scope for investment in this field. There is no track record of financial spending on students studying outside Bhutan, however, there is an impressive figure for the investor that in 2006, alone there were 3,559 students studying abroad, mostly in India, and then followed by Thailand, Canada other countries. The figure seems to be underestimated. Besides, there are also 451 RGoB scholarship students studying abroad.

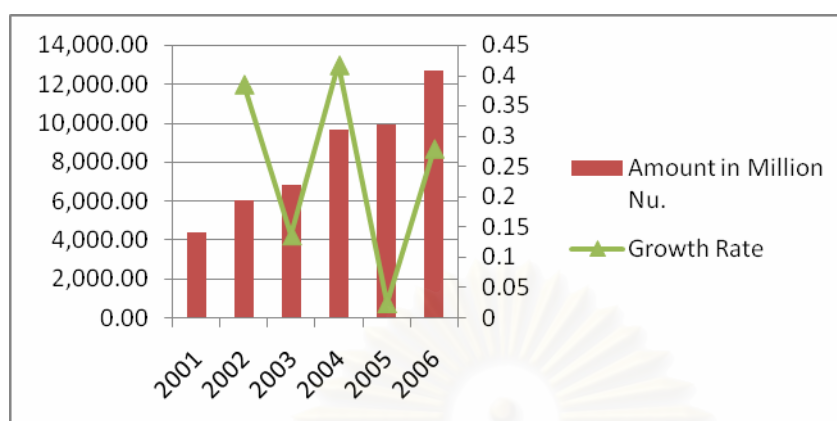
### **5. Finance and Banking sector.**

Currently there are two commercial banks and three non-bank financial institutions. With the execution of mega power projects in Bhutan, there will be an investment scope for the financial institutions as the contractors will be rushing for the financial assistance. I shall present with following table and charts which is the combined investment of two banks and two non-banks financial institutions, as data for one non-bank financial institution is unavailable.

**Table 5.2: Depicting investment and growth rate of four financial institutions in Bhutan beginning 2001-2006.**

Year	2001	2002	2003	2004	2005	2006
<b>Amount in Million Nu.</b>	4,329.30	5,998	6,813	9,657.40	9,887.40	12,647.80
<b>Growth Rate</b>		39%	14%	42%	2%	28%

**Figure 5.2: Investment in million Ngultrums and percentage growth rate of four financial institutions, 2001-2006.**



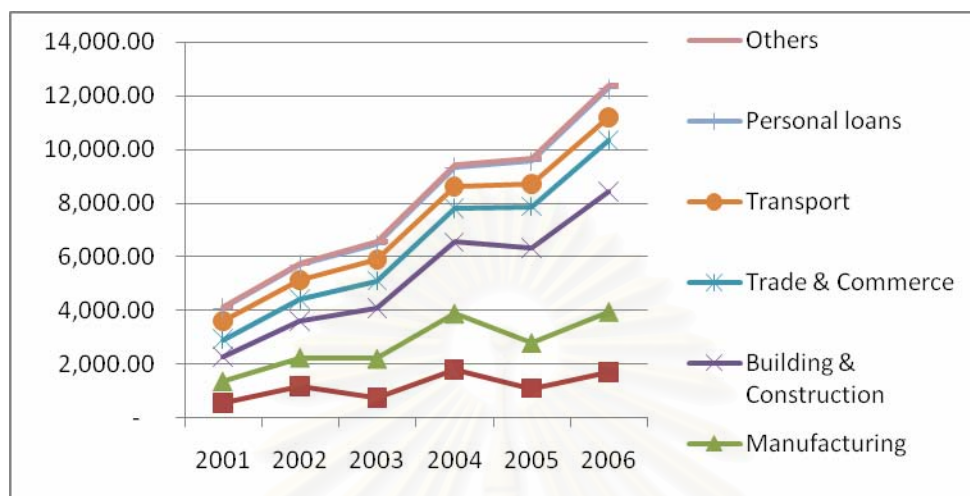
*Source: Computed by author from NSB, 2007 being produced by Royal Monetary Authority of Bhutan, Thimphu.*

In order to understand the above unsteady growth rate, I shall present investment made on sector wise which is drawn in following table.

**Table 5.3: Reflects investment in million Ngultrum of four financial institutions in each sector in Bhutan, 2001-2006.**

Sector	2001	2002	2003	2004	2005	2006
Agriculture	192.1	214.5	220.8	201.8	211.6	242.6
Service & Tourism	536.6	1,140.40	734.3	1,776.00	1,084.60	1,663.70
Manufacturing	821.1	1,100.50	1,462.10	2,100.70	1,701.40	2,278.30
Building & Construction	900.2	1,348.30	1,878.20	2,653.90	3,521.20	4,473.70
Trade & Commerce	649.7	822.2	1,025.20	1,276.20	1,559.70	1,925.40
Transport	704.3	740.8	794.8	796	831.4	852.8
Personal loans	472	558.4	558.5	733.8	860.1	1,077.90
Others	53.3	72.9	139	119.1	117.5	133.5
Total	4,329.30	5,998.00	6,812.90	9,657.50	9,887.50	12,647.90

**Figure 5.3: Presents on investment in million Ngultrum of four financial institutions in each sector, 2001-2006.**



It is clear from the above tables and charts that there is increasing trend of investment by financial institutions in Bhutan. With the execution of mega power projects which is commencing from 2008 will further experience an accelerated growth in investment from the financial institutions. Henceforth, investment from financial institutions will continuously grow. However, the service of the financial institutions to its valued customers have not been upto the mark, even interest rate charged on loans is expensive the lowest interest rate is 10% p.a and the highest is 15% p.a. Hence, there is scope for both domestic and foreign investors to venture in finance and banking sector. Investment in this sector will experience immediate return and will also benefit society at large by way of creating healthy competition, and RGoB will also get cheaper interest for its huge borrowings.

## 6. Manufacturing sector

Owing to the availability of the cheap and uninterrupted power supply, those industry which are power intensive in nature have immense scope for FDI venture in Bhutan. It is evident from the prevailing scenario, that most of the industries in industrial estate in Bhutan are cheap power tariff. Industry such as ferro silicon, carbide and chemical, steel can be feasible to set up under the umbrella of FDI in Bhutan. With

the upcoming mega power projects in Bhutan commencing in 10<sup>th</sup> FYP, the demand for construction materials such as like steel and cements will be very high, which currently, there are no industry which could suffice the demand for these materials which will emerge once the projects kicks off. It is therefore very feasible for both domestic and foreign investors to keep an eye on this very sector. Particularly, investment in ferro-alloys related industry are found to be viable as this industry consumes huge power as one of the main variable costs. With Mittal steel investing in two states of India, Jarkhand and Orissa it will further boost demand for ferro-alloy products as this comprise of one of the major raw materials for the production of steels.

**Table 5.4: The tariff per unit of power consumption starting July 2007 to June 30 2010 in Bhutan.**

From July 01, 2007 Onwards	
<b>For Low Voltage - Domestic Customer</b>	
Block I Upto 80 kWh/Month	Energy Charge Nu/Kwh 0.75
Block II 81 - 300 kWh/Month	1.25
Block III Above 301 kWh/Month	1.55
<b>For Low Voltage - Bulk Customer</b>	
	1.55
<b>For Medium Voltage Customer (33/11/6.6 kV)</b>	
	Energy Charge Nu/Kwh 1.3
	Demand Charge Nu/kW/Month 65
<b>For High Voltage Customer (66 kV and Above)</b>	
	Energy Charge Nu/Kwh 1.29
	Demand Charge Nu/kW/Month 65

*Soruce: Department of Energy, Ministry of Economic Affairs, Thimphu.*

**Research objective 3: To find the relationship between FDI and regional development in Bhutan.**

It is clear from the respondent's answer that the current status of first pillar, equitable and sustainable socio economic development is either below average or just average. This response clearly signifies that development in Bhutan is unbalanced and also the per capita GDP is low and also poor infrastructural facilities. In order to find out the relationship between FDI and regional development in Bhutan, respondents were asked whether they agree/disagree on the statement that FDI in Bhutan will help in regional development. In response to this, 71.8% of the respondents unanimously accepted the statement, 10.1% of the respondents opposed this statement and 18.20%

remained undecided. Thus, it is clear that there is positive relationship between FDI and regional development in Bhutan. Hence, opening doors for FDI in Bhutan will unquestionably lead to improvement in first pillar of GNH currently rated as average by the respondents.

