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Hasina's Visit to India and Emerging Indo-Bangla Relations: Implications for the Region

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Abstract

The visit of Prime Minister Sheikh Hasina of Bangladesh to India (10-13 January 2010) was extremely significant in the regional context. It brought the two vibrant democracies in South Asia – Bangladesh and India – close together and opened the way for their collaboration with Nepal and Bhutan. Throughout the visit India displayed an awareness of its disproportionately greater responsibility as the regional pre-eminent power, according 'sovereign equality' to a less powerful neighbour, creating a new paradigm for intra-state relations in South Asia. Can this model be attractive enough for Pakistan to be drawn into a relationship of 'trilateralism' including itself, Bangladesh and India?

Introduction

The visit is over. The red-carpet in New Delhi has been rolled back; and the Bangladeshi Prime Minister, Sheikh Hasina, has returned home to Dhaka. By all counts the most recent bilateral interactions between these two large South Asian democracies that occurred in the course of that event have opened up a new chapter in Bangladesh-India relations. Indeed its positive impact should be felt wider, beyond the borders of the two protagonists, India and Bangladesh. Nepal and Bhutan should also benefit from the result, gaining access to two Bangladeshi ports, and from better facilitation of intramural sub-regional trade among India, Bangladesh, Nepal and Bhutan. There is a caveat though. There must be as much zeal in implementing the outcomes as there was in crafting them.

Sheikh Hasina deserves credit for timing this trip well. It was not too early in her tenure of office, which is a year old, so as not to demonstrate an excessive tilt towards India in order to calm criticisms of overly friendly disposition towards that powerful neighbour, nor too late to assuage any Indian sentiments that Bangladesh had 'better' friends in the region or beyond, say, for instance, in Beijing or in Islamabad. Dr Manmohan Singh also deserves praise for remaining focused on broad strategic concerns rather than on narrow tactical and immediate interests. The challenge to diplomacy here was to create a matrix for discussions where two

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obvious 'unequals' could not only deal but would also be seen to be dealing with each other as 'equals'. Mark Singh's banquet remarks that: "*We meet today as two vibrant and equal democracies that share common values and common goals.*" He was responding most tactfully to the great store India's neighbours in South Asia place on their 'sovereignty' and 'equality' in their dealings with it and with one another.

Between the two, the political risks for Hasina were greater. Opinions on Delhi-Dhaka relations are far more varied, divisive and strident in Bangladesh than is the case in India. Already the General Secretary of the opposition Bangladesh Nationalist Party (BNP) which does not look upon India kindly, has, albeit rather sweepingly, described the visit as "100 per cent failure" (in terms of gains for Bangladesh). Granted this is an extreme position, but there will be others who will be needed to be persuaded that Bangladesh 'gained' more than it 'lost'. Sadly there is a tendency there to see relations with India as a 'zero-sum' game in which if one side gains the other side loses. The idea that there could be a 'win-win' situation for both is yet to take firm root. To demonstrate the possibility of such an outcome would at worst be a Sisyphean, or at best, an uphill task.

The Backdrop

India is most certainly seen today as being a country on the 'rise'. This is true politically, economically, and strategically. Few pre-eminent powers are hero to their neighbours, and this was no different in the case of India, particularly given the troubled political history of the subcontinent. Likewise bilateral relations between Bangladesh and India had been fraught with complexities. The initial euphoria that marked them in the aftermath of the Bangladesh War of Liberation, which both sides fought as allies dissipated soon, foundering on the rock of mutual suspicions. Unlike the fish that tacks close to the shark to avoid being eaten, Bangladesh sought security by distancing itself from the larger entity. It also sought to bridge the power-gap by building a web of linkages with extra-regional powers. This irked India, and often small but smouldering bilateral issues remained unaddressed, developing into larger conflagrations.

A plethora of such problems abounded. Issues agitating the Bangladeshi mind comprised upstream diversion of river flows, demarcation of land and maritime boundaries, the burgeoning trade imbalance, shootings by border guards, and the persistent matter of enclaves. On the Indian side, subjects of interest and concern were enhanced connectivity, transit facilities linking the rest of that country to its northeastern states, non-provision of safe havens to insurgents, and greater cooperation in different international fora. Between the Awami League and the BNP, the Indian predilections are generally seen to prefer the former, so now was the time to see if mindsets of the past could be changed. But this would have to be done with utmost circumspection, keeping pace with the mood of the general public in Bangladesh, including its very vibrant civil society and media.

