

## **Bhutan's Quadrilemma: To Join or Not To Join the WTO, That is the Question**

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### **Abstract**

This paper argues that any discussion of the operationalization of Gross National Happiness (GNH) in Bhutan within an immediate or intermediate time-frame must account for the fact that operationalization implies the adoption of long-range policy objectives and immediate or intermediate policy decisions, made in real time, that aim at reaching those objectives. The discussion of any operationalization of GNH, therefore, cannot fruitfully take place *in abstracto*, because that implies a lack of seriousness in raising the subject in the first place. The paper seeks to outline, only briefly and suggestively, a framework within which discussion of the operationalization of GNH may take place, focusing on the question of Bhutan's possible entry into the World Trade Organization (WTO). It concludes that a decision to operationalize GNH in Bhutan carries with it certain consequences that can be defined within the structure of the problem of choice, and that structure can best be considered as a quadrilemma. The *potential* consequences of choice must be taken into account in choosing for any particular set of policy directions and the *potential* cost must be accepted as part of the solution of the problem the quadrilemma suggests.

### **Bhutan's Policy Objectives within the Framework of GNH**

We may assume that the word "development" best defines Bhutan's long-range objective, but it is precisely the meaning of this term for Bhutan, and the policies and policy decisions needed to achieve that objective once it is defined, that the concept of GNH is intended to cover. Therefore, we must try to indicate, if only in the most general terms, what the components of GNH-guided development may be. We can assume, for the purpose of this argument, that they are five in number:

#### *Eradication of Poverty.*

Poverty in absolute terms suggests a level of income, in cash and/or kind, beneath which a reasonable standard of living, as defined by the values of a society, cannot be sustained. Obviously, GNH not only needs to consider what constitutes "poverty" in Bhutan but also what phenomena it covers. For example, it may ask who defines "poverty" in Bhutan and what institutions are engaged in the definition. It may consider whether a concept of "spiritual poverty" or "cultural poverty" is part of the definition of the condition of poverty in Bhutan. In brief, GNH certainly suggests the need to define the term in specifically Bhutanese terms. Relative poverty

implies a spread of income that is too great to be sustained either by the values of the society or the institutions of the polity. The eradication of poverty within the framework of GNH thought suggests, therefore, at least the possibility that the measures usually adopted to alleviate poverty as defined by strictly economic models may not be completely or even primarily applicable in Bhutan. For example, some models of development (China, the Soviet Union and Eastern Europe, for example), based development on state-enforced forced savings, primarily from the peasants, and the State's police powers were used to prevent deviation from this policy. In other societies, great disparity of income, often accompanied by equally great corruption, was maintained by the oppressive police power of the State (Indonesia under Suharto was an example). Neither possibility is acceptable under GNH. The operationalization of GNH, then, denies certain even temporary justifications for the continuation of poverty and requires the state to eradicate poverty by changing the conditions that give rise to it or allow it to continue.

#### *Preservation of National Sovereignty*

National sovereignty may be defined as the ability of a national polity to determine for itself, by whatever means it chooses, the policies, institutions, and procedures whereby its population lives within its boundaries. Obviously there are always limitations on sovereignty, including, for example, relative power internationally, geographical considerations (e.g., limits on the use of resources, such as rivers, that are shared across national boundaries), international political and economic obligations, etc. While national sovereignty may not be measurable as an absolute quantity (except negatively, when one nation is completely incorporated into another), a nation's ability to expand or diminish the reach or depth of its sovereignty is always a trade-off in terms of other factors or values that must be addressed in the formulation of policy.

#### *Maintenance and Development of Culture*

While it is true that social scientists have never succeeded in defining "culture," it remains something that everyone can perceive when he or she sees it. Cultures are malleable, which in this instance means that they change, sometimes more rapidly, sometimes less rapidly, depending on decisions that are made by a nation through its institutions and on the historical circumstances within which a nation may find itself and which limit its ability to make independent decisions regarding its culture. The degree to which the development of a culture may be influenced by political or economic decisions depends on the policy directions a nation takes in fields ranging from education to the economy. While GNH envisages the use of culture to protect the integrity of the nation, it also posits the development of Bhutanese culture as an instrument for defense. "National

identity," therefore, beyond its definition on legal documents, is a significant variable both in the formulation and the consequences of policy decisions.