## 5.2 Conclusion

In this research conducted to study impact of Foreign Direct Investment (FDI) on development path of Bhutan (GNH) following conclusions were made:

- As per the respondent's view, Good governance is the most important pillar that would contribute to Gross National Happiness (GNH) in contrast to my hypothesis, equitable and sustainable socio-economic development is very important in comparison with other three pillars of GNH.
- It is clear from the respondent's opinion that current status of economic progress in Bhutan is below average or just average as compared with other pillars of GNH. Hence, FDI in Bhutan would bolster the economic growth.
- FDI would not impose serious negative threats to majority of the cultural aspects of Bhutan, except to keep an eye on social lives of people of Bhutan when FDI picks up its pace.
- FDI as such will also not impose immense threat to the natural environment of Bhutan, however, to be prudent in allowing FDI in manufacturing sector and to restrict it in natural resources extraction sector.
- Having responded that good governance is the most important pillar of all in contributing to GNH, FDI will best compliment this as derived from the respondents views that FDI will have positive impact on all three aspects of good governance namely, efficiency, integrity and innovation, as the mean for each of this are 3.77, 3.48 and 3.95 respectively which lies above 3.39 which is computed as undecided or negative impact.

- FDI will improve the welfare of the people of Bhutan, as obtained from the respondents that it would help in alleviating poverty and also improve living standard of people of Bhutan, thus paving path in pursuance of GNH. FDI will also assist Bhutan in regional development as currently the development is clustered in few regions. In other words, FDI is expected to create positive impact on GNH in Bhutan.
- The respondents unanimously agrees that FDI should be promoted now by the new government as it serves as a source of employment creation, technology transfer, capital, know-how, of all will accelerate the economy of Bhutan.

### **5.3 Limitations**

This research is of course not free from limitations, this study has some drawbacks and these are:

- The study could not meet its full sample size of 384 despite of great effort in fulfilling it. As a result, I could obtain only 347 from the total distribution of 450 questionnaires.
- The sample distribution is also one of the drawbacks of this study, as it was done random sampling.
- Detailed analysis for each of the demographic background could not be done owing to the long and tedious process, as a result limited to choosing educational background amongst others.
- In this study while doing data analysis, regression or multivariate regression model could not be adopted.
- One of the main respondents which would experience positive or negative implication of FDI in Bhutan is farmers, owing to unawareness on this concept and also of GNH, I could not survey. Thus, this is one of the main drawbacks of the study.



- Finally, there was no research conducted in this field, hence, there were no direct literatures available for the references.

Despite of the above limitations, the researcher in best possible manner has tried to conduct the research and bring out originality in this work.

#### **5.4 Recommendations.**

With the waves of globalization reaching Bhutan is now inevitable and how warmly do we make use of this is of utmost essence. Foreign Direct Investment (FDI) has now become an integral middle-path in linking the global community. Bhutan too, is unquestionable that we are part of this global village. Bhutan's GNH concept has imaged the world in the last recent decades and won appreciation of millions hearts for those who heard about it. Having introduced economy of Bhutan for FDI starting 2002, it is yet to realize its implications in days to come. Be it positive or negative. Bhutan is still in nascent stage of realizing the same. This study has resulted in some of the prominent usage for Bhutan that can be derived out of FDI. As a result I would like to make following recommendations:

- The RGoB should come out with clear framework of FDI policies for each specific sector and also for the region. The region because, FDI will not be motivated to operate in places where there is no or poor infrastructures although might have potential for investment. The government insists on growth with equity and justice, hence it is unfair to keep away those regions from the stage of development. Currently, there are no as such policies existing.
- The RGoB must ensure to create awareness of FDI and globalization in particular to people of all walks of life. It is ascertainable from the fact that farmers especially, are not at all aware of FDI. Which the result will have enduring impact on this large section of the society. Grass-root awareness is essential before opening up for foreign investment.

- The RGoB must fully conduct the research on FDI and its implication in the country at length. Although in this research, it is found that FDI will create positive impact, it is still not a generic conclusion as the research is limited firstly in three regions in Bhutan, and importantly, this research has excluded farmers from the respondent category.
- FDI policies must clearly spell about the four pillars of GNH.
- Case by case basis, RGoB must allow 100% foreign ownership in those sectors where the domestic investors have no capacity in executing the projects.
- FDI as viewing from the late financial crises in 1990s of Asian economies, RGoB should equip itself by building expertise in managing macro-economic stability, such as foreign exchange regulation, inflation control, and many other fiscal and monetary policies etc.
- The RGoB must study on the implication of discriminatory FDI policies, as this might hurt other foreign investors, however it is necessary for country like Bhutan where its regions are divided by unsuitable geographical boundaries. Sound and prudent FDI policies must be formulated to ensure every foreign investor are motivated to come to Bhutan.
- Bhutan Chamber of Commerce and Industry (BCCI) and Druk Holding & Investments (DHI) must work hand in hand in harnessing the efficient utilization of available resources in Bhutan, by assisting both foreign and local investors.
- The RGoB must now immediately open hydro-power sector to FDI, as this is the most potential sector that Bhutan hold now. As this is subject to the global warming, by immediate execution of this sector would generate adequate revenue, employment, foreign exchange, technology, know-how etc. There would be adequate reserves for the future generation if RGoB acts now.
- The RGoB must set up Research and Development (R & D) institutions so as to build up and utilize the capacity of the people of Bhutan. The government

must encourage foreign firms to conduct R&D in Bhutan ensuring the security of the patent right and so on.

- The RGoB must give the highest priority in improvement of the commercial infrastructures namely, transport and communications, introduction of special economic zones in Bhutan, etc.
- Public-private participation must be encouraged in FDI venture in Bhutan.
- Unprecedented support must be extended to Anti-Corruption Commission to curb or prevent corruption related practices in Bhutan by introducing transparent system while issuing license to the FDI firms.
- Installation of sound bureaucratic system in handling FDI by legislating legal framework, environmental procedures, licensing, copyright, etc.
- The RGoB to keep vigilant eye on the entertainment clubs especially which are negative to the social community by restricting license or mandating clear guidelines if to set up it. However, RGoB should encourage FDI firms to establish recreational facilities.
- The RGoB to appoint an independent steering committee to approve, regulate, monitor, review, etc. FDI in Bhutan.
- The RGoB to appoint independent personnel in Druk Holding and Investment (DHI) otherwise might conflict the interest of the nation.

### **5.5 Future Endeavor**

There is a scope in continuing with the same research topic in other five or ten or more years from now. This research is just a stepping stone in conducting research on FDI's implication on four pillars of GNH of Bhutan. Another five years from now will at least give some finding on this same research as it is currently found out that FDI in Bhutan would create positive impact and people in general are found to be happier today. So, with FDI picking its momentum will provide the clearer picture on this research. The statistical tools involved in this research was simple, so might as

well give a try using more advanced statistical techniques such as multivariate regression model, cluster analysis, correlation matrix, etc.

In an international arena of research, it will be useful to see the relationship between FDI and human development index. This shall provide meaningful findings for the leaders of the country to decide whether to open up its economies so as to enhance the welfare of its people.



สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

## REFERENCES

- Anand, S., and Sen, A. Human Development and Economic Sustainability. **World Development** 28 (2000): 2029–2049.
- Anderson, E. Openness and Inequality in Developing Countries: A Review of Theory and Recent Evidence. **World Development** 33 (2005): 1045–1063.
- Bakshi, R. A Good Time for Gross National Happiness. In Ura, Karma and Galay, Karma (eds.). **Gross National Happiness and Development- Proceedings of the First International Conference on Operationalization of Gross National Happiness**, 200-213. Thimphu: Centre for Bhutan Studies, 2004.
- Bartlett, J.E., Kotrlik, J. W., and Higgins, C.C. Organizational Research: Determining Appropriate Sample Size in Survey Research. *Information Technology, Learning.* **Performance Journal** 19 (Spring 2001): 43-50.
- Blalock, G., and Gertler, P.J. Welfare gains from Foreign Direct Investment through technology transfer to local supplier. **Journal of International Economics** 74 (2008): 402 – 421.
- Blomström, M., and Kokko, A. **Human Capital and Inward FDI**. Working Paper 167, January 2003.
- Bhagwati, J. Anti-globalization: why? **Journal of Policy Modeling** 26 (2004): 439– 63.
- Bhagwati, J. N., and Grinols, E. Foreign Capital, Dependence, Destabilization and Feasibility of Transition to Socialism. **Journal of Development Economics** 2 (1975): 85-98.
- Buckley, P.J. **Multinational Firms, Cooperation and Competition in the World Economy**. Houndmills, Basingstoke, Hampshire RG216XS and London: Macmillan Press Ltd, 2000.
- Buckley, P.J. **Foreign Direct Investment and Multinational Enterprises**. Macmillan Press Ltd, 1995.
- Buckley, P.J., and Casson, M. **The Future of the Multi- national Enterprise**. Macmillan Press Ltd, 1976.
- Chen, C., Chang, L., and Zhang, Y. The Role of Foreign Direct Investment in China's Post 1978 Economic Development. **World Development** 23 (1995): 691 –703.
- Cole, M.A. Trade, the pollution haven hypothesis and the environmental Kuznets

