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South Asia and the Rapidly Changing World – II

The Impact of Countries and Regions of Consequence on South Asia

The changing realities in various countries and regions are briefly outlined as possible or potential factors that could impinge on South Asia in significant ways.

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Introduction

South Asia, the region as well as its people, cannot ignore the challenges posed by the rapid changes in the global system. The change goes beyond what in the “change literature” has been called “globalisation”. For a couple of decades several analysts – mostly economists – viewed positively the almost free flow of capital and to some extent also trade – as bringing enormous benefits to global citizenry. That happened up to a point, but it became obvious to many that institutional development did not keep pace with globalisation. Several institutions put in place after the end of the Second World War became less and less representative of the changing structure of the global economic and political power. The weakening of the institutional

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structure meant that several powerful countries were able to conduct their business without regulation and oversight. South Asia was one of the regions that had poor representation in the global order. What follows is a brief overview of what is happening in some of the global power centres.

United States of America

Beginning this discussion with the United States, it is obvious that that country's future is hard to predict at this delicate moment in its history. Not only the way the country's economy and political systems are developing but also its place in the world will be determined by who takes up residence in the White House when it is vacated by Barack Obama, its present occupant.

A couple of decades ago, it would have been hard to imagine that serious questions would get asked about America's political and economic future. The fissures in the country surfaced as the campaign for electing the next president gathered pace. On the economic side, the pace of recovery from the Great Recession of 2008-09 was slower than expected. Also, according to the International Monetary Fund (IMF), China surpassed the United States in the last quarter of 2015 and became the world's largest economy. The gap between these two mega-economies will continue to widen. At about the middle of the 21st century, the size of the Chinese economy will be twice that of the United States.

The contest for representing the Republican Party has pitted two forces against each other. One of those is represented by a segment of the population that is deeply agitated about its place in the economy as well as society. In an article David Brooks, *The New York Times* columnist, accurately described the basis of support for Donald Trump, the frontrunner for the Republican Party's nominee for the November 2016 presidential election, has written: "Trump voters are a coalition of the dispossessed. They have suffered job losses, lost wages, lost dreams. The American system is not working for them so naturally they are looking for something else".²

This group is often referred to as the "angry middle aged and old white men" who are persuaded that they have been let down by the American system. Their anger is directed at both the rich and the poor. They believe that the former's domination of the American economy has not

² David Brooks, "No not Trump, not ever," *International New York Times*, March 19, 2016, p. 7.

allowed their incomes to increase. They are convinced that the large number of immigrants who have arrived in the country have taken their jobs. They also believe that countries such as China are responsible for the job losses since a number of activities in which they were employed have moved to these low-wage countries. If we look at the Republican contest from this angle, it helps to understand the positions taken by Donald Trump and Ted Cruse in their campaigns. Both are against immigration and immigrants. Trump has proposed building a high wall between Mexico and the southwestern states that border that country. He has also promised that he will deport all eleven million-or-so illegal immigrants who are estimated to be living in the United States. Both are against China. Trump has proposed subjecting imports from China to a tariff of 45 percent. Cruse has moved a resolution through the Senate which is now headed to the desk of President Obama that would change the address of the Chinese Embassy in Washington from 3505 International Place to 1 Liu Xiaobo, named for the Nobel Peace laureate Beijing has imprisoned. Liu was sentenced to an 11-year term in 2009 for inciting subversion after he compiled Charter 08, a pro-democracy manifesto. This move is obviously intended to provoke China.

Trump and Cruse have also expressed strong sentiments against Islam and Muslim migration to the United States. The former has suggested that the arrival of all Muslims to his country should be banned until the time “we are able to figure out what is going on”.

China

At the time of the 2015 annual meetings, the International Monetary Fund published estimates of national incomes of several large countries using the “purchasing power parity” (PPP) methodology. This uses the PPP for converting national incomes rather than doing it on the basis of the official exchange rate. According to this China is now the world’s largest economy, having overtaken the United States. That notwithstanding, its rate of GDP growth has slowed down significantly. For 35 years, from 1980 to 2015, the country’s gross domestic product (GDP) increased at the rate of 10 percent a year, but for the next five or more years the rate is likely to slow down to only 6 percent. The old growth model Beijing used to develop its economy may not sustain even this lower rate of growth. What is required is a move towards a new development paradigm. China will have to rely more on domestic consumption as the driver of growth. It will need to reduce its dependence on exports to the markets of the developed world.