*Good Governance, Democratization and Decentralization*

Good governance is one of the objectives of GNH, and, according to prevailing ideas, that objective is best served by decentralization and democratization. Good governance assumes that the stakeholders in a society hold the policy- and decision-makers accountable, and this, in turn, assumes the ability of all the stakeholders to participate in the process of policy formation and to evaluate the decisions that are made in pursuit of those policies. In general this means that an educated and informed population can exercise its judgment on the managers of society, through whatever mechanisms a given society establishes for that purpose. It also assumes, however, the existence within that society of a shared set of values, norms, and standards on the basis of which the population can judge its managers. GNH is about values, norms, and standards, but it is also about education for participation (as well as about making a living).

*Self-determination*

Good governance and self-determination are closely linked concepts. Without good governance self-determination may be the exercise of the will of a small group that holds concentrated power in its hands, power that it exercises on behalf of the society but without accountability to the society as a whole. There is a dilemma here, of course: The freedom of the state to act independently, and in the contemporary world to act quickly, sometimes requires, or seems to require, that it be able to act without direct reference to the society on behalf of which it is operating. Accountability may be delayed until after, sometimes long after, action has been taken, by which time the introduction of other issues or forgetfulness diminishes the degree of accountability. This is a dilemma of representative democracy in the contemporary world, for example.

The operationalization of Gross National Happiness is an issue precisely because it is by no means clear that the commonly accepted definition of "development" satisfies the needs of poverty eradication, the maintenance or even the increase of national sovereignty, the maintenance and development of Bhutanese culture, good governance, and self-determination.

**General and Specific Limitations on Freedom of Policy Choice**

Bhutan's ability to make policy choices in the pursuit of Gross National Happiness maybe defined or even limited by both general system considerations and specific characteristics of the nation.

### *General Considerations*

Although we like to think that we make decisions in a world in which our decisions are made in a mono-directional fashion, that is, decisions and consequences are identified by a close cause-effect relationship, we are increasingly aware of the problem of unintended effects, which is to say that a given policy decision may lead to a quite different consequence than the one we intended. The fact of the matter is that we live in a highly complex and very integrated socioeconomic universe, which we divide into domains (“disciplines”) for the sake of analysis, but these domains disappear as distinct entities when we look more closely at the political economy. Any decision we make in one area may have quite unintended consequences far from the domain in which the original decision was made. The introduction of new technology may lead to social change that may result in increasing political dissatisfaction in a significant element of the population, or even in the production of a new social class, which, in turn, may result in revolutionary seizure of power. New inventions and ways of doing business that, collectively, we call the “Industrial Revolution” were not intended to produce an urban middle class in France that would seize political power and create a new political system.

### *Specific Considerations*

Although the specificities of Bhutan’s situation are well known, it is important to rehearse them here in order to highlight the complexities of choice that face the society.

1. Bhutan is a small state. Bhutan appears on almost every list (World Bank, IMF, Commonwealth Secretariat) of “small states,” a category sometimes defined as “states with populations of less than 1.5 million people.” It is not possible here to discuss the characteristics that distinguish small states from all the others, but they suggest that small states are so different from the states on which the traditional models of economic development are based that they require a different analysis and different solutions to the problems presented by “development.” They are highly vulnerable to external events, have small domestic markets, have very limited capacity in the public and private sectors, are relatively undiversified in their production and exports, etc. These conditions limit Bhutan’s choices in the pursuit of development and require different solutions. The operationalization of GNH, with its strong adoption of specific goals and values, further narrows the choice of “development strategies” by requiring and even insisting on profoundly humanizing both the definition and the process of development.

2. Bhutan is a “developing” society. That Bhutan is a less-developed economy or society is not arguable. If “development” means “improvement,” the question of the realization of development very much depends on the values to which the society accords importance. That

Bhutan lacks the resources to “develop” in all sectors at the same time is a given, but then this is also the case with advanced industrial societies such as the United States. From the point of view of resources, all resources are scarce and so choice must be made, no less in Bhutan than in North America. The fact that Bhutan still has the ability to decide which path it wishes to pursue, which means to determine its own priorities (to the extent that it does indeed have that ability), suggests that in a way Bhutan can benefit at this stage in its history from its “underdeveloped” condition to expand its ability to exercise choice, albeit with certain limitations, to which we will come.

3. Bhutan has limited resources. The nation’s capacity to grow exports or to speed-up domestic economic development is limited by its lack of resources, including “natural” resources, capital, labor, etc. Whatever measures are taken to overcome this lack in one area will have consequences in other areas, as we will suggest.