- curve: examining the linkages. **Ecological Economics** 48 (2004): 71–81.
- Caves, R.E. **Multinational Enterprises and Economic Analysis**. Second Edition. Cambridge University Press, 1996.
- Department of Industry, Ministry of Trade and Industry. **Foreign Investment Policy (1<sup>st</sup> Draft)**. Prepared by: Inter-Ministerial Committee on Foreign Investment. Thimphu, 2002.
- Dunning, J. H. **Regions, Globalization and the Knowledge-Based Economy**. Oxford University Press, 2000.
- Dunning, J.H. **Multinational Enterprises and the Global Economy**. Reading, MA: Addison-Wesley, 1993.
- Dollar, D., and Kraay, A. Trade, growth, and poverty. **Economic Journal** 114 (2004): F22-F49.
- Dollar, D., and Kraay, A. Growth is good for the poor. **Journal of Economic Growth** 7 (2002): 195-225.
- Energy Sector Management Assistance Program (ESMAP), World Bank Group. **Bhutan Hydropower Sector Study: Opportunities and Strategic Options**. Technical paper 119/07.
- Gao, T. Foreign direct investment and growth under economic integration. **Journal of International Economics** 67 (2005): 157–174
- Hennart, J.F. (1982). **A Theory of the Multinational Enterprise**. University of Michigan Press: Ann Arbor, (published version of his Ph.D. thesis approved by the University of Maryland in 1977).
- Bruni, L., Porta, P.L., eds. **Handbook on the Economics of Happiness**. Cheltenham, UK, Northampton and Massachusetts, USA: Edward Elgar Publishing Limited, 2007.
- Mei Ling, S.L., and Chang, C., eds. **Investment, Energy and Environmental Services: Promoting Human Development in WTO Negotiations**. Contributions to the conference of University of Malaya, UNDP/Asia Trade Initiative and Malaysian Institute of Economic Research, Kuala Lumpur August 7-8, 2003.
- Jensen, H. E. John Stuart Mill's Theories of Wealth and Income Distribution. **Review of Social Economy** 59 (2001): 491-507.
- Lim, Sung-Hoon. Foreign investment impact and incentive: a strategic approach to

the relationship between the objectives of foreign investment policy and their promotion. **International Business Review** 14 (2005): 61-76

Lundgren, N. Comment in Ohlin B. In P.O. Hesselborn and P.M. Wijkman (eds.) **The International Allocation of Economic Activity**. Macmillan Press Ltd: 419-425, 1977.

McManus, J.C. The Theory of the International Firm. in G. Paquet (ed.) **The Multinational Firm and the Nation State**. Toronto: Collins and Macmillan: 66-93, 1972.

Mancall, M. Gross National Happiness and Development: Essay. In Ura, Karma and Galay, Karma (eds.). **Gross National Happiness and Development, Proceedings of the First International Conference on Operationalization of Gross National Happiness**, 1-50. Thimphu: Centre for Bhutan Studies, 2004.

McAusland, C. Voting for pollution policy: the importance of income inequality and openness to trade. **Journal of International Economics** 61 (2003): 425–451.

Mody, A. **Foreign Direct Investment and the World Economy**. London: Routledge, 2007.

Navaretti, G.B., and Venables, A.J., et al. **Multinational Firms in the World Economy**. Princeton University Press, 2004.

Osterwalder, A. **ICT in developing countries: A cross-sectoral snapshot**. HEC, University of Lausanne, Switzerland,

Parker, D., Kirkpatrick, C., and others. Infrastructure and poverty reduction in developing countries: A review of the evidence and a research agenda. **The Quarterly Review of Economics and Finance** 48 (2008) 177-188.

Pont, M. D. **Foreign Direct Investment in Transitional Economies: A Case Study of China and Poland**. Macmillan Press Ltd., 2000.

Ray, D. **Development Economics**. Princeton University Press, 1998.

RGoB, GNH Commission. **Draft Tenth Five Year Plan (2008-2013): Vol. I: Main Document**, 2008.

RGoB, Ministry of Education. **General Statistics, 2007**.

RGoB, Ministry of Health. **Annual Health Bulletin 2007: A Window to Health Sector Performance**.

RGoB, Planning Commission. **Ninth Plan Main Document [2002-2007]**, 2002.

- RGoB. **Labour and Employment Act of Bhutan 2007.**
- RGoB. **Bhutan 2020: A Vision for Peace, Prosperity and Happiness**, 1999.
- RGoB, National Statistics Bureau of Bhutan (various issue). **Statistical Yearbook of Bhutan.**
- RGoB, National Statistics Bureau of Bhutan. **Poverty Analysis Report 2007.**
- RGoB, Ministry of Trade and Industry. **International Trade Policy of the Kingdom of Bhutan**, February 2004.
- RGoB. **The Constitution of the Kingdom of Bhutan** (Draft as on 26<sup>th</sup> March 2005).
- RGoB, Ministry of Finance. **Income Tax Act of the Kingdom of Bhutan 2001.**
- Rugman, A.M., and Oh, Chang H. Korea's multinationals in regional world. **Journal of World Business** 43 (2008): 5–15.
- Rodrik, D. Alfred Marshall Lecture: The 'paradoxes' of the successful state. **European Economic Review** 41 (1997): 411–422.
- Sen, A. Editorial: Human Capital and Human Capability. **World Development** 25 (1997): 1959-1961.
- Swedenborg, B. **The Multinational Operation of Swedish Firms: An Analysis of Determinants and Effects.** Industries Utredningsinstitut: Stockholm, 1979.
- Sylwester, K. A note on geography, institutions, and income inequality. **Economics Letters** 85 (2004) 235-240.
- Thinley, Jigme Y. What Does Gross National Happiness (GNH) Mean? In Centre for Bhutan Studies, **Rethinking Development- Proceedings of the Second International Conference on Gross National Happiness**, 3-11. Thimphu: Centre for Bhutan Studies, 2007.
- Tideman, S.G. Gross National Happiness: Towards a New Paradigm in Economics. In Ura, Karma & Galay, Karma (eds.). **Gross National Happiness and Development- Proceedings of the First International Conference on Operationalization of Gross National Happiness**, 222 – 243. Thimphu: Centre for Bhutan Studies, 2004.
- Tsai, Pan-Long and Huang, Chao-His. Openness, Growth and Poverty: The Case of Taiwan. **World Development** 35 (2007): 1858–1871.
- Tsai, Pan-Long. Foreign Direct Investment and Income Inequality: Further Evidence. **World Development** 23 (1995): 469–483.



Tuan, C., and Ng, Linda F.Y. The place of FDI in China's regional economic development: Emergence of the globalized delta economies. **Journal of Asian Economics** 18 (2007): 348-364.

UNCTAD Division on Transnational Corporations and Investment. **World Investment Report 1994: Transnational Corporations Employment and the Workplace**. United Nations, New York and Geneva, 1994.

UNCTAD. **World Investment Report: Transnational Corporations, Extractive Industries and Development**. United Nations, New York and Geneva, 2007.

UNDP. **Making Global Trade Work for People**. London and Sterling, Virginia: Earthscan Publications Ltd, 2003.

Veenhoven, R. **Subjective Measures of Well-being**. Discussion Paper No. 2004/07, World Institute for Development Economics Research (WIDER), United Nations University, April 2004.

Veenhoven, R. Questions on happiness: classical topics, modern answers, blind spots. In Strack, F., Argyle, M. and Schwarz, N. (eds). **Subjective Well-Being: an Interdisciplinary approach**, 7-26. Great Britain: Pergamon Press, 1991.

Vernon, R. International Investment and International Trade in the Product Cycle. **The Quarterly Journal of Economics** 80 (May 1966): 190-207.

World Bank. **The making of the East Asia miracle**. World Bank Policy Research Bulletin 4, August-October 1993.

[www.unctad.org](http://www.unctad.org)

[www.wto.org](http://www.wto.org)

[www.kuenselonline.com](http://www.kuenselonline.com)

[www.google.com](http://www.google.com)

[www.un.org](http://www.un.org)

[www.worldbank.org](http://www.worldbank.org)

[www.answer.com/library/Finance](http://www.answer.com/library/Finance)



ต้นฉบับไม่มีหน้านี้  
NO THIS PAGE IN ORIGINAL

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย



**APPENDICES**

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

## **Appendix A**

### **Foreign Direct Investment Rules and Regulations, 2005**

#### **PART ONE**

##### **Short title and commencement**

These rules and regulations may be called the Foreign Direct Investment (FDI) Rules and Regulations 2005 and shall come into force on 1st July, 2005.

