



# SOUTH ASIA: JUNE DOSSIER

The South Asia June Dossier offers an analytical overview of various policy developments within and beyond India's central political scene, including revelations that have the potential to tarnish the image of the government of the National Democratic Alliance, as well as the Indian government's recent foreign policy initiatives vis-à-vis Sweden, Belarus, Bangladesh, the US and ASEAN. A number of complementary articles provide the reader with a much wider and deeper understanding of the politics in South Asia and across the wider region, through an Indian-centred perspective.

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With Joyce Lobo, S. Nihal Singh, Prashant Jha, Mani Shankar Aiyar, Prem Shankar Jha, Manoj Joshi, C. Raja Mohan, Kanwal Sibal, K. C. Singh, Yubaraj Ghimire, C. Uday Bhaskar, Shyam Saran, Srikanth Kondapalli, Monika Chansoria

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The Indian Express online, June 19, 2015

## Synopsis

The month of June saw various “revelations” with the potential to tarnish the image of the government of the National Democratic Alliance (NDA), which had just after one year in power proudly highlighted its achievements. The Monsoon Session of Parliament, which began on the 21st of July 2015, could deepen the fault-lines between the government and the opposition, possibly leading to a complete washout of the current session.

In the second part, Dr. Joyce Lobo highlights the various foreign policy activities of the Indian government with regard to Sweden, Belarus, Bangladesh, the US and ASEAN, reflecting India’s intense international engagements.

## Part I Dr. Klaus Voll

### Domestic Politics

#### Political Developments and a silent PM

*World Yoga Day* could not deflect from the media storm about the so-called *Lalit-Gate*, involving Foreign Minister Sushma Swaraj and Vasundhara Raje, the Chief Minister of Rajasthan. The interrelated allegations pushed the ruling Bharatiya Janata Party (BJP) and the NDA-Government quite into the defensive and silenced the otherwise so articulate Prime Minister Narendra Modi since then.

#### *Background*

Lalit Modi has been the “inventor” and commissioner of the financially extremely successful *Indian Cricket Champion’s League*. He left India in 2011 amidst a series of allegations of financial irregularities and lived henceforth in England, obviously controlling considerable assets. The Indian government revoked his passport but did not pro-actively seek his extradition.

*Cricket*, the most popular national sport in India, is in its Board highly politicized, with leading politicians from major parties involved, particularly from the Congress, BJP and the Nationalist Congress Party (NCP).

Lalit Modi, without an Indian passport, approached the Indian Foreign Minister Sushma Swaraj to make it possible, that he could accompany his ailing wife for a cancer treatment in Lisbon. As a result, Swaraj single-handedly requested the British authorities in Delhi and London, to permit Lalit Modi to travel on “*humanitarian grounds*” on documents according to British rules. She neither informed her own *Foreign Secretary* nor the High Commissioners in London and Lisbon in this regard.

Interestingly, Sushma Swaraj’s husband advised as a lawyer since many years Lalit Modi and her daughter is part of Modi’s legal defense team. The opposition sees Swaraj’s action as an evident impropriety, a few weeks before the Delhi High Court issued an order for a valid passport for Lalit Modi. The government, neither the concerned Foreign nor the Finance Ministry, did not appeal against the High Court’s decision, although the *Enforcement Directorate* of the Finance Ministry had launched cases against Lalit Modi.

Vasundhara Raje, currently Chief Minister of Rajasthan, had - in her capacity as *Leader of the Opposition* in the Rajasthan Assembly – supported the application of Lalit Modi for British citizenship, especially requesting the British authorities in her affidavit, that her statement should not be made known to their India counterparts.

The families of Raje and Lalit Modi know each other well since many decades. Besides the above, there are also allegations of questionable, if not openly illegal money transfers via the tax heaven

Mauritius to a company of Raje's son Dushyant Singh, BJP-MP in the *Lok Sabha*, through the purchase of highly inflated shares by Lalit Modi in Singh's company.

### *Current Situation and Perspectives*

Not only the Congress but also the majority of opposition parties are asking for the resignation of both Swaraj and Raje, although Swaraj is personally appreciated by many. The government unequivocally rejects this demand. Prime Minister Narendra Modi is absolutely silent.

There are several interpretations for Modi's stoic silence. Some observers allude, that this is an internal power struggle in the BJP and that the selective leakages are coming from within the party. They allege, that this whole affair is damaging the BJP-government and might end up at the PM's doorsteps. Others argue, that Modi is permitting a long rope, so that, allegorically speaking, Swaraj and Raje can hang themselves politically. Some are even alleging, that in sacking Swaraj and Raje, the PM will have to fear revelations, which could open a *Pandora Box*.

Several senior journalists allege an alarming "*brazenness*" by spokespersons of the BJP and qualify this as an expression of the hubris of power. On the other side, the BJP and also the powerful *Rashtriya Swayamsevak Sangh* (RSS), the ideological and organizational backbone of Hindu nationalism, are backing Swaraj and to a lesser degree Raje to the hilt, arguing that there are no financial irregularities involved. But there are also critical voices in the BJP/RSS, like K. the RSS cadre N. Govindacharya, who demands that Swaraj and Raje should resign.

The forthcoming Monsoon-Session of Parliament is in danger of becoming a washout. "*If the Modi-government is not tackling the conflict of interest in the cases of Sushma Swaraj and Vasundhara Raje, then we have to teach them a lesson. We cannot let them off the hook,*" says Mani Shankar Aiyar, Congress-Member of the *Rajya Sabha* and a former cabinet minister. Yogendra Yadav, a former spokesperson and erstwhile chief ideologue of the Aam Aadmi Party (AAP), but now in the political wilderness, observes: "*Important bills will not be passed.*"

Shekar Gupta, Chief Editor of the weekly *India Today*, reminded, that the BJP between 2009 and 2014 stalled five sessions of Parliament completely: "*The BJP invented this tactic with Sushma Swaraj at the helm.*"

Mani Shankar Aiyar demanded, "*that a consensus about gross improprieties should be there.*" Shekar Gupta reiterated, "*that the two cases are indefensible. There is a total deniability by the powerful, they have to learn to say sorry.*"

## **Part II: Dr. Joyce Lobo**

### **Foreign Policy**

Dr. Joyce Lobo analyses the visit of President Pranab Mukherjee to Sweden and Belarus and Prime Minister Modi's "*historical trip*" to Bangladesh. She focuses also on the India-US Defence Talks 2015 and on India's role in the ASEAN.

### **President Mukherjee in Europe**

President Pranab Mukherjee visited two countries of Europe — Sweden and Belarus, the first by an Indian head of State. During his visit, the President has showcased India's strengths to both leaders of these countries by briefing them on the economic situation and policy initiatives of the Narendra Modi government. The President was accompanied by the Minister of State for Chemicals and Fertilisers, Hansraj Gangaram Ahir, as well as Members of Parliament Ghulam Nabi Azad and Ashwani Kumar (both Congress). The delegation comprised of senior officials, Vice Chancellors and Directors of leading Indian universities and business leaders.

## Sweden

President Pranab Mukherjee visited Sweden from 31st May to the 2nd of June wherein he was hosted by King Carl XVI Gustaf. India has diplomatic relations with Sweden since 1949. The focus of the visit was to strengthen bilateral economic ties and to provide impetus to cooperation in specific areas which are of priority to India and in which Sweden has established strengths.[i] India looks towards Sweden for its capability in urbanization, water management, renewable energy, education, and information technology. This is in line with Modi government's launch of initiatives like "Make in India", Skill Development, Swachh Bharat, Digital India, the Smart Cities and the urbanization programme.

President Mukherjee held meetings with the Prime Minister of Sweden Mr. Stefan Lofven, the Speaker of the Swedish Parliament, and the Leader of Opposition, Anna Kinberg Batra. With Speaker Urban Ahlin the President held a meeting wherein the talks focused on high level visits, parliamentary exchanges, role of parliament in democracies today, the trade and investment situation, sustainable cities, smart cities, education, on the position of women and women empowerment, etc. The President was keen to know how Sweden combined high development with protection of the environment, a fact that India needs to emulate if it is to develop and yet remain clean and green. Here he discussed climate change in detail and said that developing countries like India need to be given greater access to green technologies.

Next President Mukherjee held delegation level talks with Prime Minister Stefan Lofven who was accompanied by the Foreign Minister, Defence Minister and other Ministers during the delegation level talks. One of the important areas that the discussion steered to was investment. Swedish companies have shown interest to invest in India. In terms of FDI contributions to India, Sweden stands 12th while Indian companies have invested up to US\$ 800 million in Sweden. India happens to be Sweden's third largest trade partner in Asia. Both sides agreed to increase trade to US\$ 5 billion over the next three years which now stand at US\$ 2.5 billion. There are about 170 Swedish companies active in India and about 50 Indian companies in Sweden.

Sweden supported India to become a member of the *Missile Technology Control Regime* (MTCR) which is one of the four export control regimes. Also it recognizes India to be one of the natural new permanent members in a yet-to-be expanded UN Security Council. Talks related to the possibilities of an India-EU summit later this year. Both sides have decided to restart the strategic dialogue at the national security adviser level which is to take place in a few months time.

Six intergovernmental agreements in the areas of urban development, medium and small scale enterprises, polar research, civil nuclear research and medicine etc. were signed. Sixteen MoUs between educational institutions and also business agreements were signed.

The President visited the Karolinska Institute known for medicine and related studies and the famous Uppsala University. He visited one of the smart cities to know how it works in different aspects of civic governance. He addressed the Indian community in Sweden. There are about 9,000 people of Indian origin and another 9,000 who are Indian passport holders.

## Belarus

President Mukherjee was in Belarus (June 2-4) and held bilateral talks with President Alexander Lukashenko on substantive and forward-looking bilateral and regional issues. Both sides agreed that the relations between both the countries need to be elevated to explore the potential in areas of trade and investment, defence cooperation, science and technology as well as educational and academic linkages.

During the talks President Mukherjee suggested a four-fold framework to elevate the cooperation to higher levels through "regular political and institutional dialogue, rapid increase in commercial and

economic interaction, a paradigm shift in defence cooperation towards joint research, design and manufacturing as well as wide-ranging expansion of our S&T, educational, cultural and people-to-people exchanges.”[ii] Hence both sides signed the agreement *Roadmap for India-Belarus Cooperation* that identifies specific areas for closer interaction. The Modi government has decided to grant *Market Economy Status* to Belarus, which had been a long-standing request of the Belarus side. India will also extend a new Line of Credit of US\$ 100 million to Belarus for the implementation of mutually agreed joint projects.

Belarus has continued with its traditional base of being an industrial country and India has found resonance for its *Make in India* initiative to explore possibilities of joint ventures in terms of heavy transportation vehicles, tractors, other agricultural machinery and defence. Both countries have currently a modest trade which stands at US\$ 400 million. A trade turnover target of US\$ 1 billion has been set up for the next five years. Belarus is the main supplier of potash, while India ranks high in pharmaceutical exports. So far the talks yielded to identifying potential areas for manufacturing ventures in India: agricultural machinery, mining equipment, heavy construction equipment and defence products. In the meanwhile Belarus showed keen interest in Indian investments in the manufacture of pharmaceuticals.

Endnotes:

[i] Especially in smart urbanization, transport and waste management, green technologies, renewable energy, health, education and research.

[ii] Ministry of External Affairs (India), “Onboard Media statement by the President en route to Delhi from Minsk on his visits to Sweden and Belarus”, June 05, 2015. URL: <http://www.mea.gov.in/outgoing-visit-detail.htm?25334/Onboard+Media+statement+by+the+President+enroute+to+Delhi+from+Minsk+o+n+his+visits+to+Sweden+and+Belarus>

### **Modi’s Historic Moment in Dhaka**

Prime Minister Narendra Modi’s long awaited trip to Dhaka finally materialised on June 06, 2015. Given the fact that he has visited most of the neighbours within one year of his tenure, the ratification of the 1974 Agreement acted as an impediment.

Modi also called on President Mohammad Abdul Hamid. He met the Leader of Opposition Begum Rowshan Ershad, former premier Khaleda Zia of the Bangladesh Nationalist Party, the leaders from the Left and the leaders of Chambers of Commerce from across Bangladesh.

#### *Modi-Hasina Talks*

*Border and water sharing:* The details of the talks have been incorporated in the joint statement called the “*Notun Projonma - Nayi Disha*” which means “New Generation - New Direction”. Modi and Hasina reviewed the progress made since last year and set the agenda for the future in their bilateral talks. Modi earmarked 2021 as the 50th year for Bangladesh and 2022 as the 75th year for India wherein both countries should work towards shared development. All in all twenty-two agreements and Memoranda of Understanding (MoU) were signed between New Delhi and Dhaka.

The instruments of ratification on the LBA of 1974 and its Protocol of 2011 were exchanged between both the leaders on June 06, 2015. This has been deemed as an historic moment as India finally settled its boundary dispute with Dhaka be it on land or water. With this India is set to have robust ties with Dhaka especially in areas of border security, checking of illegal migration, connectivity, border trade as per the rules, etc. Both leaders have given directions to the respective agencies to ensure the expeditious implementation of the Agreement and the Protocol. Also both sides have agreed for the effective implementation of the Coordinated Border Management Plan (CBMP) for better border management so as to prevent cross border criminal activities, irregular movement,



incidents of violence and the tragic loss of lives. In order to check the increased number of deaths that occur near the borders (especially on the Indian side), both leaders directed their respective authorities and border guarding forces to bring the numbers to zero.

So far Hasina in the present talks has requested Modi for immediate conclusion of the *Interim Agreement on Sharing of the Water of the Teesta River*, as agreed upon by both the governments in January 2011. Modi gave assurances that with the support of the state governments in India, a solution to the sharing of waters of Teesta and Feni Rivers will be found. Since both countries share 54 rivers, both leaders noted the discussions on various aspects relating to sharing of waters of the Manu, Muhuri, Khowai, Gumti, Dharla and Dudhkumar rivers that were taking place at the technical level. They directed their respective officials to expedite the conclusions.

*Connectivity and Trade:* The other important agreement that was signed was on Coastal Shipping which will help India to use its common bay and each other's waterways for the movement of cargo. As the bulk of trade takes place through the land border, this agreement will enable the direct regular movement of ships between India and Bangladesh, thus bringing the shipping time down from 30 to 40 days to an average of 7 to 10 days. This will also ease the land border trade problems. The renewal of the *Protocol on Inland Waterways and Transport* will help the Bangladeshi shipping industry. Also an MoU was signed for access to Chittagong and Mongla ports for the movement of goods to and from India.

These above agreements are built into the renewed *Trade Agreement*. With this Bangladesh gets better access to India through the north-east and to Nepal and Bhutan. This agreement enables India to improve access to the North East (NE) region wherein Dhaka has allowed for the transit of power equipment and transshipment of food grains. This is in keeping with the goals of connecting the *South Asian Association for Regional Cooperation (SAARC)* nations. The agreement also boosts the confidence of the investors.

India and Bangladesh trade has increased over the last five years which has been in favour of the former. In 2013-14 Indian exports have been US\$ 6.1 billion while exports from Bangladesh were US\$ 462 million. In order to address the deficit, both countries have signed the MoU to establish an *Indian Special Economic Zone* (Mongla and Bheramara are two possible locations) in Bangladesh. India has also put its point across that the greater access for Indian investments in Bangladesh is one of the ways in which the trade deficit could be addressed. Indian industries have shown interest in sectors like textiles, leather goods, pharmaceuticals, auto components, ship building, marine food processing etc.

Agreements and MoUs were signed in telecom connectivity, on Standards, checking circulation of fake currency notes, preventing woman-trafficking, cooperation between the coast guards of both the countries in various operations, on Blue Economy and maritime cooperation in the Bay of Bengal and the Indian Ocean, etc.

*Other outcomes:* Modi and the Chief Minister of West Bengal, Mamata Banerjee, along with Prime Minister Sheikh Hasina flagged off two bus services: Kolkata-Dhaka-Agartala (Tripura) and Dhaka-Guwahati- (Assam)-Shillong (Meghalaya). One of the main aims of the visit was to bolster connectivity to facilitate movement of goods and services and of people. This is also done with the aim to develop the north-east region of India. The north-eastern governments have pressed the central government for pressuring Dhaka to give access to the Chittagong port. The discussions have so far been on how to use the ports effectively to carry goods.

India has agreed to disburse a second concessional line of credit of US\$ 2 billion to Dhaka. Under the line of credit offered in 2011 (US\$ 1 billion) 7 projects (about US\$860 million and mostly in the railways sector) have been completed and about 8 projects are under implementation. The projects that India will now look into are in power, roads, ports, health, education, ICT, etc.

India has been supplying about 500 megawatts of power which will be increased to 1100 MW within two years. This visit was also to improve the energy situation in Bangladesh. India intends to be Dhaka's partner in its implementation of the 2021 goal to achieve an installed capacity of 24,000 MW of power. Both countries have agreed to initiate an annual *India-Bangladesh Energy Dialogue* at the level of Secretaries. Modi requested Hasina to facilitate the entry of Indian companies in the power generation, transmission and distribution sector of Bangladesh.

On the global front, both countries have worked closely together, be it at the UNO or in its Peace Keeping Operations. Dhaka supports New Delhi's candidature for a permanent membership of the Security Council.

#### *A boost to 'neighbours first' policy*

Modi has been able to give a boost to his foreign policy of 'neighbours first' by delivering on the LBA. Under Prime Minister Hasina, terrorist groups wrecking havoc in border states of India - especially Assam - were checked and refused shelter. With the passing of the LBA in the Indian Parliament, another important aspect gets significance and that is to do with the goodwill that has been restored between both the countries. Sheikh Hasina who had been instrumental in flushing out the insurgents for the sake of India and suppressing radical groups within the country has been slammed and ridiculed by the opposition parties and groups in Bangladesh for being pro-India. Thus Modi's meeting with Hasina and the exchange of the instruments of ratification sent positive signals thus silencing the critics in Dhaka. Also the manner in which both countries have tried to settle their border and maritime disputes can act as templates for India's disputes with countries like China and Pakistan. In July 2014, the *UN's Permanent Court of Arbitration* handed the verdict that resolved the long-standing delimitation of the maritime boundary dispute between the two countries. Bangladesh was awarded 19,467 sq. km (more than 75%) of the 25,602 sq. km sea area of the Bay of Bengal.

Keeping this positive note of the recent settling of a maritime dispute through international means and the ratification of the LBA, India should continue with good neighbourly ties with Dhaka, which unlike Islamabad, has goodwill towards India. Kanwal Sibal, a former *Foreign Secretary* of India, argues that Indian foreign policy should focus more on *Act East*: "*A large Muslim country to our east moving in the direction of a more "secular" polity was a clear strategic gain for us. Moreover, Bangladesh is a key link in our Act East policy. We are blocked towards our west by Pakistan, radical Islam and terrorism.*"<sup>[i]</sup> However, this does not mean that ignoring Pakistan is good for India's policy of 'neighbours first'. But the relationship with Dhaka sets a good precedent in solving issues with neighbouring countries in a peaceful manner, given the fact that the world now faces conflicts in the Middle East countries or for that matter in the Eurasian region (Russia-Ukraine crisis).

Endnotes:

[i] Kanwal Sibal, "Good ties with Bangladesh are essential to India's economic expansion", MailOnline India, May 11, 2015.

#### **India-USA Defence Talks 2015**

India's Defence Minister Manohar Parrikar held talks with his USA counterpart Defence Secretary Ashton B. Carter. Carter was on a three day visit to India where he first landed at Visakhapatnam (Eastern Naval Command). This visit to Vizag has been deemed by the USA in its embassy statement as, "*commitment to maritime security and the need for a regional security architecture that creates transparency and trust among regional partners.*" It also describes the visit overall: "*Carter's trip to India is part of his focus on the US rebalance to Asia.*"<sup>[i]</sup>

Carter met various leaders of the government beginning with PM Narendra Modi, Defence Minister Manohar Parrikar, External Affairs Minister Sushma Swaraj and National Security Advisor Ajit Doval.

Already India and the US have improved their defence ties by increasing trade, through exchanges of intelligence data and the joint exercises amongst the respective armed forces. During his visit, both sides signed the 2015 *Framework for the India-US Defence Relationship*. This sets the future course for about a decade wherein both sides will jointly develop and manufacture defence equipment and technology including jet engines, aircraft carrier designs and construction. Both sides have agreed to expedite discussions in these areas. This also provides for high level strategic discussions, continued exchanges between armed forces of both countries, and strengthening of defence capabilities. Both sides have also finalized two project agreements for hi-tech mobile power sources and next generation protective suits for chemical and biological warfare.[ii]

Both discussed the Indo-US *Defence Technology and Trade Initiative* (DTTI). The newly signed 2015 Framework points out DTTI's transformative nature. Carter before taking over the mantle of defence secretary has already been involved with the negotiations of the DTTI when the *United Progressive Alliance II* government launched it in 2012. Carter and Parrikar reviewed the progress of the four pathfinder projects under the DTTI which were announced when President Barack Obama visited India in January this year. These are the next generation Raven Minis UAVs, roll-on roll-off kits for C-130s, mobile electric hybrid power source and Uniform Integrated Protection Ensemble Increment.

Finally, both sides have agreed to pursue the goal of co-development and co-production projects so that their respective industries can build partnerships to give boost to the '*Make in India*' initiative.

Endnotes:

[i] "US Defence Secretary Ashton B. Carter arrives in India, defence pact to be signed between two countries", The Indian Express, June 3, 2015.

[ii] Ministry of Defence (India), "Visit of US Secretary of Defence Dr. Ashton Carter to India (2-4 June 2015)", URL:<http://pib.nic.in/newsite/pmreleases.aspx?mincode=33>

### **India and the ASEAN (Association of Southeast Asian Nations)**

India has improved over the years relations with ASEAN countries[i] like Indonesia, Singapore, Vietnam, Myanmar etc. Therefore being consistently engaged with the ASEAN countries is very important, if it is to move from *Look East* policy to *Act East*. In the 1990s India under the then Prime Minister Narasimha Rao government initiated the *Look East* policy. This was carried forward by the governments under Atal Behari Vajpayee and Dr. Manmohan Singh.

One of the organizations that India needs to focus on apart from the SAARC is the ASEAN. This is one of the areas that the BJP has focused on in its election manifesto. In his last 12th India-ASEAN Summit (2014) speech in Myanmar, Prime Minister Narendra Modi spelled out India's interest to enhance cooperation for the sake of "*advancing balance, peace and stability in the region*".

In 1992, India established a sectoral dialogue partnership with the ASEAN which gave way to a complete dialogue partnership in December 1995. Participating in ASEAN has become an annual affair. India participates in consultative meetings under the Dialogue Partnership through the annual ASEAN-India Summit (since 2002), ministerial meetings, senior officials meetings, and meetings at experts level, as well as through dialogue and cooperation frameworks initiated by ASEAN, such as the *ASEAN Regional Forum* (ARF), the *Post Ministerial Conference* (PMC) 10+1, the *East Asia Summit* (EAS), *Mekong-Ganga Cooperation* and *Bengal Initiative for Multi-sectoral Technical and Economic Cooperation* (BIMSTEC).[ii] India has cross-sectoral annual dialogue mechanisms with ASEAN in 26 areas.

In the 2004 Summit ASEAN and India adopted the *ASEAN-India Partnership for Peace, Progress and Shared Prosperity* to turn the partnership into action for a long-term engagement. So far two Plans of Action have been implemented: 2004-2010 and 2010-2015. For the upcoming summit of the ASEAN

which is to take place in mid-November this year, India is already drafting a five year Plan of Action for 2016-2021.[iii]Connectivity is given priority to boost trade and people-to-people contacts.

Also India has accredited its Ambassador to ASEAN in Jakarta to work in tandem with the *Committee of Permanent Representatives to ASEAN (CPR)* and the ASEAN Secretariat. Both have adopted the *ASEAN-India Vision Statement* during the Commemorative Summit in November 2012.

