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**Contribution  
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# Recent development in food sector and consumer protection in Bhutan

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## **Table of Contents**

1. INTRODUCTION .....	3
2. The context .....	3
2.1 Geography.....	4
2.2 The Government .....	4
2.3 Consumer issues.....	7
2.4 A comprehensive consumer protection regime.....	7
3. Recent development in the food sector in Bhutan .....	9
3.1 OBJECTIVES .....	10
4.The RGoB's strategy to empowering and protecting consumers .....	11
5. Bhutan s capacity building needs.....	12

## 1. INTRODUCTION

There has been an expansion of demand for a range of consumer goods and services with rapid socioeconomic development of Bhutan over the last decade. A variety of consumer goods are now available in the Bhutanese markets. It is important for the consumers to be aware of the quality, safety and obtain fair deal on items they consume. Safety and quality of products might be compromised particularly when production is driven by profit motif. Therefore, an effective consumer protection regime is invaluable in providing information to about their rights and obligations, an effective consumer redress and compensation mechanism as well as mediation and dispute resolution. It will be useful both to the consumers, producers and the regulatory government agencies to facilitate evidence based planning that ensure safety, quality and fairness and consumer protection.

## 2. The context

The Ministry of MoEA, Agriculture and Health are responsible Government Organs for assuring that goods sold in Bhutan are safe, wholesome and properly labeled. This applies to foods produced domestically, as well as those imported from foreign countries.

The Trade Department ensures compliance to existing regulations on packaging, labeling etc. with manufacturers, distributors, and importers. This study will provide data important for the sector Ministries and agencies to formulate plans and programs on consumer issues. It will be of benefit to manufacturers and importers to be informed about importance and applicability of quality, safety and fairness in markets.

## *2.1 Geography*

Bhutan is situated between China in the north and India in the south and has an area of 38,394 square kilometers located within the folds of the Great Himalayas. As a landlocked country, it remained isolated until the first half of the twentieth century. With the start of the First Five Year Plans in 1960, the country has been experiencing swift social, economic and political changes that propelled the country into hasty developmental transformations. Largely, the country is mountainous with elevations of around 100 meters in the south rising swiftly towards the north to heights of upto 7,550 meters above sea level. Flat lands are limited to a few river valleys with rich soil for agriculture cultivation and space for urban development.

Owing to steep mountains and narrow valleys, swift flowing river systems have taken an important role in the economy. The country has the potential to generate an estimated 30,000 MW of hydroelectricity. The four major river systems are AmoChhu, Wang Chhu, PunaTsangchhu and DrangmeChhu.

Around 72% of the land area is covered with forests which include 26% of land designated as protected areas and 9% as biological corridors. Due to the mountainous, steep and fragile terrain only 16% of the land is suitable for agriculture. People grow various cereals and grains in the southern and central belts and keep small herds of livestock. In the northern mountains, livestock is the main source of livelihood.

## *2.2 The Government*

Over the years, decentralization and democratization were introduced to Bhutan by the far sighted monarchs who carefully and elegantly led the political, social and economic transformations with grace without transition tumult or aftershocks. His Majesty the third King, Jigme Dorji Wangchuck

started to reform the political system when in 1953 he established a National Assembly, and later a Royal Advisory Council and a Council of Ministers. The fourth Druk Gyalpo, His Majesty King Jigme Singye Wangchuck gave the process even greater momentum when from 1981 he promoted decentralization. Then in 1998, His Majesty the King dissolved his cabinet and transferred full authority and executive powers to an elected council of Ministers who would serve for a five-year term. The country in 2007 moved into parliamentary form of governance with the first democratic elections of December 2008.

Administratively the country is divided into 20 Dzongkhags composed of 205 Gewogs. One elected representative from each Dzongkhag becomes the member of the National Council. Each Dzongkhag is further sub-divided into constituencies to elect one representative each who becomes the member of the National Assembly. Members of both the Houses are elected for a term of five years.

A Dzongdag administers a dzongkhag. Larger Dzongkhags are sub-divided into Dungkhags that is administered by a Dungpa. Gewogs are formed by a group of villages and the administrator is the gup who is elected by the people for a term of five years. Dzongdag and gups are responsible for civil administration and implementation of development plans and programs.

The structure of the economy is changing fast from primary sector to secondary and tertiary as reflected by the decreasing share of agriculture to the economy. However, a high proportion of the population (69%) live in rural areas whose livelihood is dependent of subsistence agriculture.

