



INDIA AND SOUTH ASIA: DECEMBER 2016 DOSSIER

The December 2016 Dossier highlights a range of domestic and foreign policy developments in India as well as in the wider region. These include an extensive analysis of the continuing uproar regarding demonetisation vis-à-vis upcoming elections, the issue of trade unions in the banking sector, the Qatari PM's and the Indonesian and Tajik Presidents' visit to India, as well as the Heart of Asia Conference at Amritsar.

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With Dr. Joyce Lobo

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Part I India - Domestic developments

Dr. Klaus Voll views the decisive upcoming Assembly elections in several Indian states, particularly in Uttar Pradesh.

He also gives an overview about trade unions and their role in the Indian banking sector.

Demonetisation and upcoming elections

The demonetisation of 500 and 1000 Rupees notes, which took - after the 8th of November 2016 announcement by Prime Minister Narendra Modi - 86% of the notes out of the financial system, led to long queues in front of banks and ATM's and therefore to quite substantial hardships for large sections of the population.

As a result of the shortage of currency, since only limited amounts of money could be withdrawn and many employers could not pay their salaries, many workers had to leave their jobs and returned back to their villages. There are different estimates, ranging from several hundred thousands up to several millions workers being affected.

Interestingly enough, Indians took these hardships in their own stride, although more than a hundred people lost under these circumstances their lives. There have been hard-breaking stories about people not being capable to pay for hospital bills, marriages being affected etc.

According to surveys, a vast majority of the Indian population and especially its poorer sections are supporting these measures by the government. They believe, that this will affect the black economy, the financing of terrorism and the circulation of fake currency. Instead, a majority of opposition parties, but quite not all, attack the demonetisation and especially the alleged weak execution. Some of them, like the Congress, hope to reap electoral benefits in the forthcoming Assembly elections.

Battlegrounds Uttar Pradesh, Punjab, Uttarakhand, Goa and Manipur

The Election Commission has now announced the dates for February and March 2017, when elections to the Parliaments in the above mentioned states will be held. The most important one for the future course of Indian politics will be Uttar Pradesh with a population of about 220 million people.

Uttar Pradesh

The major contestants are the following political parties:

Samajwadi Party

The currently ruling Samajwadi Party (SP), which has its origins in the Lohia socialist tradition, but which has been increasingly reduced to a 'family enterprise' by the Yadav clan, headed by Mulayam Singh Yadav, the former Chief Minister and Defence Minister, is literally split in the middle.

The vast majority of its Members of the Legislative Assembly (MLA's), Members of the Legislative Council (MLC's), Members of Parliament (MP's) are siding with Akilesh Yadav, the young Chief Minister and son of Mulayam Singh Yadav. According to surveys, he is by far the most popular choice for the office of Chief Minister.

If there is not a last minute rapprochement between the two feuding factions, which can never be ruled out, then two different and competing factions might go to the polls. There is also currently a

fight for the party symbol, the 'bicycle'. The SP is mainly backed by the so-called backward caste of the Yadavs and especially by the Muslims, who have a strong presence in Uttar Pradesh, particularly in urban areas. Experts expect, that Akilesh Yadav might opt for a presidential campaign, but they are not fully convinced of the organisational strength of his fraction.

The Congress

The Congress, which ruled Uttar Pradesh till 1989, has been reduced there to a fringe factor. It is by far the weakest of all the players and irrespective of the attempts by its Vice-President Rahul Gandhi to revitalise the Congress, opinion polls, like Axis/India Today, give it a vote-share of 6% and 5 to 9 seats. Its 78-years old Chief Ministerial candidate Sheila Dikshit, three times Chief Minister of Delhi, has made no real impact.

Internal assessments by the leadership about its electoral chances are also quite modest. Yet, there are chances for a tie-up between the Akhilesh led SP and the Congress, which could, together with the farmers party *Rashtriya Lok Dal* (RLD), which has a presence in Western UP, become a formidable alliance and thereby improve the chances of the Congress.

