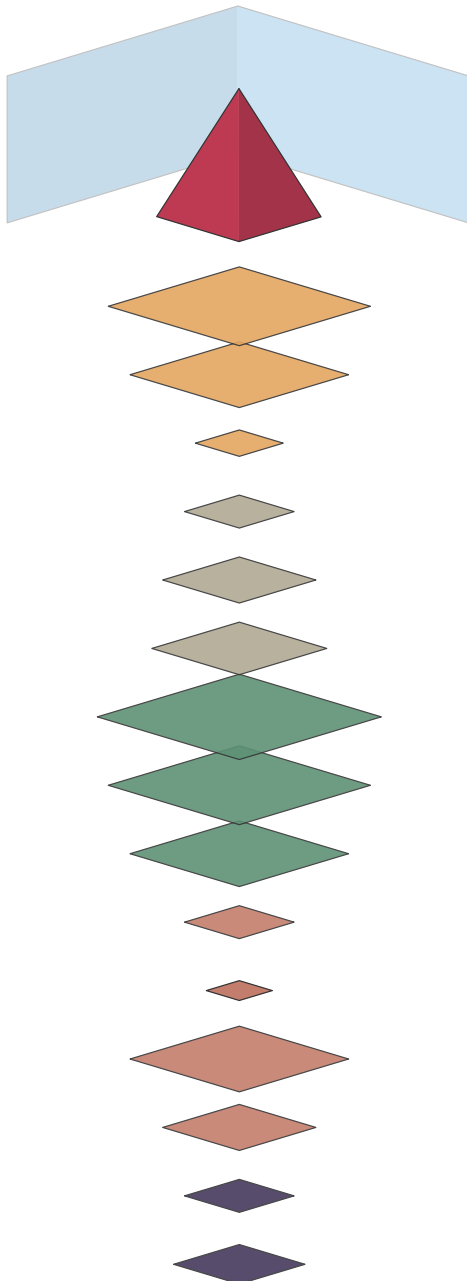


BHUTAN



3.90
CRIMINALITY SCORE

156th of 193 countries
42nd of 46 Asian countries
8th of 8 Southern Asian countries

CRIMINAL MARKETS **3.90**

HUMAN TRAFFICKING	6.00
HUMAN SMUGGLING	5.00
EXTORTION & PROTECTION RACKETEERING	2.00
ARMS TRAFFICKING	2.50
TRADE IN COUNTERFEIT GOODS	3.50
ILLICIT TRADE IN EXCISABLE GOODS	4.00
FLORA CRIMES	6.50
FAUNA CRIMES	6.00
NON-RENEWABLE RESOURCE CRIMES	5.00
HEROIN TRADE	2.50
COCAINE TRADE	1.50
CANNABIS TRADE	5.00
SYNTHETIC DRUG TRADE	3.50
CYBER-DEPENDENT CRIMES	2.50
FINANCIAL CRIMES	3.00

CRIMINAL ACTORS **3.90**

MAFIA-STYLE GROUPS	4.00
CRIMINAL NETWORKS	4.50
STATE-EMBEDDED ACTORS	4.00
FOREIGN ACTORS	4.00
PRIVATE SECTOR ACTORS	3.00

4.71
RESILIENCE SCORE



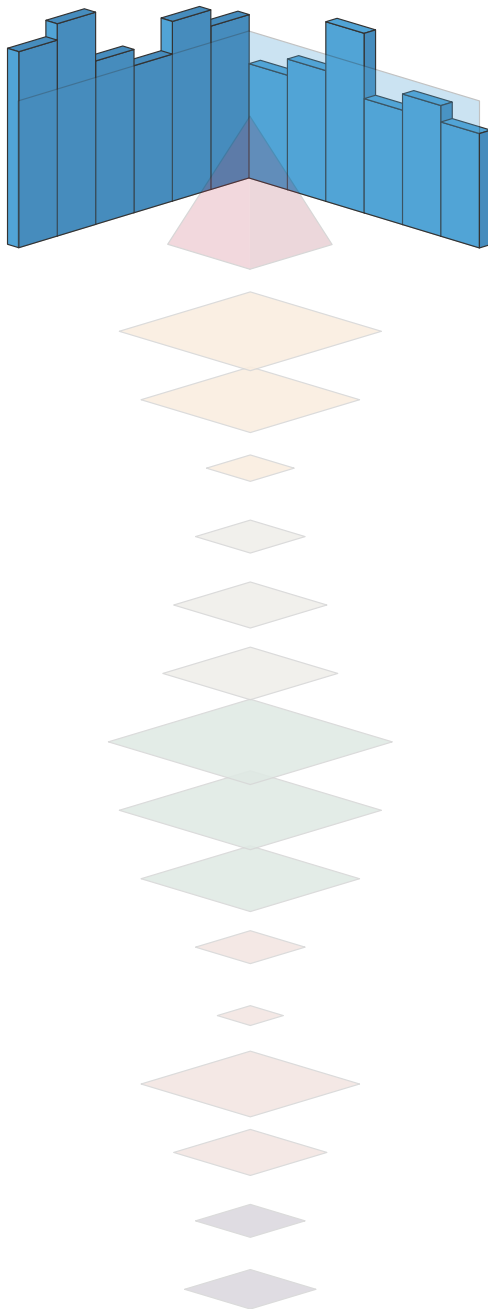
Funding provided by the United States Government.



