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Bhutan's Low-volume, High-yield Tourism: The Influence of Power and Regionalism

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ABSTRACT

This paper examines the unique tourism policies established by the Royal Government of Bhutan to control tourism in the country. The paper is conceptualized using the power relationship framework developed by Foucault and regionalization theory to analyze Bhutan's tourism policy. The paper is based on interviews that were carried out with high-level tourism officials, local business owners and managers, international tourists, regional tourists, and domestic tourists (Buddhist pilgrims). The number of tourists to Bhutan has been controlled not by an annual visa quota, but by a daily minimum tariff, required guided tour, certain spatial restrictions, and the general perception of inconvenience associated with the process of getting a visa. The controlled tourism policy, however, is limited only to western tourists, which represent only a quarter of the tourists visiting the country. Although Bhutan has been able to minimize the environmental and cultural impacts of western tourists through its low-volume, high-yield tourism policy, this is more related to power and regional politics than simply a quest for sustainable tourism.

INTRODUCTION

How to minimize the impacts of tourism on the environment and culture and maximize its economic benefits has been a major topic in tourism studies over the past several years. In most cases, the concept of 'good tourism' has been implemented on a small scale (e.g., a community, village, or region) (Nyaupane & Thapa, 2004). Bhutan, a Himalayan kingdom in South Asia, has been implementing a low-volume, high-yield tourism policy for the whole country. Bhutan has long established a minimum fee policy, which effectively curtails certain types of tourism, such as western low-budget, backpacker travel. With the realization that tourism has salient negative social and ecological impacts, Bhutan established controlled tourism policies early on in its development. While Bhutan is a capitalist country with a newly democratically elected government, its tourism policies somewhat resemble those of totalitarian states, such as North Korea and the former communist countries of Eastern Europe. However, the number is controlled by a tariff, not by a visa quota, and tourists' movements are controlled by guided tours. Further, this policy is implemented only for tourists from outside of South Asia with no tariff being levied for regional tourists, primarily Indians (Brunet, Bauer, Lacy, & Tshering, 2001). National tourism policies particularly for many small developing countries are affected by regional geopolitical relationships. Further, bilateral agreements between countries, which are unequal in size, population and economy, play contradictory roles in their policies (O'Brien, 2007). The purpose of this study is to examine the unique tourism policies established

by the Royal Government of Bhutan to control tourism in the country. The paper is conceptualized using the power relationship framework developed by Foucault and regionalization theory to analyze Bhutan's tourism policy.

There are various reasons to explain why governments intervene and exert control in tourism. Political reasons are very powerful, but they are subtle because governments never overtly release statements and information about their hidden political interests. Ideologically, communist countries like North Korea, China, and Cuba nationalize the means of production, including tourism operations. Political reasons include nationalism and identity, foreign relations, and power balance. Tourism provides opportunities for many developing countries to be known in the world as an independent country. Economic reasons are more overt in nature than political reasons. Protectionism is the most common reason, in which government protects the local industry by not allowing or discouraging foreign investments and ownership if the local tourism industry cannot compete with the international market. Government intervention in tourism sometimes comes from public unhappiness and animosity when private developers do not care about social, environmental and economic consequences of tourism by which public protest or demonstrate their anger toward the industry (Elliott, 1997). Another reason for public sector control over tourism is based on the assumption that tourism can be managed through a supply driven policy and can be controlled from above (McKercher, 1999). However, in reality, public sector planners do not have complete control since tourism largely is a demand driven activity, where markets seek destinations and activities to satisfy their customers (McKercher, 1999).

Government takes control of the industry through constitutions, laws, formal ministries, departments or councils to oversee tourism development (Elliott, 1997). It is easier to control and collaborate with other organizations if the institution is positioned at a higher order of bureaucracy. The power relationship in tourism is often analyzed from a micro-level perspective where many planners argue the legitimacy of stakeholders' collaboration and cooperation (Reed, 1997). However, the power relationship in tourism is beyond the local stakeholders.

The power relationships can be better conceptualized using a Foucauldian framework of power. According to Foucault (1977), power somehow inheres in institutions themselves rather than in the individuals that make those institutions function:

“Power has its principle not so much in a person as in a certain concerted distributions of bodies, surfaces, lights, gazes; in an arrangement whose internal mechanisms produce the relation in which individuals are caught up. The ceremonies, the rituals, the marks by which the sovereign's surplus power was manifested are useless” (p. 202).