Bahujan Samaj Party

The Bahujan Samaj Party (BSP), led by Mayawati, a four times Chief Minister of Uttar Pradesh and currently a member of the Rajya Sabha, is fighting a battle for its very existence. The BSP, founded by the legendary Kanshi Ram in the 1980's, has its major support base amongst the *Dalits*, the so-called 'oppressed' or 'lower castes.' They form, although also stratified, about 20.5% of the entire population of UP.

The most successful so-called 'social engineering' by the BSP and conceptualised by its chief strategist Satish Mishra, member of the *Rajya Sabha* and right-hand man of Mayawati, was done in 2007, when the BSP swept with a so-called 'rainbow coalition', which then included also a strong presence of upper-caste Brahmins, to an absolute majority and enabled the BSP to govern UP till 2012.

After its heavy defeats in the state elections in 2012 and in particular at the *Lok Sabha* elections in 2014, where the BSP could not win a single mandate, this time the party banks on a Dalit and Muslim consolidation, particularly appealing to younger Muslims. Till now, Muslims have been siding to a large degree with the SP, so it will depend, how the Akhilesh led SP will take off. Should this not be the case, then Muslims, who are known for their tactical voting in order to defeat BJP candidates, could cross over potentially en bloc to the BSP, which has given nearly 100 candidatures to their community.

Bharatiya Janata Party

For the BJP and in particular its chief campaigner, Prime Minister Narendra Modi, much is at stake. Uttar Pradesh is the 'semi-final' for the 2019 general elections.

The BJP, which had ruled in UP in the 1990's in the context of the temple agitation for the Hindu god *Ram* in Ayodhya, was substantially reduced till 2014. Under the leadership of Amit Shah, now BJP-President, and as a result of the intensive campaigning by Narendra Modi, the BJP gained 71 of the 80 parliamentary seats in the 2014 general elections in Uttar Pradesh.

Can the BJP repeat a similar spectacular performance in the 2017 elections? The mood in the modern

and well-equipped headquarters in Lucknow, located opposite the impressive Assembly Building, is upbeat. Rita Bahuguna Joshi, a sitting MLA originally from the Congress, who, as a former President of the UP-Congress, switched recently sides and is a member of the BJP campaign committee, opines, *“that after the SP and BSP looted the state, it is time that a national party like the BJP will come to power in Uttar Pradesh.”*

With a systematic campaign strategy, all computer based and covering each and every Assembly constituencies, reaching out particularly to farmers, especially from the non-Yadav 'backward castes', segments of the *Most Backward Castes* (MBC's) and the Dalits, women and first-time voters, the BJP wants to add substance to its traditional upper-caste base.

Perspectives

An opinion poll projects for the BJP 33% of votes and between 206 to 216 seats, for the SP 26% and 92 to 97 seats, for the BSP 26% and 79 to 85 seats and for the Congress as a very distant fourth 6% and 5 to nine seats.

If these figures will prove to be more or less correct, this would be a positive referendum on the demonetisation decision, taken by the Modi government. 76% said, that demonetisation has been a good move.

But opinion polls have to be taken with a pinch of salt. Another survey saw the SP under Akhilesh Yadav 3% ahead of the BJP, which accordingly reached in this survey only 27%, up from 15% in 2012. The well-known election analyst Yogendra Yadav spoke of an over-estimation of the BJP and a traditional underestimation of the BSP in such polls. A handicap for the BJP is, that it is not nominating a chief ministerial candidate, although 69% are demanding this.

Punjab, Uttarakhand, Goa and Manipur

Punjab:

It would be a big surprise, if the discredited Akali Dal and BJP coalition government could beat the anti-incumbency factor for a second time after 2012. Allegations of the involvement of government politicians in illegal drug trade, unemployment and fairly empty financial coffers of the state contribute to a growing anger, especially in the rural areas.

In 2016 it looked as if the *Aam Aadmi Party* (AAP), which had won all its four Lok Sabha seats from Punjab, could fill the opposition space and emerge as a major player in Punjab. Then, opinion polls showed the party ahead of the Congress and the Akali Dal/BJP.

The AAP has so far not projected a chief ministerial candidate and faced splits in its Punjab unit, thereby loosing the momentum of its erstwhile rise in Punjab.

