

Tourism Law and Legislation

Assignment 7 –

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Contents

Research Question	2
Research Objectives	2
RO1: To analyze the governance and policy implementation gaps	2
RO2: To evaluate the socio-economic and environmental consequences	2
RO3: To identify and assess potential reform strategies	2
Abstract	3
Introduction	4
The Philosophical and Policy Framework.....	4
Challenges Confronting Bhutan's Tourism Sector	4
Proposed Resolutions and Policy Responses	6
Research Gaps and Future Directions	7
Qualitative Data Method	7
Participant Selection (Purposive Sampling)	7
Justification for Semi-Structured Interviews.....	8
1. Exploration of Complex Phenomena	8
2. Capturing Diverse Stakeholder Perspectives	8
3. Addressing Implementation Gaps.....	9
Conclusion.....	11
Thematic Analysis Approach for Qualitative Data	9
Overview of Thematic Analysis	9
The Six Phases of Thematic Analysis	9
Phase 1: Familiarisation with the Data	9
Phase 2: Generating Initial Codes	9
Phase 3: Searching for Themes	10
Phase 4: Reviewing Themes	10
Phase 5: Defining and Naming Themes	10

Phase 6: Producing the Report	10
Interview Protocol Design	10
References.....	12

Research Question

How can Bhutan's "High Value, Low Volume" tourism policy be reformed to address governance fragmentation, economic leakage, and socio-cultural tensions while remaining aligned with Gross National Happiness principles?

Research Objectives

RO1: To analyze the governance and policy implementation gaps in Bhutan's current tourism framework by examining the fragmentation across regulatory agencies, the effectiveness of the Sustainable Development Fee structure, and the impact of frequent policy changes on stakeholder confidence and long-term investment.

RO2: To evaluate the socio-economic and environmental consequences of the HVLV policy on local communities, including the distribution of tourism benefits, workforce participation trends, revenue leakage through offshore operators, and the carrying capacity pressures on infrastructure and natural resources in high-concentration tourism hubs.

RO3: To identify and assess potential reform strategies for strengthening Bhutan's tourism sector, including governance consolidation through a single Tourism Authority, flexible pricing mechanisms for the SDF, community-based tourism empowerment models, and market diversification approaches that target mindful travellers aligned with GNH values.

Abstract

Bhutan's "High Value, Low Volume" tourism policy, guided by Gross National Happiness philosophy, represents a distinctive approach to sustainable tourism development. This literature review examines the challenges confronting Bhutan's tourism sector and the proposed resolutions emerging from recent scholarship and policy analysis. The COVID-19 pandemic exposed deep-seated weaknesses including governance fragmentation, economic viability concerns, socio-cultural tensions, and environmental pressures.

Key challenges include fragmented governance across multiple agencies, dramatically reduced tourist arrivals from 315,599 in 2019 to 89,326 post-reopening, hotel occupancy declining from 37.2% to 17.4%, revenue leakage through offshore operators, and local community displacement from tourism benefits. Proposed resolutions encompass governance consolidation through a single empowered Tourism Authority, flexible Sustainable Development Fee pricing with seasonal concessions, community-based tourism empowerment, market diversification targeting mindful travellers, and infrastructure development in underserved regions. The literature suggests Bhutan's greatest contribution may be its willingness to ask fundamental questions about how much tourism is enough and for whom, offering valuable lessons for destinations worldwide grappling with sustainability challenges.

Keywords: Bhutan, sustainable tourism, Gross National Happiness, High Value Low Volume, tourism policy

Introduction

Bhutan's approach to tourism development presents a distinctive case study in the global tourism landscape. Guided by the philosophy of Gross National Happiness (GNH) and a constitutional mandate to maintain at least 60 percent forest cover, the country has pursued a "High Value, Low Volume" (HVLV) tourism policy since opening to tourists in 1974 (Rath, 2024). This policy deliberately prioritises quality over quantity, aiming to attract mindful travellers who respect Bhutanese culture and environment while generating revenue with minimal disruption. By 2019, tourism contributed approximately 6 percent of GDP and employed an estimated 16 percent of the working population, with Bhutan welcoming 315,599 visitors (Dorji, 2026). However, the COVID-19 pandemic precipitated a complete cessation of tourism, creating an unprecedented shock that prompted fundamental reconsideration of the sector's structure and purpose.