##### **Definitions**

“Foreign investor” means:

- in the case of an individual – a person who is not a Bhutanese subject;
- in the case of a company – a company incorporated or registered in a country other than Bhutan;
- and in every other case – an entity which is not incorporated or not constituted under the law of Bhutan;

“Foreign direct investment (FDI)” means any activity for the purpose of generating revenue in industry, and includes any company in which a foreign investor owns or beneficially holds a minimum of 20% and maximum of 70% of the equity of the investment.

“Department” means Department of Industry.

“Director General” means head of Department of Industry.

“Minister” means the Minister for Trade and Industry.

“Ministry” means Ministry of Trade and Industry.

“Registration Officer” means the officer appointed by the Department for implementation of these rules and regulations. .

“Provisional Certificate” means Foreign Direct Investment Registration Certificate issued prior to the approval of the business and wherein “provisional “is printed on the certificate.

“Certificate” means a final FDI Registration Certificate issued upon approval of the business

“Business” means Foreign Direct Investment Business

“Minimum Size of business” means total fixed cost excluding working capital.

“Sectoral clearance” means approval, permits and licenses from relevant Ministry(s), Department, local administration or Agency(s) as required by these Rules and Regulations, legislations and by-laws.

“Local administration” means Dzongkhag, Dungkhag or a Municipality overseeing administration of the locality where the business is proposed or established

“Foreign direct investment register” means the register of foreign direct investment businesses maintained by the Registration Officer.

## **GENERAL**

### **1. Minimum size of investment**

The minimum size of the investment shall be US \$ 1 million in the manufacturing sector and US \$ 0.5 million in the service sector.

### **2. Sector open to the investor**

- 2.1 The list of open sectors in the manufacturing sector is annexed in Schedule I.
- 2.2 The list of open sectors in the service sector is annexed in Schedule II
- 2.3 The specific business under each sector shall be as per the policies and priorities of the sectors concerned which shall be included in Schedule I and II and notified by the Ministry from time to time.
3. Collaboration and Franchise
  - 3.1 Collaboration in different forms like technical, marketing and franchise for use of trade names, patents and trademarks shall be allowed subject to prior approval of the Ministry
  - 3.2 Application for approval of any collaboration and franchise as per rule 3.1 shall be submitted to the Ministry with a copy of the draft agreement.

### **4. Subscription**

- 4.1 The foreign investor(s) in the business shall fully subscribe the equity as prescribed.
- 4.2 The paid up capital shall be deposited in the company’s bank account with the banks in Bhutan

### **5. Debt equity Ratio**

The initial debt/equity ratio of the foreign direct investment business shall not exceed 1:1.

### **6. Foreign Exchange**

The following provisions shall apply till amendments, and /or coverage of these provisions, in the Foreign Exchange Regulations of Bhutan, 1997 are affected.

- 6.1 All foreign exchange (convertible currency) required during the lifetime of the investment business shall be arranged

By the business within the policy framework of the Royal Monetary Authority of Bhutan and the Foreign Exchange Regulations of the Royal Government of Bhutan, and national legislations and by-laws.

Or met from the foreign exchange receipts from the business

- 6.2 All foreign currency loans shall be subject to prior approval of the Ministry of Finance. Repayment of foreign currency loans shall be as per the terms and conditions set at the time of approval of the said loan.

- 6.3 Repatriation of capital on sale, liquidation, nationalisation, expropriations of the business including capital gains shall be in the currency of investment.

- 6.4 Royalties, technical services fees and management fees shall be allowed in foreign exchange as appropriate on approval of the royalty agreement, technical service/management agreements.

- 6.5 All businesses shall be allowed to open a foreign currency account with the banks in Bhutan.

- 6.6 All business transactions shall be routed through the normal banking channels in Bhutan.

## 7. Remittance of Dividends and Repatriation of Capital

- 7.1 Remittance of dividends and repatriation of capital shall be governed by the applicable provisions of the Income Tax Act of the Kingdom of Bhutan, 2001; the Foreign Exchange Regulations of Bhutan, 1997 and the amendments thereof; the Foreign Direct Investment Policy, 2002; and these Rules and Regulations.

- 7.2 Repatriation of profits/dividends shall be in the currency of earning of the business and in proportion to the various currencies earned by the business.

## 8. Employment and Labour

- 8.1 All businesses shall be granted automatic entitlement to work permits based on the size of the investment as below:

Business with investment above US Dollar 5 million – 5 expatriate personnel

Business with investment between US dollar 1-5 million Dollar – 3 expatriate personnel

Business with investment below US Dollar 1 million -2 expatriate personnel.

- 8.2 On approval of the business, a memorandum of understanding (MOU) shall be signed with the Ministry of Labour and Human Resource on the training and recruitment plan.
- 8.3 Recruitment of expatriate workforce, not including automatic entitlement, shall be as per the legislation, policies and procedures of the Royal Government of Bhutan.
- 8.4 The business shall implement a training program endorsed by the Ministry of Labour and Human Resources for transfer of technology and enhancement of skills of Bhutanese workers employed by the business.

## **PART TWO**

### **Registration of FDI**

#### **9. Eligibility**

- 9.1 The proposed business shall be in the open sector prescribed in Schedule I and II
- 9.2 The proposed business fulfils the minimum investment requirement as prescribed in these Rules and Regulations.
- 9.3 The proposed business shall have identified the shareholding pattern between the Bhutanese and the foreign investors.

#### **10. Filing of FDIR Application**

The application for registration must be submitted as prescribed in Schedule III

The application shall be completed in all respects as specified in the Schedule III including the listed attachments and endorsement

The application shall be submitted by the authorized representative of the proposed business.

#### **11. Issuance of Provisional FDI Registration Certificate**

- 11.1 The Registration Officer shall issue the Provisional Certificate in two working weeks, upon satisfaction that all the requirements have been completed.
- 11.2 The Provisional Certificate shall clearly state the conditions and requirements that shall be fulfilled for seeking business approval.
- 11.3 The issue of Provisional Certificate shall be delayed in the following events.

If the Registration Officer, when considering an application for a certificate requires clarification from the concerned sectors.

Where additional information or clarification is sought from the applicant on the documents submitted.

12. Refusal of Provisional Certificate

The Registration Officer shall inform the applicant in writing, giving the grounds on which the application has been refused.

13. Validity of Provisional Certificate

The provisional certificate shall be valid for a period of one year from the date of issue with a provision for renewal in case the business approval process could not be completed within this period for genuine reasons. If otherwise, the provisional certificate shall cease to be valid on

- i. Surrender of the same by the investor
- ii. Issue of final certificate
- iii. Expiry of the date specified in the provisional certificate
- iv. Rejection of the proposed business
- v. Cancellation.

**14. Project Preparation**

- 14.1 The investor shall initiate work on the preparation of Detailed Project Report on issuance of provisional certificate.
- 14.2 Detailed Project Report (DPR) shall, among others, include detailed information on main chapters as contained in the guidelines for preparation of projects reports (available in the Ministry website [www.mti.gov.bt](http://www.mti.gov.bt)) and applicable changes made by the Ministry from time to time.
- 14.3 Detailed Project Report shall take into account all applicable Government legislation, policy, rules & regulations and establish technical feasibility, environmental management plan and commercial viability of the proposed business.
- 14.4 The Detailed Project Report shall be submitted to the Director General, Department of Industry in triplicate (three copies) within one year from the issue of Provisional Certificate.
- 14.5 In case of delay, the investor shall inform the progress in project preparation and causes of delay including estimated time required for completion and submission.



- 14.6 The Department will serve as the focal agency, and forward copies of Detailed Project Report to relevant sector representative in the FDI Committee for appraisal and clearance.
- 14.7 Simultaneously, the Department shall appraise the report. During this period, the Department may seek clarification/ additional information.

## 15. **Business Approval**

- 15.1 The Royal Government shall constitute a FDI Committee to decide on FDI proposals. The Committee will have the following membership.

Secretary, Ministry of Trade & Industry  
Chairperson

Managing Director, Royal Monetary Authority of Bhutan	Member
Head of Department, Department of Labour	Member
Head of Department, Department of Revenue & Customs	Member
Head, EIA Division, National Environment Commission	Member
General Secretary, Bhutan Chamber of Commerce & Industry	Member
Head of Department, Department of Industry	Member Secretary

In addition, sector specific representatives shall be called upon as and when required.

- 15.2 The FDI Committee shall meet at least once in every three months. The Chairperson may call for more frequent FDI Committee meeting if there are justifiable numbers of FDI proposals ready for discussion.
- 15.3 The sectoral representatives in the FDI Committee shall give sectoral clearances, including terms and conditions if any, for each FDI proposal during the FDI Committee meeting.
- 15.4 The Department shall issue a letter of approval upon approval of the business by the FDI Committee.
- 15.5 If otherwise, the Department shall convey the decision of the FDI Committee to the authorized representative of the proposed business.

## 16. **Business Rejection**

The proposed business shall be rejected if it:

- i. has been refused sectoral clearance
- ii. has been refused environmental clearance
- iii. does not conform to the provision of these Rules and Regulations.