*Economic Cooperation:* At the 2nd ASEAN-India Summit in 2003, the *ASEAN-India Framework Agreement on Comprehensive Economic Cooperation* was signed which laid the basis for the establishment of an *ASEAN-India Free Trade Area (FTA)*, which includes a FTA in goods, services and investment. India and the ASEAN have already implemented the *Trade in Goods Agreement* which has been in force since January 1, 2010. Already the Agreements on *ASEAN-India Trade in Services and Investment* have been signed by all the countries which will enter into force in July 2015. This will complete the FTA.

In terms of trade statistics, things are far from being satisfactory. In 1993 bilateral trade stood at US\$ 2.9 billion. The trade thereafter grew at an annual rate of 11.2%. ASEAN's exports to India were valued at USD 43.84 billion and imports from India amounted to USD 27.72 billion in 2012. The total trade between ASEAN and India decreased by 5.4 per cent, from US\$71.8 billion in 2012 to US\$67.9 billion in 2013.[iv] Therefore the target of US\$100 billion by 2015 could not be achieved. Foreign direct investments (FDI) from India fell by 41 per cent from US\$ 2.2 billion in 2012 to a little more than US\$1.3 billion in 2013.[v]

India is now part of the negotiations to formalize the *Regional Comprehensive Economic Partnership (RCEP)* which is between 10 countries of the ASEAN and 6 states[vi] with whom ASEAN has FTAs. India now needs to work on the FTA with ASEAN first by building the domestic base, especially in the manufacturing sector (merchandise in particular). Unless the domestic goods are not marketable in other countries, FTAs do not generate trade.

*Connectivity:* In order to build connectivity, India, by participating in the 21st *ASEAN Land Transport Working Group (LTWG)* meeting, presented its initiatives for enhanced cooperation on the ASEAN Action Plan, covering various sectors such as land transport, maritime transport, border management, customs, immigration, logistics and safety and *Public Private Partnership (PPP)*. India, which is looking at developing its north-eastern region by connecting it to the eastern countries, has been part of the proposed *India-Myanmar-Thailand Trilateral Highway Project*. This will connect the highway system in eastern India to the ASEAN Highway Network.

Of late, the BBIN (Bangladesh, Bhutan, India and Nepal) road network was signed on 15th of June in Thimpu, the capital of Bhutan. This will help India to integrate economically with the eastern countries by linking its north-eastern states to the highways to the East, thereby connecting to Myanmar which acts as the gateway to ASEAN countries.

*Socio-cultural cooperation:* As part of the socio-cultural cooperation, both India and ASEAN are cooperating in areas like human resource development, science and technology (S&T), people-to-people contacts, health and pharmaceuticals, transport and infrastructure, small and medium enterprises (SMEs), tourism, information and communication technology (ICT), agriculture, energy and the *Initiative for ASEAN Integration (IAI)*. The projects are being funded by the *ASEAN-India Fund (AIF)*. Cooperation in these areas is carried out through the implementation of the Plan of Action.

Endnotes:

[i] Includes ten countries: Brunei, Laos, Cambodia, Vietnam, Indonesia, Thailand, Philippines, Singapore, Malaysia, and Myanmar.

[ii] ASEAN, "Overview of ASEAN-India Dialogue Relations", URL: <http://www.asean.org/news/item/overview-of-asean-india-dialogue-relations>

[iii] PTI, "India to draft 5-year plan of action to deepen ties with ASEAN", The Hindu online, August 9, 2014. URL: <http://www.thehindu.com/news/national/india-to-draft-5year-plan-of-action-to-deepen-ties-with-asean/article6299015.ece>

[iv] ASEAN Trade Statistics Database as of June 2014.

[v] ASEAN FDI Database as of June 2014.

### **Part III:**

#### **Articles on domestic politics:**

##### **First major storm for Modi government**

S Nihal Singh

The Tribune online, June 20, 2015

Sushma Swaraj's fate in balance

Just when Mr Narendra Modi and his party and supporters were congratulating themselves on completing one year of what they touted as scam-free rule, the bomb exploded. It was in the deceptive shape of a "humanitarian gesture". The External Affairs Minister, Ms Sushma Swaraj, was in the centre of the storm, which also singled the Rajasthan Chief Minister, Ms Vasundhara Raje Scindia.

In basic terms, the issue is simple. Should Ms Swaraj in her official capacity have helped Mr Lalit Modi, the fallen cricket czar under investigation by the country's financial and other agencies and a fugitive from Indian justice, in obtaining British official documents for travel? He was residing in London, his Indian passport had been seized (until restored by a High Court order recently) and he wanted to be in Portugal for his wife's cancer surgery.

The report of Mr Lalit Modi's recent adventures was broken by London's Sunday Times and Indian media, in hot pursuit, chased him to Montenegro, with the India Today television channel scoring a scoop. Putting most of the pieces together in the jigsaw puzzle, it presented a sorry picture of wheeling and dealing by a consummate operator involving Mr Keith Vaz, British MP, and the families of Ms Swaraj and Ms Scindia.

What is equally clear is that Ms Swaraj was very unwise in acting as she did. How far her judgement was influenced by her family's long association with Mr Lalit Modi is a matter of conjecture. But her daughter was working on the cricket boss's legal team and her husband had sought a favour from him for the admission of a nephew to a British university.

Ms Scindia was compromised by taking Mr Lalit Modi's ailing wife to a hospital in Portugal two years ago, the cricket czar's reported investment in her son's company and her reported recommendation of help for the besieged Indian as long as her intervention was kept secret. Ms Scindia has been family friends of the Modis of long standing.

For the opposition parties, led by the Congress, the drama, played out on 24-hour television, was a welcome gift to score points at a self-righteous ruling party that was feasting on the scams that seemed to define the United Progressive Alliance government, Mark II. Mr Modi's belligerent-sounding defence of his actions in the interview he gave to Rajdeep Sardesai in Montenegro did not help Ms Swaraj's cause. Rather, it reinforced the impression of a buccaneer ready to take on the Indian government and the world. It also nullified the impression his lawyer made in Mumbai to explain his client's point.

The Opposition went for the obvious contradictions in the official story with Mr Arun Jaitley fielding for his colleague in distress. How could Ms Swaraj go out of her way by telling British officials that her government would not object to their granting Mr Modi United Kingdom travel papers?

A host of other questions arise. Why could New Delhi not have granted him temporary Indian papers to enable him to visit his sick wife in Portugal and force him to return home after that to face the charges? The previous government had told London that bilateral relations would be affected if Mr Modi were granted travel privileges. Ms Swaraj therefore played a crucial role in enabling him to travel out of London, and apart from visiting his wife, participate in a family wedding and holiday in Montenegro, among other tourist spots.

Although the Narendra Modi government has chosen to support the External Affairs Minister, as opposed to a more distant attitude taken towards Ms Scindia, Ms Swaraj is living on borrowed time. Her position is untenable. She can be given a decent interval before being moved out, but the Opposition demand for her removal is justified.

The Opposition is also calling for the resignation of the Rajasthan Chief Minister, Ms Scindia. Judging by the national BJP's more relaxed attitude towards her plight, she seems to be politically expendable. The reported financial element in Mr Modi's relationship with the Scindia family is problematic. With its massive majority in the Rajasthan assembly, the BJP feels it can ride out the storm in the state with another party leader at the helm, if necessary.

These developments have a wider significance inasmuch as Prime Minister Narendra Modi's thrust in fighting corruption will be less effective, given the influence of a man under investigation for malpractices exercising the influence he did on two important BJP leaders. Second, the cloak of probity the national BJP leadership wore so self-consciously has developed holes.

The Congress can take heart from the opportunity to take on the Modi government. But it has a very long road to travel, with Mr Rahul Gandhi still having to prove his ability to lead. He seems to be stuck in the felicitous phrase "suit boot government" to criticise BJP rule on all occasions.

Despite the new broom the Prime Minister has chosen literally and metaphorically to clear the cobwebs of the country's administrative structure, it can only be the beginning of a long process. Most BJP leaders have been nurtured in the political ethos that has evolved over the decades. The exceptions are the Rashtriya Swayamsevak Sangh (RSS) workers seconded to the BJP with an ideological agenda, the Prime Minister himself being one of them.

The BJP has of course made many compromises in government formation at the Centre and in the states to field winnable candidates, whatever their deficiencies. But Ms Swaraj's case presents another kind of problem for the Prime Minister. She was one of the aspirants to the Prime Minister's 'gaddi' after the forced retirement of Mr L.K. Advani. Once Mr Modi was chosen, she had to be given a senior Cabinet position. After winning the election, he had the felicitous idea of giving her the External Affairs portfolio. Being the activist he has proved to be in the foreign policy field, she had been boxed in.

### **Modi's silence on Raje-Swaraj row louder than his 'Mann Ki Baat'**

Prashant Jha

Hindustan Times online, June 28, 2015

Modi's radio talk—'Mann ko baat' is about communicating directly with the people which is strikingly silent on allegations of impropriety, corruption, fraud and deep conflict of interest issues against his ministers and party leaders.

For the first time since the 'Mann Ki Baat' radio show began, Prime Minister Narendra Modi's silence spoke louder than his natural conversational monologue on Sunday. He stressed key themes which have become a mark of his public engagement, but by sidestepping key contemporary controversies, Modi left himself open to the charge that he was abdicating his responsibility.

Two patterns in Modi's political communication are clear.

First, ever since his August 15 speech, the PM's public speeches have focused on the role and responsibility of the citizens in tackling social issues. This is a departure for often; earlier those at the helm of the government focused exclusively on the role of the state.

From encouraging citizens to work towards cleanliness to making them a part of a campaign to encourage tourism on social media, Modi places the responsibility back on the society. He asks people to take selfies with daughters and requests brothers to gift insurance schemes to sisters on Rakshabandhan.

Whether this is only the politics of symbolism through the use of technology, social media and images, or whether it is sufficient to deal with the deep structural issues facing Indian society, or whether there is an institutional follow-up on citizen engagement, is open to question.

At the same time, Modi is also focused on boosting the legitimacy of the state apparatus and his own reputation as a leader who can implement and deliver. Here, he is speaking to the millions of government servants who work at different levels of the Indian state, with limited to low motivation -- citizens who are deeply cynical about the state's capacity and intent to deliver services.

On Sunday, the PM spoke about how the state can deliver. He cited the role of the Ministry of Ayush in organising the Yoga day. He talked about the ability of the government to evacuate citizens from Yemen and deliver assistance to Nepal. He stressed measures to enhance financial inclusion and even claimed that -- in accordance with his promise last Independence Day -- most schools now have toilets. Whether this is true and whether there are actual administrative reforms that have enhanced the state's capacity in the past year are not clear yet.

But this edition of 'Mann Ki Baat' will stand out not for what Modi said, but for what he did not say. At a time when the public sphere is rocked by allegations of impropriety, corruption, fraud and deep conflict of interest issues against his ministers and party leaders, the PM has chosen to remain silent.

The silence is particularly striking because the radio show does not happen in a vacuum. It is also the one platform where Modi communicates directly, thus going beyond the 140 character limit set by Twitter. In the past, Modi, on these shows, has spoken about what is present and what is dominating the news often. He has responded to a controversy over the black money issue by making a categorical commitment and he has taken pride in India's role in Nepal days after a massive earthquake. He spoke about the Yoga day which happened last week and the monsoon.

But he chose to ignore the one issue where citizens, media and the political opposition have demanded an answer. Something similar had happened when Hindutva belligerence had peaked at the end of last year. Despite widespread criticism, and even obstruction in Parliament, the PM chose to remain quiet and made a public statement assuring citizens that they can practice their faith more than a month after the 'ghar wapsi' controversy had erupted.

This time too, either the PM thinks the issue will blow over or he is waiting for the Parliament session to start -- where it is expected the Opposition will kick up a storm -- and respond accordingly. If this persists, Modi will be known as much for his silence as his masterful political communication.

**Return of the scandals: Where does PM Narendra Modi go from here?**

Prashant Jha

Hindustan Times online, June 25, 2015

The recent scandals in the Modi government reminds one that no one quite expected the country to transform suddenly and shake off the legacy of the past, says Prashant Jha.

A few days before the final phase of Lok Sabha elections in 2014, the entire BJP top brass had shifted to Varanasi to muster up support for Narendra Modi's election bid. In a private hotel, Amit Shah could be seen with two mobile phones, micro-managing the constituencies; sympathetic columnists made themselves home in the war-room tracking social media; and BJP senior leader Arun Jaitley agreed to hold an impromptu press conference.

Reinforcing the standard narrative of the Modi campaign, he used a phrase that has stayed in memory – how BJP would provide 'probity in public life', as opposed to the UPA which was marked by scams after scams.

As multiple leaders of the BJP – ministers at the central level, a powerful chief minister in Rajasthan, a minister from a political dynasty in Maharashtra – get embroiled in controversies, with more than a whiff of impropriety and financial taint, it throws up three fundamental political questions.

The first is if this moment is yet another of those passing news channel-manufactured episodes where the noise overwhelms the substance till the next story comes along or if it has deeper implications?

It is, one can argue, a key rupture in the 2014 political framework, which has been marked by Modi setting out the narrative of change.

The significance of the controversy does not lie in the extent of the impropriety Sushma Swaraj may have committed; the deceit that Rajasthan CM Vasundhara Raje was trying to pull off by categorically stating that Indian authorities must not get to know of her support for Lalit Modi's immigration application; the deliberate or inadvertent inconsistency in Smriti Irani's affidavit; or the truth of the corruption allegations against Pankaja Munde in Maharashtra.

The real significance lies in the fact that in the battle of perceptions, BJP is losing the plot. No one quite expected the country to transform suddenly and shake off the legacy of the past. But there was a widespread expectation that since Modi was 'clean' and 'strong' - as opposed to Manmohan Singh who was 'clean' but 'weak', the government would remain clean. This is what the PM capitalised on when he said the absence of scams was a sign 'ache din' had arrived during the first anniversary celebrations.

It is precisely this narrative that has got punctured. The opposition is galvanised; the prolonged honeymoon with the media has ended as it takes on its natural adversarial role; and social media, once BJP's den, is quick to prick holes in any defence. Questions about 'probity' in public life will haunt the BJP from now on, like it haunted Congress, and like it has haunted each political dispensation in India. The power of entrenched patterns should not be underestimated. It is business as usual. And no, distinguishing between central and state governments - as some BJP supporters are doing - does not hold water. It is no secret who controls the party today. The buck stops at the Modi-Amit Shah door.

The second question is why has this happened?

If you leave aside the allegations against Smriti Irani, the other three controversies have a common pattern - the nexus between politics and capital. It is here that successive regimes have faltered.

Irrespective of the rhetoric, both Congress and BJP have been closely enmeshed with capital. Democratic politics as we practice, needs money. Elections are expensive business. Politicians accumulate wealth which they invest in businesses, or outsource to certain businessmen to manage.



Businessmen hope they have backed the right horses and when the time comes, they can reap rewards for their investment. This is not specific to India, but has been an established fact across the world. Quid pro quo exists.

The question is if political systems are able to institute a degree of transparency (for instance, make public all the funding that is received or have state funding for parties in elections); regulation (for instance, restrict the amount of funding; keep close track of transactions; legalise lobbying); reduce the extent of discretionary decision making in government; and have strong avoidance of conflict of interest laws.

To give credit where its due, the Modi sarkar has recognised that it is in natural resource allocation that discretion and crony capitalism is most acute - they have made an effort to correct this partly through cleaner spectrum and coal allocations. But there are a range of other sectors where discretion is rampant. Cricket is an obvious example where a deeply unhealthy relationship exists between politics as money and glamour - the PM himself is a part of this nexus as a former president of the Gujarat Cricket Association. The line between encouraging a business friendly environment (a stated goal of this government) and between encouraging select, friendly businessmen is a thin one. And BJP, like its predecessors, under the garb of the former, does not shy away from doing the latter.

The third question is what now? Where does Narendra Modi go from here?

The government backed Swaraj. After a few days of hesitation, it sent a top minister and former BJP president Nitin Gadkari to back Raje. Rajnath Singh has said unlike the UPA, NDA ministers do not resign, and in that statement, reflects the government's political calculation.

It appears to have concluded that resignations of UPA ministers were interpreted in public sphere as an admission of guilt - and BJP should not make the same mistake. Modi also does not want to be seen as doing anything under pressure.

There is another crucial factor - the Bihar polls, where the BJP hopes to ride on a promise of providing a clean government. Any sign the government in Delhi was complicit in corruption will dent this image.

But here is the dilemma. Not pressing for resignation or action gives more ammunition to the opposition, and makes the government appear insensitive to public opinion and arrogant, flushed in its numerical majority. It dents Modi's own clean image and triggers comparison with Manmohan Singh who stayed silent. The evidence against Raje is now too strong to ignore, though she herself is a strong leader who has made it clear that she would not go down without a fight.

Modi has to navigate these contradictory impulses and calculations. Either way, he cannot do what he has been doing till now - which is nothing. That approach (of silence, of ignoring an issue hoping it goes away) threatens not just his image but his government's legislative and governance agenda. The NDA is perilously close to betraying its promise of 2014.

### **Be Warned. Today Greenpeace, Tomorrow You**

Mani Shankar Aiyar

NDTV, June 02, 2015

Thwarted in his efforts to undermine the basic functioning of our democracy in the political and administrative sphere, Modi is now probing the Achilles heel of our democracy - the Non-Governmental Organizations, says Mani Shankar Aiyar

To his somewhat startled surprise, Modi has discovered that he can't do in Delhi, as freely as he did in Gandhinagar, all he wants to do and get away with it. For the Constitution that Ambedkar gave us and the democracy that Nehru nurtured have taken such firm roots that Modi, unlike Hitler who

overthrew a fragile 14-year old Constitution and the frail democratic Weimar Republic, is confronted in Delhi with the rule of law, a Parliament in which he lacks a majority in the Rajya Sabha, an alert media, and well-established institutions of governance, including, above all, the courts that cannot be trifled with.

Thwarted in his efforts to undermine the basic functioning of our democracy in the political and administrative sphere, Modi is now probing the Achilles heel of our democracy - the Non-Governmental Organizations (NGOs) who have evolved under the umbrella of the Constitution's Fundamental Rights but do not enjoy the protection of any direct reference to them in the Constitution. This is perhaps because, back in 1948-50, when the Constitution was being framed, there were few NGOs. At any rate, they did not loom large on the political horizon. In any case, the Constitution assumed, as it did with Panchayat Raj, that the need for local self-government and an active civil society were so obvious that any special provisions for them in the Constitution were unnecessary.

In regard to panchayats, the Constitutional lacuna was filled at Rajiv Gandhi's initiative that led in 1992 to the passing of the two longest amendments to the Constitution (Parts IX and IXA relating respectively to 'The Panchayats' and 'The Municipalities'). It now appears necessary to similarly safeguard, sanctify and sanction NGOs as Modi has begun his assault on unprotected NGOs, making an example, on the one hand, of Teesta Setalvad who bravely continues baiting him on the pogrom in Gujarat in 2002, and, on the other, Greenpeace India that continues with the noble work it has been engaged in for a decade and a half. Teesta is entitled to a column - indeed, an encyclopaedia - on her own. I will here focus on the persecution to which Greenpeace India is being subjected.

The Ministry of Home Affairs (MHA) have charged Greenpeace India, and its affiliate, Greenpeace Environment Trust, with misusing foreign funds and foreigners for "anti-national" activities. MHA apparently regards testifying about India before a meeting abroad as "anti-national". On the other hand, it seems MHA regard it as perfectly patriotic for the Prime Minister to go abroad and claim on foreign soil (once in the presence of a foreign PM) that all Indians were ashamed of being Indian until he, Modi, became PM!

So, in MHA's twisted logic, it is patriotic to lie about India's great past and denigrate everything India has achieved 15 August 1947-26 May 2014, in New York, Sydney, Toronto and Shanghai, but anti-national to explain why Greenpeace India is fighting for displaced tribals, forest dwellers' rights and protection of the environment - all of which is written into the law of the land by the holiest shrine of democracy - our Parliament. Else why did they detain Priya Pillai, a Greenpeace activist, as she attempted to board a flight to London in January this year to address a meeting of those who seek to protect the global environment?

There would appear to be little difference between Rajnath Singh and Rowlatt of the Rowlatt Act, 1919. And, to protect our precious fundamental rights, we will have to fight Rajnath Singh and Modi quite as vigorously as we fought Rowlatt and Lord Reading to protect and promote our freedom and liberty.

Standing firmly behind the nation's and the NGO cause are our courts. On 20 January 2015, the Delhi High Court delivered a stinging retort to MHA when it invalidated their order freezing Greenpeace India's accounts in the wake of Pillai's detention, the judge stating in court that MHA's conduct was "arbitrary, illegal, and unconstitutional" (which would be a good way of describing the Rowlatt Act!). On 12 March 2015, Priya Pillai's constitutional right to travel was decisively upheld by the same High Court, Justice Shakhder "rubbishing the reasons given by MHA" against her travel abroad.

Nevertheless, the persecution continues. At MHA's instance, the Reserve Bank of India on 23 March 2015 blocked all transfer of funds from the renowned Greenpeace International to Greenpeace India. MHA then followed this up with an order to banks to deep-freeze Greenpeace India's accounts with

immediate effect. For the last three months, Greenpeace India have not had access to virtually any funds, domestic or foreign, with which to carry on their good and great work.

That is because Modi and Rajnath do not regard Greenpeace India's work as good and great. They regard it as "anti-national" for an Indian NGO, which receives 70 per cent of its funding from Indian sources, to fight for Indian causes that have twice within the first quarter of this year been upheld by the courts as perfectly legitimate and kosher.

Thus, the right to freedom of thought, speech and action is being throttled - only because Greenpeace India's conception of what is in the interest of the Indian people is not the same as that of our suit-boot sarkar. What, after all, is "anti-national" about demanding clean air and safe food, standing up for forest and community rights guaranteed under Indian law, and highlighting the dangers of climate change?

At the same time, the Modi-Rajnath duo is running a clandestine smear campaign against Greenpeace India. They thus seek to silence criticism and dissent - which are the blood stream of democracy, in India if not under the Gujarat of Narendra Modi. They claim to have conducted an "investigation" last year into Greenpeace India's affairs, but even six months after the submission of that "intelligence" report - which seems prima facie to be wanting in that one quality - those arraigned are not being given access to the dossier on the specious ground that the report is "secret". This is similar to the grounds on which the Prime Minister's wife is being denied information that is hers of right under the Right to Information Act.

Some of Greenpeace India's domestic accounts have been frozen although the Foreign Contribution Regulation Act (FCRA) has nothing to do with domestic donations. International experts who have visited Greenpeace India on valid visas are being defamed and prevented from again lending their valuable services. Bogus claims of Greenpeace India endangering India's "economic security" are being bruited about. Blatant lies are being spread by and on behalf of the government regarding a foreign TV programme about a proposed British investment in a mine project in India. What if not a smear campaign is this by a jackbooted government? Be warned. First an NGO. Next - YOU!

(Mani Shankar Aiyar is a Congress MP in the Rajya Sabha. Views expressed are personal.)

### **Absurd to Depend on China's Slowdown to Celebrate India's Growth**

Mani Shankar Aiyar

NDTV, June 08, 2015

Mani Shankar Aiyar calls it absurd to celebrate India's growth due to the decline of Chinese growth rate when it is only in the realm of statistical abstraction that the former's miracle is occurring.

What's with our economy? A year after Modi, says a knowledgeable foreign observer, the "Modi aura" is gone. The stock market hysteria over his election has faded. The biggest hope of the Government is that the deceleration in the Chinese economy will continue, so that we can claim that we are growing faster than China.

But it seems a bit absurd to pitch our hopes for growth on the Chinese growth rate waning. For the truth of the matter, as the Governor of the Reserve Bank of India said last week, is that "Growth is very weak".