According to the cited survey, the Congress under the leadership of Captain Amarinder Singh, a former CM, would gain 35% of the votes with 56 to 62 projected seats in a house of 117, followed by

the AAP with 29% and 36 to 41 seats, whereas the Akali Dal/BJP with 24% would get between 18 to 22 seats, others 12% and 1 to 4 seats.

If these figures would hold true, this would be a crushing collapse of the Akali Dal/BJP vote and Punjab the only state, where the Congress has a serious stake to form a government in Northern India.

Uttarakhand:

The Congress is since five years in government in this state with the spectacular Himalayan mountains. After disastrous rains in 2013 with a lot of damages and huge losses of human lives, it had to change midway the Chief Minister and installed the experienced Harish Rawat, who has a certain vision for this hill state. Allegations of corruption were levelled by the new entrant AAP, which disappeared after some time from the scene, leaving the door open for the BJP, who also had been hit by corruption when it governed earlier in Uttarakhand.

According to the opinion poll, the BJP would fetch this time 45% of the votes and 41 to 46 seats in an Assembly of 70, whereas the Congress with 33% would only gain 18 to 23 seats, others 22% and only 2 seats.

Goa and Manipur

The BJP ruled in Goa for five years, till 2015 under Manoj Parrikar, who is now defence minister. He had attracted also votes from the Catholic community.

Irrespective of internal dissidence and conflicts with the local RSS unit, the BJP is with 41% of the votes and 20 to 24 seats projected to retain its government, followed by the Congress with 33% and 13 to 15 seats, the AAP with 18% and 2 to 4 seats and others with 18% and 1 to 4 seats.

No doubt, the entry of AAP – which tries to dislodge the Congress as the main opposition party - is hurting the electoral chances of the Congress. Only a high Index of Opposition Unity could prevent here, like in several other states, the BJP to establish itself as a strong pan-Indian party. Narendra Modi is pulling up through his popularity and his skills as an orator even relatively weak party units in various parts of the country.

Manipur

In the crisis-ridden Northeastern state of Manipur the Congress is ruling. Armed secessionist movements, ethnic conflicts and economic blockades have created a fair amount of uncertainties, so that the BJP – under the umbrella of the Northeastern Democratic Alliance tries to dislodge the Congress and add another state to its tally in this region, particularly after its impressive win in Assam in early 2016.

Perspectives

All these elections will be indicators about the mood in the country and in which way India is likely to vote in 2019. The BJP is counting on its demonetisation programme and also on the 'surgical strikes'

against terror camps along the border to Pakistan. Besides local issues and caste equations these will be the major issues propagated by the BJP.

Can the opposition parties deflate this strategy? Only a few voices within the BJP caution too much optimism and self-confidence, but the overwhelming majority in the party is confident to win, perhaps with the exception of Punjab, but even there they see slight chances in the expected triangular fight.

Yogendra Yadav, India's leading election analyst, maintains, that these elections will decide, if the BJP will become the truly dominant Indian political party. *"One can observe the hollowness of anti-Modi politics, the sheer bankruptcy of the opposition in India with its blind anti-Modiism. Modi can become the 'Indira Gandhi' of our times."*

Trade Unions in the Banking Sector

Anjali Bedekar, Co-ordinator UNI, Asia & Pacific Global Union, gave an overview about the situation in India's banking sector with its nearly one million employees, which was supplemented in an intensive discussion with top Trade Union office bearers early this year in Lucknow, the capital of Uttar Pradesh with a population of 220 million people.

The *United Forum of Bank Unions*, led by M. V. Murali from the *State Bank of India*, Hyderabad, comprises the Communist led *All India Bank Employee's Association* (AIBEA) with a share of about 50%, smaller unions like the *Indian National Trade Union Congress* (INTUC), affiliated to the Congress, the *Bharatiya Mazdoor Sangh* (BMS), BJP-affiliated and the *National Confederation of Bank Employees*, which is steadily growing with approximately 40% of the total membership and is politically neutral, led by the general secretary Bandelish from the *State Bank of India Federation*.

All these trade unions take a joint stand in wage negotiations. The weapon of strike is selectively used during such negotiations. These unions participate in country-wide strikes, but not always.