### **17. Incorporation**

Upon approval, the business shall be incorporated under the Companies Act of the Kingdom of Bhutan, 2000.

### **18. Licensing**

A license from the concerned Regional Trade & Industry Office shall be obtained on completion and presentation of the certificate of incorporation and a copy of the Memorandum of Understanding (MOU) with the Ministry of Labour and Human Resources, within 60 days of the issuance of the letter of approval.

### **19. Issue of Certificate**

The Registration Officer, on receipt of the copy of the license, shall issue the Certificate within two working weeks.

The Certificate shall clearly state the conditions and requirements that need to be fulfilled during the operation of the business.

## **PART THREE**

### **Registration Office**

#### **20. Registration Office**

Upon delegation of the power by the Minister, the Department may set up registration office with such powers and functions as may be necessary to facilitate the implementation of these rules and regulations.

#### **21. Appointment of Registration Officer**

The Department shall appoint the Registration Officer.

#### **22. Delegation by Registration Officer**

The Registration Officer may delegate, by written notice, any or all of his powers under this section, other than the power of delegation, to an officer of the Department.

#### **23. Functions of the Registration Officer**

The Registration Officer shall:

- i. receive applications
- ii. amend Certificates
- iii. maintain and administer the Register of Foreign Direct Investment
- iv. maintain a list of business activities open to foreign direct investment
- v. receive payments
- vi. monitor whether the certificate holders comply with the conditions of
- vii. their certificates and these rules and regulations

Report annually to the Minister on the extent of foreign direct investment in Bhutan

#### **24. Powers of Registration Officer**

The Registration Officer shall have powers to:

- i. issue or refuse Provisional certificate/Certificate
- ii. cancel or suspend Provisional certificate/Certificate
- iii. Enter the business premises to monitor compliance of the business
- iv. with the conditions of certificates or with these rules and regulations.
- v. Impose penalties within the provisions of these rules and regulations

#### **25. Foreign Direct Investment Register**

The Registration Officer shall compile, maintain and update a Register that shall contain the relevant information on foreign direct investment.

#### **26. Immunity to the Registration Officer**

- 26.1 No action shall lie against the Registration Officer in respect of an act done or omitted to be done by Registration Officer or any of his officers in the execution, in good faith, of his function under these rules and regulations.
- 26.2 Where the Registration Officer furnishes, electronically or otherwise, information relating to a person registered under these rules and regulation to any other person, neither the registration nor any of his officers who is involved in the supply of such information shall be liable for any of loss or damage suffered by any person, by reason of any error or omission, of whatever nature however caused, if the error or omission is made in good faith and in the ordinary course of the discharge of the duties of the Registration Officer or authorised agent or has occurred or arisen as a result of any defect or breakdown in the service or in any of the equipment used for the service.

## **27. Dispute Settlement Committee**

- 27.1 The Ministry shall constitute a FDI Dispute Settlement Committee for the settlement of cases under these rules and regulations
- 27.2 The dispute settlement committee shall consist of a chair person, vice chair person and other members as the Ministry thinks fit and shall function within the Department of Industry.
- 27.3 The chairperson, vice chairperson and other members of the dispute settlement committee shall be appointed by Ministry from amongst person of integrity and outstanding ability, having specialised knowledge and experience in the administration of FDI laws.

## **28. Jurisdiction**

The dispute settlement committee shall sit and adjudicate the matter in Thimphu only.

### **29. Decision of Dispute Settlement Committee**

- 29.1 Every order of settlement passed under this chapter shall be conclusive and in writing.

If the Members differ in opinion on any point, the point shall be decided according to the opinion of the Majority who have heard the case.

### **30. Appeal**

- 30.1 A business which is refused a certificate or has its certificate suspended by the Registration Officer may appeal in writing to the Minister against that decision, only on the grounds that the reason for which the application was refused or for which the suspension was applied is not valid, within 10 days from the date of the communication to him of such decision or order.
- 30.2 Any person aggrieved by any decision or order passed by the Registration Officer and dispute settlement committee may appeal to the Minister after ten days provided that the Minister is satisfied that the appellant was prevented by sufficient cause from presenting the appeal within the stipulated time.
- 30.3 The Minister shall, after making such further inquiry as may be necessary, pass such order in writing, as he thinks just and proper, confirming, modifying or annulling the decision or order appealed against.
- 30.4 An order enhancing penalty or fine shall not be passed unless the appellant has been given a reasonable opportunity of showing cause against the proposed order.

### **31. Penalties**

Penalties as specified in Schedule IV shall be applicable for default of provisions contained therein.

- 31.2 If an investor or any other person contravenes any other provision of these rules and regulation for which no punishment is provided elsewhere in these rules and regulation, they shall be punishable with a minimum fine of US Dollar 500 or equivalent in Ngultrum and where the contravention is a continuing one, with a further fine of US Dollar 100 per day during which the contravention continues.

## **PART FOUR**

### **Miscellaneous**

#### **32. Amendment of Certificate**

A business that has been issued a Certificate and needs to amend any information in the Certificate, shall apply to the Registration Officer.

#### **33. Suspension of a Certificate**

The Registration Officer may suspend a certificate and/or apply a penalty if:

- i. the business carries on an activity for which it is not registered;
- ii. the business refuses to comply with the penalties and/or fails to rectify the default
- iii. any conditions specified in the certificate are breached;
- v. A business fails to substantially comply with these Rules and Regulations.

The business does not comply with provisions/conditions of any other Legislations, by-laws and conditions laid down

When suspended, the business shall cease to operate immediately. The suspension shall apply until the breach has been rectified and any penalty paid.

#### **34. Cancellation of Certificate**

A certificate may be cancelled by the Registration Officer if:

- i. Upon suspension of the certificate, the business refuses to comply with the penalties and/or fails to rectify the default.
- ii. any information given in the application for the certificate was incorrect so as to create a false impression of the owners or ownership of the business, or the nature of its activities;

- iii. he business carries on an activity for which it is not registered;
- iv. any other of the conditions specified in the certificate are breached;
- v. the business does not commence within 1 year of the date of the issue of the certificate;
- vi. A business fails to substantially comply with these Rules and Regulations.
- vii. foreign shareholders or expatriate employees engage in activities that interfere with or undermine the authority or operations of the Royal Government of Bhutan
- viii. The provisions/conditions of any other applicable legislation, bylaws and conditions laid down in the sector clearances is breached or contravened.

On notification of the cancellation, the business must immediately cease operation and commence winding up unless an appeal is commenced. If the appeal is successful, the certificate shall be reinstated. If the appeal is unsuccessful, the winding up of the business shall then commence immediately.

### **35. Reporting**

- 35.1 Any change in information of the business shall be filed with the Registration Officer within thirty days.
- 35.2 All business Certificate holders must complete and submit annual FDI Survey Form as per Schedule V

### **36. Monitoring of Business**

The Ministry of Trade and Industry shall monitor the business within the framework of national legislations, policies and by-laws including the FDI Policy, 2002; FDI Rules and Regulations, 2005; Companies Act of the Kingdom of Bhutan, 2000; Licensing rules and regulations and environmental legislations among others.

### **37. Land for Business**

Land for the business may be leased from the Royal Government of Bhutan or private sector.

### **38. Business Operation**

- 38.1 The businesses, its foreign shareholder or expatriate employees shall not engage in activities that interfere with or undermine the authority or operations of the Royal Government of Bhutan.
- 38.2 The investor(s) shall be fully responsible for the risk and returns from the proposed business. Approval of the business by the Royal Government of Bhutan is a permission to undertake a commercial activity in the Kingdom of Bhutan and shall not be construed as an endorsement or commitment on its

part to fulfill obligations, if any, contained in the documents submitted for business approval.

- 38.3 The business shall not get any form of compensation from the Royal Government of Bhutan if the said business incurs any loss during the course of business operation owing to amendment of existing legislations/by-laws or introduction of new legislation/by-laws in broader national interest

### **39. Interpretation**

The interpretation of the Ministry of Trade and Industry, as implementing agency of these rules and regulations, shall be final in case of contest in interpreting the provision.

### **40. Delegation of Authority**

The Minister may delegate, by written notice, any or all the Ministers powers under this section, to an officer of the Ministry and/or committees established for the purpose.

### **41. Review**

The FDI rules and regulations, 2005 shall be reviewed and amended, if needed periodically, and at least annually by the Ministry.