Therein lies the paradox. The official annual Economic Survey, released on the eve of the Budget, displayed on its cover a chart showing the Indian growth rate overtaking the Chinese growth curve. What cause for celebration is there in China slipping so badly that even India is overtaking it? The false euphoria was partly the result of the Central Statistical Office (CSO) changing the database for calculating India's GDP. The new database projected our growth rate as having soared over 7 per

cent and being all set to breach 8 in the next year and 10 before Modi has to face the electorate again.

Nothing, however, has changed in our lives. It is only in the realm of statistical abstraction that the miracle is occurring. For, along with declaring the plus-seven acceleration in growth rates, the CSO also had to admit that on the new basis the Indian economy would have achieved nearly seven in the last year of Dr. Manmohan Singh and P. Chidambaram. It seems extraordinary that the Congress was punished as badly as it was for accelerating the growth rate to seven percent where we were being pilloried in the campaign for having brought it to below five!

The collateral evidence also points to Governor Rajan's assessment of the economy being far sounder than Arun Jaitley's hype. The economy basically comprises three segments: agriculture; industry; and services. Let's take each in turn.

Agriculture has been Modi's disaster area. He decisively shifted governmental attention away from the farmer and the khet-mazdoor just at the time they needed him most through his obsession with compulsory land acquisition. For agricultural growth collapsed in Modi's first year to just one percent and is in imminent danger of collapsing into a negative figure if the current forecasts of the Indian Meteorological Department (IMD), on which Governor Rajan has relied, turn out to be anywhere near accurate.

Rajan drew attention to the IMD "predicting that the southwest monsoon will be seven percent below the long period average". He added, ominously, "This has been exacerbated by the confirmation of El Nino by the Australian Bureau of Meteorology". He apprehends a contraction in foodgrain production by as much as five percent even in comparison to last year's dreary 1.1 percent performance. He also underlines the "worsening of the situation" with damage to key crops in the food basket like oilseeds and pulses, stressing that buffer stocks for these key requirements "are not available in the central pool".

Runaway food prices are bound to take the shine off price control achieved by the weakening last year of oil prices, especially as, to quote the Governor again, "crude prices have been firming amidst considerable volatility, and geo-political risks are ever-present". Managing the "impact of low production on inflation" should be the government's first priority. Modi instead is planning his frequent flyer miles!

Industry, including infrastructure, on which Modi pins his high hopes is floundering. "In April," that is, the immediate aftermath of the Budget, notes the Governor, "output from core industries constituting 38 percent of the index of industrial production declined across the board", coal being the single exception. The Governor spoke of the desperate need to unclog stalled investment projects, stabilize investment intentions of the private sector and end the "sustained weakness of rural consumption" to get manufacturing moving again. None of this points to an economy in revival. Capacity utilization needs to be raised, earnings performance improved, and sales of commercial vehicles and tractors vastly augmented. How can a Government in denial, boasting that it has brought "achhe din", address itself meaningfully to such challenges when it is investing all its money in full-page, front-page ads proclaiming that India has never had it so good? The fact is India has never been had so good.

Moreover, banking is also in a mess, which is fundamentally why commercial banks are unable and unwilling to pass on successive reductions in repo rates (short term lending rates) to borrowers. They have piled up huge bad loans (politely called Non-Performing Assets - NPAs). So little is the CSO's mythology impacting on bank lending that whereas a GDP growth rate of plus seven percent should result in a 17 percent increase in bank lending, the increase on the ground is a sluggish 12 percent. Either the CSO's GDP figures are a fiction or the banking system is too weighed down to respond. No wonder bank stocks are in agony, the shares of banking giants like Punjab National Bank, Canara

Bank and Bank of Baroda having lost 26 to 37 percent of their value in just the first half of this calendar year. Where one would have expected whoops of joy at the repo rate having been cut, the Bank Nifty lost nearly 640 points in the wake of the RBI announcement - such is the mess in banking.

Exports are just as bad or worse. "Merchandise exports" intones our Governor, "has weakened steadily since July 2014 and entered into contraction from January 2015 through April", adding more alarmingly "with a recent shrinking of even volumes exported". From there comes the dire prediction that "net exports are, therefore, unlikely to contribute as much to growth going forward as they did in the past financial year". Worse still, "the year 2015 has begun with net portfolio outflows". Then, from where are Modi-Jaitley going to get their acceleration in GDP to 8 percent - especially as "consequently, growth will depend more on a strengthening of domestic final demand". There is no sign of that.

For the better part of the last two decades, the "services" sector, particularly IT, has been the last hope of the Indian economy. Under Modi, even IT is taking a hit, "leading indicators of services sector are emitting mixed signals," as the Governor delicately puts it. There is, he adds, a "slowdown in new business orders".

The RBI Governor has no political role to play. He has no constituency to cater to. He is independent and has been appointed on the basis of his proven expertise. He is expected to make use of that independence and expertise to tell the truth about the economy in the hope that the truth will make the government sit up. Instead, the Finance Minister diddles the public by saying that since the expected shortage in rainfall is likely to be widespread rather than concentrated, this makes for optimism.

Bizarre! If he and the Prime Minister continue to wear blinkers over their eyes, the nation is in for an even worse 2015-16 than 2014-15 proved to be.

### **Let's not be complacent**

Mani Shankar Aiyar

The Indian Express online, June 29, 2015

Grassroots democracy makes an emergency more difficult today. But largescale urban discontent is growing

We cannot be Emergency-proof so long as the Constitution provides for the declaration of Emergency at the discretion of the elected government. Let us not forget or gloss over the fact that the Emergency was declared within the framework of the Constitution in 1975, and validated as such by the Supreme Court. It was also ended within the framework of the Constitution.

It is a different matter that the decision to impose the Emergency was a political decision. Its removal, too, was a political decision. And political decisions can be right or wrong. But Part XVIII of the Constitution is titled "Emergency Provisions" and no government would wish to divest itself of the need for special powers should an emergency — external or internal — arise. That explains why the Janata government of Morarji Desai did nothing to expunge Part XVIII from the Constitution. Nor has any successor government, Congress or non-Congress.

If the Emergency was a political mistake, it also extracted its political price. Indira Gandhi was not rewarded for removing the Emergency; she was punished for having imposed it in the first place. But the punishment was not permanent. The people decided to reverse their verdict within months of delivering it. The lesson to be drawn is, thus, not a constitutional one. It is a political decision as to whether circumstances are sufficiently grave to warrant an emergency — in which case, the support of the people might be assumed. Or, whether the proclamation of emergency is perceived as

unwarranted — in which case, revenge will be exacted, as for any other wrongheaded political decision.

Can we consider removing Part XVIII from our Constitution, or at least amending it to provide for only an external emergency? Yes. But only if we can be certain that an internal emergency will never arise. Is that a reasonable expectation? That is the moot question.

There is much that is reassuring about the state of our democracy. It has both width and depth, especially at the third tier of government in the panchayats and municipalities, which it lacked in 1975. Indeed, one of the most potent arguments that Rajiv Gandhi, as prime minister, advanced for his most significant legislative move — the amendments relating to grassroots local government institutions, now embodied in Parts IX and IXA of the Constitution — was that while, till then, we might have been the “world’s largest democracy”, we were also the world’s “least representative democracy”. This was well-illustrated by the fact that, with an electorate 20 times larger than the UK’s, India’s Lok Sabha had nearly 100 seats less than the House of Commons. This had led to such a gaping chasm between the elected representatives and the constituency that had elected them as to open the way to “power brokers”, becoming virtually the only intermediaries between the people at large and their political leadership. The resulting sense of helplessness and alienation was identified by Rajiv Gandhi as the most glaring lacuna in our democracy. Although he did not say so explicitly, the absence of an empowered electorate at the village/ mohalla level had clearly made it easier for the top political leadership in the national capital to get away, in 1975 with declaring Emergency on thin and unconvincing grounds.

The 73rd and 74th Amendments have radically altered the terms of popular empowerment. We have some 2,50,000 units of elected self-government in the country, to which we have elected around 32 lakh members, over 14 lakh of whom are women, and covering every social category — SC, ST, OBC — in proportion to their share of the population, with chairpersonships being held by every unit of society, including one-third women in every category, general or reserved. True, a great deal still remains to be done to secure genuine economic and administrative empowerment for local bodies. But in terms of social and political empowerment, the grassroots are no longer reactive and acquiescent but demanding and at the forefront. This has revolutionised political dialogue in the country, making it far more participative and inclusive than in 1975 and, therefore, far more difficult now to resort to unilateralism.

The second big change, more readily recognised, is that large single-party majorities have been relegated to the past, thus making it all the more difficult to fulfil the conditions required to declare and then sustain an emergency without due and patent cause.

Yet, it would be dangerously complacent to conclude that our economic and social conditions are such as to preclude largescale discontent that could lead to a genuine internal emergency. Our pattern of development has so raised expectations (“aspirations”, to use the fashionable phrase) and widened disparities that it would be dangerously misleading to believe that we can shut dissidence out by shoving an extra chapati in every mouth. The successive victories of the AAP, the latest with a staggering majority, is one sign of seething discontent, paradoxical considering that the National Capital Region has by far the highest state GDP and per capita income in the country. That, I am afraid, is the syndrome of the future. Incremental prosperity does not lead to satisfaction but to an exponential leap in unfulfilled hopes and unfulfillable ambitions. Moreover, rural discontent is diffused; urban discontent is concentrated. Solidarity among the urban deprived (or those who see themselves as deprived) spreads far quicker and becomes more vocal than among the rural deprived. With half our population slated to become urban by 2030, the Isher Judge Ahluwalia report has estimated the minimum finances required (at today’s prices) to provide minimum urban services at Rs 45 lakh crore! No state or Union finance minister is going to make such a provision; so an explosion of the kind that shook Paris in 1832 or Europe in 1848 is being built up.

We might yet be saved by the democratic valve — but only if the avarice of the rich is curbed, which, given the nexus between money and politics, is difficult to expect without far greater enlightenment in the political class. That enlightenment has been woefully lacking in tackling tribal discontent. Will the political class now wake up? For, if they do not, the danger of an internal emergency will become all the more real within the coming generation.

### **The honeymoon's over, time to act**

Prem Shankar Jha

The Indian Express, June 02, 2015

Cutting interest rates is a political imperative for the BJP if it is to deliver the growth it promised.

Prime Minister Narendra Modi's first year in office has evoked mixed reactions. While there is a consensus that he has done well in foreign policy, there is a growing feeling that he has not lived up to his promises at home. Nowhere is the disappointment more palpable than in his failure so far to revive the economy. Manmohan Singh's government had allowed growth to drop sharply from more than 8 percent a year to 5.5 per cent (2004-5 series), industrial growth to fall from a nine-month peak of 14.5 per cent in 2009-10 to below 1 per cent and employment to virtually stop growing. Every year, therefore, around six million young people who would have found jobs easily had growth not faltered found themselves facing an uncertain and impoverished future.

The collapse began in 2011, the same year that China's fiscal stimulus ended and its economy too began to slow down. But while a large part of China's slowdown occurred because deepening recession in the industrialised countries curtailed the growth of its exports, in India, the slowdown was largely self-inflicted, for it arose out of an attempt by the RBI to control a cost-push inflation by curbing demand. From 7-8 per cent in 2006, average borrowing rates climbed to 13 to 14 per cent at the beginning of 2014 .

The result was stagflation. The construction industry, India's main job generator, went into a coma, and the consumer durables industry was almost wiped out. When inflation did not come down even after three years of high interest rates but jobs became more scarce, people lost faith in the Congress and switched allegiance to the BJP.

Modi rode to power on a promise to restore growth rapidly, and it is not that he has not tried. In the past year, the government has enacted a slew of reforms in the product and factor markets that will improve the climate for investment, and smooth the future growth of the economy. But these reforms have done nothing to remove the two main roadblocks that have stalled growth. The first is the non-availability of land. The second is an acute shortage of investment.

The paucity of land has arisen from the refusal by every government of the last 60 years to admit that in a democracy, where landowners have the right to move the courts, people must be persuaded, not forced, to part with it. Modi's government has proved no more enlightened than its predecessors.

The shortage of capital to finish stalled projects and finance new ones arises not from a dearth of savings, but from investors' unwillingness to invest in India at these high interest rates. Infrastructure projects have been the worst hit because a 12 per cent interest rate adds 40 percent to a five-year project, 70 per cent to an eight-year project and more than 100 per cent to a 12-year project, such as a hydroelectric power complex. This virtually guarantees their insolvency even before they go on line.

The high borrowing cost is a direct consequence of the RBI's obsession with controlling inflation by raising interest rates. This policy dates back to 2007 but has been turned into a religion by current governor Raghuram Rajan, who has turned a deaf ear to every entreaty to lower interest rates, claiming that he is still not convinced that inflation is really over.

To say that this has been suicidal would be an understatement, for it has made Indian private companies forsake India to invest abroad, and state-owned enterprises park their money in banks where they earn a safe 7 to 8 per cent a year. Since 2007, the former have invested well over \$60 billion in ventures abroad and next to nothing in India. As for the latter, on April 1, 2014, they were sitting on \$110 billion (Rs 6,89,000 crore) of idle reserves at home. Had the bulk of these reserves been used as promoters' equity in new projects, it would have triggered up to \$600 billion of investment by now and our infrastructure famine might have been history.

What India needs is an interest rate policy geared towards promoting growth, not fighting inflation, and a commitment to fight demand inflation, should it recur, by reducing government spending. Ideally, borrowing rates should be brought down not by 0.5 or even 1 per cent, but by 5 per cent over the next year, till they are at most 1-2 per cent above the rate of inflation. This is no longer just an economic imperative but a political one, for the BJP's honeymoon period is coming to an end.

(Prem Shankar Jha is a political commentator and senior journalist. The views expressed are personal.)

### **BJP's reaction to Sopore killings discredits PDP**

Prem Shankar Jha

Hindustan Times online, June 24, 2015

Jha cautions the BJP leadership on its over-reaction to Sopore killings which will undermine the Mufti government which is what Pakistan wants.

In August 2013, there was one small flaw in the case that the United States and European Union were building to bomb Syria for crossing Barack Obama's 'Red Line' on the use of chemical weapons.

This was the absence of a motive.

Syrian President Bashar al-Assad was winning the war against the rebels, and was only too aware that using these in inconsequential attacks on civilians would mean writing his death warrant.

They called off the attack two days before the D-Day after Porton Down, Britain's chemical and biological weapons research centre, told PM David Cameron that the Syrian army could not possibly have prepared the Sarin that was used in the Ghouta oasis earlier that month.

Those who are concocting a 'return of Ikhwan terror' in Kashmir theory to explain the six mysterious killings at Sopore since May 25 face the same problem that Obama faced in Syria: Why would the Mufti government, which has won a resounding poll victory and is committed to bringing peace to the Valley, want to write its own suicide note by doing so?

The allegation is equally absurd when made against Delhi.

When mobile telephony has become the main channel through which the government receives information on the militants, why would it get two workers charged with its upkeep killed?

And why would Delhi pick up a few inconsequential ex-militants and sympathisers of the Hurriyat (G) when it is doing all it can to keep SAS Geelani in good health?

There are two other, more plausible, explanations: The first is that the killings are the work of a breakaway group within the Hizbul Mujahideen (HM) who feel that neither Geelani nor Salahuddin in Pakistan are radical enough for their taste.

The second is that Pakistan has a hand in what is happening.



It is common knowledge in Kashmir that there has been a rift in the Hurriyat (G), mirrored in the cadres of the HM, with a younger, more radical group gravitating towards Masarat Alam, in Kashmir.

This seems to have surfaced when, shortly after his release from prison, Alam led a small group of young men into the reception for Geelani, wearing green headbands and waving Pakistani flags.

Delhi's and the Indian media's over-reaction to the flag-waving gave the group a heady sense of power but heightened the tension between them and the older cadres.

Alam's re-arrest left them high and dry within the Hurriyat.

This group seems to have broken away and formed the Lashkar-e-Islam. The killing of a telephone tower proprietor, a close friend of Geelani's, seems to have been triggered by the removal of communication devices the HM had attached to them by the police but wrongly ascribed to the proprietor.

But the second telephone worker killing and the rampage that followed in June was clearly intended to establish the new group's dominance over the Hurriyat (G) through a reign of terror.

This is a plausible explanation, but it is not complete.

It does not explain why the group should have chosen this moment to rebel, and why its June rampage was also in Sopore.

Most important of all, it does not explain how the Lashkar-e-Islam intends to sustain its revolt.

To do so, it needs money, sanctuary and moral support. It is more than likely that Pakistan has begun to supply all three for it has the strongest of motives for bringing down the Mufti government.

Islamabad is aware of the BJP's long-standing opposition to a special status for Kashmir.

Since coming to power, Prime Minister Narendra Modi has not missed an opportunity to let Islamabad know that Kashmir is no longer negotiable.

A disturbed Pakistan, whose leaders, from General Pervez Musharraf to Nawaz Sharif, had been looking for a solution 'with izzat', let that ride till it became apparent that a BJP-PDP coalition was on the anvil in Kashmir.

To Islamabad this must have looked like the kiss of death, for its success will not only write finis to the militancy in the Valley, but invalidate the two-nation theory upon which its own existence is predicated.

The proof of Pakistan's involvement is the barrage of phone calls that members of the Hurriyat (Mirwaiz) received in the weeks before the new government assumed office to reunite with the Hurriyat (G), the threats made to Sajjad Lone to stop him from joining the coalition, and the warning that his brother Bilal had been put on the United Jihad Council's hitlist.

But the clinching proof was 18 phone calls to Masarat Alam from across the border (47 minutes) that the Intelligence Bureau and allied agencies intercepted.

So long as the killings were confined to Sopore it remained possible that they were products of a single burst of anger and revolt.

But a blast inside the Army camp in Baramulla on Monday shows not only a substantial capacity to penetrate security barriers but also that Sopore is only the beginning of an attempt to provoke an Indian government over-reaction in Kashmir.

The BJP's reaction to the Sopore killings has been all that Pakistan could have wished for. Defence minister Manohar Parrikar's ill-considered remark that India will fight 'terrorists with terrorists' has

given credence to the Ikhwani revival canard, and given Pakistan the moral justification it needs to ramp up its campaign.

Even if this does not lead to another spontaneous insurgency in Kashmir, it will complete the discrediting of the Mufti government as a quisling of New Delhi.

The PDP knows this and is preparing itself for an early departure. One wonders whether Modi knows it too, and if he does, whether he understands what that will lead to.

### **Regional Foreign Policy in South Asia: South Asia's Berlin walls**

C. Raja Mohan

The Indian Express online, June 05, 2015

Detritus of 1947 is being cleared. In Dhaka, Modi must unveil forward-looking economic agenda for region.

Prime Minister Narendra Modi's recent comparison of the boundary settlement with Bangladesh to the fall of the Berlin wall a quarter century ago might be surprising for many. The PM, who spent much political capital to get Parliament to approve the Land Boundary Agreement (LBA) with Dhaka, was reacting to the insufficient public appreciation of the unfolding transformation in India's relations with Bangladesh.

The widespread image of South Asia as the least integrated region in the world, one that is mired in perpetual conflict, comes from viewing the region through the prism of India's troubled relations with Pakistan and Delhi's inability to build on the possibilities for stronger partnerships with other neighbours, especially Bangladesh. As a result, pessimism about the subcontinent's future has been persistent.

If the problems with both Pakistan and Bangladesh are rooted in the tragedy of Partition, India's challenges in the northwest shaped the popular, academic and policy debates on South Asian politics. Modi is set to change this. His visit to Dhaka this weekend will decisively correct the long-standing bias in Delhi's foreign policy framework: overestimating the potential for normalisation of relations with Pakistan and underestimating the huge opportunities that Bangladesh has long presented.

The bias was evident in India's regional policy during the UPA decade. Then PM Manmohan Singh persisted with the Pakistan peace process despite repeated setbacks but could not build on the historic breakthrough in relations with Bangladesh that emerged from intensive negotiations between Delhi and Dhaka during 2009-11. Modi appears to be doing the opposite. He has put diplomacy with Pakistan on the back burner and brought Bangladesh to the front. For the PM, this is not a question of choosing between Pakistan and Bangladesh. Contrary to media speculation, Modi's outreach to Dhaka and the smaller neighbours is not an effort to "isolate" Pakistan. Pakistan is too big and important in global and regional geopolitics to be isolated. Modi has recognised the current political limits on reworking relations with Pakistan and the expansive opportunities with Bangladesh that have been knocking at India's door. Above all, it is about common sense — move forward where you can and avoid difficult projects that offer few political returns on the diplomatic investment.

The PM reversed the BJP's position in the last years of the UPA, that the LBA was "unconstitutional". Modi gets full credit for directly addressing the reservations against the LBA in the BJP, especially in the Assam and West Bengal units, and building a national political consensus in favour of the boundary settlement. He was also quick to accept the international award last year to resolve the maritime territorial dispute with Bangladesh. The traditional instinct in Delhi would have been to quibble over minor issues and completely miss the big picture about the maritime challenges and opportunities in the Bay of Bengal. By resolving the land and maritime boundary issues with

Bangladesh, Modi has demonstrated the political will and strategic imagination to clean up the nearly seven-decade-old territorial mess left by Partition in the east. With that, the PM has liberated the diplomatic energies of Delhi and Dhaka to launch a productive era of South Asian regional cooperation.

But Modi has much work to do in Dhaka. For India and Bangladesh continue to trip over the detritus of Partition. The PM must now take some big steps to reverse the many negative economic consequences of Partition. It was not inevitable that political partition of the subcontinent had to be followed by economic partition. India's inward economic orientation after Independence resulted in the break-up of the subcontinent's two most dynamic and integrated spaces — Punjab and Bengal. Socialist India's conscious rejection of regional trade and interdependence, which was emulated in Pakistan and Bangladesh, probably did more damage than the creation of new political sovereignties and drawing of new boundaries. The emphasis on self-reliance and import substitution had an equally perverse effect. It disconnected and severed the transport corridors that the British Raj built across the eastern subcontinent. Crossroads in the heart of Punjab and Bengal became dead ends.

Although the era of liberalisation and globalisation demanded that India and Bangladesh find ways to quickly reconnect the two economies for mutual benefit, progress has been rather slow. To be sure, the UPA government has talked the talk on regional economic integration. It had also explicitly recognised the strategic virtue of promoting shared regional prosperity. But walking the talk has not been easy. Delhi had fallen short in removing non-tariff barriers, addressing the growing trade imbalance, modernising connectivity, developing transborder rail and road connectivity and offering substantive transit rights across its territory — for example, between Bangladesh on the one hand and Bhutan and Nepal on the other.

In pushing through the LBA, Modi has demonstrated his seriousness about putting neighbours first in India's foreign policy priorities. If he unveils a forward-looking economic agenda in Dhaka this weekend, the PM can also reinforce his ambition to make India a leading power in the region and beyond. India has long claimed primacy in the subcontinent. But its regional economic and foreign policies continually undermined that claim. Modi is now well poised to show that India is on a very different course — of building mutually beneficial partnerships with the smaller neighbours in the promotion of regional peace and prosperity.

Modi's success in transcending the inherited boundary dispute with Bangladesh by mobilising a massive domestic consensus is bound to improve his government's credibility in the negotiations with China and Pakistan on territorial issues. By unveiling an expansive action plan in Dhaka for economic integration and transborder connectivity, Modi can help Delhi end the widespread negative narrative on the subcontinent's prospects and extend the positive dynamic in the east to the north and the west.

### **Love thy neighbour**

Manoj Joshi

Mid-day, June 09, 2015

While analysing the recent visit to Dhaka, Manoj Joshi writes that Modi tried to overcome legacy issues and to lay the foundations for an era of closer economic integration between Bangladesh and India.

