

How can Bhutan Become a Global Player in the Fourth Industrial Revolution?

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Introduction

The current rise of populism in many countries is a clear sign that many people are not happy with their lives. They want a better and happier life but successive governments have failed to meet their expectations. Will populist governments succeed to meet their expectations? Most likely not, as history has shown. The only way out of this political deadlock is to integrate “happiness” in the measure of the GDP. Can it be done?

The Kingdom of Bhutan has been an inspiration to the world, thanks to its GNH (Gross National Happiness) policy. But Bhutan has yet to leverage on the advantages which the Fourth Industrial Revolution or the “knowledge economy” can provide, to grow its own economy and reach 7 billion people in need of happiness. This paper provides some potential strategies for Bhutan to leverage on its knowledge and become an active player globally in the multi-trillion dollar and fast-growing well-being market. This is to be done in combination with a more open domestic economy (especially with stronger investment freedom) as well as by acquiring the input of “foreign talents” in order to facilitate the globalisation of Bhutan’s knowledge economy.

Background

The debate about whether the world should go beyond GDP is not new and not without precedence, but Bhutan’s contribution to the dialogue has not only revitalised the debate and discussion among the global elite, but it has also made it mainstream. The widespread popularity of Bhutan’s development philosophy of Gross National Happiness makes the country stand out in a very positive light in the world and allows Bhutan to punch above its weight in the global development agenda. Given the country’s development challenges and the constraints it faces, Bhutan has been a remarkable success with its development concept of GNH.

Over successive Five-Year Plans, the royal government has focused, for the right reasons, on the growth of the economy, by steadily leveraging on its natural resources, such as hydropower and the building of industries around the use of electricity. But while economic growth is necessary for Bhutan's social progress, and to fulfil the development aspirations of its people, many observers of Bhutan's progress question whether Bhutan is departing from its much well known development philosophy of GNH and focusing on a material-based GDP growth strategy.

Are we talking GNH and doing GDP? This is an important question or observation, and requires a deeper understanding of human values. What is the ultimate goal of developing an economy and what is it to be a human? Humans are biologically the same as our hunter-gatherer ancestors (DNA almost unchanged). Therefore, humans are designed to run, jump, eat natural food... and most importantly live in harmony with nature. Humans are part of nature. Every action of humans has a consequence on nature. This fundamental view on what it is to be a human is important because happiness is a consequence of living the life for which humans are designed.

Therefore, we should question the contribution to happiness of the prosperity brought by GDP. At the same time, it is not possible or viable to return to the hunter gatherer lifestyle, and it is important to acknowledge the positive factors of economic growth on housing, education, infrastructure and health. Rather than nostalgia for the past, the present must prepare the way for a better prosperous future.

The central question is not whether it's a choice between GDP and GNH for Bhutan but rather, how to measure the contribution of GDP to happiness. It could be an interesting approach to harmonise the spirit of GNH with GDP goals, given that sustainable economic development is a pillar of GNH. Maybe it is time to rebrand happiness to reflect this interconnectedness by perceiving it as "Gross Domestic Product For Happiness".

Moving beyond GDP is a powerful discussion. However, moving towards a GNH society cannot be successful if it's a product of a centrally planned bureaucracy. Also, creating a "Happy GDP Index" would always be biased in favour of setting standards that lean towards the obvious achievement

of GDP, and we are yet to develop a strong alternative to truly challenge GDP in its conventional understanding. The best path toward a “Happy GDP” must come from the awareness by the people themselves about what is happiness.

Such an approach will be a good case of grassroots democracy at work. In most cases, people have been conditioned by society -- via education, media, advertising -- to think that happiness is to be able to spend as much as possible in a shopping mall, to drive an expensive car, and to have a big house. Unless people themselves come to understand that real happiness comes from living in harmony with nature, being physically and mentally adjusted to our biological needs, being altruistic and compassionate to other sentient beings, then a “Happy GDP” will only be a nice intellectual concept and an utopia for sophisticated intellectuals.

Whatever name we use, what the world needs is an “awareness shock” on real happiness.

Having said that, the world has never been so close to such an “awareness shock”, as challenges brought by climate change, growing inequality of wealth, rising mental illnesses (anxiety, depression), rising of “lifestyle diseases”, rising health cost, unhealthy over-eating or lack of balanced nutrition, and addiction problems (including digital addiction) are seriously affecting the happiness of people. This is a worldwide trend which affects high and low GDP countries alike.

The answers to those challenges are emerging and changing over time. It is not, as before, socialism versus capitalism. The question of which ideology is superior is settled with enough success cases of all advanced nations embracing the spirit of human liberty, and newly industrialising countries also following suit. More and more, the “awareness shock” is expressed with two key terms: “inclusiveness” and “social impact”. “Inclusive society”, “Inclusive Capitalism”, “Inclusive Finance”, “Social impact investment”....

