



INDIA AND SOUTH ASIA: APRIL 2016 DOSSIER

The April 2016 Dossier provides insights into a range of domestic and foreign policy developments in India as well as in the wider region. These include an analysis of the major challenges India is currently facing, the multi-faceted contests in Tamil Nadu, the 13th India-EU Summit, PM Modi's visit to Saudi Arabia, India's Foreign Minister visit to Iran, an assessment of the status quo in India – Pakistan relations, and the visit of the President of Maldives to India.

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Part I India - Domestic developments

Synopsis

Dr. Klaus Voll highlights some of the major challenges that India is currently facing.

He also gives an overview of the political landscape on the eve of the state elections in Tamil Nadu. The results there, in Kerala, Poducherry, West Bengal and Assam will be analyzed in the May Dossier 2016.

The domestic scene in India

Even long-standing observers can get confused while trying to understand the major trends and challenges of Indian politics and the society. Here are some important topics, although the corruption charges in the *Agusta Helicopter* scandal and the ongoings in Uttarakhand – President's Rule etc., have not been tackled:

Drought

India is currently facing a severe drought, which has affected at least 246 districts in 10 states. It is a drought of nearly „*biblical*“ dimensions, in some parts with up to four failed consecutive crops. Hundreds of thousands of people, especially desperate farmers from Marathwada and Vidharba in Maharashtra and Bundelkhand in Uttar Pradesh, leave their villages for the big cities.

The forests in the Himalayan foothills of Gharwal and Kumaon in Uttarakhand with India's highest mountains are burning on a large scale, due to lack of rains, careless civil behaviour and allegedly deliberate attempts by the „*forest and builder mafias*.“ Belatedly helicopters with water tanks have been fighting the menace and much delayed rains have contributed to keep this problem under control.

„*Water wars*“ are potentially in the offing. Water trains are reaching Latur in Maharashtra to provide drinking water for the population. Another two months without rains could lead to an exodus of about half a million people to Mumbai and other major cities in Maharashtra with about a population of 120 million people, approximately the size of Mexico, according to Prithviraj Chavan, who has been the Congress Chief Minister from 2010 till 2014.

Maharashtra contributes with about 9.5 % of India's population to approximately 16% of its GDP. Chavan, a learned engineer, doubts, if the political class as a whole is capable to tackle the water crisis in Maharashtra, which constitutes its biggest challenge. Therefore hard decisions are in his opinion required.

In the land of politically influential '*sugar-barons*', drip-irrigation for sugar-plantations – on the basis of existing Indo-Israeli expertise – should be obligatory, also the use of pipes, in order to avoid the squandering of the increasingly precious water resources. No new dams – a source of corruption – should be started and only those already finished upto 75% should be completed. But there will be political resistance, according to Chavan.

Confronted with climate change, water should be preserved as much as possible and not flow unabated into the ocean. There are no real costs for water and electricity for consumers in Maharashtra.

A massive reforestation is required. Earlier massive programmes got stalled as a result of years of droughts.

Chavan assumes, that the political class is not in a position and not willing to take hard decisions. „*Politicians across party-lines would rather hope for the next good monsoon and are not thinking long-term.*“

Personality Cult and political discourse

The BJP is contributing to the evident personality cult around Prime Minister Modi, who is himself tremendously active. Parliamentary Affairs and Urban Development Minister Venkaiah Naidu called him „*a gift of god*“ and „*a Messiah*.“ All this happens in a loaded atmosphere of „*hyper-nationalism, where intimidation of political opponents is decentralised by the government to the local thug*“, according to Arun Shourie, a former BJP cabinet minister as well as erstwhile Modi supporter and now a strong critic.

India is certainly in a fundamental transition. In this process, the traditional political culture is in jeopardy, leading to such statements like describing the Prime Minister – because of his Pakistan-policy – as „*an ISI agent*“, so the Chief Minister of Delhi, Arvind Kejriwal, who has been also at the receiving end of outbursts by Modi.

It is disturbing, that the political establishment is not any more practising the erstwhile consensus in matters of foreign policy.

Congress in disarray?

Rahul Gandhi has to profile himself „*as a potential alternative Prime Minister and develop a comprehensive expertise*“, according to Prithviraj Chavan. It is still uncertain, when Rahul Gandhi will take over as Congress President. Allegedly there is a „*Vision Paper for India*“ in the making, laying the foundations for a transition of power within the '*grand old party*', according to Pryanka Chaturvedi, one of the spokespersons of the Congress. It is expected that younger Congress politicians would then come under Rahul Gandhi's leadership into positions of power, but also experienced older ones would be integrated into his team.