## **SCHEDULE I**

### **SECTORS OPEN TO FOREIGN DIRECT INVESTMENT BUSINESSES**

#### **MANUFACTURING**

Mineral Processing

Agriculture and Agro-processing

Forestry and Wood-based Industries

Livestock-based Industries

Light Industries including Electronic Industries

Engineering and Power Intensive Industries

## **SCHEDULE II**

### **SECTORS OPEN TO FOREIGN DIRECT INVESTMENT BUSINESSES**

#### **SERVICES**

Tourism including Hotels

Transport Services

Roads and Bridges

Education

Business Infrastructure

Information Technology

Financial Services

Housing

### **SCHEDULE III**

#### **Foreign Direct Investment Registration Application Form**

Please ensure that:

- a) The completed FDIR Application Form is routed through the respective Embassies (of the Foreign Investor) accredited to Bhutan.
- b) The company incorporation certificate of Foreign Investor (s) is endorsed by the Notary or attested by the Issuing Authority.
- c) The information in the Application Form is provided in print form using a typewriter or a computer and that all required information/attachments are included.

1. Proposed project:
2. Brief project outline:
3. Summary of products/services

HS Code	Products/ services	Unit of measure	Annual production*	Annual turnover (US\$)*

\* Estimated for first year of full production

4. Proposed location:



## 5. Proposed ownership:

	Name of Individual or Company	Nationality	Ownership (%)
1.			
2.			
3.			
4.			
5.			

## 6. Principal foreign investor profile:

- i) Name (individual or company name):
- ii) Full address:
- iii) Brief statement of background:
- iv) Nationality:

Legal status (attach company incorporation certificate(endorsed by Notary/Issuing Authority)/C.V of investor in case of individual endorsed/attested by the Embassy of respective countries in Bhutan or accredited to Bhutan )

Private individual

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

Partnership

<input type="checkbox"/>
<input type="checkbox"/>

Private limited company

Public limited company

Other (please specify)

Shareholding: (list shareholders holding 5% or more of shares)

	Name	Nationality	Share- holding %		Name	Nationality	Share- holding %
1				7			
2				8			
3				9			

4				10			
5				11			
6				12			

vii) Bank details:

Investor account number

Bank name

Address Street  Post code

City  State  Country

viii) Business background of investor (attach tax return/audited accounts for the last 3 years)

Total Net Worth (US\$):.....

	Types of current businesses	Date of commencement	Total investment (US\$)
1			
2			
3			
4			
5			

Total number of current employees: .....

7. Contact person (attach letter of authority or power of attorney, if applicable)

Name:  Position:

Address:

Telephone:

Fax:  E-mail:

8. Project cost summary

Item	Amount (US\$)
Land	
Site development	
Civil works	
Plant & machinery	
Infrastructure & utilities	
Technical know-how fees	
Miscellaneous fixed assets	
Pre-operating expenses	
Provision for contingencies	
Margin money for working capital	
Total project cost	

9. Proposed project financing

Form of finance	Foreign shareholder (US\$)	Local shareholder (US\$)	Total (US\$)
Equity			
Long term loan			
Short term loan			
Total			

## 10. Potential markets

Domestic .....%

Export to India .....%

Export to other countries .....%

Expected manpower when in full production

Type	Foreign	Local	Total
Managerial			
Skilled			
Unskilled			
Total			

## Raw materials

## a) Domestic Raw Materials

HS Code	Item	Quantity/ annum	Price per Unit (Nu.)	Total cost/ annum (Nu)

## b) Raw Materials from India

HS Code	Item	Quantity/ annum	Price per Unit (Rs.)	Total cost/ annum (Rs)

## c) Raw Materials from third Country

HS Code	Item	Quantity/ annum	Landed price per Unit (US\$)	Total cost/ annum US\$)

Power requirement (in MW and in units):

Land requirement: (in sqft or acre):

## Project Implementation Plan

Work plan	No of months
Feasibility study/project finalization	
Commencement of project construction	
Installation of plant & machinery	
Trail run	
Commencement of commercial activity	

**Declaration**

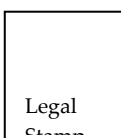
I/We, the undersigned, being duly authorized, declare to the best of my/our knowledge and belief, that the information contained in this application is correct and complete and I/We authorize the Foreign Direct Investment Registration Officer to make all necessary inquiries and to conduct all necessary checks in relation to this application.

Name (Block letters) \_\_\_\_\_

Organization \_\_\_\_\_

Signed at: \_\_\_\_\_ this \_\_\_\_\_ Day of \_\_\_\_\_ 200 \_\_\_\_\_

Signature \_\_\_\_\_



Documents/information to be submitted with this application

Company incorporation certificate/C.V of Foreign Investor in case of individual

List of shareholders holding more than 5%.

Company profile and C.V of local shareholder

Tax return/audited accounts of foreign investor for last 3 years

Letter of Authority or Power of Attorney for contact officer

Company profile (foreign investor)

#### **SCHEDULE IV**

List of penalties

The penalties listed below will apply to any foreign direct investment businesses registered in Bhutan that fails to comply with the indicated requirements for such a business under the FDI Rules and Regulations, 2005.

1. Failure to advise the Registration Officer of changes in the circumstances of a registered investment – Penalty US\$500
2. Operating in an economic sector or activity for which the foreign direct investment business is not registered – Penalty US\$20,000
3. Failure to implement an agreed training program – Penalty US\$1,000
4. Failure to complete and submit the Foreign Direct Investment Survey Form (Schedule 5) – Penalty US\$500

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

## Appendix B

**Table A.B.1: FDI Companies in Bhutan**

Sl. No	Project Name	Project Activity	Promoters				
			Foreign Investor	Country	Share (%)	Local Investor	Share (%)
1	Bhutan Eco Ventures Ltd.	Hotel Services	HPL Leisure Ventures Pvt.Ltd,	Singapore	60%	Bhutan International Company	40%
2	Bhutan Resorts Corporation Ltd.	Hotel Services	Bhutan Hotels Limited, Amanresorts Group	Singapore	60%	Bhutan Tourism Corporation Ltd.	40%
3	Bhutan Health Food Products Pvt. Limited	Mfg. of Specialty Fats	Heath Food Products Pvt. Ltd. HFP Heath Food Products Pvt. Ltd.	Sri Lanka India	60% 10%	Rabten Engineering Workshop	30%
4	G4S Security Services (Bhutan) Pvt. Ltd	Private Security Services	Group 4 Holding A/S	Denmark	50%	Chhundu Enterprises	50%
5	Ugen Ferro Alloys Pvt. Ltd.	Mfg. of Ferro Silicon	M/s Chiragsala Sales Pvt. Ltd.	India	70%	Dasho Ugen Tsechup Dorji Mr. Thinley Penjor	20% 10%
6	United Industries Pvt. Ltd.	Mfg. of Specialty Fats	Rankon PLC	United Kingdom	70%	Samling Enterprise	30%
7	Dralha & R. Piyarelall Steel Co. Pvt. Ltd.	Mfg. of TMT Bars	R.Piyarelall Import & Export Ltd.	India	60%	Ashi Deki Choden	40%
8	Saint Gobain Ceramics Materials Bhutan Ltd.	Mfg. of Silicon Carbide	Grindwell Norton Ltd.	India	70%	Singye Group of Companies Pvt. Ltd.	30%
9	Norbu Jewelleries (A Unit of Bhutan Health Food Products Pvt Ltd.)	Mfg. of Jewelry & Ornaments	Heath Food Products Pvt. Ltd. HFP Heath Food Products Pvt. Ltd.	Sri Lanka India	60% 10%	Rabten Engineering Workshop	30%
10	Samden Tech Pvt. Ltd.	Installation of Wi-Max Network	Washburn Properties Ltd., Visor Investment Solutions	Kazakhstan	60%	Samden Tech	40%
11	Quality Gases Pvt. Ltd.	Production of Liquid Nitrogen & Oxygen	Sunayana Commodities Pvt. Ltd.	India	60%	Mr. Jamyang Loden	40%

Source: Ministry of Economic Affairs, Thimphu, Bhutan

## Appendix C

Bhutan at Glance (Source: National Statistical Bureau of Bhutan, 2007).