There is something unique about Prime Minister Modi's Bangladesh visit. Of all of India's South Asian neighbours, Bangladesh is one which is almost completely "India-locked." Of its 4,413-km land boundary, just 271 km is with Myanmar, the remaining 4,142 with India. Of course, Bangladesh was part of India till its partition in 1947 and the cultural connections between Bengalis on both sides of

the border run deep, considering that they share the same language and celebrate the same literature. This was also the nation that India midwived in 1971.

Actually India and Bangladesh are locked into each other and this awareness is what is driving the positive trend in our ties today. The relations have had its ups and downs. Bangladesh, itself has had its ups and downs. Yet in 2015, we have a different country from the one that was once described as a “basket case”. In many social indicators today, Bangladesh is ahead of India and given its geographical location, it holds the key to the development of all of eastern India.

The immediate objective of Prime Minister Modi’s visit to Dhaka is to overcome legacy issues that still bedevil our relations as well as to lay the foundations for an era of closer economic integration between Bangladesh and India. First among these is the boundary agreement through which the two countries will iron out the minor enclaves that both sides hold across the border and which are a major source of problems between them. The second is to overcome the problems that have prevented a water sharing pact on the Teesta river. In 2011, West Bengal Chief Minister Mamata Banerjee torpedoed the Manmohan Singh government’s effort to strike a deal on the issue. This time she coincided her visit to Dhaka with Prime Minister Modi’s and was received as a VIP.

There was no outcome on Teesta, but the discussions and atmospherics will go a long way in getting a balanced settlement. By getting Mamata Banerjee to participate in the discussions, Modi has set an important and far reaching precedent to involve the states of the Union on foreign policy matters that have a direct connect with them. India is a huge and varied country, but our constitution ignores the importance of Indian states in foreign affairs. Thus Mizoram, Nagaland and Manipur have little say in foreign affairs issues that affect them. While states like Tamil Nadu use domestic politics to skew Indian foreign policies.

Bangladesh, a country of 166 million people is hugely important to India. If India surrounds Bangladesh, the latter effectively splits eastern India and separates the north-east from the rest of the country. The Siliguri corridor, anywhere between 14-33 km at its narrower parts, that links West Bengal to Assam, is perhaps the strategically most important geographical vulnerability of India, since its northern part also contains the Chumbi Valley, which is a part of China. Given the nature of the India-Bangladesh border, it can never be completely sealed and hence the goodwill and cooperation of the Bangladesh government is vital in matters relating to India’s security. We know the value of this cooperation in the tenure of Sheikh Hasina as the Prime Minister, precisely because we also know how India was negatively affected in the tenures of Khaleda Zia between 1991-1996 and 2001-2006.

The advantages for India are many. As of now, north-eastern states have to go around the Siliguri corridor to reach the sea port of Kolkata. The distance between Agartala and Kolkata is over 1,600 km, whereas it is just 100 km from Chittagong in Bangladesh. Not only would Bangladesh gain from the better utilisation of its ports and transport facilities, but it could gain over \$1 billion in transit fees were it to encourage the movement of goods on its riverine and rail networks to India, Nepal and Bhutan. Linking up to Chinese networks in Tibet, or through the proposed Bangladesh-China-India-Myanmar (BCIM) corridor could give an even greater fillip to the region.

But all this requires careful diplomacy to deal with disputes such as the ones between India and Bangladesh, or India and China, or Bangladesh and Myanmar. It also requires an awareness among the states that they need to be sensitive to the security concerns of other states. Ignoring this usually leads to a blowback, as has happened in Pakistan, and to an extent in Bangladesh, where Islamists have been strengthened by Khaleda Zia’s tactic of using them to needle India.

Beyond resolving outstanding problems, Modi’s visit has led to the setting up of agreements, MoUs and protocols which will transform our relations in the future. The key issues here are connectivity and economic partnership. Bangladesh has held out against providing effective transit rights to India,

but now many in the country realise that Bangladesh needs India as much as the latter needs the former. Hence the slew of MoUs to promote economic ties, transit and coastal trade, as well as bus services that will begin negating the malign consequences of partition.

Prime Minister Modi has once again returned a virtuoso performance, emphasizing the importance of Bangladesh to India, as well as emphasizing the win-win outcomes that are possible in the future.

Besides the economic and practical, he also made some important cultural gestures such as the visit to the Dhakeshwari temple and to the Ramkrishna Mission which underscored India's concern over a problem that is largely ignored by Indians themselves and the world community the steady decline of the country's Hindu population in the face of violence and persecution. These issues cannot and should not be ignored if we are to construct ties that are durable and mutually beneficial.

(The writer is a Distinguished Fellow, Observer Research Foundation, New Delhi.)

### **Modi's Bangladesh visit is a major triumph for his leadership**

Kanwal Sibal

MailOnline, June 08, 2015

While analysing the recent visit to Dhaka, Sibal attributes its success to Modi's leadership.

Prime Minister Narendra Modi's Bangladesh visit has been an unqualified success. Modi showed his capacity for decisive leadership in reversing the position that the BJP took on the long-pending Land Boundary Agreement while in opposition, and obtaining parliamentary approval for it while in power.

That this approval was unanimous strengthened Modi's political hands before his Dacca visit, as it signalled to Bangladesh the strong political consensus in India that, despite political ups and downs and the unresolved issue of illegal migration in our border states, it is the larger picture of the relationship that is now driving the BJP's policy towards its neighbour.

#### *Groundwork*

This includes Modi's vision for the SAARC, openness to sub-regional cooperation, a more vigorous Act East policy, and stronger focus on developing our North East.

For Bangladesh this means new opportunities for beneficial collaboration with India.

More importantly, the broader framework in which India now wants to insert its Bangladesh policy signifies durability of direction driven by geopolitics, which should assure Bangladesh that it can move forward with India with less political inhibition on the critical transit and connectivity issues.

The ground for Modi's visit was further smoothed by the settlement of the maritime boundary last year through arbitration under the provisions of the UN Convention on the Law of the Sea.

This Indian willingness to settle sensitive maritime disputes with a neighbour contrasts with the manner China is handling its maritime disputes with its smaller neighbours and its unwillingness to subject its dispute with the Philippines to international jurisdiction, for instance. The Land Boundary Agreement follows a decisive improvement in the political atmosphere between India and Bangladesh in the six years that Sheikh Hasina has been in power.

Her actions in suppressing anti-India insurgency from Bangladeshi soil represented key progress.

Her internal combat against radical religious forces – almost unique in terms of trends in the larger Islamic world – is conducive to India's interest in seeing such forces curbed in our region, especially in the east which is the natural area of India's economic and cultural expansion (the two fields of

emphasis in Modi's foreign policy) in Asia, unlike the situation on our west where Pakistan's unremitting hostility based on its Islamic identity will remain an insurmountable barrier.

That Bangladesh, even as an Islamic country, remains wedded to its Bengali cultural roots is important for India.

Sheikh Hasina's brave effort to weed out extremism and promote a moderate and accommodating Islamic ethos in the country removes a distorting element in broader regional cooperation encompassing India, Bangladesh, Nepal, Bhutan and Southeast Asian countries.

#### *Extremism*

The momentous Land Boundary Agreement was the centre-piece of Modi's visit.

Hopefully, illegal activities across the border such as human trafficking, circulation of counterfeit notes, smuggling etc will now be better controlled, though the forces behind such activity are not defeated by settled borders.

Official briefings had already clarified that the Teesta agreement would not be concluded during Modi's visit.

Mamata Banerjee's presence undoubtedly boosted Modi's image in the eyes of Bangladeshis for political astuteness in managing domestic political rivalry to serve a larger national interest.

The Kolkata-Dhaka-Agartala bus service and the Dhaka-Guwahati-Shillong one launched in the presence of Modi, Sheikh Hasina and Mamata Banerjee is important for establishing much needed connectivity.

The decision on a special economic zone in Bangladesh to anchor Indian investments, expanded cooperation in the power sector and coastal shipping to boost bilateral trade and so on will reinforce bilateral ties.

Altogether 26 agreements/MOUs were signed during the visit, including the \$2billion Line of Credit extended by India for infrastructure and other development activities in Bangladesh.

Modi rightly underlined in his joint press conference with Sheikh Hasina that the agreements signed will open new doors to India's North East and enable the two countries to integrate South Asia with the dynamic East.

He appreciated Bangladesh's decision to allow the transport of power equipment and food-grains to the North East.

He promised to address the question of the trade deficit and spoke of raising the power supply from India from the present 500 MW to 1,100 MW in two years.

Very importantly, he mentioned connectivity by road, rivers, sea, transmission lines, petroleum pipelines and digital links in the broader framework of Bangladesh, Bhutan, India and Nepal.

#### *Uncertainty*

He spoke of a fair solution on the Teesta and Feni rivers. His reference to space cooperation was significant in the context of Chinese overtures to Bangladesh.

Sheikh Hasina, in a dramatic change from the past Bangladeshi discourse acknowledged that greater connectivity was vital for the development of both countries and the region.

Those for a more active Indian role to knit the neighbourhood with it economically would approve Modi's approach to Bangladesh and so would those concerned about China looming larger still in our neighbourhood. Modi's meetings with Khaleda Zia and Rowshan Ershad were intended to convey India's non-partisan approach.

Hopefully, political currents in Bangladesh that are traditionally India-baiting, subscribe to extremist ideologies and are manipulated by Pakistan can be contained by an all-round improvement of bilateral ties.

However, given Bangladesh's fragile internal political situation and some uncertainty about the future, western criticism of Sheikh Hasina's policies towards the opposition and other external actors competing with India, we will have to remain watchful and hope for the best.

(The writer is a former Foreign Secretary of India.)

### **Statecraft in Dhaka**

K.C. Singh

The Asian Age online, June 12, 2015

"The aim of Mr Modi's Bangladesh visit was to back Sheikh Hasina and strengthen her politically... It was not transactional as India was neither testing her friendship nor seeking immediate trade-offs."

Prime Minister Narendra Modi's visit to Bangladesh on June 6-7 this year carried both strategic and symbolic value. He went prepared, with chief minister of West Bengal Mamata Banerjee in tow, an absence noted during the visit of his predecessor in 2011, and the ratification documents of the Land Boundary Agreement in his pocket. More than specifics, he managed to noticeably connect with Prime Minister Sheikh Hasina, whose battle against radical Islamist political fringes in Bangladesh, including her counter-terrorism cooperation with India, are a complete contrast to Pakistan's pusillanimous dealing with that demon.

George Santayana's quip, "Those who cannot remember the past are condemned to repeat it", applies aptly to India-Bangladesh relations. A recent book, *The Blood Telegram: Nixon, Kissinger and a Forgotten Genocide*, by Gary J. Bass, recounts the Pakistan Army's genocide under orders of the military dictator General Yahya Khan, to whom the US leadership was indebted for facilitating their outreach to China. With eight million refugees filing into India, over 80-90 per cent being Hindus, and India needing close to a billion dollars annually for their upkeep, then nearly one sixth of India's development budget, the possible birth of a new nation was unimaginable. In fact, one million of them were in Tripura — two thirds of the population of that state. That Indira Gandhi, the saviour of that hour, did not figure in public discourse during Mr Modi's visit was the only blot during an otherwise well-crafted visit.

As usual, the themes that Mr Modi espouses in his diplomatic outreach are not new. His ability to connect the dots with deliverables is what sets him aside. For instance, Bangladesh's wish list included issues like river water sharing, the land boundary, imbalanced trade due to non-tariff barriers, hurdles in people-to-people links, trafficking, energy, etc. India has been seeking connectivity — riverine, maritime and overland — to its north-eastern landlocked states, shutting down of Pakistan-sponsored networks distributing fake Indian currency, better border management, checking of illegal migration, etc. The third India-Bangladesh Joint Consultative Commission meeting in 2014 prepared the grounds for Mr Modi's visit. He was able to generate parliamentary support to pass the land boundary Constitution amendment and sell it to West Bengal's chief minister, sweetening the deal with adequate compensation/aid for her state.

The aim of the visit clearly was to back Ms Hasina and strengthen her politically by going the extra mile on her demands. It was not transactional as India was neither testing her friendship nor seeking

immediate trade-offs. The message was noted by her principal rival, Begum Khaleda Zia, who met the Indian leader and tried to draw him into Bangladesh's domestic squabbles by asking him to support early elections.

While the exchange of ratification papers for the Land Boundary Agreement of 1974 and Protocol of 2011 was undoubtedly a high point of the visit, a wide range of other agreements addressed all the issues on the table except the Teesta water dispute, on which the presence of Ms Banerjee and assurances by Mr Modi seemed to indicate future progress.

While announcing a fresh \$2 billion line of credit, it was noted that the previous one, worth \$800 million, plus a grant of \$200 million, had been fully utilised. This ability to absorb investment reflects growth and development in a country that despite its poverty outscores India on many indices. While its per capita income of \$1,010 may be lower than India's \$1,570, its reduction of the deaths of children aged under five years during 1973-2013 (72 per cent vs 58 per cent) and percentages of women in labour force (36 per cent vs 29 per cent), etc. beat India.

On connectivity, two new bus services, granting India access to two ports — at Chittagong and Mongla, a coastal trade agreement and the creation of a special economic zone for India, are all outlines of greater integration in future. The opening of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) headquarters at Dhaka is added incentive for Bangladesh to play its natural role as a bridge between India and the Association of Southeast Asian Nations (Asean).

India also stepped in to address the energy deficiency in Bangladesh by encouraging two Indian corporates to invest in the power sector besides announcing a new high-speed diesel pipeline from Numaligarh refinery. India also undertook to help Bangladesh achieve their desired 24,000 MW of power by year 2021. Bangladesh, in turn, allowed a new cable to be laid that will take high-speed Internet to the Northeast. An annual energy dialogue is a smart way to develop a regional grid covering, additionally, Bhutan and Nepal.

Some items did not appear in joint statements, but were undeniably discussed. One may have been talking about China helping to set up a nuclear power station. Perhaps India may have left an offer on the table. Also, Brahmaputra waters are a shared concern as both India and Bangladesh are down riparian users to China. It is, perhaps, early to have Bangladesh in the Indian corner on this issue, as it would continue to seek benefits from China. There is also the Chinese keenness for the Bangladesh-China-India-Myanmar corridor. After the Indian Army action against the Nationalist Socialist Council of Nagaland (Khaplang) militants along the India-Myanmar border and speculation about China encouraging revival of insurgency in the East that corridor seems a step further away. Hopefully, Bangladesh remembers that the first Chinese veto as permanent member of the United Nations Security Council was to block Bangladesh being admitted as a member in 1972.

All told, Mr Modi's visit creates the right atmosphere to stabilise the Near East before he can "Act East". But in diplomacy, as in life, well begun is only half-done.

(K. C. Singh is a former secretary of India in the external affairs ministry.)

### **Why the PM's Ramzan greeting won't soften Pakistan**

Kanwal Sibal

MailOnline India, June 22, 2015

Modi's well-meaning gesture of greeting Pakistan's premier on Ramzan will not make any dent on its endemic hostility towards India.



The complexity of India's external environment is such that at times those deciding foreign policy have to improvise. Such improvisation may cause confusion, as its purpose and implications may not be immediately clear.

An instance of this is Prime Minister Modi's decision to speak to the leaders of Pakistan, Bangladesh and Afghanistan on the eve of Ramzan to convey his good wishes to them for the holy month.

Some positive aspects of this gesture cannot be denied. Modi, with the Gujarat episode and his strong Hindu credentials colouring his political persona, is widely believed in Islamic circles to harbour prejudices against the Muslims.

#### *Promotion*

Greeting the leaders of Pakistan, Bangladesh and Afghanistan on the occasion of Ramzan possibly attenuates these negative perceptions about him.

Modi's unexpected open-mindedness might earn him some grudging goodwill at a popular level, though many might see it as astute political image-making.

Concerns that India under him would drift towards a stronger Hindu identity and would become less secular get allayed to a degree by such gestures.

Indirectly, this kind of an initiative also helps in promoting Modi's vision of an India-led SAARC overcoming its divisions – deeply rooted in religious differences – and working collectively towards shared peace and prosperity. Additionally, it cannot but have a reassuring impact on our own Muslim community.

This unusual gesture at this particular time might actually have an external impulsion. In recent months India-Pakistan relations have deteriorated amidst polemics and rhetoric.

"Enormously concerned" by the growing public tensions between "two very, very important countries playing a critical role with respect to regional interests" (making the usual American equivalence between India and Pakistan), Kerry has spoken to Nawaz Sharif about tamping them down.

He found the dissembling Pakistani Prime Minister "extremely forthcoming" and they discussed "how all concerned could work together to reduce tensions" in the period ahead.

In a reflection of its historical proclivity to be over-receptive to Pakistan's "sensitivities", Kerry, with India's cross-border strikes against the insurgents in Myanmar in view, considered it "very, very important that there be no misinterpretation or miscalculation with respect to any of the back-and-forth and the empowerment some entities might feel as a result".

#### *Imaginative*

In other words, the usual effort on the part of the US to protect Pakistan against any Indian retaliation for its terrorist affiliations.

While Kerry avoided answering a question on whether he intended to speak to the Indian side, one can surmise on the basis of Modi's own affirmation during Obama's visit to India that the two speak to each other directly, that Obama might have spoken to him about the mounting tensions and encouraged some initiative to defuse them.

An imaginative way out was to use Ramzan as a peg to convey a friendly message to Pakistan, but because Pakistan could not be singled out as there are other Islamic countries in the region, Bangladesh and Afghanistan were obvious candidates for inclusion. The Maldives had to be left out because the political confusion there had compelled Modi to postpone his visit.

In short, just as Foreign Secretary Jaishankar was sent on a SAARC “yatra” as a cover for re-engaging Pakistan, this time too the gesture intended for Nawaz Sharif was cloaked as a more encompassing Ramzan initiative by the inclusion of the leaders of Bangladesh and Afghanistan as well.

A humanitarian element was introduced in Pakistan’s case by Modi informing Nawaz Sharif of the decision to release the detained Pakistani fishermen on the “pious occasion” and “blessed month” of Ramzan.

### *Connotations*

There are, however, less positive connotations to Modi’s gesture. Greeting foreign leaders on National Days or state occasions or when they assume power is normal diplomatic practice at the international level, but not on religious occasions.

For a secular country like India to greet other nations on religious occasions would seem to be even more anomalous, though within our own religiously diverse country and our practice of secularism - that differs from the rigid one of France, for instance - greetings to the public on religious occasions at the level of the head of the state or government or leaders of political parties are considered entirely in order politically.

If we want to use greetings on religious occasions as a diplomatic tool, should we also greet some key western countries on Christmas Day? Should Nepal be greeted on the occasion of Dussehra or Diwali, even if today it has declared itself to be a secular state? Should the Buddhist New Year be an occasion to greet key friendly countries with Buddhist affiliations? Should Israel be greeted on the occasion of the Hanukkah festival?

National Days and other state level greetings are reciprocated, even when countries do not have particularly friendly ties, as, for instance, is the case between India and Pakistan. But there is no established diplomatic practice with regard to religious occasions. Can we expect reciprocal greetings from Pakistan on the occasion of Diwali? Or, for that matter from Bangladesh or Afghanistan?

What if these countries reciprocated by greeting India on the occasion of Ramzan as a gesture to our large Muslim population, but not on other occasions?

Modi’s well-meaning gesture will not make any dent on Pakistan’s endemic hostility towards India. Actually, it will further entrench thinking there that intransigence pays, as India comes under pressure to placate a nuclear Pakistan to avoid the worst.

### **What Modi Has Not Recognised About Pakistan**

Mani Shankar Aiyar

NDTV, June 15, 2015

Analysing India’s policy towards Pakistan in the first year of Modi in office, Mani Shankar Aiyar refers to what Jaffrelot has to say about Pakistan’s ‘resilience’ which the Indian government has so far failed to recognize.

A friend of mine from Pakistan, who literally spends his time 24x7 attempting to build a constructive relationship between his country and ours, was in Delhi the morning after Rajyavardhan Rathore and Manohar Parrikar had displayed, if not their 56-inch chests (which they do not have, whatever their hashtag), but, at any rate, the hair on their chests, in an infantile effort to prove that if we can intrude a few kilometres into the wilderness of the west Myanmar jungle, Pakistan (and China) had better watch out.

The Chinese have dismissed this childishness with the contempt it deserves. Pakistan has reacted with outrage. After all, that part of China where Rathore and Parrikar are threatening to ingress is

where, as Pandit Nehru memorably and accurately put it, a region "where not a blade of grass grows". Much of the India-Pakistan border, unlike the India-Myanmar border, is heavily populated. Little wonder the Pakistani reaction has been so sharp.

My friend shook his head sadly and remarked that in the face of Modi's hostility, space was rapidly shrinking for Pakistan's peace constituency, which, under Manmohan Singh's regime had grown exponentially, notwithstanding 26/11. The tone now, he said, is being set by the Jama'at-e-Islami, a party that has never won more than a couple of seats in any election but disproportionately influences public opinion when animosity is provoked.

Coincidentally, the week that saw the rumpus was witness also to the launch in India of Christophe Jaffrelot's magnum opus, *The Pakistan Paradox: Instability and Resilience*. Jaffrelot, French by nationality but with academic positions at the Sorbonne, in London and in Princeton, is increasingly being recognized as the West's foremost scholar of politics and society in contemporary India and Pakistan. This work is 700 pages long but to understand its essence, it is not necessary to go beyond the three words of its sub-title: Instability and Resilience. No one needs to be educated on Pakistan's chronic instability, but Jaffrelot's innovative angle lies in also recognizing Pakistan's amazing "resilience".

Jaffrelot, in another work, spiritedly described the ethos of Pakistan as "Nationalism without a Nation"! Here he argues that notwithstanding all the problems of nation-building that have beset Pakistan since its conception and, increasingly, since its sudden and blood-soaked inception as an independent state in 1947, unlike numerous other emerging nations, particularly in Africa, the Idea of Pakistan has repeatedly trumped fissiparous tendencies, especially since Pakistan assumed its present form in 1971. And its institutions have withstood repeated buffeting that almost anywhere elsewhere would have resulted in the State crumbling. Despite numerous dire forecasts of imminently proving to be a "failed state", Pakistan has survived, bouncing back every now and then as a recognizable democracy with a popularly elected civilian government, the military in the wings but politics very much centre-stage, linguistic and regional groups pulling and pushing, sectarian factions murdering each other, but the Government of Pakistan remaining in charge, and the military stepping in to rescue the nation from chaos every time Pakistan appeared on the knife's edge. The disintegration of Pakistan has been predicted often enough, most passionately now that internally-generated terrorism and externally sponsored religious extremism are consistently taking on the state to the point that the army is so engaged in full-time and full-scale operations in the north-west of the country bordering Afghanistan that some 40,000 lives have been lost in the battle against fanaticism and insurgency.

"And yet," as was said on a more famous occasion, "it works!" Pakistan and her people keep coming back, resolutely defeating sustained political, armed and terrorist attempts to break down the country and undermine its ideological foundations. That is what Jaffrelot calls its "resilience". That resilience is not recognized in Modi's India. That is what leads the Rathores and the Parrikars to make statements that find a certain resonance in anti-Pakistan circles in India but dangerously leverage the impact on Pakistani public opinion of anti-India circles in Pakistan. The Parrikars and the Saeeds feed on each other. It is essential that both be overcome.

But even as there are saner voices in India than Rathore's, so also are there saner - much saner - voices in Pakistan than Hafiz Saeed's. Many Indians would prefer a Pakistan overflowing with Saeeds to keep their bile flowing. So would many Pakistanis prefer an India with the Rathores overflowing to keep the bile flowing. At eight times Pakistan's size, we can flex our muscles like the bully on the school play field. But Pakistan's resilience ensures that all that emerges from Parrikar and Rathore are empty words. India is no more able than Pakistan is to destroy the other country.

Except by resort to nuclear weapons that will destroy both. Musharraf bluntly recognized this when he threatened nuclear war in response to Parrikar's boasts. Fortunately, most Pakistanis dismiss their

Musharrafs as hollow vessels making the most noise. There is, nevertheless, a real danger - for it would take only one madman, a Muslim or a Hindu Dr. Strangelove, to turn forever the world's most populated region into a nuclear wasteland.