Banking crisis in the offing?

The current government has inherited a more than difficult situation in the banking sector, with so-called tremendous *Non-Performing Assets* (NPA'S) particularly with Public Sector banks. Many of these loans – like given to the fugitive Vijay Mallya, called the '*King of good times*' with a *Playboy*-lifestyle and head of the defunct *Kingfisher Airlines* and a brewery imperium, reveal manifest symptoms of *crony capitalism*.

According to Arun Shourie, who even was considered to become the finance minister in 2014, the banking crisis has worsened. „*It is irresponsible not to tackle this problem. Modi has failed not to tackle the tax problem. He is a big disappointment and a big opportunity has been lost.*“

Shourie showed skepticism with regard to economic figures presented by the government. He urged to scrutinize each figure. In his opinion the economy is badly guided. „*There are only announcements.*“ In this context, Shourie reminded about the huge difference between intentions to invest during the *Vibrant Gujarat*-conferences and actual investments.“

Chavan argued with special reference to Maharashtra with Mumbai as the financial capital of India, that if the banking-crisis is not getting solved, this could lead to an economic down-turn and – together with the current water-crisis – could scare off investors.

Multi-cornered contest in Tamil Nadu

The state election in Tamil Nadu takes place simultaneously with the one in Kerala on the 16th of May 2016.

A short retrospective:

Tamil Nadu is traditionally since decades in the hands of the Dravidian parties All India Anna Dravida Munnetra Kazhagam (AIADMK) and Dravida Munnetra Kazhagam (DMK), which combined control about 60 to 70% of the votes. Smaller parties, including the weak Congress, are allying with them in different elections.

The state election in 2011 and also the *Lok Sabha* election in 2014 have been won clearly by the AIADMK under the leadership of Jayalalitha, the now outgoing Chief Minister. Will this successful wave continue under this charismatic politician – who is facing massive corruption charges and is waiting for a final judgement by the *Supreme Court* – or has she to fear a reduced majority, perhaps even the loss of power?

Is the power monopoly of the AIADMK and DMK gradually questioned? Are there other fronts emerging, which could – with a chance of success – change these conditions or is the party system getting more fragmented in Tamil Nadu? Jayalalitha met representatives of 7 smaller parties, DMK-crown prince Stalin even 20.

The *Lok Sabha* election in 2014 indicated already a certain, yet not fundamental change of these basic conditions, because the BJP/NDA – which then formed a third front – reached a vote share of 18.5% and won two seats.

The competitors

The popular actor Vijayakanth leads the DMDK and is this time not aligning with any of the Dravidian parties – irrespective of the intensive wooing by the DMK, allegedly with money and *Rajya Sabha*-seat offers. The AIADMK is content, that the DMDK did not join the alliance of DMK and Congress, thereby potentially drawing votes away from it.

The DMDK – in 2014 a part of the NDA – raised the condition for remaining in it, that Vijayakanth would be projected as candidate for the office of Chief Minister, which the BJP did not concede.

After this, the DMDK – which in 2011 in alliance with the AIADMK advanced as the second strongest political force in Tamil Nadu – intended to go it alone, although it had then only a vote-share than slightly less than 10%.

But then the DMDK allied itself – for many very surprisingly – with the Vaiko-led Marunalarchi DMK (MDMK) and its *People's Welfare Front* (PWF), to which, besides the MDMK, the two communist parties and the Dalit-party *Vuduthalai Chiruthaigal Katchi* are belonging. About 21% of Tamil Nadu's population are *Dalits*, who are still extremely discriminated.

This alliance – in case of a victory – wants to install Vijayakanth as Chief Minister. Does this alliance have the potential to become a „*third pole*“ in Tamil Nadu or will it indirectly strengthen the AIADMK or even end up as a flop?

Experts assume, that Vijayakanth – who dreams to become '*king*' himself, could at best under certain conditions become a kind of '*king-maker*'. He could become an advantage for bigger allies, but not for himself.

There are now 5 different formations battling for power in the upcoming elections. The AIADMK woos some very small parties. DMK and Congress are forming another front besides the MDMK/PW-front, whereas the Pattali Makkal Katchi (PMK) – primarily appealing to certain backward castes – and the BJP – in alliance with smaller parties like the *Indian People's Party* (IPP), the *New Justice Party* (NJP) and the *Indhiya Janannayaka Katchi* (IJK) – are going it alone.