Questions are also being asked about the future of China's political system based on the dictatorship of one tightly-controlled political party. At this time the party is headed by Xi Jinping who, unlike two of his immediate predecessors, seems inclined to use the methods deployed by Mao Zedong to establish a one-man rule in the country. But Mao governed a poor country in which the main concern of the vast majority of the citizenry was to gain access to basic needs. Today's China has a vast middle class with different aspirations including the desire for greater political freedom. Will such people accept a one-man rule again? What has come to be called the Ren Zhiqiang incident throws some light on where China is now in terms of political development. Ren is a real-estate tycoon who is the son of a revolutionary and therefore a princeling and has strong links with some members of the political elite. He "has become a symbol of growing frustration, including inside the Beijing establishment, with the incessant demand for conformity to Mr. Xi's strictures".³

Several China-watchers believe that Beijing has adopted a more assertive tone in international affairs in order to deflect the attention of its citizens away from political and economic concerns at home. While there may be some truth in this, what we are witness to are conflicts among the world's major nations about their strategic interests. How the United States accommodates China that has overtaken it in terms of the size of the economy remains an issue as the Americans deal with their internal problems. As already discussed above, the rise of Trumpism in the United States has shone intense light on the country's view of the large Asian power. Even if Donald Trump does not win the Republican Party's nomination, his crude rhetoric has created a groundswell in the country that may inform the conduct of foreign affairs by whoever gets to occupy the White House after the end of the Barack Obama presidency.

While the United States-China relations will have enormous implications for the shapes the world's economic and political structures will take, it is unlikely that great-power rivalry will reach the tension that prevailed during the half century of the Cold War. Unlike the Soviet Union, China is too heavily invested in the American economy, and the United States is too dependent on China for a complete break to occur in relations between these two superpowers.

³ Chris Buckley, "Tycoon dares to fault Xi and receives rare support," *International New York Times*, March 19, 2016, p. 1.

India

India, the third country on my list, is also going through enormous change. Some, although not all of that, is positive. The rate of economic growth has picked up; in 2015 the country was the fastest-growing among all large economies in the world. It has an international presence that reflects its geographic and economic size. Although it has the largest number of people in the world who are still living in absolute poverty, the government headed by Bharatiya Janata Party (BJP) is committed to using the power of the state to help the poorer segments of the population. It is one of the world's leading countries in information technology and the movie industry.

Notwithstanding these positives, it should be noted that the country is faced with three internal problems: redefinition of the economic role of the state, treatment of religious minorities, and the country's relations with its immediate neighbours. I will deal briefly with these three elements in the current Indian situation. Under Jawaharlal Nehru, the country's first Prime Minister who was in office for 17 uninterrupted years, India chose to follow the socialist path to economic progress. Nehru was impressed with the pace of change in the Soviet Union under the rule of the Communist Party. He borrowed the Leninist phrase, "putting the state on the commanding heights of the economy", to place the government in total control of the economy. An elaborate system of government licences was introduced to guide the private sector in all aspects of its operations. It was only in 1991 when, faced with a major balance of payments crisis that Prime Minister Narasimha Rao abandoned the "licence raj," opting for a freer – but not totally free – private sector. The result was immediate, and the economy began to expand at twice the "Hindu rate of growth" of 3 to 3.5 percent achieved in the first four quarters following independence in 1947. But the Nehruvian model of economic development left a legacy which has been difficult to change. The private sector-oriented BJP government has found it difficult to change the role of the state. It is struggling to unify the tax code, free the movement of labour, and make land acquisition by industrial enterprises easier.