The Philosophical and Policy Framework

Bhutan's tourism policy cannot be understood without reference to GNH, the development philosophy articulated by the Fourth King in 1972 who declared that "Gross National Happiness is more important than Gross Domestic Product" (Rath, 2024, p. 113). This framework evaluates all policies against four pillars: good governance, sustainable socio-economic development, cultural preservation, and environmental conservation. As Rath (2024) observes, Bhutan's approach is "deeply influenced by Buddhist principles of moderation, respect for all life, and reverence for nature, diverging from Western models focused on resource exploitation and materialism" (p. 115).

The HVLV policy operationalises GNH principles through the Sustainable Development Fee (SDF), a daily tourist tax. Originally set at USD \$65 per person per night, the SDF was increased in September 2022 to USD \$200 per person per night for non-regional visitors (Tavassoli, 2023). Revenue funds cultural preservation, environmental protection, and infrastructure development. This policy has attracted international recognition, with organisations including National Geographic praising Bhutan's commitments to carbon negativity and sustainability.

Challenges Confronting Bhutan's Tourism Sector

A comprehensive diagnostic assessment conducted by Bhutan's Economic and Finance Committee has identified deep-seated weaknesses in tourism governance. The assessment found that the current framework has "dampened overall demand—particularly from mid-

range and regional markets" (Namgyal, 2025, para. 6). Frequent policy changes have "further eroded confidence among domestic tourism operators and international partners, creating uncertainty and discouraging long-term investment" (Namgyal, 2025, para. 7). Tourism governance remains fragmented across multiple agencies, producing "conflicting regulatory interpretations, delayed approvals and lack of accountability" (Namgyal, 2025, para. 8).

The post-pandemic recovery has been markedly slower than anticipated. From Bhutan's reopening in September 2022 to October 2023, only 89,326 tourists visited, compared to 315,599 in 2019 (Namgyal, 2025). Hotel occupancy rates have fallen from 37.2 percent before COVID-19 to just 17.4 percent in 2024, and the sector faces "loan distress, job insecurity and the risk of skilled workforce outmigration" (Namgyal, 2025, para. 5). The liberalisation of tourist bookings has enabled offshore agents to dominate key components of the tourism value chain, resulting in "revenue and tax leakage, reduced foreign currency inflows, and diminished earnings for Bhutanese operators" (Namgyal, 2025, para. 10). Dhradhul (2026) notes that "the risk of tourism revenues leaking out of the country when foreign operators bypass local enterprises" requires attention, emphasising that this challenge "cannot be addressed through rules alone" (para. 4).

Despite Bhutan's carefully cultivated image as a sustainable tourism destination, scholars have identified emerging contradictions. Padwal (2025) argues that "for all of its appeal as a mystic and romantic escape from a deeply commodified world, Bhutan is beginning to show signs of problems that increasingly mirror the flaws of a global neoliberal system" (p. 2). Local newspapers have reported water shortages in towns, "preventing locals from receiving water in their homes, which are further exacerbated by luxury hotels attempting to meet the demand of tourists with swimming pools that take from municipal water sources" (Padwal, 2025, p. 5). Following the 2022 SDF increase, licensed guide numbers dropped from 5,600 to 3,000, and "650 one to two-star budget hotels were initially no longer allowed to cater to even regional visitors" (Padwal, 2025, p. 4).

Environmental challenges include the concentration of tourism activity in western hubs accounting for "more than 95 percent of total activity," while central and eastern regions "suffer from limited infrastructure and services" (Namgyal, 2025, para. 13). Pathirana, Choden, and Thinley (2024) note that growing tourist numbers, "while beneficial economically, could jeopardize Bhutan's vision of low-impact tourism" (p. 8). Additionally,

Bhutan's tourism offering remains heavily concentrated in cultural sightseeing and trekking, with "declining participation from homestays, artisans and rural communities" (Namgyal, 2025, para. 12).

Proposed Resolutions and Policy Responses

The EFC diagnostic assessment has proposed comprehensive reforms including "a comprehensive review of the Tourism Levy Act 2022" and establishing "a single, empowered Tourism Authority to oversee policy, licensing, SDF management and inter-agency coordination" (Namgyal, 2025, paras. 19-20). The committee also proposed creating "a one-window digital platform integrating visas, SDF payments, bookings and safety monitoring" (Namgyal, 2025, para. 21).