The NDA-alliance of 2014 disintegrated. The BJP lacks organizational strength, ideological influence and prominent leaders in Tamil Nadu, in order to challenge successfully the prevailing political formula of the self-assertion of 'backward castes' and a cultural *Dravidian* sub-nationalism.

The medical doctor Anbumani Ramadoss – a former Union-Minister – leads the PMK and is strong in the Vanniyar-heartland in northern Tamil Nadu. The PMK projects Ramadoss as its candidate for the office of chief minister.

The debut of the Owaisi-led *All India Majlis-e-Ittehadul Muslimeen* (AIMIM) – a sharp opponent of 'Hindu nationalism' while propagating unity between Muslims and Dalits - will most probably lead to no results.

Perspectives

Opinion polls still see the AIADMK ahead. But many voters complain about a lack of 'governance' by Jayalalitha in the last five years, manifesting itself in dealing with the flood situation in Chennai and other cities at the end of 2015. The DMK criticizes, that Jayalalitha is not accessible, others speak about her alleged health problems.

The DMK, although largely reduced to a 'family enterprise', is a well-organized party, which survived nearly two decades in opposition in the last quarter of the 20th century, before coming back to power. But the DMK has not been capable to solve the succession of the five-time Chief Minister M. Karunanidhi, who – being bound to a wheel-chair - is projected again with his 93 years as a candidate for the post of Chief Minister.

Tamil Nadu, irrespective of its industrial basis, is – according to a study – the most corrupt Indian state. It is to be seen, if this will lead amongst other factors to a mood change in parts of the electorate and will gradually question the great charisma of 'Amma' Jayalalitha. Jayalalitha – who is seemingly enjoying and supporting the immense personality cult vis-a-vis her – banks on a tremendous populism with costly welfare schemes, like the popular and extremely cheap 'Amma'-eateries etc.

It will be interesting to observe, if the division of roles between the AIADMK and DMK will continue or if other political forces like the BJP - „inspired“ by the success of Mamata Bannerjee in the erstwhile communist bastion of West Bengal, so the Tamil Nadu in-charge Union Minister Prakash Javadekar – can break this formidable phalanx.

Some observers expect for the first time a coalition government in Tamil Nadu and perhaps even a so-called 'hung Assembly' without a clear mandate.

Annex:

Table: Tamil Nadu: Elections to the State Assembly: 2011

Party	Seats Won	Share in valid votes polled (%)
AIADMK	150	38.40
DMDK	29	7.88
DMK	23	22.39
CPI (M)	10	2.41

CPI	09	1.97
INC	05	9.30
PMK	03	5.23
MAMAK	02	0.49
PT	02	0.40
AIFB	01	0.24
Total	234	

Source: Election Commission of India.

http://eci.nic.in/eci_main/StatisticalReports/AE2011/stat_TN_May2011.pdf

Note: The abbreviations of the parties are: AIADMK- All India Anna Dravida Munnetra Kazhagam; DMDK-Desiya Murpokku Dravida Kazhagam; DMK-Dravida Munnetra Kazhagam; CPI (M)-Communist Party Of India (Marxist); CPI- Communist Party of India; INC- Indian National Congress; PMK- Pattali Makkal Katchi; MAMAK- Manithaneya Makkal Katchi; PT- Puthiya Tamilagam; and AIFB- All India Forward Bloc.

Part II India - Foreign Policy Developments

Dr Joyce Lobo writes on PM Modi's visit to Saudi Arabia and how this visit is balanced by Foreign Minister S. Swaraj's visit to Tehran. She also examines the recently held India-EU Summit, which has so far bordered on drift than focus on continuity.

13th India-EU Summit: a summit at last!

India and the EU have finally been able to hold a summit level meeting on March 30, 2016, after a gap of four years. This meeting becomes essential to gain traction to the so far declining meetings and interest in the bilateral relations. Though the *Broad-based Trade and Investment Agreement* (BTIA) has not seen the light of the day and may take unfathomable time to materialize, other areas of cooperation have been sidelined, held hostage and made irrelevant unnecessarily.

India and the EU have a *Strategic Partnership* since 2004 which has been carried forward through the annual summits. The 13th India-EU Summit, though late in coming, tried to address the areas of cooperation and advance collaboration in priority areas for India's growth and development.

EU-India Agenda for Action: Prime Minister Narendra Modi in his talks with the President of the European Council, Donald Tusk and the President of the European Commission, Jean-Claude Juncker focussed on trade, investment and technology largely. During this summit the strategic partnership between both sides was carved out for the next years through the "*EU-India Agenda for Action-2020*". Here, both look towards cooperation in foreign and security issues, international and humanitarian issues, trade and investment, the Paris Climate Agreement and sustainable energy, urban development and transport, education and skill development.