Funded by the European Union

ENACT is funded by the European Union and implemented by the Institute for Security Studies and INTERPOL, in affiliation with the Global Initiative Against Transnational Organized Crime.

BHUTAN



4.71
RESILIENCE SCORE

104th of 193 countries
19th of 46 Asian countries
2nd of 8 Southern Asian countries

POLITICAL LEADERSHIP AND GOVERNANCE	6.00
GOVERNMENT TRANSPARENCY AND ACCOUNTABILITY	6.50
INTERNATIONAL COOPERATION	5.00
NATIONAL POLICIES AND LAWS	4.50
JUDICIAL SYSTEM AND DETENTION	5.50
LAW ENFORCEMENT	5.00
TERRITORIAL INTEGRITY	3.50
ANTI-MONEY LAUNDERING	4.00
ECONOMIC REGULATORY CAPACITY	5.50
VICTIM AND WITNESS SUPPORT	3.50
PREVENTION	4.00
NON-STATE ACTORS	3.50

3.90
CRIMINALITY SCORE

CRIMINAL MARKETS	3.90
CRIMINAL ACTORS	3.90



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CRIMINALITY

CRIMINAL MARKETS

PEOPLE

Bhutan serves as a source and destination country for human trafficking. Children under 14 are legally allowed to work in the country, which makes them more vulnerable to domestic servitude, forced labour, and sexual exploitation. Human traffickers take advantage of domestic and foreign victims in Bhutan and exploit Bhutanese victims abroad. In recent years, Bhutanese women have been sent to Iraq and Oman for forced labour. The COVID-19 pandemic has resulted in a surge of unregistered foreign recruitment agencies that operate through social media and exploit Bhutanese people for forced labour in various countries. There is evidence of forced labour and trafficking in the hospitality and service sectors across different jurisdictions. Women and girls in Bhutan have been exploited for sex and labour trafficking, with bar workers being particularly vulnerable to labour and sex traffickers. There has also been an increase in commercial sex along the Bhutan-India border.

It is believed that Bhutan's human smuggling market runs parallel to its human trafficking market, mainly along the porous Bhutan-India border, and possibly with China. Exiles and refugees move across the Bhutan-China border between home villages in Tibet and towns and cities in Bhutan en route to Tibetan refugee camps and exile communities in India, making them vulnerable to trafficking. Extortion and protection racketeering are not widespread in Bhutan, but there have been isolated extortion cases targeting businesspeople reported in recent years.

TRADE

Although there is a large illicit arms market in north-east India suggesting the existence of smuggling routes for the illicit arms trade, there is no evidence of substantial arms-related criminal activity or a notable arms trafficking market in Bhutan.

Bhutan does have a market for the trade of counterfeit goods. This market includes domestically made products as well as counterfeit goods imported from China and India. The availability and circulation of illegal and counterfeit goods in Bhutan is notable, although evidence on the size of the market is limited.

Illicit trade in excise goods, specifically tobacco products, is prevalent in Bhutan. The domestic sale, promotion, cultivation, and distribution of tobacco products have been banned in Bhutan since 2004. Even though personal consumption was not within this comprehensive ban, a 100% tax on small amounts of tobacco products legally

imported into Bhutan for personal consumption has also been implemented with an aim to protect public health. Despite the legal framework, the consumption of tobacco products has continued to increase, and the considerable demand has resulted in a black market with continuous smuggling activities. Even though the relevant ban was temporarily lifted due to the increased smuggling activities caused by the Bhutan-India border closure during the COVID-19 pandemic, the ban and the sales tax were reinstated in 2022.

ENVIRONMENT

In Bhutan, local tribes allegedly collude with India's timber mafia and corrupt Bhutanese officials to carry out large-scale illicit logging and tree smuggling. Although Bhutan has made extensive conservation efforts and increased forest coverage, illicit logging is rampant in areas such as Gelephu, Samtse, Paro, and the Manas National Park, which is understaffed. Bhutan also serves as a source and transit country for the illicit caterpillar fungus trade, which has developed into a highly lucrative market. The illegal market for caterpillar fungus and other non-timber forest products, such as fungi, orchids, and valuable plants, continues to exist even after Bhutan legalized harvesting during specific times of the year.