Although India has developed an inclusive political system, the rise of the Hindu nationalist BJP has begun to alienate the minorities, in particular the large Muslim population that constitutes an increasing share of the country's population. In 1947, when the British left India, the proportion of Muslims in the population was 20 percent. Even with the departure of Pakistan and Bangladesh from British India, the proportion of Muslims in Indian population remains at 14 percent. Also aggrieved are the members of the Hindu castes not satisfied with

the system that was instituted under the Indian Constitution. Several groups have rebelled against the state. Recent examples are the disruptive campaigns launched by the Patels in Gujarat and the Jats in Haryana.

India also has problems with its immediate neighbours, not only with Pakistan but also with Bangladesh and Nepal. New Delhi is tempted to look beyond the South Asian region to develop relations with countries near and far. Its “Look East” policy has resulted in developing close relations with countries in the Association of Southeast Asian Nations (ASEAN) and with the United States. Under US President Barack Obama and India’s Prime Minister Narendra Modi, Washington and New Delhi have developed close working relations. The growing American interest in India is motivated by both economic and political reasons. India is a large and growing market of considerable interest to American businesses. The policy-making elite in Washington is also working on using the “rising India” as a counterweight to the growing presence of China in Asia.

Russia

Had Vladimir Putin not ascended to the top of the Russian political order, post-Soviet Moscow may have been content to play the role of an emerging economic and political entity. This was the hope of the West when Russia was invited to join the Bretton Woods institutions – the International Monetary Fund and the World Bank – and its application for membership in the World Trade Organization was given Western support. In addition, Moscow was invited to become a member of the exclusive club of rich nations. Its admission turned the Group of Seven (G7) into G8.

But once in power, Putin was not willing to reduce his country to the status of a relatively small global power – relative to the United States and Germany in the G8 cluster and China outside it. The Russian President was both nostalgic about the past and impatient about the future. During his second tenure he made attempts to virtually resurrect the Soviet Union by using at times force to change the boundaries of Russia. In this endeavour the Crimean Peninsula was taken from Ukraine and re-merged with Russia. At the same time, Moscow has been busy carving out some other bits of Ukraine that have a significant presence of the ethnic Russians. Not only that, Moscow tried hard to develop what it hoped would be strong relations with the countries in Central Asia that were once part of the Soviet Union.

How should Russia under Putin be viewed? There is no agreement among the analysts. “If you believe many of the commentators and policy makers in Washington, President Vladimir V. Putin is an expansionist on the march”, wrote Anatol Lieven the author of *Ukraine and Russia: A Fraternal Rivalry*.⁴ “He’s had one great success after another: First he annexed Crimea and fueled a destabilizing conflict in eastern Ukraine. Then he intervened in the Syrian civil war and rescued his client, the government headed by Bashar al-Assad, in its moment of need. Last month Ashton B. Carter, the secretary of defense, indicated that he believed that Russia is the world’s greatest threat to American national security, ahead of a nuclear-armed North Korea and the jihadists of the Islamic State. This alarmism is counterproductive and largely wrong”.⁵ Analysts such as Lieven who have carefully watched Moscow’s moves have concluded that Russia under Putin is not trying to recapture the past but preserve limited interests in the areas and regions it considers important for its security. If their assessment is correct, Moscow’s ambitions may not disrupt the world. They could be channelled to bring global stability. But if the fear expressed by Secretary Carter is correct, the world may be headed towards some serious disruption.

Iran

Iran makes it to the list of countries that could impact the future of South Asia, not because of the size of its economy but because it is re-entering the world-stage at a critical time. For three and a half decades, it chose to isolate itself from the world. When the Islamists took over the reins of government in 1979 after having deposed Emperor Raza Shah Pahlavi, the clerics feared that their revolution would get contaminated by staying open to the world. The new governing elite – the ayattollahs – were suspicious of the intentions of the West towards it. History weighed heavily on their thinking. After all, both Britain and the United States had been active in Iran for most of the 20th century, choosing who ruled Iran.

⁴ Anatol Lieven the author of *Ukraine and Russia: A Fraternal Rivalry*

⁵ Anatol Lieven, “Don’t fear the Russians,” International New York Times, March 18, 2016, p. 12.