We must settle, not aggravate, our differences. Of course, there are formidable hurdles in the way. But no more formidable than between the West and the Communists in Korea or Vietnam, or Cuba or Nicaragua, or apartheid South Africa or Namibia / Angola / Mozambique, or Iran and the US, or Iran and Saudi Arabia, or Syria, or Palestine. In all these cases, including with the Taliban in Qatar, the negotiating table is the last field of battle.

We have been to war with Pakistan three times in seven decades. Skirmishes have been almost continuous. The rhetoric against each other is high-pitched. The trumpets of hate have prevailed over the pleading for peace. Yet, if Kissinger and Le Duc Tho could talk while blasting each other to smithereens, or Kennedy and Khrushchev negotiate their way out of the Cuban missile crisis, what stands in the way of India having the courage to trade charges face-to-face with Pakistan rather than oratorically firing from the shoulders of the Rathores and the Parrikars?

The ending of hostility has never been a condition precedent for effective negotiations. Our insistence on the desired outcome being guaranteed before we even begin to talk is not a sign of strength but a form of cowardice. A real 56-inch foreign policy does not consist of dramatically inviting the enemy to the swearing in, then swearing that talks will be resumed, and then swearing at him for following a practice with the Hurriyat that has been par for the course for the last 15 years. However, that, alas, has been our Pakistan policy in the first year of the Modi government.

I am ashamed, not proud, of a Prime Minister who ostentatiously reads a journal when the Pakistani PM is passing behind him on his way to the podium at SAARC. A truly courageous Prime Minister would grasp the proffered opportunity and say what he has to say face-to-face, not thunder from an isolated bunker, as Modi and his cohort have been doing. Traipsing around the world is no substitute for earnestly tackling India's most stubborn foreign policy problem - Pakistan.

### **Two-speed regionalism**

C. Raja Mohan

The Indian Express online, June 24, 2015

Agreement between Bangladesh, Bhutan, India and Nepal marks a new sub-regional framework.

Last week's signing of a motor vehicle agreement by the transport ministers of Bangladesh, Bhutan, India and Nepal marks a big breakthrough in the evolution of South Asian regionalism. Once the necessary steps are taken to implement the agreement over the next six months, cross-border movement of goods and people will get a lot easier in the eastern subcontinent. The agreement marks the birth of a new framework, "Beebin" if you like, among the four South Asian countries. It should also help at least a big part of the subcontinent to challenge the widespread perception that South Asia is the "least integrated region" in the world.

Some have labelled the BBIN as a "Saarc minus one" mechanism aimed at "isolating" Pakistan. The Saarc charter, of course, does not prohibit sub-regional cooperation among three or more members of the organisation. But what is driving the BBIN process is quite clearly Pakistan's foot-dragging in the Saarc. This was quite evident at the last Saarc summit in Kathmandu in November 2014.

After prolonged negotiations among all parties, including Pakistan, the Saarc summit was presented with three agreements on cross-border energy cooperation, motor-vehicle movement and railway cooperation. But Pakistan was not ready to sign them, and it was only after great persuasion that Prime Minister Nawaz Sharif initialled the agreement on energy cooperation.

It is beyond doubt that the pace of the Saarc caravan has been set by the slowest camel, Pakistan. Islamabad prefers a more sequential approach, under which economic integration with India follows rather than precedes the resolution of bilateral political issues with New Delhi. Until now, India was not willing to find a way out of this blind alley and was content to let the Saarc drift.

No wonder everyone blamed India and Pakistan for the failure of the Saarc. But over the last couple of years, something has changed. India's eastern neighbours are no longer willing to let South Asian regionalism remain hostage to Indo-Pak ties. They are ready to negotiate practical sub-regional cooperation with India. And Delhi has been willing to respond positively.

It is no surprise that the initiative for sub-regional cooperation has come from Bangladesh. Surrounded on all sides by India, separated from Nepal and Bhutan by a sliver of Indian territory called the "chicken's neck" and connected to Southeast Asia through Myanmar, Bangladesh sees the need for trans-frontier connectivity more clearly than most. The idea has also found considerable appeal in Nepal and Bhutan, two landlocked countries that need regional integration to improve their access to the open seas and global markets. The two countries also need credible arrangements for energy trade across borders that will boost their economies. Two well-known public intellectuals in Kathmandu, Kanak Mani Dixit and Sujeev Shakya, have articulated the idea of "East South Asia", which can pioneer effective sub-regionalism in the subcontinent.

When Bangladesh took the initiative for sub-regional engagement over the last two years, the UPA government responded positively. But Prime Minister Narendra Modi has been more vigorous in backing sub-regional cooperation through the BBIN. While laying out a positive agenda for the Saarc as a whole in Kathmandu, Modi saw the virtues of marching ahead with whoever is ready for regional integration within the Saarc.

If the BBIN programme succeeds, it could spur similar integration in other sub-regions, like the one formed by peninsular India, Sri Lanka and the Maldives. Someday, even Pakistan might be ready to restore the historic economic connectivity in the region stretching from the west of the Jumna to the Indus and beyond.

Instead of agonising over the failures of the Saarc, Delhi has recognised that two-speed regionalism is quite common around the world. For example, Britain, Denmark and Sweden are among the members of the European Union that have not adopted the euro as their currency. Many in Britain, of course, want London to exit from the European Union.

In any case, no one can compel Pakistan to love the Saarc and its agenda for economic integration. It is not that Pakistan is against regional cooperation. It has its own preferences in regional partnerships. Islamabad has, in recent years, taken big steps towards economic integration with China. Pakistan has also been an active member of regional institutions like the Economic Cooperation Organisation, whose members include Iran, Turkey, Afghanistan and other Central Asian states. It is, indeed, Pakistan's sovereign prerogative to choose the pace and direction of its regionalism.

India, too, has often looked beyond the Saarc to benefit from trans-regional cooperation. Along with Bangladesh, Bhutan, Nepal and Sri Lanka, India has been promoting a trans-regional forum, called BIMSTEC, with Myanmar and Thailand. BIMSTEC stands for "Bay of Bengal Multi-Sectoral Technical and Economic Cooperation". Centred on what we might for a moment call "Greater Bengal", the BBIN region has always been geographically coherent. There is now political support in all four capitals to reconnect the region and build on its natural synergies.

If the four countries are ready to think big about East South Asia, the rest of the world is more than eager to support them. The World Bank has long backed South Asian sub-regionalism. Japan and the Asian Development Bank are ready to invest big time in the sub-region's energy and transport

corridors. China has been pressing for more than a decade to develop trans-border connectivity between eastern India and southwestern China through Bangladesh and Myanmar.

East South Asia's moment is now upon us. Delhi, for its part, must lend full support to Dhaka's leadership of the BBIN forum. After all, it was Dhaka that took the political initiative in the late 1970s to found the Saarc. Bangladesh is well placed to get the BBIN framework to advance the regional agenda that the Saarc could not over the last three decades.

### **Nepal constitution: Breakthrough or abdication of responsibility?**

Prashant Jha

Hindustan Times online, June 09, 2015

Prashant Jha analyses the recent breakthrough in the constitution making in Nepal. Whether it is indeed a breakthrough or represents an abdication of political responsibility?

Sixty-four years after it was first promised that a Constituent Assembly would draft Nepal's constitution; seven years after the election to a first CA, which was followed by an election to a second CA a year and a half ago; and after innumerable movements and a civil war which killed 16,000 people, Nepal's political parties have finally come to an agreement on new constitution to be promulgated by a CA.

The contours of the deal are now in public domain. Nepal will have a Federal Democratic Republican constitution. It will have a parliamentary system, with a PM elected by the majority of lawmakers in the lower house, a ceremonial president elected by parliament and provincial assemblies much like India.

At the centre, it will have a bicameral legislature – elections to the lower house will be on the basis of a mixed electoral system, whereby 60% of the 275 seats are elected directly through the First Past the Post system while 40% are elected through Proportional Representation.

In the upper house of 45 members, states will have equal representation, with five members nominated by the central government.

The judiciary would be independent, and there would be a Constitutional Court for ten years to adjudicate disputes between the centre and the states, between states, and other levels of government.

On the most contentious of issues, federalism, Nepal's three big parties (Nepali Congress, Communist Party of Nepal (Unified Marxist Leninist) and the Maoists) and one party of the plains (Madhesi Janaadhikar Forum-Democratic) have decided Nepal will have eight provinces. But the demarcation of the boundaries has been left to a commission of experts to be formed in the future, while the names of provinces would be determined by future provincial assemblies.

This is a political milestone in Nepal's history. But the cheer and jubilation is tempered because the constitutional deal that has been struck is incomplete. And that has left observers wondering whether this is indeed a breakthrough or represents an abdication of political responsibility.

Will it finally create systemic stability and a just, inclusive, federal democratic republican Nepal or will it only sow the seeds for more turbulence? And it is this vacillation between the hope that the constitutional moment ought to have offered versus the disillusionment it has triggered among many that perhaps best represents the mixed response to Monday's deal.

Battles of the Text

But first the context.

After a devastating civil war, Nepal's democratic political parties and the then underground armed rebels, Communist Party of Nepal (Maoist), came together to oust an autocratic monarchy in 2005-06.

They also agreed, through a 12 point understanding signed in New Delhi with the Government of India's facilitation, to have elections to a new CA, which would draft the country's constitution.

An internationally monitored peace process commenced; an interim constitution was promulgated; an agitation erupted in the southern plains bordering India by social groups demanding federalism; the first Constituent Assembly elections were held in 2008 and saw a surprise Maoist victory but polarisation ensued between Maoist and non-Maoist political forces; after years of negotiations, former Maoist combatants were partly integrated and mostly sent back home with cash; deep differences on federalism led to the collapse of the first CA; another election was held in 2013, when the balance of power changed and older political parties led by Nepali Congress won; parties, yet again, failed to meet their self imposed deadline to draft a constitution by January 2015. And through these two and a half decades, Nepal had over twenty governments, in a sign of the enormous political turbulence in the country.

The constitution, however, was supposed to create systemic stability. It was to mark the culmination of the peace process, give an opportunity to Nepal's diverse social groups to draft their own social contract and have a shared sense of belonging. And that is why the CA became a site for the contestation of ideas, visions for the future political order and the shape of the state, ranging from the form of government to the transition from a unitary to a federal state and the electoral system. (A Primer- Nepal's recent political history and constitutional battles)

The fundamental difference between the parties – the ruling Nepali Congress and Communist Party of Nepal (Unified Marxist Leninist) on one hand, and the Maoists, Madhesi parties of the plains, and ethnic groups of the hills on the other – was on the nature of federalism.

What would be the basis for federal restructuring? Would it prioritise issues of identity which would cede more political power to erstwhile excluded groups as argued by the opposition alliance, or would it prioritise principles like administrative viability and 'national integration' which may have kept the power concentrated with segments of a few powerful communities, as suggested by the older forces?

What would be the number of provinces, their names, and their powers? In particular, how many provinces would the strategic region of the Tarai, bordering India, have? Would it have two provinces as argued by Madhesi parties or would there be integration between hills and plains on a north-south basis, as older parties wanted?

It was the failure to reach an agreement on precisely these issues that led to the collapse of the first CA and blocked progress in the second CA. The NC-UML had proposed seven provinces but this was unacceptable to the opposition alliance.

### The Quake Strikes

And it was in this backdrop of a political deadlock that Nepal was hit by a devastating earthquake on April 25. Over 8000 people have died; more than half a million houses lie destroyed; government infrastructure is damaged badly; 8 million people have been affected in some form or the other according to UN figures; and citizens in Nepal's mid-hills and Kathmandu valley are still reeling from the trauma and aftershocks. Monsoon is approaching and the need for temporary shelter is most acute even as longer term reconstruction is being planned by relevant agencies.

Natural disasters often have political consequences. In Aceh, after the tsunami, it led to a form of peace settlement; in other contexts, including Sri Lanka, the same tsunami may have increased the

rift between the government and the Tiger rebels who were then locked in a peace agreement and ended up resuming conflict soon after.

In Nepal's case, the earthquake changed national priorities. There was an increasing sense that the political paralysis had affected the state's capacity to respond effectively. The political parties almost went missing in the first few days of the quake, severely eroding their credibility and making them an object of ridicule at a time when citizens and volunteer groups had taken the leadership themselves.

The parties knew they needed to do something to salvage their credibility. The Nepal Army, which exercises significant political influence indirectly and is skeptical of federalism, gained enormously in popularity as it was one of the few state institutions seen as reaching out. A narrative was also built up, which underplayed differences based on identity and emphasised the common bonds that come with being Nepali.

The opposition, particularly the Maoist party led by Prachanda, was increasingly fatigued with the agenda of federalism and felt it was yielding limited dividends; Prachanda is also understood to have told his colleagues and allies that if they did not settle the constitutional question immediately, Nepal may not be able to preserve the progressive political gains of the last decade – republicanism, secularism, and the in principle agreement on federalism – at all.

There was a feeling that the Maoist party no longer had the machinery to wage a protest; more importantly, there was no public appetite, after the trauma of the quake, to wage a movement on political issues. The quake had indirectly strengthened the Kathmandu establishment, even though there was widespread evidence to believe that the central government had been dysfunctional and responded weakly whereas local governments were far better and more rooted. But given the adverse balance of power, Maoists stepped back from their insistence on a specific deal on federalism. The 'something is better than nothing' approach dominated the Maoist mood.

But it was not just an understanding of the current realities, but the shared interest of principal Nepali leaders that led to the deal.

PM Sushil Koirala made it clear that he would stay on till the constitution was not finalised – this was convenient, for if the constitution was not done, he would keep his job and if it was done, he would claim it as his legacy, which would boost his chances in an upcoming party convention.

Communist Party of Nepal (Unified Marxist Leninist) chairperson KP Oli, among the most reluctant federalists, has consistently pushed for a constitution without a specific federal design – he knew as soon as a constitution would be done, his own prospect of becoming the PM would rise up, for this was the quid pro quo for supporting the NC government last year.

In recent weeks, with Maoists accepting Oli's terms and increasing Prachanda-Oli bonhomie, he may well become the PM of an even broader based government. For Prachanda, a compromise was the best way to access power structure once again; there are hidden skeletons in his closet (including corruption cases) which may see a quiet burial once in government.

The other influential Maoist leader, former PM Baburam Bhattarai, is understood to be keenly interested in a role in an empowered reconstruction authority – a unity government and Maoist engagement with the party in power would enhance his prospects.

And the sole Tarai leader who has signed on to the deal, Bijay Gachhedar, comes from a political tradition which prioritises being in government at any moment as a far more effective way of consolidating and expanding power than catering to social constituencies.

It was this set of factors – the shared interest of the political elites to restore lost legitimacy; the ruling alliance getting to settle the constitution on its terms; Maoist fatigue with federalism, diminished morale and desperation to access state power; the convergence in the ambitions of key



leaders; and the opportunity, or some may suggest, pretext, provided by the earthquake to ‘fast-track’ a constitution – that has led to Monday’s deal.

### Simmering Resentment

But there are already signs that the new constitution will be a deeply contested document. It will alienate key social segments and political forces. And in the process of papering over one problem, the political elites may have even created another, deeper problem in the medium-term.

The opposition alliance of 30 parties – many of whom are admittedly fringe outfits with little strength – has now collapsed. Only Maoists and Gachhedar have signed up to the deal, while other key Madhesi political outfits have threatened to walk out of the CA itself. Ethnic outfits outside the CA, led by influential civil society figures, have also opposed the deal. And there is an increasing refrain that the earthquake has been used as an opportunity by those who have exercised power in Nepal for long to entrench it further.

It does not help that all three top parties are led by hill upper caste men – in sharp contrast to the astonishing diversity of the country.

There is skepticism for a range of reasons.

One, the decision on the number of provinces without determining the demarcation has left observers befuddled. Is this not putting the cart before the horse, for how is it possible to know the number of states before knowing the basis and what the broad borders would look like? This decision is seen with great suspicion rather than a step forward.

Second, the interim constitution itself had an in principle commitment to federalism. The primary task of the CA was to formalise it, and provide a specific design. And by not doing so, there is a sense that the political leadership has abdicated its responsibility and the CA has just institutionalised the interim constitution.

This is linked to a third issue. If members of two assemblies – after seven years – did not come up with a design, where is the guarantee that a technocratic commission in the future would do so? Nepal does not have a history of autonomous institutions. The commission will have members nominated by political parties; the members will look up to the parties and toe the line; if this has to happen, then it reinforces the fact that decision on a federal design is a fundamentally political question, which is why the CA should have addressed it in the first place.

Four, like in the rest of the region, committees and commissions are often seen as a way to postpone, dilute, and do away with an issue in Nepal. Timelines are rarely met. And federal forces feel that this will be a ruse to keep the issue hanging, consolidate power and subvert federalism altogether.

All of this may have been an academic exercise but for the fact that federalism is a deeply political, even emotive issue. It is seen as a route to tackle discriminatory structures and ensure political inclusion. In the Tarai, in particular, the message that the constitution has not addressed aspirations for self rule may radicalise the sentiment further.

There is a fringe separatist strand in the plains already, and by antagonising the Madhesi moderates, the Nepali establishment may be making the classic mistake that many governments in south Asia have repeated – of dismissing genuine aspirations only to see demands escalate even further.

If those forces who signed up to Monday’s deal want to genuinely provide a durable, broad-based constitution, they must revise their pact. Accommodating dissenting views, enunciating clearer principles on which federal demarcation will happen, and using the next few weeks to reach a consensus on broad borders before the constitution is drafted will help douse fires.

Nepal needs a constitution to focus on national reconstruction. But if this constitution only exacerbates conflict in the medium term, it will only open up another front and distract from the task of building back better.

The country can do without more tragedies and conflicts. But for that, Nepal's political leaders have to step back and reach out to the restless, disillusioned and angry political elements soon.

### **Next door Nepal: The communist comeback**

Yubaraj Ghimire

The Indian Express, 06 June 2015

Post earthquake, K.P. Oli has capitalised on public anger with Koirala's regime.

Nepal has remained a "crisis country" for the international community and donors for nearly a decade now, given the uphill task of concluding the peace process, writing a constitution acceptable to multiple stakeholders, and bringing about order and stability. In terms of economic potential and opportunity wasted, the country has paid a high price. But Nepal's journey — dictated by the partisan interests of half a dozen political actors and their parties — has deviated from the path to its promised destination. Political leaders have proved they can abdicate responsibility, not deliver on promises, and yet survive in power, with no accountability to people or parliament.

The country has been under a state of emergency since April 26, following the massive earthquake that not only took nearly 9,000 lives and rendered about a million families homeless but also taught a bitter lesson to the actors that, while their political lapses may be condoned, each of them will be held accountable if relief and shelter are not made available. Nepal's leaders seem to have failed to read that fury correctly and are now responding in a strange manner.

A series of meetings over the last two weeks — especially between Maoist chief Prachanda and K.P. Sharma Oli, chairman of the Communist Party of Nepal-Unified Marxist Leninist (CPN-UML) — to bury their bitter past seems to have sent across a message that it was poor leadership that came in the way of the timely delivery of the constitution and earthquake relief, and that the two lapses are interlinked.

The aim is to replace Prime Minister Sushil Koirala with Oli and bring the two major communist parties — the UML and the Unified Communist Party of Nepal-Maoist (UCPN-M) — together, as well as to invite the growing anti-Koirala faction within the Nepali Congress. The task is twofold: set a new deadline for the constitution through a "fast-track process", leaving the contentious issues to commissions, and utilise the international promises for Nepal's reconstruction through effective and better coordination. A small section of the UML, the second-largest party in the House and in the ruling coalition, is opposed to removing Koirala at this moment. But this group has been overruled by the majority led by Oli.

In fact, Oli's faction believes that effective relief distribution and reconstruction work will keep people directly engaged and reduce the chances of ethnic and political groups coming to Kathmandu to press their often-contradictory agendas. Oli, known for his wit and unbending stand against ethnic federalism, can also better read the public mind than most other leaders. He is also opposed to external forces, especially the UN and the EU, playing a direct role in influencing crucial elements of the constitution, especially favouring ethnic federalism and the right to convert. Oli's proactive stand on these issues, through Foreign Minister Mahendra Bahadur Pandey, who belongs to his party, has cost British Ambassador Andrew Sparkes his job. Oli has asked Prachanda to shelve the Maoists' demand for ethnicity-based federalism and the conversion clause for now and deliver the constitution based on a minimum agreement.

Indian PM Narendra Modi has told Nepal's ambassador to India, Deep Kumar Upadhyay, that he would assign contact persons to coordinate once Nepal made up its mind about its post-recovery plan. Earlier, India's representative to the UN moved a special resolution in the General Assembly seeking international support for Nepal, reducing Kathmandu's job to only seconding it. But this too was seen as an abdication by the Koirala government. The US appreciated the role India played in earthquake-ravaged Nepal. However, the anger at the government in Nepal is rising in the same proportion. Oli was not only quick to read that anger and turn it into an advantage but he also sent out the message that Nepal's leaders have a role to play in both constitution-writing and post-earthquake recovery.

### **Nepal's own 'love jihad' – the fear of Indians**

Prashant Jha

Hindustan Times online, June 28, 2015

Jha analyses the recent provisions in the breakthrough draft constitution and concludes that Nepal's citizenship provisions are a product of chauvinistic nationalism and patriarchy.

I am a Nepali citizen who lives and works in Delhi. As someone who grew up in Kathmandu, whose parents continue to live there, and as a journalist who has extensively covered politics and written a book on the country, I engage on a sustained basis with developments at home. I go back several times a year, and I spend most of my waking hours outside of work thinking about Nepali affairs.

Yet, my children – even if they wish to – cannot become Nepali citizens.

And that is because I married an Indian woman.

Nepal is currently in the final lap of its constitution.

On Friday afternoon, Hindustan Times became the first media outlet to break the news about the contents of the draft constitution. And as feared by activists, the text had citizenship clauses which would have been considered anachronistic even in the last century.

Here is what the constitution says.

The draft clearly states that only those whose father AND mother are Nepali citizens would be eligible to become Nepali citizens by descent. This is a reversal of the clause in Nepal's interim constitution, promulgated in 2007, that a person whose father OR mother was Nepali could become a citizen by descent.

In formal terms, it means I cannot pass on a citizenship that I so cherish to my children.

It also means that a Nepali woman married to a foreign man cannot do so either.

In practical terms though, I may be able to get around this provision. Given the patriarchy entrenched in Nepal's state apparatus, when I go to the District Administration Office, it is unlikely that the district officials will ask me about my wife's citizenship – they will probably assume she is Nepali, and provide a stamp of state legitimacy to my child.

Banking on the inadequacy and the structural bias of the Nepali state, I am hoping the law will falter in its implementation.

But when a Nepali woman approaches the same office, given the same prejudices and assumptions inherent in the official machinery, she will be asked to show the identity of her husband. And till she can prove the identity of her husband, or show the father of her child is Nepali, her child will not get citizenship.

At the root of these provisions is a fear of Indian men, of Indian 'demographic aggression'. Cross-border marriages are an integral feature of the India-Nepal special relationship – this is particularly true for Indian citizens who live in Bihar and UP, and the Madhesis of Nepal who live in the plains. The draft constitution's underlying logic is to keep out Indian men who would marry Nepali women and have children who could then become Nepalis. This, the Kathmandu establishment fears, could be a step to enhance Indian influence in Nepal.

It is a fear that reminds one of the manufactured 'love jihad' conspiracy theories in India where Hindutva activists have played up the threat of Muslim 'demographic takeover'; Nepali ultra-nationalist activists have framed citizenship laws based on a similar fear of the Indian 'takeover'.

This provision triggered a civil society movement led by feminist activists last year to push for more reasonable, fair and sensitive citizenship provisions.