Is GNH another way to express this trend of “inclusiveness” and “social impact”? Is GNH part of the global “awareness shock”? Very likely, but it is expressed differently, given the specific society in which it started in Bhutan. Could Bhutan take the lead in demonstrating that GNH can be

an inclusive free market model? What we call “Happy GDP” here needs to be a people-driven alternative offering novel solutions or breakthroughs in the market, delivering interventions at the micro and macro level through innovation and creativity. It needs to be a catalyst of resilience and sustainable solutions by offering an alternative to traditional planning routes.

A Powerful Brand

The Bhutanese architects of GNH may have never imagined how successfully the idea of a unique system of governance borrowed on wisdom would resonate in the minds of the world’s elite. As for all actions, there are always unintended consequences, and it appears that the main unintended consequence is that Bhutan has turned into a global and exclusive brand for “happiness”. The key argument of this paper is that if Bhutan could add the intangible value of its brand, on its current balance sheet of around USD 2 billion, we are pretty sure that the actual value of its balance sheet would be much larger.

The success of Japan and China to export their culture -- what is sometimes called “soft power”-- is an example to think about. Some would say that Bhutanese culture is not “export ready”, but qualified “foreign talents” could be an “accelerator” towards making the culture exportable. A global hospitality brand such as “Shangri-la” should have been a Bhutanese brand, but it is not. However, it is not too late to work on it. The problem is that, as for any intangible asset, it has value only if it can generate revenue streams.

As of today, besides the stream of “premium” foreign tourists into Bhutan, Bhutanese people seem to rely mostly on agriculture, hydropower and other tangible assets for their economic growth. As a consequence, Bhutan might be missing out on an incredible opportunity for strong economic growth leveraging on the wisdom of GNH. We are aware that some decision makers might wonder what “branding” has to do with real economic growth, but then, take the case of governments like Singapore, which are very good at leveraging on “branding exercises” for their own economic growth. Bhutan is already a known brand for Happiness and through the efforts of individuals and the government, the country must now develop a clear strategic vision to encapsulate happiness in the market.

The above argument is about how Bhutan could become a global player, leveraging on its unique brand, and contributing to make the world a happier place. In other words, it could be a major contributor with the much-needed “awareness shock”. Bhutan could be at a cusp of taking one of the leading roles in the Fourth Industrial Revolution that is just beginning. The First Industrial Revolution used water and steam power to mechanise production. The second used electric power to create mass production, the third used electronics and information technology to automate production, and the fourth is building on the third by going digital, blurring the lines between physical, digital and biological spheres. The Fourth Industrial Revolution is not about “brawn power” but “brain power”, and is the primary factor of success behind small countries such as Singapore, Israel, Switzerland, Scandinavian countries and more.

Where does Bhutan stand in all this change sweeping the world? For now, Bhutan is mostly perceived as a small and isolated kingdom with a strong message to the world: “GNH, not GDP, must be the goal for human development”. Since most experts in the field of “happiness” know that it is a consequence of “wellness” (or well-being), a clear strategic option for Bhutan would be to become a “pure player” in the global and high growth of the “wellness” industry. An attractive motto could be “wellness for happiness -- from Bhutan to the world”!

Why “from Bhutan to the world”? Simply because the world will not come to Bhutan, given the size and accessibility of the country, so Bhutan has to reach the world if it aims at a very high economic growth leveraging on its intangible assets. The good news is that we are then talking of more than 7 billion potential consumers rather than the 750,000 Bhutanese. The difference in numbers makes it possible to aim for revenue streams on billions of USD, thus GDP targets of USD 20,000 per capita becomes a possibility over time. Be reminded that this level of USD 20,000 is what the World Bank defines as the GDP target for real happiness according to their studies.

Such an approach to adding value and capitalising on GNH by taking Bhutan to the world will also help build Bhutan’s economic and social resilience. By collaborating with the world to build its knowledge economy, Bhutan will be able to build an intellectual economy that has a large export

potential, without being challenged by traditional constraints such as geography and distance. The intellectual production of Bhutan will lead to a more diversified and resilient economy by building a competitive and strong economy.

The Way Forward

Since this article is about GNH and economics, the key economic concept at work is the “knowledge economy”. Bhutan has missed the industrial revolution but it has a chance to leap forward directly and successfully into the “knowledge economy”. The Fourth Industrial Revolution offers Bhutan a unique opportunity to add value to its traditional knowledge repository and happiness brand, to diversify its economy and build its productive capacity with the use of global digital resources. GNH through knowledge will also help Bhutan build resilience to internal and external shocks, without having to join the highly competitive race towards traditional industrial production.