Rulers and politicians are main players of tourism, and they often use tourism as a tool for gaining economic and political power, and creating a good image of the country. Many small developing countries use tourism to form part of their national identity. One step down the rulers and elite politicians, state machinery, public-sector tourism institutions such as ministries, departments, tourism planners and marketers exercise their power through rules, regulations, and codes of ethics. There is a mechanism, which Foucault (1977) calls Panopticon that automatizes and disindividualizes power. Although the power of rulers and politicians is most powerful, they often influence from the backstage. For state machinery, independent tourists are problems because they may resist suggestions and planned itineraries more than guided tourists (Cheong and Miller, 2000).

Foucault further distinguishes two vital elements of power relations, which are “agents,” who exercise power and “the other” or targets, the one over whom power is exercised (Foucault,

1982). “Power is exercised only over free subjects, and only insofar as they are free” (Foucault, 1982, p. 221). Tourists are therefore a new “others” on whom the power can be exercised. Based on Foucauldian power relations, Cheong (1996) categorized tourists as target as Foucault’s child, woman, criminal and patient, and tourism institutions and guides as agents. Tourists are classified as targets because they are insecure, and challenged by unfamiliar political and cultural environment, where they have linguistic disadvantaged (Cheong and Miller, 2000). Through the control mechanism “they [tourism agents] influence what tourists can and cannot do, where they can and cannot go, and what they select or reject. Agents not only focus what to be seen, they also determine what is not to be seen or experiences.” (Cheong and Miller, 2000, p. 383).

Tourism agents want tourists to appreciate their culture and environment and to be hidden from many realities of everyday life in the destination, such as social problems and political unrest. This can be achieved by constraining tourists by space, time and staged authenticity. Space constraint is apparent as some regions and sites are closed for tourists. Authoritarian governments are often hesitant to open areas for foreign tourists because it gives access to areas and situations that may expose inhumane acts of autocratic leaders to the outside world. Authorities therefore tend to discourage or restrict tourists’ activities during demonstrations and protests in order to hide human rights violations. If tourists spend more time in a country, they are more likely to be aware of social and political problems and may also act as political activists. Many modern societies rapidly institutionalizing the rights of outsiders to look into its people, their workings and culture, and the environment (Urry, 2002). This is done through what MacCannell calls ‘staged authenticity’ (1973), which is constructed not by individuals, but by institutions to hide their true political faces particularly, in totalitarian systems. In addition, in guided tours, guides orchestrate interactions with other brokers such as hotels, restaurants, and souvenir shops to fulfill their economic agenda (Cheong and Miller, 2000).

Although there is an emergence of international governance to tackle some collective problems within borders and across borders, there are vast disparities in power influence among states (Thakur and Langenhove, 2007). Regionalization functions in three major roles including economic, security and governance. Tourism literature often ignores subnational and regional politics, which are important for small developing countries like Bhutan (Richter, 1989). Therefore, we also use regionalization theory to analyze Bhutan’s regional tourism.

METHODS

The research upon which this paper is based was carried out during the month of May 2008, in several important tourist areas of Bhutan. Interviews were carried out with high-level tourism officials, local business owners and managers, international tourists, regional tourists, and domestic tourists (Buddhist pilgrims) at key locations in Paro, Thimpu, and Punaka, where over 70% of the country’s tourism activity is concentrated. The questioning was aimed at understanding the well-publicized (albeit inaccurate international views) of controlled tourism policy, and entrepreneurial challenges associated with it in the Bhutanese tourism sector, as well as the tourism-related relationships between Bhutan and its neighboring countries in South Asia.

FINDINGS

Contrary to popular belief, Bhutan has never had an annual visa quota to limit the number of incoming tourists. The number of tourists, however, was indirectly controlled by a daily minimum tariff, required guided tour, certain spatial restrictions, and the general perception of

inconvenience associated with the process of getting a visa. Currently, tourists are required to pay a minimum daily fee of \$200 USD, which includes food, accommodations, local ground transportation, and a personal guide. Individual travel is permitted, but each person must be accompanied by a certified guide. All travel is organized as a package and prepaid through official agents in Bhutan. Of the US\$200 paid per day, the government provides 65% (US\$130) to the industry to provide services to tourists; the government retains the rest 35% (US\$70) of the money as a tourist tax. Despite its low-volume, high-yield principle, the Tourism Council of Bhutan is working to increase arrivals, including attending international trade shows, which contradicts its traditional policy of low-volume tourism.