Afghanistan

Given the rise of Islamic extremism and the possibility that the Islamic State may succeed in establishing a toehold in Afghanistan, how this South Asian country evolves as a political, social and economic entity will matter a great deal to the world. The country has been in a state of persistent turmoil for the last almost four decades. Instability arrived after the Soviet Union invaded the country in 1979. The Soviet move was countered by the United States that launched a proxy war to push Moscow out of the country. The war was fought by seven groups of Islamists who succeeded in pushing the Soviet Union out in 1988 but could not agree on who should succeed the former Soviet-supported regime in Kabul. The vacuum thus created was filled by another Islamic group called the Taliban (the Arabic word for students) who had received religious instruction and military training in a number of seminaries established on the Pakistani side of the Afghan-Pakistan border. The Taliban were able to establish the Islamic Emirate of Afghanistan that governed from Kabul for five years, from 1996 to 2001. In December 2001, the Americans, working with a group called the Northern Alliance, succeeded in pushing the Taliban out. They were punished for having supported and given sanctuary to Osama bin Laden and his group, Al Qaeda. Bin Laden had engineered the terrorist attacks on the United States on 11 September 2001.⁶

The Taliban were soon able to mount an insurgency against the government in Kabul that was installed by the Americans and their allies. In 2015, President Barack Obama announced his intention to pull the American troops out of Afghanistan, hoping that a large Afghan force trained and equipped by the West would be able to keep the Taliban at bay. This does not seem feasible, and after a great deal of thought and frustration Washington, now working closely with Beijing and Islamabad, is attempting to find a formula that would bring the Taliban under a formula for governance. If the Quadrilateral Coordinating Group succeeds in working out an arrangement, stability of some sort may return to Kabul. If that is not going to happen, Afghanistan will pose a real problem for South Asia and also for the rest of the world. It could provide sanctuary to the extremists of the Islamic State.

⁶ There is a rich literature on the various wars in Afghanistan for the last four decades. One of the more incisive works is Steve Coll's *Ghost Wars*

The Middle East and Europe

How the world shapes up in the next few years and decades will also be influenced by developments in two other regions, the Middle East and Europe, mainly because of the interactions among different groups of people. The Middle East is in turmoil because of the centuries-old conflict between Islam's two sects, the Sunnis and Shias. This conflict has brought Shiite Iran into conflict with the Sunni Arab countries, in particular Saudi Arabia. The current turmoil in the Middle East is greatly influenced by the on-going war in Syria. One possible solution is to partition the country created by Sykes and Picot, two European diplomats, one British and the other French, to accommodate colonial interests in the region. But would such a solution work? "...partition resulting from war has deservedly dubious reputation: In Korea and Germany, for instance, it has meant the brutal sequestration of large populations and laid tripwires for future wars," writes Jonathan Stevenson, a senior fellow at the International Institute for Strategic Studies. "In India, it produced a huge demographic rupture and seemingly permanent enmity. The partition of Vietnam in 1954 proved unsustainably vulnerable".⁷ In exceptional circumstances partition can produce relative long-term security and stability as it did in Cyprus, Northern Ireland, and Bosnia but that could happen only when there is strong international support and a large international peace enforcement effort. Absent that, Syria will continue to remain unstable and generate problems for the rest of the world. One consequence of the continuing conflict in parts of the Middle East is the large-scale displacement of people, many of whom have headed and are heading for Europe.

The European problem has been complicated by the differences among three groups of people – those in the core countries and in the continents south and east. These different groups came together within the umbrella of the European Union, propelled by different motives. The core chose unity over disparity for economic reasons; the countries in the south came in to protect their young democratic systems; the east sought protection from the Soviet Union. However, the pressure on Europe by international migration may not save the Union. The continent is the preferred destination of the peoples from the Middle East and Central Asia who have been

⁷ Jonathan Stevenson, "The perilous allure of a Syrian partition," *International New York Times*, March 18, 2016, p. 12.

unsettled by the conflicts in their countries. The EU is finding it exceedingly difficult to come up with an approach that would preserve its values but not dilute its culture.

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