Bhutan has a massive amount of untapped intellectual capital, tacit and explicit -- art, traditional medicine, wellness for happiness, GNH Certification, Brand Bhutan -- which could create many skilled jobs and large and diversified revenue streams, but “Capacity Building” needs to be established. The best way to achieve this objective would be to set up a “Knowledge Centre” or “Intellectual Capital Centre” with a strict and proven methodology.

Bhutan’s knowledge economy would provide the benefits to serve not only the Bhutanese population (750,000) and the foreign visitors to Bhutan (around 100,000 per year) but the 7.2 billion people around the world. Bhutan has no other way to achieve such scalability in its economy given its geographical context. A final key factor of success for the knowledge economy is to bring Bhutanese talents and foreign talents together.

Making it easier for foreign talents to travel and stay in Bhutan is important. This calls for more openness to the outside world, to be used for the strategic placement of Bhutan in the global knowledge map. The underdevelopment of Bhutan is largely a mindset and fearing the

“unknown outcomes”. To overcome this, the role of government must be limited to that of an impartial referee to facilitate all the players to abide by the rules of engagement. This is where the individual role of entrepreneurs in partnership with foreign talent assume importance and the government should pass the risk of the “unknown outcomes” to the market.

Therefore, Bhutan needs to increase investment freedom and unleash entrepreneurship. There are already several smart initiatives to unleash entrepreneurship, but their success is correlated with a higher level of economic freedom. The low ranking of Bhutan by the Heritage Foundation is a good indication of the urgency to improve investment freedom. Overall, Bhutan does fairly well in the index, with a moderately free economic freedom index. Where the country really needs to improve are in investment and financial freedom. This is reflected in other studies also, such as the World Bank’s Investment Climate Assessment and Doing Business Reports, which shows a need for improvement in investment and access to finance indicators.

Over the years, the royal government has and continues to initiate the improvement of the investment climate through regulatory reforms to ease the burden of doing business in the country. Bhutan does well, compared with its neighbours and similar countries around the world, in aspects of economic freedom that requires long-term and sustained political commitment, such as dealing with corrupt systems. Most of Bhutan’s challenges can be resolved over the short to medium term; for instance, improving access to finance or easing the cost of doing businesses require largely regulatory reforms that can be initiated within a year or two.

- 2018 Index of Economic Freedom
- Ranking the world by economic freedom
- The Heritage Foundation

Source: www.heritage.org

- World ranking: Bhutan is number 87
- Hong-Kong is ranked number 1
- North-Korea is ranked number 180
- Regional ranking: Bhutan is number 20

- Hong-Kong is ranked number 1
- North-Korea is ranked number 43
- Economic Freedom Scores: Bhutan is 61.8
- 80-100 : Free (GDP per capita PPP : 60,194)
- 70-70.9 : Mostly Free (GDP per capita PPP : 47,269)
- 60-69.9 : Moderately Free (GDP per capita PPP : 19,880)
- 50-59.9 : Mostly Unfree (GDP per capita PPP : 8,295)
- 0-49.9 : Repressed (GDP per capita PPP : 8,058)

With a positive correlation of 0.647 a score of 70 is equivalent to a GDP per capita PPP of 20,000 (a real happiness level according to some studies).

Economic freedom is an antidote to poverty. Components of Economic Freedom

Rule of Law

- Property Rights: 60.9 (Region: 52.8 / World 52.2)
- Judicial Effectiveness: 51.6 (Region: 45.9 / World 47.7)
- Government Integrity: 50.9 (Region: 43 / World 42.6)

Government Size

- Tax Burden: 83 (Region: 81.2 / World 76.6)
- Government Spending: 72.2 (Region: 68.5 / World 63.9)
- Fiscal Health: 80 (Region: 73.5 / World 67.5)

Regulatory Efficiency

- Business Freedom: 72.5 (Region: 66.5 / World 64.9)
- Labour Freedom: 75.7 (Region: 64.1 / World 58.9)
- Monetary Freedom: 70.5 (Region: 75.3 / World 76.3)

Market Openness

- Trade Freedom: 74.4 (Region: 74.3 / World 75.9)
- Investment Freedom: 20 (Region: 44.9 / World 57.8)
- Financial Freedom: 30 (Region: 42.6 / World 48.6)

Conclusion

The objective of this article is to open the path to ways of thinking on GDP in the context of GNH and making Bhutan a strong economy, fully integrated into the global economy while contributing to the world's need for changes toward an “inclusive world” in a unique way. In this context the writers-Thibault and Sonam Tashi -- are calling Bhutan's GDP with GNH values a path towards “Happy GDP”.