

ISAS Insights

No. 321 – 29 March 2016

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South Asia and the Rapidly Changing World – III

Significance of Some Salient Issues for South Asia's Future

While not all the issues of rising global concern can be traced to one or more countries in South Asia, the region is not immune to their likely consequences.

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Introduction

While the developments taking place in a number of countries near South Asia and also at some distance from the sub-continent will have profound consequences for the region, the area's policy makers must also take note of a number of issues that the world confronts. Six of these will shape the world's and mankind's future: climate change and global warming; international trade; demographic change and international migration; the rise of religious extremism; sharp fluctuations in oil and energy prices; and technological change and its impact on economic development.

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Climate Change and Global Warming

The most important of these six issues is climate change and the havoc it is likely to inflict if corrective actions are not taken in time. The Paris climate summit held in December 2015 produced a consensus on the types of actions that needed to be taken. Nearly 200 nations attended the meeting and agreed to implement the plans which most of them had announced before they went to Paris. But it is not certain that the major countries that must cut down on the amounts of carbon emissions will have the political will to proceed in the direction in which the Paris summiteers would have them go.

Already the United States Supreme Court has blocked American President Barack Obama's exercise of executive authority to regulate the use of coal for producing electric power. That was an important part of the plan of action presented by Washington at Paris. However, it appears that South Asia is backing out by not following the trend on the issue of using coal for producing electricity; both India and Pakistan are set to increase the use of coal for producing electricity. India, with an output of 613 million tonnes, is already the world's third largest producer of coal; accounting for 7.8 percent of the world's total. Its annual consumption is estimated at 791 million tonnes, also the third highest in the world. Almost 2 million tonnes are imported into the country to provide fuel for producing electricity. More than 70 percent of electricity is produced by coal-using power plants. Although Pakistan has large coal deposits, coal provides only 0.1 percent of the total electricity generated in the country.² That may change however. The government currently in power has drawn up plans to meet serious energy shortage by both importing coal as well as tapping the available reserves. Much of this expansion is being done with Chinese assistance.

The use of coal apart, South Asia also faces serious water problems exacerbated by the melting of the ice-cover in the Himalayas. This is occurring as a result of global warming. Over the short run, mainland South Asia will suffer from floods as more and more Himalayan ice melts. Over the long run, however, the depleted ice cover will reduce the flow of water in the region's rivers. If action is not taken by building new reservoirs, much of Pakistan might become a

² Shahid Javed Burki and Chandrani Sarma, "South Asia's reliance on coal: How to accommodate it in the context of global concerns about climate change," paper presented at the BIPP/ISAS workshop on Expanding Regional Linkages in South Asia, March 7-9, 2016, Lahore.

desert. Coal-burning produces atmospheric pollution which then travels long distances. This is affecting the quality of air in several large Indian cities, in particular New Delhi, the country's capital. In some of the country's megacities the World Health Organization has reported that the general trend towards a rising life expectancy has been checked. Not only that. Pollution in India's cities is also affecting neighbouring Pakistan.

The rise of sea-level also poses serious problems for several South Asian countries – for the Maldives and Bangladesh in particular but also for the coastal areas of India. There is a fear that the rising seas will displace millions of people. The “climate refugees”, with not much space available in Bangladesh, are likely to go to India. As the European experience shows, nation-state borders cease to be barriers for the desperate migrants. This problem, like so many others that South Asia faces, will have to have a regional solution.

International Trade and Fracturing of the Global System

The second issue that could become a possible source of global conflict or conflicts among different sets of nations is international trade. While the victors of the Second World War were able to come to a quick agreement on the modalities for managing the flow of finance and development assistance – the IMF and the World Bank Group became functional soon after the Bretton Woods agreement was signed in 1944 – it took half a century to establish the World Trade Organization. Created in 1995 by an agreement reached in Marakesh, the WTO was pronounced almost dead by the world trade ministers who met in Nairobi in 2015.