Under this Agenda, to better address foreign and security issues, both sides have decided to merge the *Security Dialogue* and *Foreign Policy Consultations* and call it as *Foreign Policy & Security Consultations* (FPSC). The FPSC will maintain four security working groups who are directed to meet regularly. In terms of trade and investment, emphasis is laid here to cooperate on the contentious area of pharmaceuticals through consultations at the *EU-India Joint Working Group* on pharmaceuticals, biotechnology and medical devices. The *European Medicines Agency* had banned about 700 generic medicines of an Indian pharmaceutical company on the grounds of flawed clinical studies.

On terrorism: Both sides adopted the *Joint Declaration on Counter-terrorism* which replaces the 2010 declaration. The document lists terror organizations like *Da'esh*, *Lashkar-e-Tayibba*, *Jaish-ei-Mohammad*, *Hizb-ul-Mujahideen*, the *Haqqani Network* and *Al-Qaeda* including its affiliates. The Joint Statement also mentions that the need for a "*stable and democratic Pakistan is in the interest of the entire region*". This means if Pakistan civilian rule is to lose its stability, other power centres particularly the radical and extremist groups—some of them backed by the *Inter-Services Intelligence* (ISI) - may raise their ugly head, which has already manifested itself through the disruptive and violent activities that have rocked the state.

Economic Cooperation: One of the key areas for India and the EU is economic cooperation which has been stifled due to the ongoing negotiations on the BTIA. Both sides have recognized the synergies to draw and the opportunities to create from the respective goals for economic development — EU's *Agenda for Jobs, Growth, Fairness and Democratic Change* and India's "*Sabka Saath, Sabka Vikas*" ("Collective Efforts, Inclusive Growth").

The talks have touched on the re-engagement of negotiations on the BTIA. However no schedule has been fixed despite the summit to start the negotiations. The BTIA impasse still revolves around issues such as tariffs on automobiles and wines and spirits. The EU wants the import duties on automobiles to be reduced. While their rate is 10%, India charges 60-120 %. One of the groups from India that is lobbying against the reduction is the *Society of Indian Automobile Manufacturers (SIAM)* by arguing that the '*Make in India*' initiative will lose its objective. The European exporters want the duties on goods like wines and spirits to be lowered as they face tariffs as high as up to 150%.

In the meanwhile both have agreed to work towards a favorable business climate. India has agreed to set up a mechanism to facilitate investments of all EU Member States within the country. Also both sides exchange best practices on *Intellectual Property Rights (IPR)* and public procurement while recognizing *geographical indications (GI)* as a way to support local quality products in global trade. Also both sides have noted the importance of trade in services which is beneficial for developing countries like India.

The *European Investment Bank (EIB)* has committed about € 450 million in loan towards the construction of a metro line in Lucknow. The EIB is involved in the long term to invest in sustainable economic development in India. In this context both have agreed to cooperate on '*Clean India*' and '*Clean Ganga*' programmes. In this context, the EU and India have adopted the *Joint Declaration on the India-EU Water Partnership* to "*strengthen technological, scientific and management capabilities of India and the EU in the field of water management on the basis of equality, reciprocity and mutual benefit.*"

The EU has encouraged its companies including *Small and Medium Enterprises (SMEs)* to be part of the '*Make in India*' initiative and '*Skill India*'. Both sides have agreed to organize a high level skills seminar before July 2017 and work toward the implementation of the *G20 Skills Strategy*.

Regarding energy cooperation, the *Euratom-India agreement* for research and development in peaceful uses of nuclear energy is still in the negotiation process. However, what is noteworthy is the ongoing cooperation on several fronts of energy issues. An early meeting of the *EU-India Energy Panel* is called to continue joint activities in key areas. Also the *Joint Declaration on a Clean Energy and Climate Partnership* was adopted to aim at sustainable development and protect environment.

EU is India's largest trading partner, India's largest export destination and India's largest source of *Foreign Direct Investment (FDI)*. The total bilateral trade between India and the EU was €78 billion in 2015. The FDI from the EU is around €38.5 billion since 2000.

Other issues and areas of cooperation: Regarding the Italian Marines case, which is one of the other reasons for the disruption of talks between both sides, India and the EU have stuck to their original positions which has been mentioned in the *Joint Statement*.

