

## The Real Price of Economic Growth

### The Background:

As one of the fastest growing nations on the planet, India has not only become a major player in global affairs, but the country has also transformed itself beyond imagine. Expanding its economy at an astonishing rate of 7.4% per year, the future seems bright for the nation. Simply looking at the numbers creates an understanding of just how crucial the nation's energy demands will be in the near future. By 2030, it is estimated that over 590 million people will live in Indian cities, nearly twice the amount of today's population of the United States of America. According to McKinsey and Company, there will be a 270 million people net increase in the working population and 91 million urban households will emerge as middle class. Although the future looks bright for India and its citizens, a larger and growing population brings with itself many difficulties. One of those difficulties is of course the need for more resources to sustain the population and India's exceptionally fast economic growth. Natural gas is key to this issue and for India, the energy needed to fuel its economic and population growth simply cannot be provided by indigenous sources. In this case study, we ask the difficult question of *how* India should continue to fuel its impressive economic and population growth with respect to the availability of natural gas.

### The Problem:

Enter Iran and Pakistan who are currently building a pipeline that will transport natural gas from Iran to southern Pakistan. Both nations have extended a welcoming hand to India and have offered to extend the pipeline further to the country. The proposed Iran-Pakistan-India Pipeline (IPI Pipeline) will be almost 2775 km long and will certainly change the regional dynamics of natural resources. According to reports by the Indian government, the natural gas brought in will aid India in sustaining its economic growth and population increases. While India has other options, such as the proposed Turkmenistan-Afghanistan-Pakistan-India Pipeline (TAPI) and liquid natural gas imports (LNG), the IPI pipeline remains the most cost friendly.

Countless initiatives to expand gas exports by the Iranians have been shut down or scraped off the table due to US pressure on the global community not to do business with Iran. Iran's resources remain extremely underutilized and underdeveloped due to US and Western European sanctions designed to isolate the nation. Nevertheless, in 2003, Iran and Pakistan signed a Joint Working Group (JWG) to realize a project between the two nations that would bring in natural gas from Iran's South Pars Field into Pakistan. For Pakistan, this is an excellent deal. When Iran and Pakistan proposed to include India in the deal, the idea of a pipeline from Pakistan was much harder to swallow. Gas transmission over Pakistan, which has various armed conflicts and still has an unresolved dispute over the territory of Kashmir, makes India very hesitant about going into a business deal with Pakistan over the long term. However, in the middle of 2005 Iran, Pakistan and India signed a Gas Sales and Purchase Agreement (GSPA) to negotiate a deal to

commence the project. From mid-2007 to late 2008 however, the Indian government was put under tremendous pressure from the United States to drop the GSPA and look for alternative ways to fuel its hunger for natural gas. Despite US pressures, in May 2013 India's External Affairs minister Salman Khurshid voiced New Delhi's interest in the IPI Pipeline. In our debates and discussions, we will mark this event as our starting point.

On the other hand, it would immensely help our debate if delegates understood the dynamics of India's relationship with that of the United States. The two nations are key strategic allies and view each other favorably, as shown by a recent poll. Specifically, the annual 2012 Gallup Poll showed that 72% of Americans view India in a positive light. In recent years, especially in the 21st century, India has emerged as a key strategic ally of the United States in the South East Asia. The two nations have been increasingly supportive of each in the recent decades. For instance, the United States conversed over 30 years of American non-proliferation strategy when, in 2005, it signed a 10 year defense network accord.

### **Delegate Toolbox:**

To be successful, delegates need to fully understand their characters position on an issue so that debate can be complex and profound. Furthermore, it will be of some help if delegates have a clear understanding of India's options and the underlying *primary* and *secondary* issues. For example, the IPI Pipeline has clear economic advantages over the TAPI Pipeline as noted before. This is a *primary* advantage of IPI over TAPI. However, with each of these arrangements, there are different *secondary* issues that must be taken into account such as possible US sanctions or possible conflicts near the construction zone of the pipelines. It would be wise of delegates to research these ideas. Care should be taken by delegates to fully understand their characters position on differing issues. Of course in return, participants will be rewarded with an exciting debate that is both current and thought worthy. The choice India makes will without a doubt change the geopolitics of the region. Additionally, delegates will be able to better their persuasion, public speaking and thinking skills by debating against others with differing views.

### **Conclusion:**

Ultimately, the choice India makes highlights the complex issues of cross-border projects. These issues range from historical conflicts (i.e. India and Pakistan's dispute over Kashmir), technical conflicts (i.e. the difficulty of building a pipeline through 4 nations as TAPI describes), possible US sanctions (i.e. if India does major business with Iran, the United States may sanction certain Indian companies) and of course financing problems (TAPI will be financed by Asian Development Bank while IPI will be government financed). While there are plenty of issues to be discussed, whatever option India takes will change the region's political and economic dynamics for many years to come.