The #ornotand #citizenshipthroughmothers hashtag on social media and sustained pressure on the political class forced some leaders to concede that this was indeed a discriminatory provision.

But when the draft appeared last week, Nepal's political class stuck to its decision. They cushioned it partly by allowing those whose parents could not be identified, or whose father could not be located, to be eligible for Nepali citizenship. But Nepal is joining 27 other countries which limit the ability of women to pass on citizenship to their children.

It also limits the ability of men like me to pass on citizenship – which is why this movement is not just a women's issue, but one which affects men, children, women and all those concerned with statelessness.

Inequality is formally institutionalised in another category – citizenship by naturalization.

The draft constitution says that if a foreign woman is married to a Nepali man, she can get immediate citizenship as long as she gives up the citizenship of the country to which she originally belonged and is a resident in Nepal. But if a foreign man is married to a Nepali woman, he has to wait 15 years before he can become a Nepali citizen.

There was an earlier proposal to have both foreign men and women married to Nepali spouses wait for seven years before they could get citizenship. This sparked a major backlash from the Tarai based parties – they argued that given the extent of cross border marriages, and the fact that women usually moved to the homes of their husband, such a provision would make millions of Indian women married to Madhesi men stateless.

The proposal was withdrawn, but the provision of the 15 year waiting period in the case of the men stayed. This was deeply unfair to Nepali women. But it was again driven by the same fear – that Indian men would marry Nepali women, would infiltrate Nepali politics and economy, and thus Nepal needed rigid citizenship laws which made naturalized citizenship difficult.

Nepal's citizenship provisions are a product of chauvinistic nationalism and patriarchy. It will affect not just Nepalis but Indians with deep family links across the border; it is not just a 'national' matter but is directly linked to universal human rights and international conventions. And that is why it deserves far greater attention from the Indian civil society and intelligentsia since it has so far received.

### **The Great Game Folio: Iran Opportunity**

C. Raja Mohan

The Indian Express online, June 16, 2015

As Tehran and Washington inch towards a nuclear deal, there will be much room for expansive engagement between India and Iran.

As the NDA government devotes some attention to high-level political engagement with the Middle East, Iran offers one of the greatest strategic possibilities. But in realising that opportunity, New Delhi will have to negotiate a number of obstacles. The recent visits to Tehran by Transport Minister Nitin Gadkari and Foreign Secretary S. Jaishankar are part of that effort. External Affairs Minister Sushma Swaraj is likely to follow soon.

As Tehran and Washington inch towards a nuclear deal, which will begin to ease nearly four decades of hostility between them, there will be much room for expansive engagement between India and Iran. Although the prospect of a nuclear reconciliation appears so close and tantalising, we are not there yet. That casts a shadow over Delhi's diplomacy towards Tehran.

As Iranian President Hassan Rouhani noted, a nuclear deal is within reach before the agreed deadline of June 30. But he added a caveat: If the US and its Western partners put "new issues" on the table, the negotiation could get complicated. Even if an agreement is finalised, it will be a while before it is implemented. Given the complexity of the deal and the entrenched mutual suspicions, the interpretation of the agreement's terms is likely to become a bone of contention.

Meanwhile, here is the diplomatic problem for India: Tehran wants Delhi to demonstrate the commitment to move forward right away. Delhi, which does not want to break the sanctions regime, tends to be cautious. The trick is to focus on making quick advances in those areas that are not targets of international sanctions and keep a practical roadmap ready for rapid movement on key areas like energy cooperation, as sanctions begin to be lifted.

#### Afghan Dynamic

Stabilising Afghanistan has long been a shared objective of India and Iran. It has become even more salient after the US ended its combat role at the end of last year. While a small number of American troops remain for purposes of training, Kabul is finding it increasingly hard to cope with the vigorous military offensive by the Taliban.

In the late 1990s, when the Taliban, backed by Pakistan, raced to power in Afghanistan, Delhi and Tehran, along with Russia and some Central Asian states, helped sustain the political opposition to its rule.

It is by no means clear that Delhi and Tehran can simply return to that kind of cooperation. For, much has changed in and around Afghanistan since. For example, some recent Western media reports say Iran might be helping the Taliban. While such an alliance seems improbable, the storyline is that Shia Iran might be warming up to the Taliban to counter the Islamic State, which represents a more virulent form of Sunni extremism.

Whether the eventual positions of India and Iran converge fully or not, Delhi and Tehran could gain much by sustained political consultations and intelligence exchanges on the rapidly evolving situation in Afghanistan.

#### Middle East Balance

The sharpening political rivalry between Tehran and Riyadh, the unmitigated tensions between Iran and Israel and the deepening sectarian schisms are breaking up the old order in the Middle East. The rise of Iranian power and its Arab neighbours' fear have begun to generate strange alignments, for example, between sections of the Gulf monarchies and Israel.

Until now, India's engagement with Iran has been constrained by the prolonged hostility between Washington and Tehran. Delhi's future constraints are likely to emerge from the shifting sands of regional politics.

The Narendra Modi government is determined to develop a special relationship with Israel that can contribute significantly to the transformation of India's defence sector. Most of India's current economic, energy and human resource equities are in the Arab Gulf; securing these will remain the highest priority. And Iran is critical for stabilising India's northwestern marches, providing access to Central Asia and in meeting India's future energy needs. The pursuit of these separate but significant interests in the Middle East is bound to produce multiple contradictions. Managing them will be a great challenge for Indian diplomacy.

### **Globalisation and International Politics: Delhi And The Deal**

Prem Shankar Jha

The Indian Express online, June 25, 2015

India needs to come out in favour of the Iran nuclear deal before it's too late.

An extraordinary event occurred in Washington a few weeks ago. The Council on Foreign Relations (CFR) held a "special event" to enable two speakers to formally announce the end of a 75-year enmity between their countries. They were Anwar Majed Eshki, a retired Saudi general, and Dore Gold, a former Israeli ambassador to the UN.

This unlikely pair has come together due to the threat they perceive from an unshackled Iran. Their purpose was to warn the US that pursuing the nuclear deal with Iran would estrange it not only from Israel but all its staunchest allies in the Arab world. This was apparent from the seven-point plan for peace and stability in the Middle East that Eshki unveiled. Its first point was achieving peace between Israel and the Arabs. Its second was "regime-change in Iran". Three of the remaining five proposals added up to a militarisation of the Gulf to face the threat from Iran.

For one of the first times in its history, the audience was not allowed to ask questions at a CFR event. This made the CFR a party to its purpose, instead of remaining an independent forum. Since the CFR has been the main platform for the articulation of US foreign policy for the past 94 years, its sponsorship has underlined how badly President Barack Obama is isolated from mainstream American thinking and how unlikely it is that any agreement would survive his exit.

But the real purpose was to make Iran, not Obama, take fright and harden its position on the lifting of sanctions to the point where it, and not the US or the EU, is held responsible for the failure of negotiations.

Eshki and Gold announced that Israel and Saudi Arabia had held five secret meetings since the beginning of 2014 to forge their common strategy, but did not mention that the two had already signed an agreement at the end of February that gave Israeli warplanes permission to fly over Saudi Arabia on their way to Iran.

There is now a danger that if the deal falls through, Israel would take advantage of the wave of disappointment and fear that will sweep through the West to launch a military strike on Iran and force the US to join in. Should this happen, the war that follows will not leave India unscathed. But what should be worrying New Delhi even more is the claim that one of the secret meetings had been hosted by India. This makes India a party to the Israeli-Saudi conspiracy.

Delhi may have been sucked into this trap unwittingly, out of a desire to repay Riyadh for extraditing terrorism suspect Zabiuddin Ansari ( Abu Jundal) in 2012. But to have done this in 2014, when the strife in the Middle East had morphed into a vicious, brutal, unprincipled and nakedly sectarian

bloodfest, reveals an inability to gauge the consequences of its actions that casts grave doubt on its capacity to pull its weight in international affairs.

India is home to almost 200 million Muslims, of whom 50 to 60 million are Shia. The main communal violence in British India occurred not between Hindus and Muslims, but between Sunnis and Shias at Muharram. Partition ended this conflict in India. The almost complete absence of Muslim sectarian strife during the past 70 years is one of the reasons why, unlike in Pakistan, every sect in Islam thrives and grows unhindered in India, why neither the Deobandi nor the Barelvi schools of Sunni Islam gives any shrift to extremism, and why almost no Indian Muslims have joined al-Qaeda or the Islamic State.

This is a heritage that needs to be cherished not only for its own sake, but to ensure that India continues to thrive in peace in the years ahead. To do this, it needs not only to avoid being bracketed as a partisan in the Middle East's sectarian strife, but to be seen as a champion of every secular, modern and humanist force within the Muslim world.

Not only did it fail to do this when it was a member of the UN Security Council, but today, it is notably silent on the rise of the IS and has preferred not to seek retribution by going to Iraq and Syria's aid.

India is unaware of its responsibility to Islam in the wider Muslim world because its governments and media have turned Indian Muslims into what John Pilger has aptly described as "unpeople". Today it still has a sliver of a chance to redeem itself by coming out strongly in favour of the Iran deal, by sustaining the Bashar al-Assad regime with food and medicines and by strongly censuring the invasion of Yemen.

### **An IMF boost for China's currency**

Shyam Saran

Business Standard online, June 09, 2015

There is a clear pattern in the continuing internationalisation of the Chinese yuan

In a recent report, the International Monetary Fund (IMF) declared that the Chinese currency, the Yuan, was no longer under-valued. The IMF head, Christine Lagarde, also let it be known that in its forthcoming October review, the Chinese currency may well be included in its basket of benchmark currencies, which is used to calculate the exchange value of its Special Drawing Rights (SDR). It has long been alleged by the US that the Chinese currency has been deliberately kept under-valued so as to give Chinese exports an unfair advantage in global markets, leading to a massive accumulation of foreign exchange reserves, currently near \$4 trillion. The IMF has given an authoritative rebuttal to this charge. It has also become likely that the Chinese demand for its currency to be included among the reserve currencies viz the dollar, the Japanese yen, the euro and the British pound, in the SDR basket, may finally be conceded despite the fact that the yuan is neither freely convertible nor in use as a reserve currency except in some central banks of developing countries. This would be a mainly symbolic milestone with more political than economic benefits to China. It would nevertheless mark an important milestone in the steady internationalisation of the yuan in deliberate and measured steps, reflecting China's economic as well as geopolitical objectives.

I have covered this subject in two earlier columns in this newspaper, "The Asian future of reserves" (May 16, 2012) and "The Chinese (yuan) are coming" (January 15, 2014). This is a good time to review developments since then and assess their implications.

It is becoming clear that China considers the expanded role of its currency as part of a larger strategy to consolidate its position as the pre-eminent economic and military power in Asia. It is now the top currency used to do business with China, including Hong Kong. We are witnessing the beginnings of a renminbi ( the official name of the Chinese currency) currency area in the Asia-Pacific, whose building

blocks are the rapid emergence and expansion of the off-shore yuan currency and bond markets, including the circulation of so-called "dim sum bonds", the increase in the number of currency swap arrangements and direct settlement of accounts with other currencies without dollar intermediation and, more recently, the setting up of the Asian Infrastructure Investment Bank (AIIB), to finance ambitious infrastructure projects in the region, in particular, those associated with the "one belt one road" initiative. The BRICS Development Bank, which groups together India, China, Brazil, Russia and South Africa as founder members, will also give China an added institutional medium to expand its role in development finance precisely at a time when the West dominated Bretton Woods institutions are in relative decline. This has gone hand in hand with the further globalisation of the Chinese currency. The RMB trade settlement was first introduced in 2009 and in five years it has reached a level of 22 per cent and is still expected to reach the targeted 30 per cent by the end of this year. It has been reported that later this year the China International Payments System (CIPS) is likely to be introduced, which would allow much easier and swifter cross-border RMB transactions.

Offshore RMB markets first began to function in Hong Kong, Singapore and Taiwan but have now expanded to London, Paris, Frankfurt and Luxembourg. As a result of these developments, the RMB is now the second most used trade financing currency and the fifth most used currency for payments globally, overtaking the Euro. Despite this the Chinese currency still accounts for only 1.4 per cent of overall global payments, far behind the dollar at 42.5 per cent. This is likely to persist as long as the RMB is not freely convertible and lacks the deep and extensive financial and banking infrastructure which the dollar enjoys.

China is taking modest steps introducing a degree of flexibility in its exchange rates and opening up its capital market. The exchange rate was allowed to fluctuate two per cent on either side of the official rate, up from 0.5 per cent and then one per cent in previous changes. In 2011, China introduced RMB-denominated direct investment both into and out of China. This was through the Qualified Foreign Institutional Investor Scheme and the Qualified Domestic Institutional Investor Scheme respectively. The scope and limits of investment under these schemes have been progressively increased. A more ambitious initiative was introduced in November last year with the Shanghai-Hong Kong Stock Connect, which permits designated foreign and Chinese entities to trade in stocks listed on the Hong Kong stock market and in the Shanghai-A share market reciprocally but within an overall limit. This is now being expanded this year to link Hongkong with the Shenzhen share market. Another significant pilot project is the Shanghai Free Trade Zone, where much more liberal financial and banking rules apply. However, this initiative is making much slower progress than expected.

It should also be noted that China's outward bound Foreign Direct Investment has also been rising rapidly. This year it is expected that, for the first time, outward FDI will exceed inward FDI. Last year outward FDI was US \$108 billion against an inward FDI of US \$118 billion. As outward FDI expands, the use of the Chinese currency is also expected to increase.

While the role of RMB as a trade and investment currency has been increasing over the past few years, what about its role as a reserve currency, which is more directly relevant to its bid to become an IMF recognised benchmark currency? China joined the Chiang Mai Initiative Multilateralization (CMIM) in 2010, which was a currency swap arrangement among the 10 ASEAN states, China, Japan and Korea, to help participating states tide over balance of payments difficulties. The swap was pegged at \$120 billion in 2010 and raised to \$240 billion in 2012. However, this facility has never been used. Since 2009, China has entered into currency swap arrangements with 28 countries and 40 central banks keep part of their reserves in RMB. These numbers show a more modest increase over the past couple of years but the trend is positive.

We see a clear pattern in the continuing internationalisation of the Chinese Yuan. As befits the world's largest trading nation, the use of the currency in trade settlement has been the first to expand rapidly and this trend will continue. The next phase has been its expanding role in the global



capital market and this, too, is likely to see significant increase particularly in the Asian region. It is the third phase, which could see the currency emerging as a reserve currency, which is likely to take place over a much longer time frame. As long as China remains an authoritarian state, it is unlikely to embrace the risks and uncertainty associated with a freely convertible currency, subject to market volatility. While this falls short of the kind of role associated with the dollar, there is no doubt that in terms of other key indices the yuan is already an international currency.

(Shyam Saran is a former foreign secretary. He is currently chairman, RIS, and senior fellow, CPR. )

### **Don't compound errors of 1947**

K.C. Singh

The Asian Age online, June 29, 2015

“China is trying to sweeten the deal by offering India and Pakistan membership of the SCO. The signal is that Chinese munificence is based on India accepting their vision of future Asian integration with China as the hub.”

Prime Minister Narendra Modi's second Brics summit, now in Ufa, Russia, on July 8-9, 2015, will take place amidst a changed global situation, economic crises of some members and testy domestic developments compared to his Brazil visit immediately on assuming office.

Firstly, only the second time after 2009 is the Brics summit being clubbed with that of the Shanghai Cooperation Organisation (SCO). Last time the justification was the international financial crisis. Secondly, both Russia and China have looming stand-offs with the US and its allies, the former over Ukraine and the latter in the South China Sea. Both wish to redefine the Asian power structure and diminish America's role. Central Asia, at the centre of the Eurasian land mass, assumes importance as a source for oil and gas.

Thirdly, though a mutual trust deficit persists, Russia's proposed Eurasian Economic Union can mesh with China's "One Belt, One Road". While Russia wants to restore with its erstwhile Asian provinces an economic linkage, China desires overland connectivity via the region to West Asia and Europe. Along the new channels will flow energy and primary products into China and finished goods the other way.

The two organisations have disparate origins. The SCO was founded in 2001, which, coincidentally, was also when the acronym Bric was coined by Jim O'Neill of Goldman Sachs, predicting Brazil, Russia, India and China as pre-eminent emerging economies. The SCO originated to stabilise the borders of China and Russia with Central Asian nations, excluding Turkmenistan, and to regulate troop deployment after the Soviet Union collapse. Over time its focus is beginning to shift to economic issues.

Bric, on the other hand, was founded to take up economic and development issues of interest to the four nations. South Africa was added later for representation from all major continents. They constituted major commodity exporters, i.e. Brazil, Russia and South Africa, and importers — China as the world's workshop and India as a potential manufacturing hub. China and Russia were permanent members of the United Nations Security Council and the other three aspirants to similar positions in a reformed UNSC. All hoped for a reform of the Bretton Woods financial institutions to reflect the contemporary economic strengths of nations.

Today, however, the reality is different. Russia, a bridge between Brics and G-7, finds itself barred from that group and sanctioned by the US and Europe over its unilateralism in settling the Ukraine imbroglio. The economies of Brazil and South Africa have stalled due to the global economic slowdown and the fall in demand for commodities as well as poor governance. Only India and China

are fuelling Asian growth, albeit the former with suspect growth figures and the latter undergoing a perceptible drop in growth momentum.

The two factors that will condition the Indian approach to the two summits will be Sino-Indian and Indo-US relations. China is adopting a dual approach towards India, offering wider engagement and yet taking other steps antithetical to India. For instance, the Chinese announcement of a \$46-billion corridor linking the Pakistani port of Gwadar to Xinjiang, passing through Gilgit-Baltistan in Kashmir, is a deliberate provocation considering the sensitivity China displays to the smallest move by India in areas like Arunachal Pradesh that Beijing dubiously claims.

Unfortunately, India has since Independence allowed Pakistan to define the Kashmir issue as not including what it originally called Northern Areas and has now re-christened as Gilgit-Baltistan. These were in the possession of Maharaja Ranjit Singh, the ruler of Punjab till his death, and then passed on to the Dogra rulers of Kashmir.

The British, fearing a Russian advance into those areas, set up the Gilgit Agency in 1877, assuming direct control though not questioning the ownership. In 1935, they leased them for 60 years, reverting them to the Maharaja of Jammu and Kashmir's control two weeks before Indian Independence. The British commandant of the Gilgit Scouts then allowed the troops to raise the Pakistani flag.

The Indian government, when vacating the Valley of intruders in 1947-48 or in the complaint to the United Nations, seemed to focus only on the Valley and Jammu. This was strategic short-sightedness as Indian possession of Shia-dominated Northern Kashmir, which has ethnic commonality with Leh, would have given India connectivity to Central Asia besides breaking China's land link to Pakistan. Today, acquiescence in Chinese infrastructure development would be compounding that mistake. The Chinese are trying to sweeten the deal by offering India and Pakistan membership of the SCO. The signal is that Chinese munificence is based on India accepting their vision of future Asian integration with China as the hub, like China of the Middle Kingdom, with spokes emanating to tributary nations.

The US Senate on June 24 finally approved the Trade Promotion Authority to enable President Barack Obama to finalise the Trans-Pacific Partnerships with 11 nations on the Pacific Rim. The planned group will have 40 per cent of global gross domestic product and one third of the world's trade. On paper it has an open architecture allowing other nations to join later. The exclusion of China links it to the US "rebalance" in Asia.

Prime Minister Narendra Modi, in Ufa, will have to balance China's shepherding of new institutions like the Brics Bank (New Development Bank), the Asian Infrastructure Investment Bank, and perhaps now a SCO bank and the US defence of existing international law and treaty-based order, besides upholding Indian interests. Like his political skills being tested at home, his diplomatic prowess will be under scrutiny as Brics' internal balance has been upset by Sino-Russian convergence and the economic weakness of Brazil and South Africa. The time has come for India to have a clear voice, deft tactics and grand strategy shorn of theatrics.

### **Strategic context of Ashton Carter's India visit**

C. Uday Bhaskar

South Asia Monitor, June 04, 2015

The strategic context in which the Carter visit has taken place needs to be given importance over the fiscal value of the deals that have been inked.

The visit of US Defense Secretary Ashton Carter to India (June 4) has resulted in a modest \$2 million agreement that includes relatively low-end equipment such as protective clothing and battlefield

generators. Concurrently, Dr. Carter and his Indian counterpart Defence Minister Manohar Parrikar extended the bilateral defence cooperation agreement mooted in June 2005 by another decade.

However, more than the fiscal value of the deals that have been inked – the strategic context in which the Carter visit has taken place and the issues that have been identified for further deliberation and potential bilateral cooperation, are of much greater long-term import.

Dr. Carter came to India after attending the Shangri-la dialogue in Singapore where China and the South China Sea imbroglio was the main issue under contested scrutiny between Washington and Beijing. Tangled territoriality and divergent interpretations of the existing legal provisions by the claimants – namely China and some of the ASEAN (Association of Southeast Asian Nations) states – has resulted in a tense impasse, and the more muscular Chinese response has caused predictable anxiety among the smaller regional states.

Thus the Carter visit has been mis-perceived in some quarters as an attempt by the US to knit an anti-China coalition and that India would play a central part in this endeavor. This is misleading and such a binary policy approach either by the US or India in relation to China is invalid.

If the current macro-economic trajectory of the global order is to be sustained – these three nations (and the EU) have no option but to be yoked together, however uneasily. Yes, all three nations have deep concerns about the ‘other’ – the US and India in relation to China and conversely – Beijing is wary of a close India-US defence partnership.

Neither is the democratic duo devoid of dissonances. India and the US have not engaged in an appropriately candid manner about the emerging strategic framework in Asia – and the engagement has been more tactical in relation to Pakistan and terrorism, and on occasion - Iran. China is the big dragon-cum-panda in the Asian drawing room (depending on whether it is seen as a military menace or an economic enabler) and both the US and India have to arrive at an appropriate framework in which to concurrently engage and restrain China.

The India-US relationship is itself undergoing a transmutation – from the nuclear estrangement of the pre-2008 period to one of wary engagement. The analogy is that of two self-righteous porcupines getting to know each other – very carefully – one quill at a time!

The Indian Ministry of Defence (MoD) under the Congress-led United Progressive Alliance (UPA) dispensation had its own reticence about engaging with the US and this has permeated the tentacles of the defence/military bureaucracy. Consequently, institutional mistrust and a deeply ingrained reluctance to candidly engage with their counterparts prevails in both the DoD-Pentagon and the Indian MoD- military HQ.

These are the deeper issues that the Carter visit has tangentially identified for further deliberation and hopefully this in turn will allow for a more objective assessment about what constitutes ‘sufficiency’ by way of tangible trans-border military capability that India needs to acquire over the next decade.

Whether India needs more fighter aircraft, artillery guns, mountain strike corps; or aircraft carriers and nuclear submarines – or none at all – and can invest in cyber and space assets to acquire that level of ‘sufficiency’ to underpin its strategic autonomy is an exercise that Delhi has to embark upon.

The US can be a valuable partner in this effort and Carter brings immense experience to the table by way of having extensively dealt with the octopus like bureaucracies and their deeply entrenched certitudes in both nations.

What constitutes the appropriate index of military sufficiency to ensure that the Asian strategic framework is not imbalanced and exudes the kind of Goldilocks equipoise that accommodates the legitimate interests of the US, China and India is the long-term challenge for all three nations.

The Carter tour through Asia and the brief Indian visit is the tip of this early 21st century strategic iceberg. The challenge for Indian Defence Minister Parrikar is to inject the political traction and institutional determination to identify these opaque and contradictory contours and evolve a sustainable response - an objective that has eluded South Block for over a decade.

(C Uday Bhaskar is Director, Society for Policy Studies, New Delhi.)

### **Modi visit to Israel needs bipartisan support**

C. Uday Bhaskar

South Asia Monitor, June 14, 2015

C. Uday Bhaskar says that discourse of the opposition parties in India is both short-sighted and brittle and the Bharatiya Janata Party only needs to remind itself of how it dealt with the India-US civilian nuclear deal in late 2008.