Cooperation has been extended to other areas including new frontiers. Out of which one is the *EU-India ICT dialogue* and *ICT business dialogue*. Along with this dialogue processes both sides have shown interest to link the '*Digital India*' initiative and the EU's '*Digital Single Market*'. Also a *Joint Declaration* on the next generation of global communication 5G networks is in the finalization phase while the *India-EU Science and Technology Cooperation Agreement* has been extended to 2020.

Both sides, in order to enhance people to people contacts and enhance exchanges at the cultural level, have adopted the *Joint Declaration on Common Agenda on Migration and Mobility*. This is to ensure mutually beneficial movement between peoples of both sides, maintain a better management of migrant flow and mobility, and prevent irregular immigration. Also the *Horizontal Aviation Agreement* is in the stages of being implemented.

The EU and Indian sides have potential in several areas to engage and cooperate. Apart from the above, other areas discussed were in agriculture, fisheries, food and feed safety, macroeconomic and financial matters. Most of the summit has been devoted to give continuity to existing mechanisms and areas of cooperation by extensions through joint declarations. Regular meetings and the resumption of 'annual' summit are necessary if both sides are to achieve some understanding, if not complete understanding. Gaps and impasses only give room to 'drift' rather than 'continuity to cooperate'. As one can see the areas that both sides cooperate on and the status of bilateral trade, including FDI flow, one can easily conclude that there is more to achieve than to forfeit.

Modi to Saudi Arabia

Prime Minister Narendra Modi visited Saudi Arabia on 2-3 April, 2016. The high level visit comes after a span of 6 years, when Dr. Manmohan Singh signed the 'Strategic Partnership' through the Riyadh declaration in 2010. However, both countries have not been able to continue this strategic relationship over the years. This visit becomes important, given the fact that Saudi hosts 2.96 million expatriate Indians who send about \$10 billion in remittances (2015). Indians form the largest expatriate community in Saudi Arabia.

Modi held bilateral talks with his counterpart King Salman Bin Abdulaziz Al-Saud on April 3. Both countries have a *Defence Cooperation* (Feb. 2014) and have agreed to develop this cooperation through the exchange of visits by military personnel and experts, the conduct of joint military exercises, exchange of visits of ships and aircrafts and supply of arms and ammunition and their joint development. To give continuity, a second meeting of the *Joint Committee on Defence Cooperation* will be held in Riyadh. The second area of emphasis was on the strengthening of maritime security in the Gulf and the Indian Ocean regions. Combating terrorism on all fronts was another key area of discussion. In this regard both signed an MOU on cooperation in the exchange of Intelligence, related to money laundering, terrorism financing and related crimes.

Both sides acknowledged that bilateral exchanges needed to be intensified to give a meaning to the strategic partnership. However, the *Joint Commission Meeting* is being conducted on a regular basis to carry forward the decisions on bilateral relations.

Saudi Arabia is India's 4th largest partner with bilateral trade exceeding US\$ 39 billion in 2014-15. Both sides have directed their respective Finance and Trade Ministers to search for new avenues to increase the flow of bilateral investments and diversify the non-oil trade. In this regard the *Saudi-India Business Council* acts as an important platform to achieve intensification and diversification of trade and investment. Indian companies are active in Saudi and have recently participated in the *4th India GCC Industrial Forum* at Jeddah in November 2015.

King Salman commended the Modi initiatives of "*Start Up India*", "*Make in India*", "*Smart City*", and "*Clean India*" including the formation of the *International Solar Alliance*. India, which is looking for investors for its infrastructural development, invited *Saudi Aramco*, *SABIC* and other Saudi companies to be part of this sectoral growth. Saudi Arabia has shown keen interest in areas of railways, roads,

ports, and shipping for investment. In this context both have signed the framework for investment promotion cooperation, especially for the sake of private players of both the countries.

Also an important transformative area is in the energy sector itself. Saudi Arabia is India's largest crude oil supplier accounting for about one-fifth of its total imports. Both sides acknowledged the need for deepening this energy buyer-seller relationship to cooperation on investment and joint ventures in petrochemical complexes and joint exploration of energy resources in both the countries and in third countries. It was agreed that the key to realize this goal was through the regular meetings of the *India-Saudi Arabia Ministerial Energy Dialogue*.

The other agreements that were signed were on the recruitment by the General Category Workers Technical Cooperation Program on standards and measures; export of handicrafts etc.

Engaging with key countries of the Middle East becomes important for India not only from the expatriate-remittance point of view, but also to strengthen India's presence from the Indian Ocean region up to the Persian Gulf and the Mediterranean to build trade and economic linkages.