Trade with India and other countries have increased manifolds due to rapid economic development and expansion, improved income and growing population. Private businesses have flourished as an important sector of the economy. Markets have been liberalized

for the flow of goods, services, capital and labour. In the recent past, the communication systems, particularly the b-mobile services, cable TV, Radio and Newspapers are notable features of privatization of the economy in Bhutan. Bhutan pursues free trade with India and is a member to SAFTA and is advancing for further economic liberalization. These conscious moves by the government offer opportunities for a healthy economic environment of competitiveness in quality, safety and efficiency of various sectors of the economy.

While the flow of a wide variety of goods and services from abroad and from local production in the market has offered broad scope of choices in consumer items, consumers' rights are safeguarded.

The role of private sector development is the main engine of the nation's future economic growth has been increasingly emphasized. The eleventh plan will accelerate the trade and industrial growth through emphasizing on instituting necessary regulatory and legislative frameworks. UNCTAD provided valuable technical assistance to Bhutan in the formulation and adoption of national competition policy and consumer protection ACT. Trade facilitation will also be actively promoted through various activities to integrate the national economy into the global and regional trading regimes.

The Ministry of Trade, Ministry of Agriculture and Ministry of Finance coordinate and regulate the trading and distribution of goods. The Food Corporation of Bhutan (FCB) is responsible to procure and ensure fair and equitable distribution of food, maintain adequate food reserve for emergencies, storage and distribution, controlling prices and assisting people to trade their products. FCB run fair sops spread all across the country to promote fairness and competition of prices in the open market. The Auction Centres located in strategic places across

the country play an important role in facilitating the sale of farmers' produce.

### *2.3 Consumer issues*

There have been consistent provisions for the protection of consumers, particularly through various rules and regulations by the Ministry of Economic Affairs, Health Ministry, etc to ensure safety and fairness in markets.

Main areas of concerns for consumers are; ensuring quality of products, safety, fairness, standardization of measuring instruments, price fixation, quality and safety of goods, and customers' services etc. Awareness among the consumers and entrepreneurs is an area of importance for consumer protection. There is a lack of statistical data and research on "consumer issues".

Under the Ministry of Economic Affairs office of the consumer protection has been regulating the market to the interest of the consumers through various rules and regulations to ensure fairness in the market.

### *2.4 A comprehensive consumer protection regime*

In 2012, the MoEA formulated with the assistance of UNCTAD, AND adopted a national consumer protection policy And a comprehensive legal and institutional framework exclusively dealing with consumer protection and initiating several measures for promoting the interests of consumers and foster competition.



The Consumer Protection Act was enacted in 2012 to protect consumers from unfair trade practices, false and misleading advertising, market abuses, and provide legal rights and remedies in the consumption of goods and services. In order to enforce the act, the Office of Consumer Protection (OCP) was established in 2014 under Ministry of Economic Affairs and is located in the ministry's compound.

Under section 4 of the Act, consumers have the:

- (a) Right to protect health and safety in the consumption of goods and services;
- (b) Right to true, sufficient and clear information on prices, characteristics, quality and risks associated with goods and services;
- (c) Right to fair, non-discriminatory and equitable treatment by businesses which will include fair terms of contract and sale;
- (d) Right to choose products, technologies and services at competitive prices;
- (e) Right to seek redress against unfair trade practices or violation of consumers' right;
- (f) Right to form consumer associations in order to promote consumer's welfare and protect from unfair trade practices;
- (g) Right to a physical environment that enhances the quality of life for present and future generations; and (h) Right to basic goods and services, which guarantee dignified living.

Consumer redress

Any aggrieved consumer may lodge a complaint to:

- (a) The Office of Consumer Protection at the Ministry Level;
- (b) Consumer Advocate/Regional Trade & Industry Office (RTIO) at the Thromde, Dzongkhag or Regional level; or
- (c) The Gup at the Gewog level (village level).

Complaint may be lodged in writing or online using the website [www.ocp.gov.bt](http://www.ocp.gov.bt). The complaint received is investigated for

appropriate administrative sanctions or may be referred to Dispute Settlement Committee, if deemed necessary.

Complaints at the Gewog level (village level) are addressed to the Gup (village chief), who will mediate with the parties to resolve the dispute amicably. In case where the dispute cannot be resolved amicably, he or she shall refer the matter to Dispute Settlement Committee through concerned Consumer Advocate in RTIO.

The consumer advocate in the Regional Trade and Industry Office (RTIO) receive and investigate a complaint and mediate or conciliate the disputes. If the dispute cannot be resolved amicably at his level, the matter is referred to Dispute Settlement Committee.

The Dispute Settlement Committee at dzongkhag, regional or municipal level receive the complaint refer to it by RTIO, consumer advocate or gup and convene the hearings as appropriate and pass the decisions according to the provisions of the Act.