Indeed a beginning in a positive direction was already in the offing, based on the surprisingly good functional cooperation that existed between Dhaka and Delhi during the period of the Caretaker Government in Bangladesh, between 2007 and 2009 (India had offered support and succour following the disastrous 'Cyclone Sidr' that hit Bangladesh in 2007 and also offered 500 tons of rice to shore up Bangladesh's buffer stock in 2008; Bangladesh had also supported Indian candidacy for the Secretary-General of the Commonwealth in 2008. The Dhaka-Kolkata rail link was established amidst much fanfare, and as an attempt to reduce the existing trade imbalance in India's favour, India agreed to buy eight million pieces of ready-

made garments annually. Indeed both the Indian Foreign Minister Pranab Mukherjee, and the author who was then his Bangladeshi counterpart, described the bilateral relations as having reached a “trajectory” from which there should be no slippage downwards.

The arrest by Bangladesh of some top leaders of the United Liberation Front of Assam (ULFA), and the rendition to India of several of them provided a backdrop to the visit. The date of Hasina’s arrival in Delhi for the four-day visit on 10 January 2010, coincided, more by accident than by design, with that of her father, Bangabandhu Sheikh Mujibur Rahman’s arrival to that city to a grand welcome, thirty-eight years ago on his way back to Dhaka from London upon his release from Pakistani prison immediately after the independence of Bangladesh. This fact invested Hasina’s visit with positive emotional content. Also, per chance she, “a valued friend and close neighbour” in Dr Singh’s words, became the first State Visitor for the new decade in New Delhi, a point that was not ignored in Indian pronouncements. The Indian leadership had been signalling for some time that they would avoid inflicting on their distinguished visitor any kind of “embarrassment”. Indian bureaucrats are normally viewed as having “crusted views” not amenable to changes readily, but in this case some significant retired diplomats had penned very warm curtain-raisers (see Krishnan Srinivasan’s ‘Sheikh Hasina Comes Visiting: Great Expectations’, *The Telegraph*, Kolkata, 5 January 2010). Upon arrival, the visitor became the recipient of the Indira Gandhi Peace Prize, widely seen as a prestigious award. The ceremonial content of the protocol was impeccable. But as *The New York Times* in its issue of 12 January 2010 aptly pointed out, “[the visit] has an importance far beyond the ceremonial”.

The Visit

Three major initiatives were undertaken by India. First, there was the US\$ 1 billion credit line to Bangladesh for infrastructure development, the largest single financial aid package to any recipient from India. Indeed it was double the anticipated US\$ 500 million anticipated earlier. The terms were exceedingly ‘soft’, and it is believed that 35 to 40 percent would eventually be transformed into ‘grant’, which means for that amount, no repayment would be necessary. Second, amidst the raft of five agreements signed, one on cooperation in the power sector was also included. According to it, India was committed to providing 250 MW of power to Bangladesh every day, substantially more than the 100 MW promised last September. And third was to reduce the ‘negative list’ of items imported from Bangladesh, and accord it ‘zero tariff’ treatment. Instead of the paltry US\$ 50 million or so India could have made in the form of duties and tariffs, India clearly, and perhaps, wisely opted for much larger, though more intangible, political returns.

There were substantial paybacks for India as well. India will be able to obtain access to two Bangladeshi ports, Chittagong and Mangla. This would open up the landlocked Indian northeastern states to the Bay of Bengal. Small steps were taken to facilitate transit of goods to Bangladesh from Nepal and Bhutan through India, and between India’s north-east to the rest of its territories through Bangladesh. Nepal and Bhutan are also clear beneficiaries as a longstanding aspiration had found fruition. A project to link the Indian state of Tripura to Bangladesh was agreed upon. The upshot of the visit was the 50-paragraph Joint Communiqué, one of the longest ever issued in recent times. Some of its contents were purely ‘aspirational’, some could even say a triumph of hope over experience, but even a statement of shared cherished goals between these two, or for that matter *any* two South Asian nations, in the general context of regional politics, is no mean achievement.