Bhutan started a high tariff (\$130/ day per foreign tourist) since the beginning of tourism in 1974, which was raised to \$200 in 1989. Table 1 summarizes the history of the tourism tariff system of Bhutan. The government introduced differential rates based on activity, geography and season in 1994. For example, based on geography, there were three different tariff rates-- \$220 for tourists to popular and accessible districts such as Paro, Thimpu and Phuntsoling, \$150 for visits to mid-access districts including Wangdee and Bumthang, and only \$130 for remote districts including Phobikha, Mongar, and Tashigang. Although the royal government of Bhutan recently increased the tariff to \$250 from \$200, the government temporarily reduced the rate to \$200 to minimize the impact of the current economic downturn and its consequences on tourist arrivals (Tourism Council of Bhutan, 2009). Effective July 2009, the royal government of Bhutan announced \$20 and \$15 discount per night on the royalty for the tourists staying more than eight nights during the peak months and shoulder season (January, June and July), respectively.

Government officials claim that unrestricted tourism can have severe consequences on the country's environment and rich and unique culture, and therefore the royal government of Bhutan has adopted high-value, low-volume tourism since the beginning. The small number is justified for sustainability and the lack of infrastructure:

“The tourism industry in Bhutan is founded on the principle of sustainability, meaning that tourism must be environmentally and ecologically friendly, socially and culturally acceptable and economically viable. The number of tourists visiting Bhutan is regulated to a manageable level because of the lack of infrastructure also.” (Bhutan Tourism Council, 2009, p. 1).

Because of the fewer but higher-income tourists, there is not much demand of casinos and nightclubs, although new nightclubs have been opened in Thimpu for local youth. It is always argued that Bhutanese tourism is easily controlled by the government because of its small scale. If arrivals and volume increase, tourism would be harder to control (Richter, 1989).

Bhutan is a relatively newly opened country for foreign tourists and has not had much exposure to the rest of the world. Despite India's desire not to allow Bhutan to open for foreigners, the Royal government of Bhutan opened the country with many restrictions to declare to the world Bhutan's independence. Bhutan's decision to open the country to foreigners coincided with the Indian invasion of Sikkim in 1973. Both Sikkim and Bhutan were similar with respect to geopolitical situations. By opening the country, the monarchy thought that they would gain greater independence and distinction from India (Richter, 1989). However, the royal government of Bhutan did not want to open the country for all foreigners. The restrictions were enacted primarily for political reasons, as the monarchy wanted to protect its popularity among the public and autocratic control by not exposing the population to a democratic system or the outside world. Further, as Richter (1989) noted, “Bhutan's tourism was limited less by Bhutan's

goals than by the fact that India will not approve any more permits to Bhutan” (p. 176). Despite the regional politics, the number of foreign tourists visiting Bhutan has increased from 287 (Dorji, 2001) in 1974 to over 21,000 in 2007 (Bhutan Tourism Council, 2009). By 1992 tourism receipts accounted for 15 to 20% of the total of the country’s exported goods and services. In 2007, Bhutan was able to generate a substantial amount of revenue -- \$10 million (Gurung and Seeland, 2008). Although these figures are small by global standards, tourism has had an enormous economic impact on this tiny Himalayan kingdom.