Some of the major trading nations have moved to develop regional arrangements for conducting exchanges of goods, commodities and services. The Trans-Pacific Partnership agreement among 12 nations led by the United States was signed in New Zealand in late-2015. The TPP will not only determine the way these countries conduct trade. It will also profoundly affect the processes of production of what gets to be traded. Work is also proceeding that will result in a far-reaching trade pact between the European Union and the United States. This fracturing of the global trade system will have major consequences for the regions that are not included in these large arrangements. South Asia is one of the regions that will suffer. The development of the pharmaceutical industry in India and Pakistan will be affected if the TPP

is put in place. It will use intellectual property rights regulations to restrict the growth of India's large generic drugs industry.

Demographic Asymmetry and International Migration

The third issue is related to demographic changes that are underway. One of the more important of these is the sharp declines in the rates of human fertility in all the developed countries. Where such declines are not compensated by inward-migration, unlike in the case of the United States, the result is the rapid aging of populations. Germany, which until recently was not prepared to dilute the "German-ness" of its population, has the world's oldest citizenry with the median age of 47 years. Such a population cannot remain economically or technologically dynamic. It also burdens the state as aging populations need to be looked after. This asymmetry in age-profiles between the developed and the developing nations produces pressures for people's movements that are hard to resist in the modern world. That is the case especially when large segments of the population are also faced with extreme distress. This has happened in the war-ravaged Syria where a civil war has lasted for almost five years, killed 250,000 people and rendered homeless half of the country's population. One million Syrians have reached the shores of Europe, with most of them heading towards Germany. While the administration headed by Chancellor Angela Merkel was more accommodating, many of the German people were not. This resulted in open people-people conflicts. The tensions caused by the arrival of such a large number of people have threatened the concept of unifying the many European nations into one economic and political entity.

South Asia has already experienced large people-movements. One occurred at the time of the partition of British India that resulted in the creation of the independent states of India and Pakistan. In all, about 14 million people moved towards India or Pakistan at that time. The civil war that led to the breakup of Pakistan and creation of Bangladesh resulted in the displacement of 3 million people; many of those took refuge in neighbouring India. The series of wars in Afghanistan that have gone on for four decades has displaced at least 5 million. Many of these have gone to Pakistan.

These large people-movements create long-enduring consequences. The persistence of violence in Karachi, one of the world's more troubled megacities, can be traced to migration.

The movement of people at the time of British India's partition brought 2 million Urdu-speaking people to Pakistan from India who, even 70 years after they arrived, have not been accommodated to their satisfaction in the country's emerging political structure. Most of these people live in Karachi. Millions of refugees from Afghanistan have taken residence in Karachi, adding to the city's troubles.

Religious Extremism

Another issue that has already produced conflict among different people is what is commonly referred to as "Islamic extremism." These are the people who, in several parts of the Muslim world, do not accept the notion of liberal democratic governance. They believe that their religion prescribed a different system that was followed by Prophet Mohammad some 1,400 years ago when he established the first Islamic state. They are prepared to use force – often extreme and brutal force – to convince the followers of their faith to adopt the system of governance that they believe is Islamic. These sets of beliefs have already produced two state-manifestations. The first one was in the late-1990s in Afghanistan, when a group that called itself the Taliban established an "Islamic state" that lasted five years. It was removed in December 2001 when America intervened militarily in Kabul. Fourteen years later, the Americans are still in Afghanistan, and the Taliban seems to be gaining more territory. There is no end in sight to this conflict. The Islamic State in Iraq and Syria is the second manifestation of the claim to statehood by those who believe in this cause. The ISIS is proving to be as resilient as the Taliban. It now has a presence not only in the Middle East but has also begun to encroach upon South Asia.