The announcement that Prime Minister Narendra Modi will visit Israel in the course of this year has triggered a series of Pavlovian reactions in the Indian political discourse that have been sharply critical of this fairly significant development. However, much of this rhetoric is located in a false and misleading frame of reference.

When the Modi visit to Israel does materialize, it will be a historic first, in that no Indian prime minister has visited that 'invisible' nation to date – though the Jewish state has made an important contribution to certain core Indian interests, especially in the national security domain.

The Congress and the Left parties have raised the Palestine issue and the perceived sensitivities of the Arab/Islamic constituency and suggested that by elevating the relationship in such a visible manner India would be seen to be diluting its traditional support to this cause. And the more cynical and veiled allusion, that reeks of rank political opportunism is that the Indian Muslim community will feel aggrieved by such a development.

Regrettably these allusions are misleading and amount to creating a false framework to locate the India-Israel relationship. To begin with, India formally recognized the state of Israel as far back as September 1950 but the relationship was kept at a low visibility level due to the compulsions of the Cold War and the prevailing regional imperatives.

However, a reasonably robust trade in precious stones, irrigation technology and such like engagement was in place with some below the radar military inventory being supplied by Israel to India at critical junctures. The truly major political initiative was taken by a Congress government, led by then prime minister P.V. Narasimha Rao in early 1992 – after the end of the Cold War – and both nations opened full-fledged embassies at ambassadorial level in each other's capitals.

This was a prudent decision and taken after major Arab states, including Egypt and Jordan, had normalized their relations with Israel. For more than two decades the bilateral relationship has grown, and from a modest \$200 million in 1992, the bilateral trade in 2014 had touched \$6 billion. And a significant component of this trade over the last decade has been in the defence/military sector, and it is estimated that India imports up to \$1billion worth of inventory annually from Israel.

The more critical support from Israel came into focus during the 1999 Kargil War and subsequently in the modernization of some parts of the Indian military inventory, particularly in precision guided munitions and anti-missile systems. Counter-terrorism cooperation post the November 2008 Mumbai attack has also grown, but is understandably kept opaque.

In the last two decades when the bilateral relationship has become more sturdy, India has not diluted its support to the P cause – and to the contrary – has taken a position at the UN that

supported Palestine. And it is a reflection of the resilience of the bilateral relationship that both countries have sort of agreed to disagree on the P issue.

Hence the suggestion that a prime ministerial visit will either suddenly or dramatically alter the Indian position and dilute its support to the Palestine cause is a case of deliberate obfuscation. India's overall national security requirements call for a more robust engagement with Israel in certain niche areas where it has proven capability.

The need to enhance India's modest indigenous defence manufacturing capacity is urgent and Israel offers some valuable possibilities – both by way of investment, technology transfer and some design collaboration. And this level of engagement can be enabled by summit level contact, and the proposed Modi visit will facilitate such deliberations leading to potential cooperation for the long term.

The related suggestion that India has to craft a binary foreign policy wherein the Arab/Islamic bloc is seen as one monolith and that Israel is the invisible partner – at times referred to as a 'mistress' – is invalid. As noted earlier, many Arab/Islamic nations have a close engagement with Israel and given the current volatility and duplicity in the West Asian region, it is now becoming apparent that in certain cases – as for instance in dealing with the Islamic State – even Saudi Arabia, Iran and Israel find their interests and objectives in some degree of correspondence.

Thus the suggestion that India must be more insular and reticent in relation to Israel – and that this stance will benefit either the cause of Palestine or endear Delhi to its Arab/Islamic interlocutors is counter-factual and does little credit to the carefully calibrated balancing act that astute Indian diplomacy has evolved over the years. And ironically, it was the Congress party under the stewardship of prime ministers Rao and Manmohan Singh that had fine-tuned this policy.

The most insulting canard that must be rejected is that the Indian Muslim citizen is more Muslim than Indian and hence the Palestine cause and the perceived Arab sensitivity will resonate more with this constituency. Two facts need reiteration. One – the vast majority of Indian Muslims are as patriotic as their Hindu brethren; and two - the support for Palestine in is pan-Indian and cuts across the religious divide.

Yes, the Arab region has not yet figured on Prime Minister Modi's foreign tour agenda and hopefully this will be redressed in year two - but seeking balance or equivalence in India's dealings with Israel and the Palestine cause will be counter-productive.

At a time when some game-changing geo-political developments are on the anvil in West Asia – and this includes the Iran-US rapprochement that is likely by end June – India must position itself in the most inclusive and persuasive manner possible, and the Modi visit to Israel is part of that effort.

The irony is that the discourse of the opposition parties in India is both short-sighted and brittle and the Bharatiya Janata Party (BJP) only needs to remind itself of how it dealt with the India-US civilian nuclear deal in late 2008. Objective and informed bipartisanship on matters of national security, alas, seems to elude the Indian politician.

### **Modi's Israel visit**

S. Nihal Singh

The Tribune, June 27, 2015

#### **Perils of walking into a minefield**

Mr Narendra Modi will be walking into a minefield when he visits Israel, the first Indian Prime Minister to do so. The coalition Israeli Prime Minister Benjamin Netanyahu heads is the most extreme right-wing government to take office in the nation's history. Second, the Bharatiya Janata

Party (BJP) has cultivated a symbiotic relationship with Israel because of its spiritual affinity for its leaders' tooth-for-a-tooth approach to its adversaries.

Israelis like to present themselves as a beleaguered country and its reference point remains the Holocaust, despite the fact that it is today a colonial power ruling over millions of Palestinians it has disenfranchised, appropriating vast areas of the West Bank to build settlements, annexing East Jerusalem and showing no inclination to make peace on equitable terms. As a consequence, Israel is feeling increasingly isolated in the Western world, particularly in Europe, with the "boycott, divest and sanction" (BDS) movement gaining traction.

Essentially, the BDS's aim is to pull back Western investment from Israeli establishments working out of the occupied West Bank and ban goods manufactured there by Israeli entities. Even some American universities have divested from Israeli West Bank establishments, although the American Jewish lobby remains strong and continues to frustrate all attempts at seeking a just peace. Although a minority, the J Street faction has broken away from the hardline majority.

Mr Modi has to bear in mind that coupling his Israel visit with a trip to the Palestinian territories will not compensate for his befriending Mr Netanyahu because there is no equivalence between the two. India has a growing defence relationship with Israel because of the excellence and innovative qualities of its military products. But it is one thing to do business with Tel Aviv for realpolitik reasons and quite another to build a special relationship with a government even many of the Western nations have come to view as an embarrassment in the post-colonial era. Mr Modi can hold his nose and do defence deals, the stance President Barack Obama has adopted in generously rearming Egypt despite President el-Sisi's autocratic rule and suppression of dissent, or make a celebration of his Israeli path-breaking venture.

India's stakes in the Arab world are immense not only in the employment it provides to Indians but also as a source of energy supplies. True, some Arab countries do under-the-counter deals with Tel Aviv and there are affinities in the new and changing geopolitical picture in the Middle East with the emergence of the Islamic State. But they do not take away the bitterness of Israel ruling as an old colonial power in the 21st century.

There is some merit in the present stalemate between Israel and Palestinians. The pretence of holding peace talks with little or no real movement had falsely lulled the world for decades. Mr Netanyahu makes no pretence of making peace and said so during his last election campaign. However bad his relations with President Obama may be, he is immune from US sanctions or to cuts in the highest military and other assistance Washington gives any nation because of the American Jewish lobby and the support Israel enjoys in both Houses of the US Congress.

I met Mr Netanyahu in Israel in 1990 when he was the junior Foreign Minister and he made his points forcefully. In particular, he told me, "If you run across the breadth of Israel, you would cross it in a few hours" to stress the geographic limits of his country. Until recently, the conventional wisdom was that any peace deal would entail the retention of major Israeli settlements in exchange for territories in Israel proper and that Jerusalem would be the shared capital of two states, with the future West Bank demilitarised.

Such a scenario has now receded into the never-never land, with Israel determined to keep all the land it occupied in the 1967 war and the annexed East Jerusalem, with the dreadful and untenable prospect of keeping Palestinians subjugated even though such an arrangement would see a subjugated Palestinian majority in a future Israel.

The tragedy is while the US will not permit anyone else, least of all the United Nations, to take a lead role in negotiating peace, it is handicapped domestically and has geopolitical interests to play the role of a peacekeeper. US Secretary of State John Kerry's was the last serious attempt to revive a

dead peace process and it ended up in the wilderness. If the Republicans win the US presidency in 2017, Mr Netanyahu will have even less to worry about.

With the prospect of Mr Netanyahu receiving support from India in the shape of the first prime ministerial visit, Tel Aviv and its American friends are already in a celebratory mood, with a section of the US legislators already proposing a three-way defence arrangement among the US, Israel and India.

India's intrusion into the Middle East minefield can therefore have unpredictable consequences and Mr Modi will have to watch his steps before indulging in his penchant for showmanship. Many mediators from many nations have met their Waterloo in trying to make peace between the colonial power and its Palestinian subjects. Mr Netanyahu has now pronounced that he does not want third parties to help make peace and has rudely dismissed the efforts of the French Foreign Minister, Mr Laurent Fabius, in seeking to initiate talks.

Thus far, Indian policy towards Israel has been to underplay the relationship while seeking defence material and help in areas of agricultural cultivation. Mr Modi's visit will give it a new salience at a time the Western world is becoming increasingly concerned with the direction Mr Netanyahu and his supporters even more to the right are taking the country.

Israel has launched a full-scale war on the BDS movement because it is beginning to hurt economically and is helping to build an unflattering picture of Israel in the West. Incidents of anti-Semitism are increasing. France's desire to show it is doing something for Israeli-Palestinian rapprochement flows from the fact that it hosts the highest proportion of Jewish population in Europe.

### **The Great Game Folio: Manohar Parrikar and Ashton B. Carter**

C. Raja Mohan

The Indian Express online, June 02, 2015

Both are under pressure to cope with the challenges of the current fluid power dynamic in Asia.

US Defence Secretary Ashton B. Carter, on his first visit to New Delhi after taking charge, will hold talks with Defence Minister Manohar Parrikar this week. On the face of it, Parrikar and Carter have little in common. The former Goa chief minister is a newcomer to the national stage; Carter's formidable reputation as a leading defence intellectual precedes him. Carter has served as assistant secretary, undersecretary and deputy secretary in the Pentagon since the early 1990s, before becoming the top gun of the US defence department last year. He has taught at Oxford University and the Harvard Kennedy School.

But Carter and Parrikar do share an interest in science and technology. Carter has a PhD in theoretical physics from Oxford. Parrikar has graduated from IIT-Mumbai in metallurgical engineering, run a private business producing hydraulic equipment and is interested in fluid power engineering.

This shared background might come in handy as the two leaders seek to inject fresh life into the Indo-US Defence Technology and Trade Initiative (DTTI). Although it was launched with much fanfare under UPA 2, there has been little progress. Carter, who led the negotiations on the US side when the DTTI was launched in 2012, is acutely conscious of the problems on both sides. If he is eager to impart greater strategic purpose to America's bilateral defence relationship with India, Carter will find Parrikar rather different from his predecessor at South Block — A.K. Antony.

Sea Change

Within a year, the Narendra Modi government brought significant changes to India's defence policy. It has ended the paralysis on arms acquisition and put greater emphasis on creating a defence industrial base. It has encouraged the participation of private and foreign capital in Indian defence production. These initiatives have created a much better policy environment for the DTTI.

Equally important, Parrikar has demonstrated the political will to shake things up in the MoD, which had become acutely sclerotic under Antony's extended reign. Parrikar decisively cut through the bureaucratic logjam on the purchase of Rafale fighters. He has also taken the surgeon's knife to the DRDO. After sacking the DRDO chief earlier, Parrikar has separated the posts of DRDO chief and scientific advisor to the defence minister. For the first time since Indira Gandhi brought a young scientist, V.S. Arunachalam, to head the DRDO in the early 1980s, Parrikar has injected younger blood into leadership positions.

#### Vietnam to Vizag

That Carter is stopping at the Visakhapatnam naval station on his way from Vietnam to Delhi tells us how radically the Asian context for an India-US partnership has changed. Vietnam, which inflicted a humiliating military defeat on the US exactly four decades ago, is now actively seeking stronger defence ties with Washington.

Well until the mid-1980s, Delhi had to constantly deal with Washington's misperception that India had given base facilities to the Soviet Union in Vizag. Today, Carter sees Vizag as the lynchpin of India's "Act East" strategy. Vietnam and India have not given up their security cooperation with Russia after the collapse of the Soviet Union. Even as they buy weapons from Moscow, Delhi and Hanoi see Washington as critical to the new balance of power, a part of their "Russia Plus" strategy amid the rapid rise of Chinese military power. Last January, PM Narendra Modi and US President Barack Obama unveiled a new vision for security cooperation in Asia and the Pacific.

It is now up to Parrikar and Carter to translate that vision into a practical roadmap on a range of areas — from collaboration on aircraft carrier design to coordination of humanitarian assistance and disaster relief, and from joint production of weapons systems to coordination with friends and partners in the Indo-Pacific.

Carter's well-known commitment to deepening defence cooperation with India and Parrikar's determination to recast India's defence structures do set the stage for a rebooting of the India-US strategic partnership. Both are under pressure to cope with the challenges of the current fluid power dynamic in Asia.

(The writer is a distinguished fellow at the Observer Research Foundation and a contributing editor for 'The Indian Express'.)

#### **Chinese Takeaway: Bengal's Bay**

C. Raja Mohan

The Indian Express online, June 09, 2015

India's inward economic orientation and preoccupation with the troubled land borders in the north and northwest resulted in Delhi neglecting its maritime frontiers.

In expanding maritime connectivity and cooperation with Dhaka, Prime Minister Narendra Modi has begun to devote the kind of strategic attention the Bay of Bengal has long deserved. While the waters to India's east have steadily gained salience in China's calculus, New Delhi's interest in the bay has tended to be limited and episodic. For China, the Bay of Bengal is significant for both economic and geopolitical reasons. As China sought to develop its southwestern regions, including Tibet and Yunnan, gaining access to the bay became an important objective.



The Bay of Bengal also funnels China's growing volumes of sea-borne trade with the Middle East, Africa and Europe, in and out of the narrow Straits of Malacca that connect the Indian and Pacific Oceans. The fear of potential threats to its vital sea lines of communication has encouraged Beijing to develop alternative overland transport corridors between the bay and southwestern China through Myanmar. China is also raising its maritime profile in the bay to secure its growing interests in the Indian Ocean.

India's inward economic orientation and preoccupation with the troubled land borders in the north and northwest resulted in Delhi neglecting its maritime frontiers. The Look East policy of the 1990s resulted in Delhi taking a fresh look at the Bay of Bengal. The rapid growth of China's maritime influence in the Indian Ocean has reinforced Delhi's strategic interest in the bay. But there was a problem that persisted — a lot of handwringing over the new geopolitical trends, but too few sensible economic actions. Modi has begun to change that.

#### Blue Economy

In Dhaka, Modi unveiled a number of steps that seek to build on India's natural economic advantages in the Bay of Bengal. One was the agreement to initiate coastal shipping between the two countries. This should help reduce the time and costs involved in moving goods between the two, which currently reach their destination through distant third-country ports.

The agreement is also expected to improve the throughput of the trans-shipment ports in the two countries and reduce the burden on the heavily congested road transportation between India and Bangladesh. If coastal shipping was long overdue, Delhi and Dhaka have agreed to develop a forward-looking agenda for maritime cooperation.

Expressing satisfaction at the resolution of the maritime boundary dispute between the two countries last year, Modi and his counterpart Sheikh Hasina "agreed to work closely on the development of ocean-based Blue Economy and Maritime Cooperation in the Bay of Bengal and chart out ways for future cooperation". India has also agreed to assist Bangladesh in developing its maritime research capabilities through an agreement for collaboration between the National Institute of Oceanography in Goa and the University of Dhaka. Maritime cooperation could be extended eventually to other countries in the littoral, including Myanmar, Thailand, Indonesia and Sri Lanka.

#### Beijing's Banks

Delhi had no reason to frame its cooperation with Dhaka on overland and maritime connectivity in opposition to China. While India has opposed the China-Pakistan economic corridor through PoK, it has been talking to Beijing about similar initiatives in the eastern subcontinent.

Modi and Hasina have made positive references to China's Southern Silk Road initiative. For a couple of years now, officials from India, China, Bangladesh and Myanmar have been studying ways to build on Beijing's proposals to develop connectivity between the four countries. Modi and Hasina expressed confidence that the study group's conclusions would "allow decision-making with regard to several projects envisaged under this framework, particularly the Kolkata-to-Kunming highway project". The two leaders also welcomed the role of the Asian Infrastructure Investment Bank China has set up to promote regional economic integration.

Modi's readiness for regional cooperation with China in partnership with Bangladesh is an important departure from Delhi's foreign policy tradition. In the past, India would object to Beijing's regional initiatives but would offer none of its own. Modi is unveiling a very different approach. He is actively promoting India's bilateral connectivity with neighbours and is open to working with third parties like China, Japan and the US when there is a convergence of interests.

## **China-Myanmar Reset: Suu Kyi in Beijing**

C. Raja Mohan

The Indian Express online, June 14, 2015

If China's stakes in Myanmar are massive and enduring, Suu Kyi can't ignore Myanmar's deep historic ties with China and the logic of geography.

Transfixed by the Indian Army's action against the militant groups at the Myanmar border last week, Delhi has tended to ignore another important event on our eastern frontiers: Aung San Suu Kyi's first ever visit to China.

In rolling out the red carpet for Suu Kyi, Beijing hopes to put its future relations with Myanmar, which have seen much strain in recent years, on secure political foundation. As she comes close to installing her party in power in the elections later this year, Suu Kyi too recognised the need for a practical approach to China.

In Suu Kyi's courageous struggle for democracy in Myanmar since the late 1980s, China was a major part of the problem. When the rest of the world was isolating the military regime that cracked down on the democracy movement, Beijing became the principal external backer for the junta.

From the early 1990s to early 2010s, China's weight and influence in Myanmar grew rapidly even as the hopes for the country's democratisation dimmed. But the limited political reform initiated in 2011 resulted in a quick reversal of China's political fortunes.

Popular protests against two major Chinese infrastructure projects — a hydroelectric dam and a copper mine — led the semi-civilian transitional government in Naypyidaw suspend work on both of them. New Chinese investments in Myanmar have reportedly dipped from nearly \$ 8 billion in 2011 to 500 million to the year ending March 2015.

Political reform was also followed by the significant diversification of Myanmar's foreign relations. Myanmar's new warmth towards the United States and Japan is obviously of some strategic concern for Beijing.

Meanwhile there have been mounting tensions on the Sino-Myanmarese border with Naypyidaw accusing Beijing of supporting the Kokang rebels on their shared frontier.

Beijing is trying to overcome these setbacks in a country that is has long considered China's backyard. It has chosen to intensify the engagement with Myanmar. It has begun to cultivate ties with all the major political formations at the national and regional levels in Myanmar after decades of enjoying the luxury of dealing with the military junta.

Beijing has also reached out to the civil society groups protesting against the Chinese infrastructure projects in Myanmar. As Suu Kyi headed to Beijing last week, it got the Kokang rebels in Myanmar's north to announce a unilateral ceasefire.

Although Suu Kyi is barred from holding high constitutional office, she is bound to wield decisive influence over the government that will emerge out of Myanmar's first democratic elections in quarter of a century. Suu Kyi's party, the National League of Democracy is widely expected to very well in these elections to be held in November. If China's stakes in Myanmar are massive and enduring, Suu Kyi can't ignore Myanmar's deep historic ties with China and the logic of geography. Economic partnership with Beijing will necessarily remain a critical consideration for the next government in Naypyidaw led by the NLD. As Suu Kyi recasts the relations between Myanmar's democratic forces and Beijing, Delhi can't allow the security agenda dominate its ties with Naypyidaw. Although an effective management of the border with Myanmar will remain a high priority for India for the foreseeable future, India has much else to do with Myanmar. India's

economic, political and strategic engagement with Myanmar remains way below potential. Changing that must be as important as chasing militants along and across the vast frontier with Myanmar.

### **Chinese Takeaway: Yoga Diplomacy**

C. Raja Mohan

The Indian Express online, June 23, 2015

The impressive participation around the world on International Yoga Day is indeed a testimony to India's immense reservoir of soft power.

The impressive participation around the world on International Yoga Day is indeed a testimony to India's immense reservoir of soft power. In his energetic engagement with world leaders, Prime Minister Narendra Modi has put a special emphasis on cultural diplomacy. Modi should, however, remember that India's soft power has the greatest impact when official New Delhi keeps its heavy hand away from it.

India is not new to cultural diplomacy. India's self-discovery of its rich cultural heritage and its global reach played an important role in shaping its modern nationalism. Its civilisational riches attracted artists, writers and philosophers from far and wide. India's first PM Jawaharlal Nehru was quick to recognise the value of cultural diplomacy. He and Abul Kalam Azad, who was minister of education in Nehru's first cabinet, set up the Indian Council for Cultural Relations in 1950. The ICCR has done much since to showcase India's civilisational heritage.

Rajiv Gandhi gave a new momentum to India's cultural diplomacy when he launched the festivals of India around the world. Amid India's globalisation and the intensification of its global footprint since the 1990s, there has been growing popular interest in India's culture — from yoga to cuisine and from Bollywood to contemporary art. The economic success of the Indian diaspora, especially in the developed Western world, has tended to boost India's soft power.

Thanks to the significant economic expansion in the middle of the last decade, the UPA government began to devote more resources to India's cultural outreach and public diplomacy. The resource crunch in the latter part of the decade has, however, tended to squeeze those initiatives.

### **Beijing Model**

As Modi imparts a fresh momentum to India's cultural diplomacy, Delhi could learn a set of useful dos and don'ts from China's massive cultural diplomacy over the last decade. As one of the oldest continuing civilisations, China has always had much to offer other societies. Chinese statecraft, which dates back two millennia, has a deep understanding of what we now call "soft power". Mao's Cultural Revolution, however, broke that tradition by attacking the very symbols of Chinese civilisation. His successors have now put culture back at the centre of China's international relations. Making China a "global cultural superpower" is now the avowed aim of the Chinese Communist Party.

As China raced to become one of the leading economies, cultural diplomacy became an important complement to Beijing's "go out" strategy. Over the last decade, Xinhua, once the classic example of a "staid socialist news agency", acquired global reach and influence. China's state-owned CCTV network launched international TV channels in English, French, Spanish, Arabic and Russian. Beijing has also set up nearly 500 Confucius Centres to teach Mandarin and present Chinese culture to international audiences. China is supposed to spend close to \$10 billion on external propaganda, nearly 15 times larger than the US State Department's "public diplomacy".

Yet, the returns on Chinese investments have been meagre. International surveys show a decline in positive sentiment about China over the last decade. Communist China inspires awe, but not much

love. Western nations continue to lead the charts on soft power. Put simply, it's not easy to translate soft power potential into policy gains.

#### Soft Power Limits

Unlike hard power, which encompasses military and economic means, soft power is about culture and values. Harvard professor Joseph Nye, who popularised the term "soft power" nearly a quarter of a century ago, defines it as "the ability to get what you want through attraction rather than coercion or payments."

Governments can easily leverage the instruments of hard power. But soft power, which emanates from deep societal structures, is rather intangible. To be sure, there are things that the government of India can do — ranging from visa liberalisation to nurturing the nation's rich heritage and modernising its cultural infrastructure. But Delhi should learn to stay out of the business of "promoting" it. Much like propaganda, which works best when it's not seen as such, soft power strategies are most effective when they are subtle and indirect.