The illegal wildlife trade in Bhutan involves the sale of several endangered species, such as tigers, leopards, bears, musk deer, and others. Even though NGOs and international organizations have been working with the government to support conservation efforts, tiger poaching remains a major issue in Bhutan, taking place domestically and across its porous borders with neighbouring countries.

Bhutan is a transit country for transnational gold smuggling, mostly between Tibet and India or Nepal. Smugglers take advantage of the porous Bhutan-India border to avoid high import taxes. Allegedly, gold has also been smuggled along air routes between Bangkok, Thailand, and Paro in western Bhutan.

DRUGS

There is little evidence of a significant heroin trade in Bhutan, although there are isolated incidents of brown sugar (heroin) smoking in some districts. The potential market for heroin in urban areas and opium in rural areas probably comes from Myanmar through India. The increased cultivation of poppy in Myanmar following the coup that occurred in 2021 is expected to result in more trafficking and seizures of the drug in Bhutan. There is also no evidence to support the existence of a cocaine trade in Bhutan, although there

may be minor use in the tourism industry and within elite social circles.

Although Bhutan primarily serves as a transit country for the regional cannabis trade, wild cannabis grows freely in certain districts and is consumed and traded within Bhutan, along with processed cannabis. The production and use of cannabis and related products has increased in recent years, possibly because of the wider global decriminalization and legalization of cannabis. However, there is no major export of cannabis products out of Bhutan. As for the synthetic drug trade, it remains relatively minor, but the country does act as a limited site for third-country transshipment, and there are reports of synthetic drug abuse and sales in urban environments.

CYBER-DEPENDENT CRIMES

Although different forms of cybercrime are believed to have increased in Bhutan in recent years, particularly after the COVID-19 pandemic, there have been no reports of major cyber-dependent crimes in the country. However, there have been cases of ransomware attacks, website defacements, and hackers sending messages through compromised social media accounts.

FINANCIAL CRIMES

Financial crimes in Bhutan are primarily a result of the increasing use of digital platforms and cash flows associated with the lucrative tourism industry. The incidence of financial crime in the public sector is relatively low, but there are still instances of favouritism in public procurement. In the private sector, financial corruption is often characterized by nepotism and favouritism. Cyber-enabled financial crimes are also becoming prevalent in the country with increased reports of phishing activities.

CRIMINAL ACTORS

Loose criminal networks in Bhutan are involved in various organized criminal activities, such as gold smuggling, drug trafficking, human trafficking, timber smuggling, and wildlife poaching. Although most of these groups operate domestically, some operate internationally across the Bhutan-India border. The increasing smuggling activities particularly highlight the expanding influence of criminal networks within the country. In addition to the local criminal networks, foreign organized crime groups are also known to be active in Bhutan. Notably, foreign mafia-style groups are expanding their territory into Bhutan to find alternative sources, particularly in the illegal logging market. Additionally, there is a possibility of Chinese businesspeople and traders contributing to the foreign actor criminal network in the country.

Although evidence of state-embedded actors involved in organized crime remains limited, there have been reports of the power of urban and elite actors being imposed over rural populations, making them vulnerable to illicit and corrupt schemes. Moreover, nepotism and other forms of corruption are also prevalent among state-embedded actors in the country. While traditional mafia-style groups do not exist in Bhutan as such, elite sectors of Bhutanese nobility and the aristocracy operate with mafioso-like powers and protection.

The private sector in Bhutan has relatively low levels of crime and corruption due to the country's nascent economy, but private sector actors have been accused of corruption primarily based on nepotism and favouritism. The private sector's involvement in the highly lucrative tourism economy, and illegal wildlife and antiquities trade, as well as the potential for corruption in loans and profits related to infrastructure development including export hydropower sales, are also reported in Bhutan. There have been reports of private sector involvement in human trafficking in the entertainment industry, and as the country's economy matures, the risk of crime and corruption in the private sector is expected to increase.

RESILIENCE

LEADERSHIP AND GOVERNANCE

Bhutan has made steady progress in improving its governance and politics. Even though the Bhutanese government has not taken a strong stance against organized crime, the overall levels of organized crime are not very pronounced in the country. Nevertheless, human trafficking remains a concern because of inadequate legislation. The Bhutanese

government actively combats corruption and monitors state spending through independent institutions. The Anti-Corruption Commission of Bhutan investigates corruption, and citizens can anonymously report corruption online. Despite cronyism and oligarchy, more decentralized and democratic governance is leading to increased transparency and accountability in state agencies and organizations. The government has effectively enforced anti-corruption laws,

but progress has stalled because of a decline in detection and investigation, with too few proactive investigations being pursued. Nevertheless, the government has increased transparency by making public the salaries of officials and allowing for more open review of the central and local budgets.