The industry was operated by the government initially until 1983. From 1983 to 1991, tourism was operated as a quasi-autonomous and self-financed body known as the Bhutan Tourism Corporation (BTC) (Dorji, 2001). In 1991, the tourism industry of Bhutan was privatized and the government established a regulatory body, known as the Tourism Authority of Bhutan (TAB) to ensure the compliance of tourism regulations and to implement tourism policies (Dorji, 2001). The TAB was further changed into the Department of Tourism under the Ministry of Trade and Industry. More recently, in 2008, realizing the importance of multi-sectoral involvement of tourism development, the Department of Tourism was renamed the Tourism Council of Bhutan and placed under the administration of the Prime Minister (Tourism Council of Bhutan, 2009). The Council provides more authority to develop and manage tourism with the coordination of other government ministries and departments. Despite the privatization and other institutional changes over the years, tourism development is still largely controlled by the state (Gurung and Seeland, 2008). Evolution of tourism institutions is an evidence of the control mechanism Bhutan is adapting. Since the beginning, the royal family has a strong interest and considerable investment in tourism. As a result, tourism frequently gets a priority over other industries. Tourism is often considered the king’s pet project in Bhutan. Collaboration can potentially overcome power imbalances by involving all tourism stakeholders (Reed, 1997), which is actively imposed by a new western power in Bhutan through INGOs particularly SNV and UN organizations. However, as Jamal and Getz (1995) argued, power imbalances issues related to the stakeholders is inhibiting the initiation and success of collaboration in Bhutan. Consulting companies and INGOs tend to be working under the Foucauldian agent of power without challenging the authority.

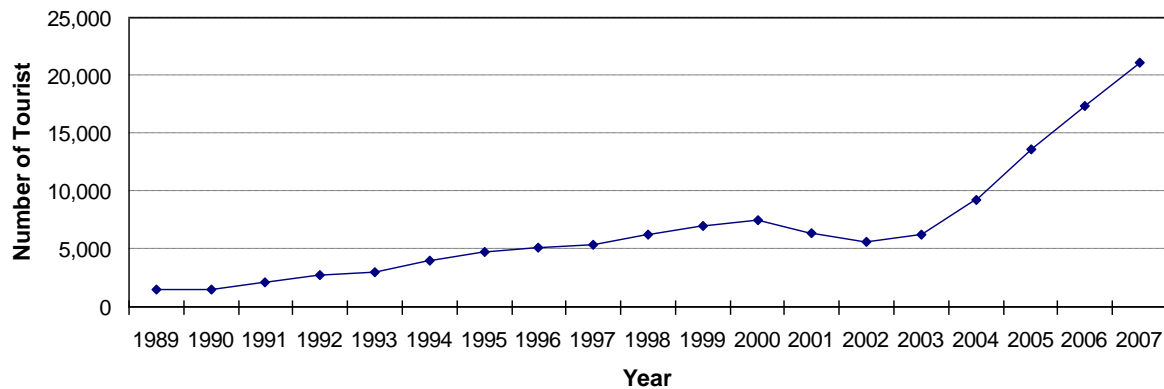
Despite the low-volume, high-yield tourism policy, Bhutan is experiencing some environmental and cultural impacts like other mountain destinations. Some of the noted impacts include the destruction of alpine vegetation for firewood, erosion due the use of horses and yaks during the trekking season, and increasing garbage problems along the trails (Dorji, 2001). Although the royal government promotes low-volume, high-yield tourism via the daily tariff, increasing competition among tourism operators within the country and competition with other mountain destinations have resulted some adverse consequences. For example, tour operators are providing discounts and rebates to foreign operators to compete with others (Dorji, 2001).

Table 1 History of Tourism Tariff System

Date	Type of change	Culture (price in US\$)		Trekking (price in US\$)	
		High season	Low season	High season	Low season
1974	Opening of the country for foreigners Tariff \$130/person/night flat rate	130	130	130	130
1986	Tariff differentiation based on seasonality	130	90	85-130	85-130
1989	Tariff raised to US\$200 flat rate	200			
July 1994 *	Differentiation by region and activity: 1. Thimpu, Paro, Phuntsholing: 2. Wangde Phodrang, Punakha, Tongsa, Bumthang and Samdrup Jongkhar: 3. Phobjikha, Mongar, Tashigang, Tashi Yangtse and Lhuntshi: 4. Trekking:	220 150 130	130-175 100-130 90-120	120	80-100
July 1995 **	Simplification of existing rules; amendments to discounts and surcharges	200	200	120	120
Jan. 1997	Levelling of fee	200	200	200	200
Jan. 1999 ***	Re-introduction of low-season pricing; amendments to discounts and surcharges	200	165	200	165
Jan. 2001 ****	Amendments to surcharges and introduction of the Tourism Development Fund	200	165	200	165
2008	Tariff raised	250		250	
Jan 2009	Tariff temporarily reduced	200			

Source: Pricing Report, SNV, 2002; Bhutan Tourism Council, 2009.