Recognising that the uniform SDF has limited the sector's ability to respond to seasonality, the EFC recommended "flexible SDF adjustments, incorporating long-stay incentives, group discounts and seasonal concessions" (Namgyal, 2025, para. 22). Dhradhul (2026) similarly advocates for "flexible and dynamic pricing, region-specific incentives, and thematic travel circuits" to "activate demand without compromising HVLV principles" (para. 6).

Rather than simply seeking to restore pre-pandemic visitor numbers, Dhradhul (2026) argues for "rebuilding the tourism sector with greater resilience, coherence, and purpose" (para. 2). This includes actively cultivating the "high-values traveler"—a growing global segment who "prioritize meaning, learning, wellness, sustainability, and cultural respect over speed and consumption" (Dhradhul, 2026, para. 5). Supporting "Bhutanese operators, artisans, guides, homestays, communities and farmers will reduce revenue leakage and ensure that tourism benefits remain within local economies" (Dhradhul, 2026, para. 8).

Pathirana et al. (2024) recommend that Bhutan "foster community participation similar to Mossman Gorge by empowering local communities in tourism planning and management" (p. 10). They further propose innovative solutions including "heritage trails, sustainable tourism certifications, and digital platforms for information" to advance Bhutan's tourism development objectives (Pathirana et al., 2024, p. 12).

Research Gaps and Future Directions

The literature reviewed reveals several gaps requiring further investigation. Darjay, Wong, and Gountas (2024) identify that while tourism literature has focused on supply-side issues, less attention has been given to "planning appropriate critical demand-side aspects, such as attracting and managing tourists' expectations, values of eco-friendliness and culturally respectful behaviours" (p. 3). Padwal (2025) notes that "the concepts of ecotourism and GNP are often not well understood by local Bhutanese" (p. 6). The gap between policy intention and implementation outcomes requires systematic examination, and longitudinal research tracking cultural change and environmental conditions alongside tourism development would enable evidence-based assessment of HVLV effectiveness.

Qualitative Data Method

This study will employ semi-structured interviews as the primary qualitative data collection method to address the research question: How can Bhutan's "High Value, Low Volume" tourism policy be reformed to address governance fragmentation, economic leakage, and socio-cultural tensions while remaining aligned with Gross National Happiness principles?

Participant Selection (Purposive Sampling)

Participant Group	Number	Justification
Tourism policymakers (Tourism Council of Bhutan, Economic Affairs Ministry)	8-10	Direct knowledge of policy formulation, governance challenges, and reform processes (Namgyal, 2025)
Hoteliers and tour operators	10-12	Firsthand experience with SDF impacts, occupancy rates, revenue leakage, and operational challenges (Namgyal, 2025)
Licensed tour guides	8-10	Frontline experience with tourist behaviour, cultural interpretation, and post-SDF employment changes (Padwal, 2025)

Participant Group	Number	Justification
Community members (western and eastern Bhutan)	12-15	Lived experience of tourism's socio-cultural and environmental impacts, including water access and benefit distribution (Padwal, 2025)
Artisans and homestay operators	6-8	Perspectives on declining participation in tourism value chain and community-based tourism opportunities (Namgyal, 2025)
Total	44-55	

Justification for Semi-Structured Interviews

1. Exploration of Complex Phenomena

Semi-structured interviews are particularly suited for investigating the multifaceted challenges identified in the literature. Padwal (2025) reveals that "the concepts of ecotourism and GNP are often not well understood by local Bhutanese" (p. 6), indicating the need for exploratory methods that allow participants to express understanding in their own terms rather than through predetermined categories. The flexibility of semi-structured interviews enables probing of unexpected responses, essential for uncovering how communities actually perceive and experience GNH-informed tourism.

2. Capturing Diverse Stakeholder Perspectives

Namgyal (2025) documents that tourism governance involves "multiple agencies, including Tourism, Immigration, Aviation, licensing authorities, financial institutions, and local governments" (para. 8). Each stakeholder group operates with different logics, constraints, and interpretations of policy. Semi-structured interviews allow each group to articulate their specific challenges while maintaining sufficient structure to enable cross-group comparison. This is essential for understanding the "conflicting regulatory interpretations" that Namgyal identifies.

3. Addressing Implementation Gaps

The literature reveals significant gaps between policy intention and outcomes, such as the border town SDF waiver where most tourists used it "primarily for transit" rather than local spending (Namgyal, 2025, para. 17). Semi-structured interviews can uncover the mechanisms behind such implementation failures—why tourists behave in certain ways, how businesses adapt to policies, and what unintended consequences emerge—information unlikely to emerge from quantitative surveys alone.