Bhutan is a signatory to international agreements aimed at combating corruption, illicit drug trafficking, and trade in endangered species. The country also collaborates with neighbouring countries to fight drug trafficking and other forms of organized crime. Although Bhutan's longstanding policy of relative isolation has hindered the development of legal mechanisms to combat crime, the country is becoming more active in international treaties and coordinated efforts to fight criminal activity. However, Bhutan's legal definitions of trafficking in persons are inconsistent with international law, and only some forms of child trafficking are criminalized. In 2021, Bhutan's penal code was amended to strengthen the prevention of human trafficking and the protection and assistance of victims. Bhutan has been working towards drafting a national policy on cybercrime for more than a decade, but it is still pending government approval.

CRIMINAL JUSTICE AND SECURITY

Bhutan does not allocate special courts to handle organized crime-related offences, and while no evidence suggests organized crime has infiltrated the judicial system, there are still significant challenges faced by the Bhutanese judicial system. One major issue is the lack of consistency in court judgments, and the right of appeal is sometimes abused, leading to delays, and placing a burden on the judicial infrastructure. Criminal defendants often lack access to legal representation and are not aware of their rights. The recruitment process for judges and other judicial officials is also imbalanced, which can influence their ability to render fair judgments. Furthermore, there is a lack of transparency in the Bhutanese judiciary, as court judgments are not made available to the public. On the other hand, the prison system in Bhutan meets international standards, and there is no evidence of organized crime infiltrating the system. However, in recent years the government has denied requests for monitoring by non-governmental observers.

There are no widespread reports of corruption among Bhutanese law enforcement officials. Nevertheless, there have been reports of human rights violations by the police against external ethnic populations.

Bhutan's territorial integrity is relatively stable, but the conflict between China and India at the Doklam pass has highlighted the fragility of its borders, especially with China-Tibet. China has encroached on Bhutanese territory, including constructing villages and military outposts, which has weakened Bhutan's influence in these areas. India provides foreign aid to Bhutan and collaborates with the country to

prevent human trafficking and smuggling along the Bhutan-India border. Although India maintains notable influence and defends Bhutan's territorial concerns, insurgents from the state of Assam in India have occasionally entered Bhutan and undermined security. Despite the establishment of a memorandum of understanding between China and Bhutan, progress on their ongoing territorial dispute has been limited, and China's influence over policymaking in some parts of Bhutan is increasing.

ECONOMIC AND FINANCIAL ENVIRONMENT

Bhutan has taken measures to combat money laundering and terrorism financing, including passing legislation and cooperating with other countries. However, reports suggest that there is still a risk due to the lack of expertise on financial crime and ineffective confiscation of illicit proceeds. Although Bhutan has improved its compliance deficiencies, concerns remain about the control of cash flows related to tourism and natural resources when managed through relatively new digital platforms.

The private sector in Bhutan is underdeveloped because of limited competition, skills shortages, and restricted access to foreign markets. Many sectors are dominated by large state-owned enterprises, which discourages private investment. This approach to business is attributed to Bhutan's historically monarchical structure, which favoured intimate relationships rather than competence and capacity. Elite members of society manage the tourism and natural resource industries, making it difficult for foreign interests to enter. Despite the government's efforts to open up to more international actors beyond tourism, the prevailing environment constitutes a challenge for foreign investment.

CIVIL SOCIETY AND SOCIAL PROTECTION

Bhutan has made considerable strides in improving victim and witness support in recent years, including collaborating with international NGOs to develop victim-identification guidelines, and establishing more women and child protection units in police stations. However, cases of whitewashing to protect the country's image, and human rights abuses against ethnically Nepali Bhutanese citizens-turned-refugees, are still covered up. Efforts have been made to eliminate human trafficking, such as amending the penal code and increasing funding for NGOs, but minimal work has been put forth to address drug addiction. Most victim-support services are still provided by NGOs, and these services are limited to female victims.

The government participates in initiatives to prevent illicit drug trafficking and human trafficking risks, and a national prevention strategy was published in 2021. In response to potentially exploitative working conditions, the government closed all entertainment venues in 2020 because of the COVID-19 pandemic and issued an executive order permanently closing drayangs (bars) in 2022. Skills

training and employment programmes were introduced for former drayang employees, but efforts to reduce the demand for commercial sex acts have not been significant.

Major news outlets are still government-managed, and the security law penalizes attempts to create misunderstanding or hostility between the government and people, limiting journalistic freedom. Direct and implied state-level censorship remains a problem, with criticism of the monarchy, and the Nepali refugee-Lhotsampa situation effectively suppressed. NGOs in Bhutan are relatively new, and foreign NGOs have only recently been allowed to operate in the country. The domestic NGO sector remains small and limited in areas such as the environment and women and children's affairs. These organizations are banned from practicing or being involved in politics, resulting in limited impact on policymaking in Bhutan.

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