4. Bhutan is a landlocked country. Landlocked countries experience particular difficulties in gaining access to world markets, which is a limitation on their ability to use trade as a way to overcome the limitation of resources. Moreover, Bhutan’s neighbors are only two in number, one of which is relatively unavailable to Bhutan as a resource for trade and development.

5. Bhutan is deeply integrated with the Indian economy. To the extent that Bhutan seeks to deepen its integration with the global economy as an instrument for its own development (even given the conditions already mentioned), it is limited by the extent of its already existing integration with the Indian economy. Considerations of relative political power and size of economies severely condition Bhutan’s ability to engage itself with the global market.

### **Bhutan’s WTO Quadrilemma**

Operationalization of Gross National Happiness will require very difficult policy choices in the short- and intermediate term that will have long-term consequences. The difficulty of these choices can be indicated by a discussion of the quadrilemma Bhutan faces in consideration of the value and significance of its joining the WTO.

A quadrilemma may be defined as a state that requires a choice between four relatively equal or attractive options, any combination of two or three of which will prove unsatisfactory with regard to one or two of the others. In other words, “you can’t have your cake and eat it too.” The decision about whether to join the WTO poses a *quadrilemma* because there are four primary elements that must be taken into account but that may be, to some extent, mutually incompatible at some level. These elements are: globalization (meaning, thereby, real and “deep” integration into the global market; the continuing development and continued existence of the nation-

state, in this case Bhutan; the development of a decentralized and democratic polity; and the pursuit of Gross National Happiness as an objective and a guide to development choices.

*Globalization and the Nation-state*

It is now a commonplace to point out that globalization as a process of economic integration on a global scale has a long history, extending at least as far back as the 18<sup>th</sup> century, let us say, and that that history is not unilinear, i.e., there have been periods of increasing and of decreasing global economic integration.

In the last decade or so, “globalization” has often been presented, ahistorically, as a new phenomenon and, ideologically, as a phenomenon that is somehow “natural,” i.e., that is somehow propelled by the forces of nature so that either you join or you get left by the wayside. Only lately, and partly as a result of intellectual critiques and analyses of “globalization” and of political and social protests against it, has globalization been considered as something less than a natural force.

World Wars I and II demonstrated the consequences of a totally fragmented world in which individual states or nation-states were pursuing their own political and economic objectives without serious consideration being given to the broader welfare of the world community. World War I led to the creation of institutions intended to control, or at least soften, the consequences of international competition and to economic theories and policies that would soften the consequences of a relatively unbridled market. World War II was, to no small extent, the consequence of the failure of the institutions and policies that followed World War I. Consequently, after World War II two sets of institutions were created that, it was hoped, would prevent the rise again of those conditions that had led to World War II. Those institutions were The United Nations and its ancillary and associated bodies, and the Bretton Woods institutions, namely the World Bank, the IMF, and the GATT (replacing the failed ITO).

Both sets of institutions were predicated on the need to mediate between the nation-state, as the primary political unit and the primary unit of economic planning, on the one hand, and, on the other, the need to integrate the nation-state and national economies into a larger whole that would make possible the control, and alleviation, of the excesses of the nation-state and of national economies.

The United Nations rested on giving priority to collective security and decisions made collectively by member nations through the UN’s institutions. The UN was intended to provide sufficient international security so that the nation-state could continue to function with only minimal restrictions on its sovereignty while its sovereignty was limited to the extent that the collective interest of the whole inhibited its exercise of independence to the point where it seriously infringed on other nation-

states. While the UN's history has been checkered by moments of success and by failures, its fundamental premise has only recently come under direct attack. The UN has held out at least the promise of security for small states in the face of potentially predatory larger neighbors, and the consequences of the failure or even the weakening of the UN for small states would be serious indeed.

The institutions of the "Bretton Woods Compromise" are more to our point, however. At the end of World War II, it was commonly recognized that the world consisted of states and nation-states that differed from each other, sometimes radically, in ideology, social policy, socioeconomic systems, levels of development, national purpose, institutional structures and political processes. Moreover, each state had its own political procedures for arriving at policy determinations. If peace were to be preserved (even in the midst of the Cold War) and stability maintained, differences had to be mediated rather than overcome, and the Bretton Woods institutions were created for that purpose. To be sure, there was a preference for democracy (not surprising after the anti-Fascist war), but it was rooted in the idea that diversity of political, social and economic arrangements could be tolerated and preserved by the development of institutions that encouraged growth and attended to the alleviation of crises that might otherwise weaken the stability of the international system. The GATT was intended to provide a procedural framework within which the adjustment of the institutions and procedures could take place to account for change.