India's Foreign Minister to Iran

The External Affairs Minister Sushma Swaraj visited Iran on April 16-17 with an aim to foster links on oil and trade between both the countries. What could not be achieved during the sanction period, India is attempting to expedite its pace to increase oil imports and build connectivity with Iran.

This visit also laid the ground work for Prime Minister Narendra Modi's visit to Tehran towards the end of May—a balancing act that India plays to keep the Middle Eastern powers humored. A fortnight ago Modi visited Saudi Arabia. While Saudi Arabia plays two important roles in terms of India's strategic interest—energy security and home to Indian expatriates; Iran is strategic in terms of energy security and connectivity to the Central Asian regions including Afghanistan.

Oil Minister Dharmendra Pradhan during his recent visit to Tehran discussed the issue of repaying US\$ 6.5 billion that Indian refiners owe. After the sanctions were lifted, Iran has cancelled the free shipping of crude oil to India and seeks that the entire payment for oil is done in Euros and therefore Iran is yet to create banking channels for the same.

India, which is looking at options round the world for extraction or developing of oil and gas blocks has set its sight on the Farzad-B gas field in the Persian Gulf, discovered by *ONGC Videsh Ltd.*, in 2008. India has renewed its request to seek rights to develop the 12.8 trillion cubic feet of gas reserves. Respecting India's request, Iran has decided not to include this field in the auction process.

India imports about 12 million tonnes of crude from Iran. At present Iran is the fifth largest oil supplier to India. As of 2010-11 it was India's second largest supplier. Apart from the increase of trade in oil, India is seeking to import LPG from Iran and for possible extraction of the same by setting up an extraction plant in Chabahar.

'Defining partnership through connectivity:

Swaraj, along with her counterpart Mohammad Javad Zarif, reviewed the bilateral relations. She co-chaired the *India-Iran Joint Commission*. Swaraj met President Hassan Rouhani, who called the Chabahar project between both the countries as a '*defining partnership*'. During her visit, India agreed to extend a US\$ 150 million line of credit for the Chabahar project. This is to be finalised along with the US\$ 400 million credit line for the supply of steel rails from India. This comes right after the Cabinet clearance in February this year for the formation of a company in Iran, apart from the credit

to deal with the project. In 2015, Roads and Highways Minister Nitin Gadkari had signed a preliminary pact on the development of the port. With regard to the rail project— the Chabahar-Zahedan Railway link—it was decided that a team will proceed with the discussions with Iran.

India's haste in terms of the Chabahar project is also to bypass Pakistan, which has so far acted as a spoiler, in order to give continuity to trade and connectivity with Afghanistan, Central Asia and Iran. Already in mid April this year, India, Afghanistan and Iran have agreed to the final text of the *Trilateral Agreement* among the three countries on *Transport and Transit Corridors (Chabahar Agreement)*. This is yet to be signed at the highest level.

As per the agreement, an alternative access is created for trade between India and Afghanistan through the Chabahar port including gaining access to Central Asia. Pakistan has lost this opportunity, considering the fact that it did not want India to be part of the Pak-Afghan transit trade agreement. Afghanistan wants India to be part of its economic connectivity and has slowed the pace in materialising the *Preferential Trade Agreement (PTA)* with Islamabad. The latter does not so far allow Afghan trucks the use of its land route to connect with India through the Torkham-Wagah Border route. Kabul wants Islamabad to reciprocate as it allows the latter to enter Central Asia via its territory. The Chabahar port is the best route for Afghanistan to import goods from Iran as it provides time saving free access with no hurdles involved for its exports.

In her talks with the Iranian leadership, Swaraj reiterated the Indian requests and aspirations in fostering bilateral relations that would move away from being 'buyer-seller' to a win-win cooperation. Apart from port development, India intends to invest in various infrastructure projects in the Chabahar *Special Economic Zone (SEZ)*. This largely depends on the gas pricing. If the natural gas pricing is finalized, then India stands to benefit as the cost of Iranian gas will be roughly half the cost that it pays on the spot market. Also India is in negotiations for setting up a urea plant which will bring down the price and subsidy of Rs 80,000 crore within the country.

Talks also touched upon the *International North South Transport Corridor (INSTC)* project linking India with Central Asia and other countries. India is looking at this corridor to make trade cheaper by 30% in terms of cutting transportation costs and 40% faster. India intends to transit goods to Central Asia through Nhava Sheva (Mumbai), Bandar Abbas (Iran), Tehran, Bandar Anzali (Iran) and Astrakhan (Russia). Already the Indian government has acceded to join the *Ashgabat Agreement* that allows India to join the international transport and transit corridor linking the Central Asian countries and Iranian and Omani ports. This pact is part of the larger goal in making the INSTC a reality.