These unions are highly organised, particularly in the public sector banks. They enjoy a relatively good image. Their members are well-educated and enjoy job and social security. Yet, their still good salaries are not any longer higher than those of government employees, but lower in the meantime, which is a bone of contention from their perspective, given also the multiple tasks which they are performing.

These trade unions adapted to the challenges of technological change. About three to four hundred thousand women are in their ranks, but till now they are not occupying leadership positions, which weakens the unions in the end. The *Voluntary Retirement Schemes* (VRS) started in 2000/01 and led to a certain reduction of working places and thereby also some membership losses.

During the last five years, about 100 000 new employees have been recruited, but these younger people are also not yet represented in leadership positions, which might take some time. There is only a limited „*second rank leadership*“, with the exception of the SBI and some affiliated unions. The leadership is dominated by Brahmins and other upper castes, Dalits are not represented.

Technological changes are still the biggest challenge, particularly the destruction of working places, caused by outsourcing like the issuing of cheque books, security, canteen and cleaning personnel and doctors, altogether a reduction of 10 to 15%.

The market share of public sector banks is far higher than private sector banks with 16 to 18%. It is mandatory for public sector banks to open branches in the rural areas.

The unions still have to develop new „tools“, like in former times the so-called „*pen down strikes*“. Gradually they use new social media and have to do more for women's safety at the working place and for the integration of young employees. It would be important, that prominent trade unionists would intellectually deal with the economic and political challenges and discuss them publicly.

Yet the unions published a list of the biggest „*Non-Performing Assets*“ (NPA's), e. g. loans which have not been paid back and which the government has not done so far, but is obliged to do after a recent High Court order.

Mass media are biased vis-à-vis trade unions. Columns about the world of work have been stopped. The trade unions have only a few own *Think Tanks* and research institutes. They don't address the problems of the informal sector, where 90% of Indian workers are occupied.

„*Trade Unions only react to the Agenda of the Management and are not sufficiently taking themselves initiatives*“, so Anjali Bedekar.

Yet, the top leadership in Lucknow maintained, that the central government in Delhi tries to weaken the strong unions in the public sector, by delaying the appointment of their representatives in boards and trying to recruit people from outside. In their opinion, government is favouring the private banks in disbursing far more new currency to private banks, although more than 90% of customers are with public sector banks.

They also maintain, that a lot of IT work is done in-house and that the unions are in this regard quite ahead of management.

Part II India - Foreign Policy Development

Dr. Joyce Lobo writes on the ongoing relations between Qatar and India, the first time visit by the Indonesian President to New Delhi, and India's cordial relations with Tajikistan.

Prime Minister of Qatar visits India

India has stepped up its relations with the Middle Eastern countries in recent years. Prime Minister and Minister of Interior of the State of Qatar Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani, visited (December 2-3) India accompanied by a delegation comprising of Ministers of *Finance, Transport & Communication* and *Municipality & Environment*; the CEOs of Qatar Chamber of Commerce & Industry; and Qatar Airways as also Deputy CEO of *Qatar Investment Authority* (QIA). The delegation also included other business leaders. The bilateral meeting held on December 03, 2016 largely focused on investment opportunities, infrastructural projects, and defence. They exchanged their views on the situations in their respective regions. Agreements were signed in the areas of visa exemption for the diplomatic and special classes; on technical cooperation in cyber space and on combating cyber crime; etc.

The visit signifies that it has been a follow up process since Prime Minister Narendra Modi visited Qatar six months ago in June. Apart from reviewing the bilateral relations, both sides decided to strengthen the existing bilateral institutional mechanisms through regular meetings. The Emir Sheikh Tamim bin Hamad Al Thani visited New Delhi in March 2015 and since the exchanges at the high level seems to have become a regular affair without long intervals.

During Modi's visit to Qatar, discussions were held on the ways for Qatar's participation in different asset classes and various infrastructure sectors as well as the disinvestments of Indian *Public Sector Undertakings* (PSUs). In this regard the QIA had signed an agreement with India's *National Investment and Infrastructure Fund* (NIIF) that would enable Qatari institutional investors to participate in infrastructure projects in India. Hence the leaders decided to exchange information on availability of investment opportunities on a regular basis. Therefore the meeting was see that in future a framework is put in place for opportunities to be made available for both sides in infrastructure, special economic zones, civil aviation, energy, petrochemicals, health and pharmaceuticals, information technology, education, tourism and agriculture.