Figure A.C.1: Map of Kingdom of Bhutan

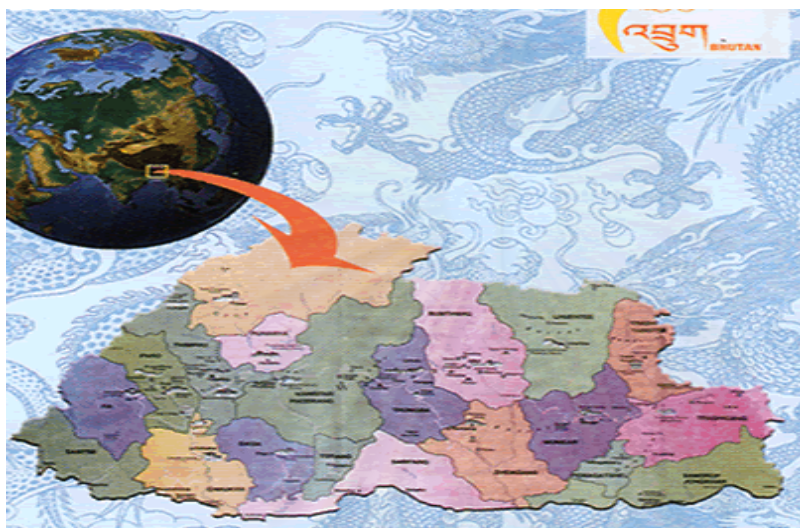


Table A.C.1: Population of Bhutan

POPULATION*			
	1995	2005	2006
<b>Total population</b>	582,000	634,982	646,851
Male	296,819	333,595	339,403
Female	285,181	301,387	307,448
<b>By age</b>			
0-14	228,260	209,959	210,070
15-64	328,015	395,278	406,334
65+	25,725	29,745	30,447
People per household	..	4.6	..
Population density (person/sq.km)	12.5	16	..
<b>Vital Statistics</b>	<b>1994</b>	<b>2000</b>	<b>2005</b>
Crude birth rate (per 1000 population)	39.9	34.1	20
Crude death rate (per 1000 population)	9.0	8.6	7
Natural rate of increase	3.1	2.5	1.3
Total fertility rate	5.6	4.7	2.6
Life expectancy at birth	66.1	..	66.25
Male	66.0	..	65.65
Female	66.2	..	66.85

\*Figures prior to 2005 are based on 1996 estimates of 600,000 and growth rate of 2.5% derived from the National Health Survey, 2000, while the figures for 2005 is from the PHCB 2005 and for 2006 based on projections.



**Table A.C.2: Statistics of Education in Bhutan**

<b>EDUCATION</b>			
	<b>1985</b>	<b>1995</b>	<b>2006</b>
<i>Schools (in numbers)</i>			
Community schools	..	102	245
Primary Schools	145	143	88
Lower Secondary Schools	22	18	84
Middle Secondary School	8	8	28
Higher Seconadry Schools	..	..	21
Institutions	8	8	18
Private Schools	..	7	23
Non Formal Centres	..	..	646
Day Care Centres	..	..	5
<b>Total enrolment</b>	<b>51,835</b>	<b>77,276</b>	<b>1,69,776</b>
Schools	49,175	75,483	1,46,524
Institutes	2,660	1,793	4,433
Non Formal Centres	..	..	18,550
Day Care Centres	..	..	269
<b>Teachers</b>	<b>..</b>	<b>2,423</b>	<b>6,094</b>
Schools	1,668	2,223	4,963
Institutes	..	200	449
Non Formal Centres	..	..	669
Day Care Centres	..	..	13

**Table A.C.3: Transport and Communications facilities in Bhutan**

<b>TRANSPORT &amp; COMMUNICATIONS</b>			
<i>(in numbers)</i>	<b>2004</b>	<b>2005</b>	<b>2006</b>
All roads (km)	4,152.9	4,392.5	4,544.73
Bridges ( <i>numbers</i> )	222	231	236
Registered vehicles ( <i>numbers</i> )	26,760	29,914	33,241
DrukAir passengers ( <i>numbers</i> )	6,005	92,199	110,137
Telephone connections ( <i>numbers</i> )	30,285	32,709	31,526
Mobile subscribers ( <i>numbers</i> )	18,995	37,842	82,078
Postal infrastructure ( <i>numbers</i> )	110	97	125

**Table A.C.4: Balance of Payment of Bhutan, 2003-2005**

<b>BALANCE OF PAYMENT</b>			
Trade .			
<i>(million Nu)</i>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
Value of exports	7157.5	8,297.8	13,400.0
Value of imports	(11123.5)	(19113.4)	(18503.2)
Balance of trade	(3966)	(10815.6)	(5103.2)
Money reserves ( <i>mill. US \$</i> )	383.1	491.3	478.8
<b>Exchange rate ( <i>Nu. per US \$</i> )</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Calender year	45.3	44.3	45.31
Fiscal year	45.41	44.61	44.74

**Table A.C.5: National Accounts of Bhutan, 2004-2006**

<b>NATIONAL ACCOUNTS</b>			
<i>million ngultrum</i>	<b>2004</b>	<b>2005</b>	<b>2006</b>
GDP at current market price	32,320.0	36,581.2	41,443.3
GNP at market price	31,352.5	32,078.2	39,639.3
Agriculture share to GDP	24.3	22.6	21.4
GDP real growth (%)	6.8	7.1	8.5
Final consumption	20,456.4	22,497.7	24,291.6

**Table A.C.6: Public Finance of Bhutan, 2003-2005**

<b>PUBLIC FINANCE</b>			
<i>million ngultrum</i>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>
Revenue	5,055.2	6,066.1	6,902.91
Tax	2,689.9	3,382.4	4,124.68
Non tax	2,365.3	2,683.7	2,778.23
Grants	5,367.4	4,373.1	6,424.59
Total expenditure	10,534.1	12,893.6	13,770.9

## Appendix D

**Table A.D.1: Bhutan's GDP and GDP per Capita at Current Prices in US Dollars, 1980-2007**

Year	Amount In Billion US Dollars	GDP per Capita in US Dollars
1980	0.131	268.49
1981	0.147	296.3
1982	0.155	305.44
1983	0.174	335.9
1984	0.171	323.71
1985	0.175	325.71
1986	0.208	377.48
1987	0.25	444.26
1988	0.27	468.8
1989	0.259	440.74
1990	0.279	464.41
1991	0.237	395.53
1992	0.239	400.36
1993	0.225	378.68
1994	0.264	447.16
1995	0.295	499.26
1996	0.311	527.65
1997	0.363	613.49
1998	0.367	617.26
1999	0.409	682.97
2000	0.446	738.96
2001	0.484	795.55
2002	0.54	881.76
2003	0.628	1022.86
2004	0.71	1152.67
2005	0.833	1308.49
2006	0.925	1437.36
2007	1.308*	2012.13*

\* As per the International Monetary Fund (IMF) forecast

Source: <http://www.econstats.com>

## Appendix E

**Table A.E.1: Value of Exports and Imports, Bhutan, 2001-2006**

	(Million Nu)					
Trade	2001	2002	2003	2004	2005	2006
Exports	4,994.75	3,131.18	3,586.63	8,271.15	11,386.17	18,771.00
India	4,700.47	2,789.64	3,322.40	7,761.56	9,969.83	14,488.00
Third Countries	294.28	341.54	264.23	509.59	1,416.34	4,283.00
Imports	8,990.20	10,046.14	11,566.92	18,639.49	17,035.07	19,011.00
India	6,988.78	7,573.57	10,228.52	10,193.90	12,795.08	13,053.00
Third Countries	2,001.42	2,472.57	1,338.40	8,445.59	4,239.99	5,958.00
Balance of trade	(3,995.45)	(6,914.96)	(7,980.29)	(10,368.34)	(5,648.90)	(240.00)
India	(2,288.31)	(4,783.93)	(6,906.12)	(2,432.34)	(2,825.25)	1,435.00
Third Countries	(1,707.14)	(2,131.03)	(1,074.17)	(7,936.00)	(2823.65)	(1,675.00)

Note:

Figures within bracket indicate deficit (-).

Source : Department of Revenue & Customs, Ministry of Finance, Thimphu.

**Table A.E.2: Top Ten Commodities of Exports, Bhutan, 2006**

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

Commodity	Million Nu. Nu.	Share %	Rank
Electrical energy	4,981.98	35.32	1
Of width not exceeding 4mm	2,474.24	17.54	2
Palm oil	1,380.46	9.79	3
Stranded wires and cables	1,160.72	8.23	4
Portland cement	977.21	6.93	5
Other	809.80	5.74	6
Of refined copper	625.17	4.43	7
Ingots	567.23	4.02	8
Ferro-silicon	564.54	4.00	9
Of calcium	564.46	4.00	10
Total	14,105.81	100.00	

Source: Department of Revenue of Customs, Ministry of Finance, Thimphu

**Table A.E.3: Top Ten Commodities of Imports, Bhutan, 2006**

Commodity	Million Nu.	Share %	Rank
Other light oils nad preparations (HSD)	1,462.68	23.91	1
Crude oil	1,038.94	16.98	2
Of which maximum cross section dimension exceeds 6 mm	811.32	13.26	3
Motor spirit (gasoline) including aviation	589.83	9.64	4
Others	563.92	9.22	5
Rice	472.12	7.72	6
Of polysters, partially oriented	349.13	5.71	7
Beer made from malt	297.70	4.87	8
Other	272.13	4.45	9
Ferrous products obtained by direct reduction of iron ore	259.92	4.25	10
Total	6,117.69	100.00	

Source : BACS, Department of Revenue & Customs, Ministry of Finance, Thimphu

## Appendix G

### Research Questionnaire

#### Research questionnaire on Foreign Direct Investment and Its Impact on Development Path of Bhutan.

Dear Sir/Madam

This is to inform you that I am an employee of BNBL working under the credit department as credit officer in industrial loan section. Under TICA scholarship programme, I am currently undergoing my masters program in Chulalongkorn University at Bangkok. As partial requirement to fulfill my masters program, I am undertaking a research on "The impact of Foreign Direct Investment (FDI) on Four Pillars of GNH of Bhutan". FDI is any foreign investment (capital, technologies, manpower etc) coming to Bhutan to establish new business ventures with our government or any private investors.