New vistas:

India has already lined up or committed \$ 20 billion as investment in oil and gas as well as petrochemical and fertilizer projects. Other areas of cooperation that were explored to expand the bilateral relations were in banking, setting up of cement and steel manufacturing units in Iran along with a fertiliser plant. Iran wants to enhance cooperation with India in academic, scientific and technological fields. Other issues that were discussed were the preferential trade agreement, double taxation avoidance agreement and a bilateral investment treaty that are yet to be worked out. Regional issues like Afghanistan and Syria figured in the talks with an aim to combat terrorism and enhance maritime security.

Part III South Asia

Klaus Voll reports about a public discussion of former *High Commissioners* of India and Pakistan about the bilateral relations between the two neighbours.

India – Pakistan Relations

Six erstwhile *High Commissioners* from India and Pakistan, who were in former times posted in each other's country, discussed the current status of bi-lateral relations, also in a historical retrospective. In this discussion, organized by the *Ananta Foundation* and shown on *India Today* on the 29th of April 2016, Asraf Jehengir Qazi, Salman Bashir and Aziz Ahmad Khan participated from the Pakistani side whereas Shivshankar Menon, G. Parthasaraty and Satish Lamba participated from India. The discussion was moderated by Karan Thapar.

Shivshankar Menon, who has been also the *National Security Advisor* under Dr. Manmohan Singh, spoke about mixed signals from Pakistan, which would yet permit a way ahead. Salman Bashir described it as positive, that the NSA's of both countries continued to talk with each other after the terrorist attack on the Indian Air Force station in Pathankot early this year.

G. Parthasaraty referred to the case of the arrested and alleged Indian „spy“ Yadav in Baloochistan, who earlier worked with the Indian marine. The Indian government contests this assumption and requests consular access, which is not granted by Pakistan.

Aziz Ahmad Khan opined, that Pakistan possessed earlier circumstantial evidence about such Indian activities in Baloochistan but maintained, that it is an old well-known story.

Satish Lamba, for many years a *Special Representative* of Prime Minister Dr. Manmohan Singh for Afghanistan and functionally also for Pakistan, described the recent meeting between the *Foreign Secretaries* in Delhi as a positive step, although the Pakistani side - through its Embassy to opinion makers during the beginning of the meeting of the two *Foreign Secretaries* - distributed already old positions.

In India there is a wide-spread opinion, that the initiative of Prime Minister Narendra Modi with his visit at Christmas 2015 in Lahore has failed, according to G. Parthasaraty. Contrary to this, the participants from Pakistan indicated, that in their country there are different narratives with regard to this meeting between Modi and Sharif.

Shivshankar Menon emphasized, *that it was worth to carry the relations forward - although they are always accident-prone - because this is the Indian interest.*“ He recollected the cease-fire agreement in 2003/04 and the then actions with regard to terrorism.

Salman Bashir said, one should continue where the last UPA-government left, although stating critically: *„We are at a loss if there is a 'Pakistan policy' by India. Years of efforts on backchannels have been lost.*“ Bashir observed *„contradictions and complete U-turns“* in the India-Pakistan relations, *„which are always determined from the top.*“

G. Parthasaraty observed, that the conditions along the border are not anymore as good as in earlier times. *„The public opinion in India has turned hostile against Pakistan and Modi has to operate in this atmosphere, since India's capacity to absorb terrorist attacks has diminished.* -

Modi's meeting with Nawaz Sharif in Lahore was worthwhile, but there is, as a result of the duality between the civil government and the army, a dysfunctional set-up in Pakistan. Under all

circumstances, there should be discussions at the level of the Director-General of Military Operations.“

Aziz Ahmad Khan described it as positive, that the NSA's are discussing sensitive topics. The dialogue should be started also with informing the public. Satish Lamba pointed to the difference between the antagonizing election campaign speeches by Modi and the fact, that he wants to carry forward the bilateral relations. For this it would be required in his opinion, that there are no border barriers (Question of Indian transit rights to Afghanistan through Pakistan), a stop to trans-border terrorism, forward movements in the court proceedings with regard to the terrorist attack of 26/11 2008 in Mumbai and a final conviction of the responsible master-minds.