As per the *Defence Cooperation Agreement, 2008* Qatar had evinced interest in the joint production of defence equipment in India under the '*Make in India*' initiative and to strengthen maritime security in the Gulf and the Indian Ocean Region during Modi's visit. Hence discussions were held on how to form practical steps to build a framework for specialised training, exchange of information and joint production of defence equipment.

PM Al-Thani called on the President Pranab Mukherjee. Home Minister Rajnath Singh called on the former to discuss on terrorism and radicalisation, intelligence sharing, countering terror-financing and money laundering, and transnational crimes.

Total bilateral trade between both the countries has reached about US\$ 15.67 billion in 2014-15 out of which India's exports amount to US\$ 1.5 billion. Qatar exports to India was about US\$ 14.60 billion. India is the third largest export destination for Qatar (behind Japan and South Korea) and

ranks at 10th position for Qatar's imports. Also Qatar is the largest supplier of *liquefied natural gas* (LNG) to India, accounting for over 65% of India's global import. Indian nationals comprise the largest expatriate community in Qatar which stands more than 630,000 comprising more than quarter of the Qatari population.

Qatar has emerged as an important country in terms of India's cooperation with its extended neighborhood.

President Jokowi in India

Since 2000, India and Indonesia have stepped up high-level exchanges in a bid to strengthen bilateral relations. The strategic partnership was established in 2005. Today Indonesia is an important and largest trade partner for India within the *Association of Southeast Asian Nations* (ASEAN). It is considered important for India's *Act East Policy* and as a maritime neighbor. On December 12 President Joko Widodo, who is also known as Jokowi, since assuming power in October 2014, engaged with Prime Minister Narendra Modi on several areas amongst which the key ones were infrastructure and pharmaceuticals and India's investment and involvement in the same. The visit comes after the former Prime Minister Dr. Manmohan Singh visit to Indonesia in 2013 and Vice President Hamid Ansari's visit in 2015.

Jokowi was accompanied by his cabinet ministers and a business delegation. The latter who were part of the *Chief Executives Forum* like their Indian counterparts presented a report on the meeting on December 13. The key areas of business between both the countries are IT, pharmaceuticals and infrastructure.

The *Eminent Persons Group* also submitted their report which aims at drawing a vision document 2025 as a blueprint for the India-Indonesia bilateral relations. The report details five areas of strategic engagement— Defence and Security Cooperation, Comprehensive Economic Partnership, Cultural and People-to-people links and Cooperation in Responding to Common Challenges. Once this visionary document is finally adopted by both countries one can understand the key aspects in each of these five areas. What may be of interest is in terms of how India can find complementarities with Indonesia in terms of maritime security. Jokowi unveiled the '*Global Maritime Fulcrum*' in November 2014 in order to enhance his country's maritime infrastructure, security, development, economy etc. In terms of defence cooperation between the countries, exercises and coordination of patrols between navies and the coast guards respectively, defense level exchanges etc have taken place.

Both countries have a total trade of US\$ 16 billion (2015-16). However this is comparatively less when compared to the US\$ 19.03 in 2014-15. India's outward Foreign Investment is the largest to Indonesia which is about US\$ 15 billion. There has been no forward movement regarding the *Comprehensive Economic Cooperation Agreement*.

Tajik President Emomali Rahmon in India

The bilateral meeting between the President of Tajikistan Emomali Rahmon and Prime Minister

Narendra Modi was held on December 17. A review of the bilateral defence and security cooperation was made whose agenda is discussed in the *Joint Working Group*. Both states have continued to give importance to key areas of the relationship by holding regular consultations through their *Foreign Office Consultations, Joint Commission of Trade, Economic, Scientific and Technical Cooperation, Joint Working Group on Counter-terrorism and National Security Council*.

About four agreements were signed on broadcasting, on double taxation, exchange of financial intelligence, and initiation of the *Bilateral Investment Treaty*. The visit comes at a time when both the countries complete their 25 years of diplomatic relationship. The visit by Rahmon follows the visit by Modi to Dushanbe in July 2015.