Any violation to section 6 to 18 of the Act by a service provider, manufacturer and supplier is liable to:

(a) Pay a fine equivalent to the value of the goods or services in question; or

(b) Rectify the false and misleading representation within 14 (fourteen) days. Failure to pay above fine or rectify the false and misleading representation shall be liable to (a) Pay a fine equivalent to the value of the goods or services in question; and (b) Cancellation of business license in consultation with relevant licensing authority.

3. Recent development in the food sector in Bhutan

The Market Surveys of Bhutan were conducted to collect information on packaging, labeling, price tagging, adulteration, imitation and safety of food. It therefore provides first hand information about the consumer protection aspects on consumer items, food and restaurants, weights and measures in the Bhutanese market. These reports therefore provide the most reasonable and comprehensive overview of packaging of products, labeling, weights and measures, adulteration, food service environment, and consumer perception on the quality, value and pricing of consumer items.

### 3.1 OBJECTIVES

The Market Surveys of Bhutan were conducted mainly to yield information about the markets within Bhutan on the following topics:-

- To generate market information specifically on the goods and services, weights and measurements used, Price Tagging, Labeling of products, safety measures and quality assurance of products, adulteration of food, Imitation of products by category (pharmaceutical products, cosmetics, food products, other consumable products, household goods etc)
- Food safety standards, health and sanitation of processed food
- Status of personal employees' hygiene of processed food
- Existence and enforcement of food regulatory standards and rules
- To determine consumer satisfaction for goods and services

For consistency and comparison the consumer items surveyed are grouped into eleven categories and data were gathered refer to each group given below:

- (1) Broad level covering 41 items groups
- (2) Grocery items
- (3) Vegetables
- (4) Meat/ fish items
- (5) Vehicle spares
- (6) Pharmaceutical items
- (7) Cultural items
- (8) Personal and household items
- (9) Computers
- (10) Hardware items
- (11) Restaurants and hotels

The Market Surveys of Bhutan collect information about consumer goods that relate to safety, quality and fairness to consumers in the market.

#### 4. The RGoB's strategy to empowering and protecting consumers

The RGoB's prime objective for consumer policy is to empower consumers to make wise decisions when purchasing goods and services. Empowered consumers demand choice and by exercising it, stimulate competition and innovation as well as high standards of consumer care. Without informed consumers driving a hard bargain, businesses can become complacent and lose focus on becoming more efficient or investing in better goods and services. This investment and quest for efficiency drives innovation and growth in the economy, particularly for a country like Bhutan, which is striving to modernize its economy and reduce poverty. Consumer empowerment is therefore a vital part of the RGoB's growth agenda as well as a key element of its broader citizen empowerment mission.

One of the immediate priorities of the RGoB' is to address the need for consumer advice and representation: to protect the most vulnerable consumers, who may not be able to access or

interpret information; to ensure people have access to the right information in markets where the risks may not be apparent; to represent the interests of consumers in regulated markets such as Banking, energy, water and telecoms; and to ensure citizens are educated in the exercise of their rights. These functions do not need to be provided exclusively by central Government institutions but by office of the consumer protection office will provide at dzongkhag, municipal and Gewog levels.

The RGoB's approach to implementing the Consumer protection act relies on enforcement and advocacy .Consumer advocacy is about representing consumer interests and promoting consumer rights on a wide spectrum with businesses, regulators. Effective advocacy requires strong research, analysis and investigation combined with effective influencing and negotiating skills to deliver better outcomes for consumers. To this end an advocacy evidence base and research capability and help ensure that the issues affecting consumers are effectively tackled.

## 5. Bhutan s capacity building needs

The RGoB has developed strategies to empower and protect consumer as well as to build a modern and competitive economy that would allow citizens and business to prosper. UNCTAD has provided valuable technical assistance to Bhutan in the formulation and adoption of a competition policy and a consumer protection law that are tailored to its economic social and geographical circumstances. In order to build on the work accomplished so far The RGoB would like to seek further assistance and support from UNCTAD in the building the foundation of the newly established Bhutan's Consumer Protection office as well as developing the necessary technical skills for enforcing the Act and advocating for compliance among business, regulators and government

departments. In particular, the RGoB requests assistance in the following areas:

1. Training of newly recruited staff;
2. Drafting of regulations;
3. Organisation of national and regional workshops to explain rights and consumer redress available at all levels;
4. Develop an online consumer complaint software;
5. Facilitate the participation of Bhutan's delegation in the UNCTAD IGES on competition and the IGE on consumer protection.

### Map of Bhutan