Asraf Jehengir Qazi said, that Nawaz Sharif is a businessman and that direct access to the Indian market is an advantage for Pakistan. *„In this regard Sharif has stood by his constant position.“*

Recent insinuations by the leading Pakistani security analyst Ayesha Siddiqui, that the Pakistani military could take over for a fifth time – also because of the implications of the *Panama Papers* – have been categorically ruled out by Salman Bashir: *„I don't think so. A coup is not possible.“* Aziz Ahmad Khan also saw no chance for a coup and referred instead to the *„inputs“* of the army into the political process.

Shivshankar Menon opined, that the Indian government should speak with all those, who are in positions of power in Pakistan. Asraf Jehengir Qazi demanded working relations beyond the daily events with Pakistan's most important neighbour within the framework of a longer perspective. It should be important to respect the viewpoint of the other and not speak above each other's head.

Satish Lamba pleaded to engage each other and to keep the own interests in mind. Aziz Ahmad Khan emphasized, that the *„core issues“* should be discussed.

Karan Thapar said at the end, that this discussion of six former *High Commissioners* from India and Pakistan was a *„unique event.“*

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Dr Joyce Lobo analyses the visit of the authoritarian ruler President Yameen to India as Maldives tilts towards China.

President of Maldives visits India: Strengthening security ties

President Abdulla Yameen Abdul Gayoom visited India on April 11. The visit however did not carry much coverage and a joint statement was missing after the bilateral talks, including the *Ministry of External Affairs* (MEA) of India being sparse on his visit. This visit comes after his visit in January 2014.

The talks resulted in signing of a few agreements: Reduction of the double tax of the international air travel; Sharing of tax related information; Repairs of mosques in Maldives and conducting surveys in Maldives; Corporation between the two countries in the tourism sector; Coordination of Orbit Frequency; and Military Assistance (on a Defence Action Plan). Apart from the bilateral talks with his counterpart, Yameen held routine talks with Foreign Minister Sushma Swaraj and called on the President. He was accompanied by a small team that comprised of the Foreign Minister, Minister of Fisheries and Agriculture and three members of the Maldivian Parliament.

Amongst the agreements, the defence pact with Maldives gains importance. This defence plan will deal with the development of ports, continuous training, capacity building, supply of equipment and

maritime surveillance. Most importantly it restores India's status as the "net security provider" in the IOR.

So far, Prime Minister Modi, known for his active engagement with foreign countries, particularly the neighbourhood, has not made Male as one of his destinations. Maldives gains significance given the fact that it is part of India's neighbourhood, a member of the SAARC (*South Asian Association for Regional Cooperation*), and most importantly being part of the *Indian Ocean Region* (IOR). India's policy towards IOR is termed as '*Indian Ocean policy*', '*Indian Ocean strategy*', '*Indian Ocean diplomacy*', '*blue policy*' etc., though not officially acknowledged. The moorings were laid by the Congress led UPA in 2011 with Sri Lanka and Maldives to form the *Trilateral Maritime Cooperation (TMC) of India-Sri Lanka-Maldives*.

India's neighbours like Sri Lanka, Maldives and Bangladesh have agreed *in-principle*-2013 to the initiative of China called the *Maritime Silk Route* (MSR) which has caused concern in India. Also the fact, that Maldives' land acquisition law allows foreigners investing more than \$ 1 billion to own land, has not borne well with India.

Though Modi visited Sri Lanka, Seychelles and Mauritius, he cancelled the Maldives visit in the wake of turmoil following the arrest of former President Mohammad Nasheed. The unease between India and Maldives stems from the GMR airport contract, that was revoked and India backing the ousted democratic ex-president Nasheed. This has pushed Maldives to the camp of China, which has a history of backing authoritarian regimes including the one led currently by Yameen—an authoritarian ruler in the mask of a democrat. India has traditionally shown support to democratically elected regimes.

So far, lip service has been paid to the 'close relations' that India and Maldives enjoy. Swaraj co-chaired the *5th Meeting of the India-Maldives Joint Commission*, which took place after a gap of 15 years. This in itself sounds ironic when Yameen's regime terms the bilateral relations as '*India First*' and India calling it as '*Neighbours First*'!

For the last few months India has maintained a studied silence on Yameen assuming authoritarian powers and silencing opposition within the country. The *Commonwealth Ministerial Action Group* (CMAG) meeting took place this year to analyse the democratic process in Maldives. India, being a part of the team, endorsed Maldives' continued membership within the Commonwealth. One of the reasons for India's tacit acquiescence of the flawed democratic process in Maldives is to secure its strategic interests in the IOR for trade and energy needs. In this context Modi extended support to Maldives as long as the strategic interests of both countries were on the same page.