India and Tajikistan face similar security challenges in the form of terrorism and extremism. On the approach towards terror networks, terror havens, terror finance, and the Afghan-led peace process, both the countries find themselves on the same page.

Total trade between both the countries is merely US\$ 58.09 million (2014-15) out of which the Indian exports amounted to US\$ 53.71 million. The main reason for trade between both the countries being skewed and below potential is the circuitous route used for transport. From India, goods go Bandar Abbas by the sea and from there on via Turkmenistan and Uzbekistan by land. India exports largely pharmaceuticals, tea, coffee, chemicals, textiles and machinery. While Tajik exports include aluminum, cotton, dry fruits, vegetables, organic chemicals and essential oils. Dushanbe evinced interest in Indian investments in its four free economic zones and in its small and medium hydroelectric power projects.

India is both involved in projects (some being in the pipeline) in Tajikistan in areas of information technology, agriculture, health care, training and capacity building, education and culture. Both leaders have agreed to collaborate on capacity building of the Tajiks in space technology, cooperation in the farming sector, increasing air connectivity, on use of sustainable forms of energy. Both have been cooperating in terms of connectivity for establishing trade and transit links through the Chahbahar Port in Iran, in the smooth progress of the *International North South Transport Corridor*, cultural linkages etc.

Both countries have a cordial relationship not only at the bilateral level, but have a greater understanding in the various regional and global forums.

Part III South Asia

Dr. Lobo briefly analyses the conference on Afghanistan held in India with Pakistan envoy in attendance.

Heart of Asia Conference at Amritsar

At the *6th Ministerial Conference of Heart of Asia (HOA)* the toughest words on terror continued towards Pakistan. Prime Minister Narendra Modi and President Ashraf Ghani of Afghanistan were not apologetic for the terror related events that have unfolded in their respective countries. Their unified take on Pakistan based terror had resonated in their actions wherein both refused to attend the 19th SAARC summit that was to be held in November this year.

The Uri and Pathankot attacks by Pakistan based terrorists have spoilt efforts in normalising relations between New Delhi and Islamabad. The personal diplomacy attempted by Modi in December 2015 by visiting Pakistan stands in vain to revive the relations that have been in cold storage since the November 2008 Mumbai attack.

Similarly the Pakistan supported terrorists have for the last two years wreaked civilian losses in Kabul and around. Ghani extended his hand of friendship to Pakistan, since assuming leadership in September 2014, with the belief that the latter would act against the terror organizations operating within its soil.

During the HOA held on December 04, 2016 the focus was on the need to fight terrorism in order to help Afghanistan make a political and economic transition. Modi and Ghani reserved their harshest words towards Islamabad. Pakistan was targeted for its dual approach towards terrorists on its soil but operating in other countries and those it blamed for the attacks on its own citizens.

Ghani refused, during his address to the conference, the US\$ 500 million aid that Pakistan offered for his country's development. He rather requested the Pakistan envoy to utilise the same to contain extremism within the latter's country as aid simply could not meet the needs of the Afghans if peace remained out of reach. Foreign Affairs Adviser Sartaj Aziz who represented Pakistan was denied bilateral talks or even a pull-aside meeting with the Indian leadership. Aziz refused to accept the blame laid on his country for terror problems in Afghanistan but pointed that the security situation was complex that required holistic viewing.

The tensions and escalations at the Indo-Pak borders did not deter Aziz from attendance to show his commitment to peace. However irony of the fact remains that Pakistan harbors terror groups that operate in Afghanistan and India.

The HOA is part of the Istanbul peace process where other Asian countries cooperate for a peaceful and stable Afghanistan, as well as a secure and prosperous region as a whole. About 40 countries participated in the HOA held at Amritsar.

The *Amritsar Declaration 2016* carried forward the agenda of the *Islamabad Declaration 2015* particularly on terrorism. However the declaration gave equal space for terror groups affecting

the member states including Pakistan: *Tehreek-i-Taliban* and *Jamaat Ul Ahrar* for Pakistan, *Lashkar-e-Toiba* and *Jaish-e-Mohammad* for India, *Haqqani* network for Afghanistan, and other terror groups operating in China, Central Asia and Iran.