Figure 1. Tourists arrivals to Nepal



The effectiveness of controlled tourism depends on how the government controls and monitors the private sector to ensure that their practices are environmentally and culturally sustainable. However, there is a lack of transparency, integrity and accountability within the government in developing countries, which is even more apparent in Bhutan. When the government officials have too much power, particularly in developing countries, authorities use their powers to favor some businesses over others for supporting relatives or for money. Because of the controlled tourism policy, tourism is mostly concentrated in a few urban areas in western Bhutan, and there is relatively little economic benefit from tourism to rural communities (Gurung and Seeland, 2008). Contrary to Bhutan's Gross National Happiness index and poverty reduction through tourism, only few of the benefits of tourism have been distributed to rural communities.

One of the most unique aspects of Bhutan's policies is its cross-border relations with neighboring countries. As a member of the South Asian Association for Regional Cooperation (SAARC), Bhutan is part of a multilateral trade agreement with India, Nepal, Bangladesh, Pakistan, Sri Lanka, Afghanistan and the Maldives. Indians, Bangladeshis, Sri Lankans, and Maldivians are permitted to travel to Bhutan visa-free, and they are permitted to use their own vehicles. This has resulted in increasing numbers of Indian tourists to Bhutan. In 2005, Bhutan received over 60,000 Indian tourists, which is more than four times more than all other international arrivals combined in the same year (Department of Tourism, 2006). Despite Bhutan's attempt to control tourism through a tariff, there is no tariff or visa requirement for Indians. Tourism entrepreneurs reported that the costs of accommodation and food established by the government do not apply to Indian tourists. Therefore, hotels compete with each other and reduce prices to attract this group of tourists; Indian visitors are aware of this competition, and constantly attempt to negotiate lower food and lodging rates. Tourism business owners acknowledge the importance of Indian tourists because hotels and restaurants cannot solely rely on general foreign tourists. Many business people in Bhutan believe that without Indian guests, the industry could hardly survive on such small numbers of international arrivals. This clearly reflects the fact that Bhutan's low-volume, high-yield tourism policy is somewhat contradictory. Bhutan's tourism has been further complicated by its relationship with neighboring countries. Other members of SAARC, however, such as Nepalese, Afghanis and Pakistanis are required to obtain a visa ahead of time. This policy has resulted in very few arrivals from Nepal,

Afghanistan and Pakistan. In the early 1990s, over 100,000 Bhutanese citizens of Nepali origin were expelled when Bhutan implemented a one-culture policy. Currently, some of these refugees are being resettled in the US, Canada, New Zealand, Australia, the UK, and Norway. This has troubled the relationship between Nepal and Bhutan. On the other hand, there is a strong Indian presence in Bhutan through bilateral agreements because of its border situation with China. There are more Indian Army troops (19,000) in Bhutan than there are Royal Bhutanese Army troops (18,000).

Other consequences of this policy include Bhutan's receiving a very low percentage of repeat visitors. Only 13% of tourists are repeat visitors; the rest (87%) are first-timers (Department of Tourism, 2006). While many in Bhutan's administration believe that guided and controlled tourism results in fewer environmental and social impacts by controlling sites and tourists' activities, it prevents many visitors from experiencing what they are looking for, resulting in many dissatisfied tourists. From a consumer perspective, this prohibits new product development processes, which are essential for new tourism destinations. Since the government dictates room and meal rates, there is also a lack of competition for quality. This may have a long-term impact on the quality of tourism services as the country has to compete with similar destinations in other Himalayan destinations, such as Nepal, Tibet, and Northern India.

CONCLUSIONS

Bhutan has been able to minimize the environmental and cultural impacts of western tourists through its low-volume, high-yield tourism policy. However, this policy is limited only to western tourists, while the impacts of a growing number of regional tourists on the environment and culture is ignored. This paper therefore argues that Bhutan's tourism policy is more influenced by power and regionalization. Regulation of only western tourists may not bring the outcome Bhutan is trying to achieve. Bhutan's low-volume, high-yield policy will not be effective if it is implemented only to western tourists and ignores high-volume, low-yield regional tourism. Bhutan's tourism failed to incorporate the role of the free market in developing tourism products and destinations. The question is how long the government can dictate the market in the global economy. There is a need to liberalize the industry to some extent so that it will move in a positive direction.

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