The Bretton Woods compromise began to fall apart at the beginning of the 1980s with the Thatcher government in Great Britain and the Reagan administration in the United States. The idea of mediation between states with their own arrangements gave way to the idea of the market as the over-determining institution to which the nation-state had to acquiesce if it were to develop, or even to survive. The market trumped any and all domestic arrangements within individual nation-states. Moreover, the market was assumed to be a self-controlling mechanism. All this was legitimated by the fall of the Soviet Union and the supposed turn of China away from "socialism" to "capitalism." The WTO, replacing the GATT in 1995, was the institutional expression of the new "globalization." It is supposed to provide a means for negotiating the acquiescence of individual nation-states to the world market, but the "conditionalities" which surround any given nation-state's entry into the world market are, both logically and politically, only temporary; the inexorable power of the world market will dissolve them in due course. The crucial difference between the Bretton Woods institutions and the WTO is contained in the difference between mediation and acquiescence. The first real indication that this inexorable power could be challenged came at Seattle in 1999, and the first real challenge occurred at Cancun in 2003.

Entrance into the WTO holds out the promise, theorists say, of rapid local (nation-state) development in return for the surrender of a considerable amount of local autonomy. The ability of the nation state to define its own path to improving the conditions of its population, and even to define what “improvement” means and in what domains it should take place, is surrendered to the global market. Sovereignty is transformed, and diminished, by adhesion to the WTO.

Here, then, are two parts of the quadrilemma that both in theory and in reality are mutually incompatible. Accession to the WTO severely limits the domestic independence of the nation-state in precisely those areas where it needs to be effective to survive, namely in the political, social, and economic spheres. As we have seen recently, the WTO, particularly its most powerful members, can attempt to place limits even on independence in medical (pharmaceutical) and intellectual (TRIPS) areas.

#### *Good Governance and a Democratic Polity*

Both globalization (the WTO) and GNH posit “good governance” as a *sine qua non* for development of any kind. “Good governance” is usually interpreted to mean, as we said above, the ability of the stakeholders to hold policy formulators and decision makers accountable for their policy formulations and decisions. This raises temporal as well as procedural issues. Temporally, integration into the WTO may take place in such a way and at such a time that the stakeholders are either not part of the decision for integration or that holding the policy makers to account can take place only after the fact, when the decision to enter is irreversible or its consequences irredeemable. In other words, the concept of good governance can be nullified by the decision to enter the WTO, which supports, theoretically, good governance. Furthermore, once the nation-state has acceded to the WTO, large areas of its traditional domains of independent action are no longer available to it and are thus removed from the reach of good governance.

#### *Gross National Happiness*

To the extent that GNH pursues development objectives that are different from, or are serious modifications of, the more narrowly economic, definitions of development objectives that the WTO recognizes, and to the extent that the WTO, and the World Bank and IMF, which have become participants in the new, post-Bretton Woods dispensation, limit the ability of the state to pursue happiness socially, politically and economically in terms that GNH defines and through institutions and procedures that GNH creates, GNH and the WTO appear to be incompatible, at least to some extent. For example, if GNH requires that the state manage the economy, whether it be public or private or some mix of the two, to that extent arrangements that are predicated on the independence of the



economy and on its self-regulation contradict GNH. GNH posits the preservation and development of the national culture as both a purpose and an instrument for the preservation of national sovereignty. Minimally controlled international trade, however, which is the immediate goal of the WTO, may require allowing the importation of goods that will have a severe impact on the national culture. To that extent GNH and the WTO may be mutually contradictory.

### *The Quadrilemma*

Bhutan, like any developing nation, faces an extraordinarily complex decision concerning the WTO. The four components of the decision carry some degree of mutual incompatibility. There is no question that joining the WTO may be beneficial, in one way or another, to Bhutan's economic development, at least as development is narrowly defined in economic terms. However, membership has its costs. The sovereignty of the Bhutanese state will be diminished and compromised. Given the already existing degree of economic integration with India, it cannot be determined beforehand if the value gained from WTO membership will exceed the value already gained from the degree of economic integration between Bhutan and India. As Dani Rodrik puts it, deep economic integration places the nation-state in a "golden straightjacket." The quality of the gold remains in question.