The West has not found a way of combating the rise of Islamic extremism. The phenomenon could have been ignored had it been just an ideology. However, the militant Islamists are not only competing for geographical space in which the West and some of the Muslim states have interest. They are also destabilising the Muslim communities that have come into existence in Europe, North America and Australia. "While many believe that Al Qaeda is solely focused on attacking the West, it has devoted most of its efforts to waging insurgencies", wrote Thomas Joscelyn and Bill Roggio of the Foundation for the Defense of Democracies while analysing the deteriorating situation in Afghanistan. "This is the key to understanding how it has been able to regenerate repeatedly over the past 14 years. Al Qaeda draws would-be terrorists from

the larger pool [of] paramilitary forces fighting to restore the Taliban to power in Afghanistan or to build radical nation-states elsewhere”.³

The New Oil Shock

Since South Asia is a net-importer of oil, its economy is affected by the price of the commodity. The oil-exporting countries of the world, in particular the Kingdom of Saudi Arabia, have used oil as a weapon to gain influence in world affairs. The first oil shock of high prices was delivered in 1973-74 when the Arab producers decided to use oil exports to punish the United States for its support of Israel in the Yom Kippur War. Consequently South Asia's import bill increased sharply, and Pakistan had to go to the International Monetary Fund to prevent the country from defaulting on its foreign obligations. While the quadrupling in the price of oil in the mid-1970s, and the doubling later in the decade when Iran fell to the forces of radical Islam, negatively affected the South Asian oil importers, there was one positive consequence. The economic boom in the Middle East created millions of jobs, most of which were filled by non-permanent migrants from South Asia. Some 10 to 13 million South Asians work in the Middle East at any time, sending back an estimated US\$10 billion a year as remittances to their home-countries.

The many-fold increase in the price of oil has had consequences beyond economics. “The timeline of the collapse of the Soviet Union can be traced to September 13, 1985”, wrote the Russian economist Yegor Gaidar. “On this day Sheikh Zaki Yamani, the minister of oil of Saudi Arabia, declared that the monarchy had decided to alter its oil policy radically.”

The Saudi Kingdom is again behind the new oil shock, this time orchestrating a sharp decline in the price of oil since 2014. The reason is a combination of economics and politics. Saudi Arabia has decided not to reduce the amount of oil it is pumping out of the ground. Riyadh wants to preserve its market share. “Also in recent years, the Saudis have made clear that they regard the oil markets as critical front line in the Sunni Muslim-majority kingdom's battle against the Shiite-dominated rival Iran. Their favored tactic of ‘flooding,’ pumping surplus

³ Thomas Joscelyn and Bill Roggio, “Are we losing Afghanistan Again?” *The New York Times*, October 21, 2015, p. A21.

crude into a soft market is tantamount to war by economic means: the oil trade's equivalent of dropping a bomb on the rival".⁴

This policy switch, as was the case when the price was increased sharply, will have both positive and negative consequences for the South Asian sub-continent. A significant share of the increase in the rate of economic growth of the region can be attributed to the decline in oil price. However, the escalation of the Sunni-Shiite rivalry will impact both Pakistan and India. These two countries have large Shiite populations in the world, behind Iran which has the largest.

Technology and Development

The final issue on my list is that of technological development. There is a strong belief among many that some of the serious problems the world faces today can be solved by technological means. The advances made in the areas of renewable energy are some of the examples of the way technology can come to mankind's rescue. Another is the work being done in space exploration that may lead to the mining of asteroids because of the depleting metals on Planet Earth. Why technology should be seen as an "issue" is that it is not clear who should lead the efforts in this area and what should be done to mitigate the likely worsening of income inequality that may result from technological advance. While the fiscally-constrained government in the United States is now spending a smaller proportion of the country's gross domestic product on technological development, a number of newly-minted billionaires have come together to pursue their own ambitions. Bill Gates, for instance, is investing large sums of money in renewable energy. The founders of Google are interested in prolonging life, and developing driver-less automobiles.

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⁴ Andrew Scott Cooper, "Saudi Arabia's weapon turned on itself," *International New York Times*, 15 March, 2016, p. 8.