#### **The Great Game Folio: Chinese Submarines**

C. Raja Mohan

The Indian Express online, June 30, 2015

The Chinese navy first showed its flag in the Indian Ocean nearly three decades ago, when it began to make ship visits to Sri Lanka and Pakistan.

Reports that the docking of a Chinese submarine at Karachi last month has surprised New Delhi are distressing. One would have thought Delhi would have anticipated the development after it sighted Chinese submarines in Sri Lanka's waters last year. Despite the growing strategic importance of the Indian Ocean in China's maritime strategy, Delhi's defence bureaucracy seems to continue to wring its hands rather than act.

The Chinese navy first showed its flag in the Indian Ocean nearly three decades ago, when it began to make ship visits to Sri Lanka and Pakistan. Since then, the frequency and intensity of Chinese naval presence in the Indian Ocean has grown. The Chinese navy's continuous anti-piracy operations in the Arabian Sea since the end of 2008 have showcased Beijing's growing naval capabilities as well as the political will to operate in waters far from its shores. Defending China's growing overseas interests has become a major priority for the PLA.

China has also begun to debate the challenges of acquiring military and naval bases in other countries, especially in the Indian Ocean. As part of its "going out" strategy, the PLA navy has begun to build strategic partnerships in the Indian Ocean, cultivate access arrangements with critically located countries, export ships and submarines, and intensify its defence diplomacy in the littoral.

#### Alarmists, Apologists

The idea of a Chinese network of naval facilities and bases in the Indian Ocean, or a "string of pearls", is often invoked by those in Delhi who fear Beijing's hostile intentions. Others taking a more benign view of China's policies ridicule the idea.

Ignoring the alarmists and apologists, Delhi must take a more realistic view of China's long-term role in the Indian Ocean. China has ambitions to become a great maritime power. It is building the capabilities and devising policies to become one. A rising China is bound to establish a sustainable naval presence in the Indian Ocean. The question is not whether, but when and how.

There is nothing illegal about China's aspirations. Beijing is following the footsteps of all previous great powers — Portugal, the Netherlands, France, Britain and the US — that established a naval

presence in the Indian Ocean over the last five centuries. One factor, however, constrains Chinese military presence in the Indian Ocean. It is the tyranny of geography. Long distances from China's eastern seaboard make an effective presence in the Indian Ocean difficult for China without strong local partners. Although China is exploring special maritime relationships with many nations across the Indian Ocean, Pakistan remains the most likely place where its navy may drop anchor for the long term.

The stable all-weather partnership built up over the last many decades, Pakistan's critical location in the Arabian Sea next to the Gulf, and Islamabad's growing economic reliance on China, appear to have set the stage for an expansive naval partnership.

#### Delhi's Ambivalence

India paid a high price for failing to anticipate the Sino-Pak nuclear nexus in the 1970s and 1980s. It is erring again by neglecting the potential for a maritime alliance between China and Pakistan that could severely constrain India's freedom of action in the Indian Ocean.

The problem is not China's naval ambition, but the ministry of defence's reluctance to craft a vigorous response. For his part, Prime Minister Narendra Modi has underlined the importance of working with other powers in strengthening India's critical role in the Indian Ocean. But the defence ministry seems unable or unwilling to translate that vision into policy. Consider, for example, its hesitation to hold trilateral and quadrilateral naval exercises in the Indian Ocean with its maritime partners — the US, Japan and Australia. While Beijing pays no heed to India's concerns in pursuing its maritime interests, the MoD cites Chinese sensitivities to limit India's naval engagement with America and Japan. One would think diplomacy is the MEA's business and that the MoD's is to strengthen Delhi's naval partnerships, probe China's maritime vulnerabilities and build on India's geographic advantages in the littoral. The NDA may have replaced the UPA in South Block, but strategic paralysis — the legacy of A.K. Antony's eight long years as defence minister — seems to endure.

#### **Why India must pay attention to China's defence plans**

Srikanth Kondapalli

Rediff.com, June 02, 2015

In the case of India, there are no specific references in China's white paper. However, there are several takeaways for India, says Srikanth Kondapalli.

China released its 9th White Paper on defence issues recently. These have been issued in alternate years since 1998, although it had called the latest paper as the first such paper on 'China's military strategy'.

Many of the paper's positions are well known and sometimes have been repeated from the previous papers. However, one major direction of the paper signifies that China is contesting the United States global and regional dominance by openly advocating 'protection of its interests abroad' -- a phrase frequently seen in US documents.

Firstly, as the major beneficiary of globalisation process by which today China had become the 2nd largest economy in the world and largest trading partner for 128 countries, it realises that it is invariably tied to the global economy. Yet, in the light of the United States' global dominance, China's challenge is to create a niche for itself, without at the same time becoming a target of the US bipolar ire that cost the Soviet Union dearly. The white paper made it clear on this issue thus: "International competition for the redistribution of power, rights and interests is tending to intensify".

China's recent initiatives on the Silk Road and Asian Infrastructure Investment Bank and others make it clear that today the country is knocking at the gates of international levers of power. This is a signal that the current leadership in China is moving away from Deng Xiaoping's dictum of "taoguang yanghui" [keeping a low profile] to exhibiting capabilities. China realizes it is facing "increasing external impediments and challenges" and yet it wants to expand its global and regional imprint.

At times, China also had revised its fear of domestic democratisation issues by accusing others of 'instigating a colour revolution' -- referring to the phenomenon in Kyrgyzstan, Ukraine and Myanmar in the 1990s.

More critical are the targets outlined for the armed forces of the country. This is a clear indication where the armed forces of China are tasked to play a crucial role in projecting power. With an estimated official defence allocations of over \$142 billion (but could be more than double these figures), China is clearly nudging its armed forces to play bigger role.

The white paper is unequivocal on this count. It orders "the armed forces will ...effectively secure China's overseas interests." The armed forces will "safeguard China's security and interests in new domains" and "maintain regional and world peace".

With more than half of the economy of China now dependent on exports and imports mainly coming from the seas, the naval forces are now ordered to "protect the security of strategic sea lines of communication and overseas interests". As a power projection force --as the previous 2012 white paper acknowledged -- the naval forces are now singled out for strategic and global missions with increased outlays.

Not only will the country's navy operate expeditionary forces henceforth but also contribute to the maritime might of the country. China's two ocean strategy -- in the Pacific and the Indian Oceans -- forward bases in the South China Sea, Arabian Sea and in the Gulf of Aden will provide the navy with power projection in addition to the hardware it is acquiring recently.

Another major thrust of China is in the cyber and space domains -- clearly an issue that has raised concerns in the world today. While the air force of the country will restructure to include space missions the country is making efforts to "secure its space assets". China is also all set to establish cyber forces.

In the case of India, there are no specific references in this white paper. However, there are several takeaways for India. Both land territorial and oceanic security issues were raised in the white paper. India and Bhutan are the only two land neighbours with which China had not resolved its territorial dispute, despite over three decades of talks. Referring to the periodic transgressions on the borders and the ensuing security issues, despite the recent arrangements on confidence building measures, the white paper cautions China's military that "Certain disputes over land territory are still smouldering."

Here the white paper's injunctions to the country's army to conduct swift pan-theatre mobilisation of troops suggests that China had not given up the option of using force in one way or the other to resolve its territorial disputes.

After 19 naval contingents sent to the Gulf of Aden since 2008, and the successful evacuation of Chinese nationals from war-torn Egypt, Libya, Syria and Yemen recently, China today feels confident in "open seas protection" in the Indian Ocean region as well. While China still lacks tactical air support and assured logistics supplies in sustaining naval operations in the region, the country had major strides in exploring bases abroad such as plans for Gwadar and Hambantota and planning to build four more aircraft carriers. India then needs to watch these twin developments on the borders as well as in the oceanic domain.

More uncertainty is to prevail in the nuclear domain. While India has now been engaged in low-key level discussions on this issue with Beijing, China through this white paper suggests that it is going to enhance its nuclear deterrence capabilities.

India also needs to learn from the higher command-led reorganisation process being undertaken in China, specifically demobilisation of support troops, modularisation and jointness between armed services. For, while China demobilised its troops ten times so far and reduced infantry and support troops so as to make the forces lean and mean, India never attempted such efforts.

(Srikanth Kondapalli is professor in Chinese Studies at Jawaharlal Nehru University, New Delhi.)

### **BRICS Summit: Opportunities for India, Russia and China**

Srikanth Kondapalli

Rediff.com, June 30, 2015

Srikanth Kondapalli on what to expect from the seventh BRICS summit meeting to be held in Russia in July.

The seventh BRICS Summit is to be held at Ufa in Russia on July 9-10. As the rotating chair of the event -- in addition to the Shanghai Cooperation Organisation meeting which will also be held at the same venue -- Russia had been making active preparations since early 2015.

For Russia, the meeting is provides an opportunity to display diplomatic skills in projecting its image specifically when it appeared to have been isolated following the Ukrainian developments. Its economic growth seems to be faltering with the sanctions imposed by the European Union, its energy exports are dwindling as is its currency.

With restrictions imposed on its assets in Europe, Russia is looking for a way out of this isolationism. It has had tie-ups with China in the energy field as well as on the currency issue. Russia and China have stepped up their relations as exhibited in the \$400 billion gas supply deal in May 2014; plan to build a new \$300 billion high-speed railway between Beijing and Moscow; Russia joining the Chinese-proposed Asian Infrastructure Investment Bank and the October 13, 2014, currency swap deal worth \$24.4 billion. Russia is also coordinating with China in the infrastructure projects, although Moscow is wary of the spreading Chinese influence in Central Asia and others.

In this backdrop, the Russian priorities are multifarious. Firstly, as the Russian President Vladimir Putin stated in March, BRICS has 'consistently advocated' peaceful settlements in international conflicts and "condemned any attempts on the use of force and interference in the internal affairs of sovereign states." The most effective use of the five-nation economic bloc would be to "improve security and stability in the world." "That will be the focus during Russia's presidency in BRICS," the Russian leader emphasised. This could bring Russia into the limelight.

Secondly, strengthening economic partnerships was mentioned by the Russian side. These include free trade agreement proposals of the Eurasian Economic Union -- of which Russia, Kazakhstan, Belarus, Armenia are currently members, with Vietnam, Tajikistan, India and China likely to join.

Russia is also concerned about the rouble stabilisation. At the BRICS Business Forum meeting at the sidelines of the St Petersburg International Economic Forum held in June, first deputy minister of economic development of the Russian Federation Alexei Likhachev stated that one priority of Russia's BRICS presidency is to develop an economic partnership strategy for the BRICS countries.

This partnership strategy identifies areas of growth and designates targets and targeted sectors that will become our development priorities. According to him, another important goal for the BRICS governments is the removal of barriers to trade in services and investment

Thirdly, as a major priority, launch of the BRICS New Development Bank. Russia became the first of the BRICS partners to ratify the NDB in March. It had already allocated funds in the federal budget for 2015. Russia is supposed to contribute \$2 billion during seven years.

Fourthly, the BRICS may see expansion plan. Russian Deputy Finance Minister Sergey Storchak in May 2015 had invited Greece to be the 6th member of the New Development Bank. Greek Energy Minister Panagiotis Lafazanis stated that his country is likely to join as an equal partner of the NDB.

Fifthly, a new parliamentary assembly of the BRICS countries is likely to be established. While the BRICS so far had been focusing on economic and international security issues, this could add another feature to the BRICS -- on the line of the parliamentary assembly of the council of Europe.

In this connection, Russian State Duma Speaker Sergei Naryshkin visited New Delhi in February. Later China's National People's Congress Standing Committee Chairman Zhang Dejiang visited Delhi in June. BRICS held its first ever parliamentarians forum in Moscow on June 8.

Sixthly, the first working meeting of BRICS ministers of culture was held in Moscow in June 2015. According to Minister of Culture Vladimir Medinsky, the agreement at this meeting is for "expanding our citizens' access to each other's cultures and developing horizontal ties between our cultural institutions". This is to be ratified at Ufa meeting.

Seventhly, the 9th India-South Africa ministerial conference in Durban in May decided to issue multiple entry business visas for longer periods and the exploration of the proposal to introduce a BRICS business travel card. This is likely to be adopted in Ufa. Proposed at the 5th BRICS meeting at Durban, the card's goal is to simplify different kinds of visas as it proposes five-year validity with multiple entries to all BRICS countries.

In addition, the 7th BRICS summit is likely provide China with more opportunities. China's engagement with the other BRICS countries is expanding substantially. Brazil exported 5.4 million tonnes of oil to China from January to May, 2015 accounting for 35 per cent of Brazil's total oil exports in the same period.

During Premier Li Keqiang's visit to Brazil, a \$10 billion in Chinese credit to Brazilian oil giant Petrobras was signed. Sino-Brazilian trade value amounted to \$86.67 billion in 2014 -- making China Brazil's largest trading partner since 2009.

Overall, President Xi Jinping had announced \$250 billion in investment in South America, including the \$10 billion 3,300-mile hi-speed railway from Acu near Rio de Janeiro to the Peruvian coast through the Amazon and Andes.

In Africa, China also has grand plans -- including the \$13 billion 875-mile railroad in Nigeria; \$3.8 billion 500-mile rail linking Nairobi and Mombasa; \$4 billion 460-mile rail linking Addis Ababa and Djibouti and \$5.6 billion 850-mile rail lines in Chad.

With India, China had made major moves recently. During President Xi Jinping's visit to New Delhi last September, \$20 billion in investments was announced for the next five years.

Subsequently, during PM Narendra Modi's visit to China, a total of \$32 billion were signed with the government as well as business groups, although President Xi's April 2015 announcement of \$45 billion for the China-Pakistan Economic Corridor is resented by the Indian side due to the Kashmir issue.

### **China's artificial island is a matter of concern**

Monika Chansoria

The Sunday Guardian online, June 20, 2015



Fiery Cross Reef, which is part of the Spratly Islands, can now be put to use for military operations.

The momentum and extent of land reclamation undertaken by China around rock reefs in South China Sea's Spratly Islands have caused strategic reverberations across Asia — casting an ominous shadow on the existential stability of the region. Beijing has managed to construct an artificial island in the South China Sea over the course of 2014 and continuing still, thereby causing tensions to rise. The sea remains disputed, with Chinese claims being heavily contested by nations including Malaysia, Vietnam, Brunei, Taiwan, and the Philippines.

The Fiery Cross Reef (part of the Spratly Islands) that was virtually untouched by man-made structures until March 2014, has been transformed into an artificial island exactly in a year's time (March 2015). Satellite images reveal that the first section of this artificial creation has a landing strip, and the 3 km runway constructed by China can be put to use for out-and-out military operations. Additionally, building work in the nearby Subi Reef could potentially create space for yet another 3 km airstrip. More recent aerial surveillance images further show a flotilla of Chinese vessels tasked with land-dredging activities, creating ports and battlements in the region — amounting to it becoming, perhaps, the biggest "reclamation project" — a reported 800 hectares of submerged reef converted into dry land.

These perilous developments are undoubtedly a blatant and provocative move by China to unilaterally alter the status quo in the area and shall radically alter the regional balance of military power. The energy-rich sea lanes in the South China Sea, where more than £3.3 trillion worth of trade passes annually, are more likely susceptible in the eventual possibility of this artificial island being converted by China into a full-fledged military base.

In his just concluded US visit, General Fan Changlong, vice chairman of China's most powerful military and defence body, the Central Military Commission, chose to trivialise concerns raised none other than by Secretary of Defense, Ashton Carter, urging Beijing to stop building artificial islands in the disputed waters of the South China Sea. The Chinese argument has always targeted US' involvement in the South China Sea with Fan stating that "...South China Sea issue is but an interlude in Sino-US relations". Arguing that China had the "right to establish military facilities on its sovereign territories", Fan circumvented and deftly chose to link the entire issue to "Chinese sovereignty" — much in sync with President Xi Jinping's affirmation of remaining "... strongly committed to safeguarding the country's sovereignty and defending territorial integrity". Apparently, Fan Changlong is the senior most Chinese military leader to visit Washington since Xi Jinping took over China's leadership.

Tensions have been rife in the backdrop of the G7 Summit declaration, which stated, "...concerned by tensions in the East and South China Seas ... we underline ... unimpeded lawful use of the world's oceans ... and strongly oppose the use of intimidation, coercion or force, as well as any unilateral actions that seek to change the status quo, such as large scale land reclamation." Warning that "no foreign country should intervene in the land reclamation" around islands and reefs of the Nansha Islands, the Chinese Foreign Ministry reiterated that it falls within its sovereignty and derided the G7 group.

Sovereignty, in fact, remains the very basic underpinning to the concept to nationalism. The Chinese government seems to be walking on a tightrope on the issue of popular nationalism, recognising it both as a probable burden as well as a source of strength for the Chinese Communist Party. Demonstrations of nationalist sentiment have proven beneficial when the Chinese government and the Party intend displaying resolve on an issue. By virtue of taking on less embodied forms, sovereignty in the age of nationalism has manifested in assertions of states' claiming monopoly within a delimited territory. China appears to be justifying its key tool of military assertiveness backed by economic might to redefine land and maritime boundaries, in the garb of "popular

sovereignty" — in which, the very inherent notions of sovereignty become intertwined with the nationalist sentiment.

In what appears an indicative method to rein in mistrust, Li Haidong at China Foreign Affairs University told state-run Global Times that "Fan's visit gave both countries a chance to ... rethink the situation ... both countries' political and military elites to manage the differences ..." This barely appears practically feasible in any sense, in that the capability of the People's Liberation Army will be notched up by means of creating these artificial islands in the South China Sea. Beijing shall now project its air and naval power through these facilities to achieve coercive outcomes territorially, and simultaneously attempt at marginalising the apprehension of being overwhelmed by any regional mechanism that works outside the periphery of Chinese dominance and influence.

(Monika Chansoria is a Senior Fellow at the Centre for Land Warfare Studies, New Delhi.)

### **Book Review:**

The following book should be a must for all those who want to try to understand India's foreign policy under the NDA-government

### **Modi's World: Expanding India's Sphere of Influence**

Shyam Saran

The Indian Express online, June 19, 2015

Title: Modi's World: Expanding India's Sphere of Influence

Author: C Raja Mohan

A sharp analysis of India's challenges in navigating a rapidly transforming regional and international landscape under Narendra Modi.

C Raja Mohan is undoubtedly one of India's highly respected foreign policy analysts and commentators. He thinks strategically, is able to focus on key trends and his assessments tend to be reasoned and balanced. His latest book, *Modi's World*, is a most useful commentary on foreign policy under India's new Prime Minister, noting the continuities with the past, but significant departures as well. The various chapters of the book treat different aspects of India's foreign policy, in particular, the relationship with the sub-continental neighbours, the evolution of ties with US, China and Pakistan, the re-connecting with Asia and the increasing salience of the island states of the Indian Ocean as part of India's maritime strategy. There is a cogent stage-setting introductory chapter. A historical perspective is provided in the chapter 'An Ambivalent Legacy'. The rest are based on the popular columns that Raja Mohan writes for The Indian Express, but the final chapter, 'India as a Leading Power', spells out what ought to be India's role in a rapidly changing regional and international landscape and how India must order its external relations and foreign policy posture so as to advance its interests and expand its circle of influence as a confident, energetic and leading power.

Raja Mohan gives high marks to Modi for pursuing "enlightened self-interest", unencumbered by ideological preferences or prejudices of the past. In reaching out to India's neighbours, in seeking to harness China's capital and infrastructural capabilities for India's own development, the pragmatic alignment with the US despite a personally painful legacy of visa denial, the shedding of inhibitions in forging closer political, economic and security partnerships with Japan, Australia and Israel and a more pragmatic and flexible approach to multilateral institutions and processes, Modi's performance receives an unambiguous thumbs-up.

Raja Mohan divides India's contemporary diplomatic history into three phases, one extending from the country's independence in 1947 to 1990, which he labels the "first republic". The "second

republic” coincides with the end of the Cold War, India’s economic reform and liberalisation and the significant transformation in India’s relations with the US. He sees it concluding with Modi’s assumption of the office of the prime minister in 2014, which could mark the dawn of India’s “third republic”. While there are the usual caveats about whether the Prime Minister would really be able to bend an inertia-bound bureaucracy and a reluctant political class to his will, the author is, on balance, more than optimistic: “Yet, it is worth noting, the reorientation of India’s international role might well have acquired an irreversible momentum under Narendra Modi”.

One shares several perspectives put forward by Raja Mohan. Modi has been extraordinarily energetic and focused in the pursuit of what he believes are India’s vital interests. There are three priorities in his foreign policy which stand out — management of India’s sub-continental neighbourhood, the over-riding priority to safeguard and promote India’s economic interests and elevating the engagement with the Indian diaspora as a significant diplomatic objective. In addition, Modi has embraced “multi-alignment” as against non-alignment, strengthening relations with each major power and leveraging them to then upgrade relations with other major powers. This is a departure from the often defensive and ambivalent posture adopted by India in the past, which saw a partial revival in UPA-II. However, one must acknowledge that the departure we witness is mostly perceptual as of now. Unless this is followed by structural changes that are long overdue, and, most importantly, unless the economy regains and sustains a high growth trajectory, positive perceptions may evaporate very quickly. We have seen this happen before. Raja Mohan himself acknowledges that the lack of delivery and follow-up continue to erode India’s credibility among both its friends and adversaries.

Raja Mohan credits Modi for initiating major departures in India’s foreign policy, but, at various points, he also acknowledges that the Prime Minister is treading on paths marked out by his Congress and non-Congress predecessors. One may credit Modi with more energetic diplomacy, but he has wisely recognised the logic of the continuities that mark India’s foreign policy, even if this entails, as it has in the case of the Indo-US nuclear deal and the India-Bangladesh Land Boundary Agreement, jettisoning his own party’s opposition in the past. He has persisted with the now longstanding “walking on two legs” policy of engaging China even while confronting its threats to our security. He has also been unsuccessful, like his predecessors, in turning around India-Pakistan relations. Perhaps, I see more continuity and less departure than he does.

On India’s relations with the US, Raja Mohan blames what he sees as a visceral anti-Americanism in the Indian political class and the bureaucracy in the past, which he believes still lingers on in South Block. He fails to mention that the US was, for most of the Cold War years, deliberately and systematically targeting India. Kissinger was relentless in his pleas to his new-found Chinese friends in 1971 to attack India so as to relieve pressure on Pakistan. History must not become a millstone round our necks and prevent us from pursuing a promising, productive strategic partnership with the US, but we must not deny history and neglect its lessons.

I agree with Raja Mohan that we must move away from the non-aligned mindset of the past, certainly in its defensive and anti-West mode. However, I do not believe that “strategic autonomy” too must be abandoned as a negative mindset. Every country pursues strategic autonomy, which is the capacity to take relatively autonomous decisions on issues of vital interest to the country. Despite occasional stumbles, India has consistently sought to expand its strategic space by increasing its options. As the book itself acknowledges, Indira Gandhi intervened to help create Bangladesh in 1971 and incorporated Sikkim in 1975. Narasimha Rao transformed a crisis into an opportunity, helping India navigate the dramatically altered landscape in the post-Cold War world of the 1990s. Vajpayee, who described the US as a “natural ally”, was wise enough not to send Indian troops to fight America’s war in Iraq in 2003. And Manmohan Singh’s success, against heavy odds, in delivering the Civil Nuclear Agreement with the US and getting the waiver from the Nuclear Suppliers Group has been a game changer. This record on foreign policy of what Raja Mohan calls the first and second

republics, does not square with the somewhat sweeping charge of “perverse diplomatic culture of negotiating against India’s long-term interests”.

Despite some debatable propositions, Raja Mohan has delivered an excellent overview of India’s recent diplomatic history. He provides a context in which the country’s foreign policy and action should be judged and spells out, with clarity, Modi’s fresh initiatives and new points of emphasis. He is right that India under Modi is at an inflection point, full of promise, though scepticism is warranted on some counts. This is a book well worth reading for the sharpness of its analysis and the careful articulation of India’s challenges in navigating a rapidly transforming regional and international landscape.