In view of this, I would appreciate your kind cooperation to provide me the required information by filling up questionnaire attached. The confidentiality of your information will be maintained throughout. For further clarification please do not hesitate to contact me at the following address.

Thank you

Dorji Cheten  
Changzamtok, Thimphu  
Mobile No. 17748668,  
Email: [drukman25@yahoo.com](mailto:drukman25@yahoo.com)

#### To Whom It May Concern

This is to certify that Mr. Dorji Cheten from Bhutan is a student of M.A International Economics and Finance in Chulalongkorn University at Bangkok. He is currently writing his thesis paper on the topic "*Foreign Direct Investment and Its Impact on Development Path of Bhutan*". I would appreciate if the concerned agencies, key informants, individuals could kindly render him all possible support and assistance to enable him to complete his thesis successfully.

Thanking you



*Buddhagarn Ritthatorn*  
Buddhagarn Ritthatorn, Assoc. Prof. Ph.D  
Advisor  
Faculty of Economics  
Chulalongkorn University, Bangkok

จุฬาลงกรณ์มหาวิทยาลัย  
ศูนย์บริการ  
จุฬาลงกรณ์มหาวิทยาลัย

Country	2006		
	Mill. Nu	Share(%)	Rank
India	14,488.06	77.20	1
Hong Kong	2,866.05	15.27	2
Singapore	585.37	3.12	3
Bangladesh	470.13	2.51	4
Thailand	282.41	1.50	5
Nepal	57.36	0.31	6
Japan	8.06	0.04	7
United Kingdom	6.46	0.03	8
United States of America	1.60	0.01	9
Germany	1.57	0.01	10
Total	18,767.07	100.00	

Source: Department of Revenue & Customs, Ministry of Finance, Thimphu.

## Appendix G

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

## Research Questionnaire

### Research questionnaire on Foreign Direct Investment and Its Impact on Development Path of Bhutan.

Dear Sir/Madam

This is to inform you that I am an employee of BNBL working under the credit department as credit officer in industrial loan section. Under TICA scholarship programme, I am currently undergoing my masters program in Chulalongkorn University at Bangkok. As partial requirement to fulfill my masters program, I am undertaking a research on "The impact of Foreign Direct Investment (FDI) on Four Pillars of GNH of Bhutan". FDI is any foreign investment (capital, technologies, manpower etc) coming to Bhutan to establish new business ventures with our government or any private investors.

In view of this, I would appreciate your kind cooperation to provide me the required information by filling up questionnaire attached. The confidentiality of your information will be maintained throughout. For further clarification please do not hesitate to contact me at the following address.

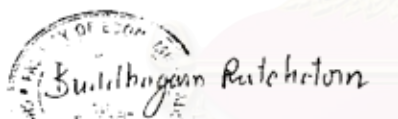
Thank you

Dorji Cheten  
Changzamtok, Thimphu  
Mobile No. 17748668,  
Email: [drukman25@yahoo.com](mailto:drukman25@yahoo.com)

#### To Whom It May Concern

This is to certify that Mr. Dorji Cheten from Bhutan is a student of M.A International Economics and Finance in Chulalongkorn University at Bangkok. He is currently writing his thesis paper on the topic "*Foreign Direct Investment and Its Impact on Development Path of Bhutan*". I would appreciate if the concerned agencies, key informants, individuals could kindly render him all possible support and assistance to enable him to complete his thesis successfully.

Thanking you



Buddhagarn Rutchatorn, Assoc. Prof. Ph.D  
Advisor  
Faculty of Economics  
Chulalongkorn University, Bangkok

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

NO.....



## I General Information

1. Gender  Male  Female
2. Age ..... Years
3. Occupation  Civil Servant  Corp. Emp.  Business  Farmer  
 Others.....
4. Educational Background  None  Primary School  High School  
 Bachelors Degree  Masters Degree & Higher
5. Monthly Income (In Nu.)  Less than 5,000  5,000 –10,000  10,001 – 15,0  
15,000  15,001 – 20,000  More than 20,000

Please mark  in the one that you prefer the most.

6. Please rate how important is following four pillars to GNH?

Four Pillars	Unimportant	Of Little Importance	Moderately Important	Important	Very Important
6.a) Balanced Regional Economic Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.b) Cultural Heritage & Values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.c) Natural Environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.d) Good Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. How do you rate the current status of following four pillars of GNH in Bhutan?

Four Pillars	Extremely Poor	Below Average	Average	Above Average	Excellent
7.a) Balanced Regional Economic Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.b) Cultural Heritage & Values	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.c) Natural Environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7.d) Good Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## II. Foreign Direct Investment (FDI) and Balanced Regional Economic Development (Pillar I)

### 8. Do you agree with following statements?

Statements	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
8.a) FDI is good for regional development in Bhutan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.b) FDI would reduce poverty in Bhutan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 8.c) Do you agree if Bhutan government allows FDI in following sectors?

Sectors	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
8.c.i) Hotels & Tourism Industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.c.ii) Information & Communication Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.c.iii) Schools, Institutes & Universities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.c.iv) Manufacturing Industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.c.v) Hydro-power projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.c.vi) Mining, Minerals & Quarrying	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.c.vii) Finance and Banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 8.d) Which agency do you think should undertake a joint venture with FDI in Hydro-power projects in Bhutan?

- Government   
 Public Enterprise   
 Private Sector   
 International Organization   
 Government, Public Enterprise and Private Sector

## III. Foreign Direct Investment and Cultural Heritage and Values (Pillar II)

9. Do you agree FDI would bring negative influence on the following cultural aspects of Bhutan?

Aspects	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
9.a) National Dress Code	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.b) Buddhism	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.c) National Language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.d) Traditional arts & crafts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.e) Local & National Festivals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.f) Social Lives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### IV. Foreign Direct Investment and Natural Environment (Pillar III)

10.a) Do you agree FDI in following sectors would have negative impact on natural environment in Bhutan?

Sectors	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
10.a.i) Hotels & Tourism Industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.a.ii) Information & Communication Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.a.iii) Schools, Institutes & Universities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.a.iv) Manufacturing Industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.a.v) Hydro-power projects	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.a.vi) Mining, Minerals & Quarrying	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.a.vii) Finance and Banking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### V. Foreign Direct Investment and Good Governance (Pillar IV)

11). What would be the influence of FDI on following aspects of good governance?

Aspects	Strongly Negative	Negative	Undecided	Positive	Strongly Positive
11.a) Efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.b) Integrity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11.c) Innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## VI. Conclusion

**12.a) Do you agree the FDI would improve the living standard of people of Bhutan thus contributing to GNH?**

Strongly Disagree  Disagree  Undecided  Agree  Strongly Agree

**12.b) Do you agree new democratic government should promote FDI in Bhutan now?**

Strongly Disagree  Disagree  Undecided  Agree  Strongly Agree

**12.c) Please rate your overall happiness in life from 1 to 7. (1 being very unhappy and 7 most happy)**

1	2	3	4	5	6	7
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**12.d) Please share your suggestions/comments about FDI in Bhutan.**

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย

## **BIOGRAPHY**

Mr. Dorji Cheten was born in a rural village in Bhutan in the year 1980. He was brought up by his parents who were farmers. He graduated Bachelors Degree in Commerce (honors) from Sherubtse College, the only national college in Bhutan in the year 2002. He served as the President of Department of Commerce during his final year study in the college. He demonstrated his outstanding skills not only academically but in non-academic fields as well. He won numerous medals, prizes and certificates in recognition to his outstanding performances during his schooling life. He too has been an exemplary figure during the schooling days.

Having married at an early age, he was responsible in leading a family life for which he chose to get an early employment in one of the leading organizations in Bhutan. Hence, he got selected as an Appraisal Officer in Bhutan National Bank Limited, one of the commercial banks in Bhutan. He joined the service in October 2003 and still continuing to work in the same bank.

In 2007 he was awarded scholarship under Thailand International Development Cooperation Agency (TICA) to study Masters Degree of Arts in International Economics and Finance at Chulalongkorn University in Bangkok, Thailand.

He is married to Mrs. Wangdi Lhamo and has one son, Tenxin Yuedkhil Dorji who will be two years old in September 22, 2008.

สถาบันวิทยบริการ  
จุฬาลงกรณ์มหาวิทยาลัย