Thematic Analysis Approach for Qualitative Data

Overview of Thematic Analysis

Thematic analysis is a method for identifying, analysing, and reporting patterns (themes) within qualitative data. This study will employ Braun and Clarke's (2006) six-phase framework, which is widely recognised for its flexibility and accessibility in qualitative research. The analysis will be both deductive, guided by the research objectives, and inductive, allowing unexpected patterns to emerge from participant narratives.

The Six Phases of Thematic Analysis

Phase 1: Familiarisation with the Data

The researcher will transcribe all semi-structured interviews verbatim, producing written texts for analysis. Each transcript will be read and re-read multiple times to achieve intimate familiarity with the content. Initial thoughts, observations, and potential patterns will be recorded in memos. This phase is crucial for immersing oneself in the data before systematic analysis begins (Braun & Clarke, 2006).

Phase 2: Generating Initial Codes

The researcher will systematically work through the entire dataset, identifying interesting features and coding them using NVivo or manual methods. Codes are the smallest units of analysis—words, phrases, or sentences that capture something meaningful about the data. For example, a participant statement about "waiting weeks for permits" might be coded as "bureaucratic delays." This phase reduces the data into manageable segments while preserving context (Braun & Clarke, 2021).

Phase 3: Searching for Themes

Codes will be grouped into potential themes that capture broader patterns relevant to the research question. This involves sorting different codes into theme piles and considering relationships between themes. For instance, codes such as "bureaucratic delays," "conflicting agency instructions," and "unclear regulations" might combine to form a theme of "governance fragmentation." Visual tools like thematic maps will help organise this process (Nowell et al., 2017).

Phase 4: Reviewing Themes

Potential themes will be reviewed at two levels. First, the researcher will check whether themes work in relation to the coded extracts, ensuring each theme is coherent and distinct. Second, themes will be reviewed against the entire dataset to ensure they accurately represent the data. This phase may involve splitting, combining, or discarding themes that lack sufficient support (Braun & Clarke, 2006).

Phase 5: Defining and Naming Themes

Once the thematic map is finalised, each theme will be refined and defined. The researcher will identify the essence of each theme, determine what aspect of the data it captures, and write a detailed analysis explaining its significance. Theme names should be concise, evocative, and immediately informative to readers (King, 2004).

Phase 6: Producing the Report

The final phase involves writing the thematic analysis report, weaving together analytic narrative and vivid data extracts. The report should provide a coherent, persuasive story about the data that answers the research question. Extracts will be embedded with careful attention to protecting participant confidentiality (Braun & Clarke, 2021).

Interview Protocol Design

Sample Interview Questions by Objective

For RO1 (Governance gaps):

- How would you describe the coordination between different tourism-related agencies (Immigration, Aviation, Licensing)?
- How have recent policy changes affected your confidence in long-term planning or investment?

- What specific governance challenges have you encountered in your daily operations?

For RO2 (Socio-economic and environmental consequences):

- How has the increased SDF affected tourist numbers and profiles in your experience?
- What proportion of tourism revenue do you estimate remains in local communities versus leaving the country?
- Have you observed any environmental pressures or resource conflicts (like water access) related to tourism development?

For RO3 (Reform strategies):

- What would effective community participation in tourism planning look like to you?
- How would flexible SDF pricing (seasonal discounts, regional incentives) affect your business or community?
- What support do you need to participate more fully in the tourism value chain?

Conclusion

Bhutan's tourism sector stands at a critical juncture. The HVLV policy and GNH framework have generated international recognition and, for many years, delivered outcomes aligned with national values. However, the diagnostic assessment reveals "deep-seated policy, governance and operational weaknesses that continue to hamper recovery, competitiveness and long-term sustainability" (Namgyal, 2025, para. 1). Yet the literature also identifies promising resolutions: governance consolidation, flexible pricing, community empowerment, and targeted marketing. As Padwal (2025) observes, "Bhutan's sustainability policies are not perfectly sustainable. Their priorities are not perfectly pristine. However, in a world of self-interested states becoming less cooperative in an increasingly complex and interconnected society, we cannot afford to wait for perfection" (p. 8). The task for researchers and policymakers is not to abandon the HVLV vision but to refine it—learning from experience and ensuring that tourism serves Bhutanese well-being rather than compromising it. Bhutan's greatest contribution may be its willingness to ask: "How much tourism is enough and for whom?" (Bhutan Innovation Lab, 2025, p. 2).

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