Membership in the WTO and the globalization of Bhutan's economy may also restrict the degree to which Bhutan can pursue good governance, one of the objectives of GNH. Furthermore, the decision to join the WTO and submit to the disciplines of the World Bank, the IMF, etc., cannot be made democratically or in consultation with the Bhutanese stakeholders because neither the mechanisms nor the educational level necessary for such consultation exists at this time. Unless and until the WTO itself becomes a body characterized by good governance, the diminution of good governance within Bhutan in exchange for the benefits to be gained from accepting the discipline of the WTO and its associated institutions cannot be compensated. A "global federalism," deeper than, but perhaps patterned on, the "Bretton Woods compromise," is highly unlikely in any foreseeable future, given the reluctance of the world's sole super-power, and a host of second tier powers, to surrender a significant degree of sovereignty to world bodies.

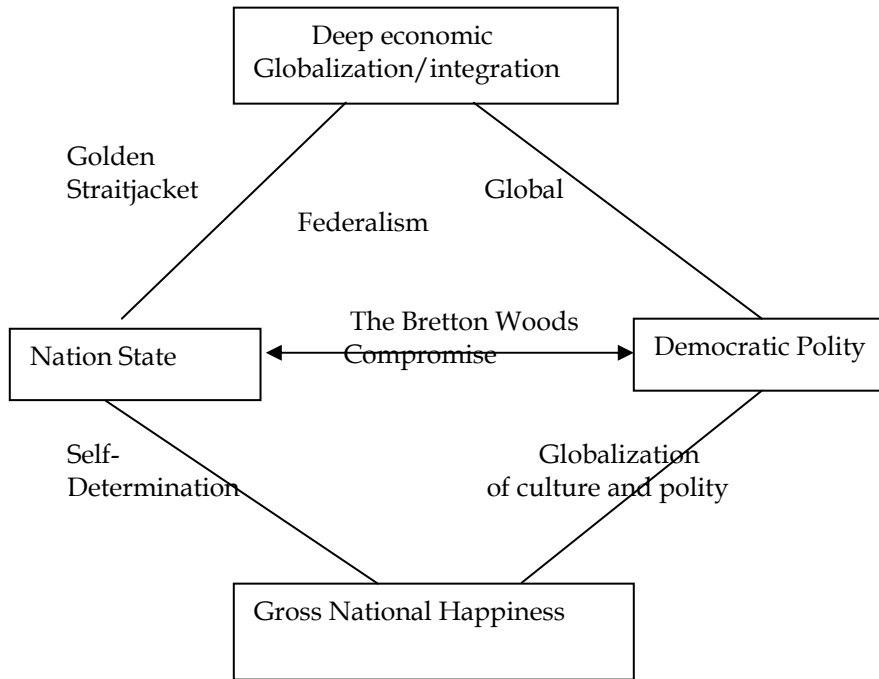
The surrender of sovereignty by small states, for example the loss of the ability to forbid or even control imports, will inevitably undermine national culture as the nation's economy becomes more and more globalized. The "westernization" or "North Americanization" of Bhutanese culture will be propelled forward at a faster rate than might otherwise be the case, particularly given the condition that Bhutanese culture itself has to be deepened and strengthened through education, the humanities,

consciousness of values, etc., to be able even to begin to withstand the onslaught of international trade borne-cultural change.

The pursuit of GNH depends upon the affirmation and reinforcement of Bhutan’s ability to exercise self-determination in the positing of long-range objectives, short- and intermediate-range policy decisions, and the development of the institutions and values in which those long-range objectives will be embedded and the procedures through which they will be realized. WTO membership weakens and diminishes national self-determination institutionally, procedurally, and culturally.

None of this is to suggest that membership in the WTO will not bring significant advantages to Bhutan. Perhaps those advantages will be judged to be potentially of such a magnitude and quality that Bhutan should cut through the quadrilemma like Alexander the Great cut the Gordion’s knot. The magnitude and complexity of the decision is in ratio to Bhutan’s present stage of development and the fixed reality of its size and power vis-à-vis the WTO itself and its neighbors. In any event, the fate of the operationalization of Gross National Happiness lies at the very center of this decision.

The Bhutanese Quadrilemma



Modified from Dani Rodrik, "Feasible Globalizations," [ksghome.harvard.edu/~drodrik.academic.ksg/ Feasglob.pdf](http://ksghome.harvard.edu/~drodrik.academic.ksg/Feasglob.pdf)

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