Future Steps

Two things will now need to be done. Since directions from the highest levels have been obtained, the first task should be to ensure that each set of bilateral issues be boxed into separate compartments with a mechanism set up to address each. Second, a pecking order of priorities should be agreed to and reversed, tackling the 'low hanging fruits', the simpler issues first and then graduating to the more complex ones, so that success in easier negotiations would have a positive influence on the more difficult ones. Building bilateral relations is like constructing a Gothic Cathedral; it is never quite finished but already begins to serve the purpose it was intended for.

Impact on the Sub-region: Nepal and Bhutan

The proof of any pudding lies in its eating, and the litmus test of the success of this visit, as with any other of such nature will surely lie in how the consensus commitments are implemented. But in this case there will be a yet deeper, and in some ways a more significant, scrutiny. Can India carry along its neighbours as it climbs higher in the scale of global leadership? What transpired in course of the interactions between these two large South Asian protagonists will have a paradigmatic effect on other such bilateral relations in the sub-region, particularly between India, Bangladesh, Nepal and Bhutan. If Bangladesh is able to develop an acceptable *modus vivendi* with Myanmar, and Indian support in this venture could be useful, then it can truly become a bridge between South and Southeast Asia. Already Bangladesh outshines her neighbours, including many Indian states, in having better social indices. Its macro-economic management has been edifying despite its many and varied contents, and as Dr Atiur Rahman, the Governor of its Central Bank pointed out in an upbeat assessment at a recent seminar at the Institute of South Asian Studies in Singapore, good relations with India would help unleash energies for the desired great leap forward in its economic growth and progress.

Implications for 'Trilateralism'

As for Sheikh Hasina herself, in a telephone conversation with the author, she expressed 'profound satisfaction' over the outcome of the visit. If genuine benefits are to accrue to the two peoples, then all concerned, and not just the two leaders, must contribute by conforming to, not just the letter, but more importantly the spirit of the joint communiqué and the agreements. Above all, India must be able to show that it is not only just the largest country in the region, but also the country with the largest heart. If the Bangladesh-India relationship truly takes off, then it would also attract the attention of Pakistan. Relations with Bangladesh can in many ways be a dry-run for India's relations with Pakistan, despite the many differences that would mark the two sets of bilateral relationships. The aim could be to ultimately draw Pakistan into a framework of *trilateralism*, beginning with a Summit level meeting of the three concerned countries in the 'core' of South Asia.

Then to no capital in South Asia would Delhi be 'hanooz dur ast' – still very far!

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Mr Jyoti Basu: A Gentleman and a Communist

Bibek Debroy¹

Abstract

Mr Jyoti Basu – India’s most prominent and senior communist leader – passed away on 17 January 2010. Mr Basu had the distinction of being the Chief Minister of the Indian state of West Bengal for more than two decades. His death marks the end of an era in Indian and West Bengal politics. This brief traces the critical events during the political career of Mr Basu that spanned for more than six decades and concludes that while Mr Basu was both a gentleman and a communist, he was more of the former than the latter.

There is a pre-1977 Mr Jyoti Basu, another Mr Jyoti Basu from 1977 to 2000, and finally a third Mr Jyoti Basu from 2000 to 2010, though one naturally leads to the other.

Had events unfurled otherwise and there not been a “historic blunder” in 1996, India might have had its first “communist” Prime Minister. After Mr Basu’s death, most commentators have focused on the man who was the state of West Bengal’s Chief Minister for an unbroken spell of 23 years from 1977 to 2000 and the legacy he left behind for West Bengal. Since the year 2005, and more formally since 2008, Mr Basu has not been that important in India’s national politics. Prior to the year 1977, Mr Basu was noted to have been strongly influenced by the thoughts of leading British political theorist Harold Laski, and Rajani Palme Dutt, the noted theoretician from the Communist Party of Great Britain. His views and thoughts were also shaped by the legacies of trade unions and railway workers and the Tebhaga movement (a large-scale peasant agitation organised the Communist Party of India (CPI) in 1946). Mr Basu was one of the key leaders instrumental in the formation of the Communist Party of India (Marxist) [CPI(M)] in the year 1964. He, along with several other noted communist leaders of the time such as P.C. Joshi and H.S. Surjeet, courted considerable controversy by expressing their sympathies for China during the India-China skirmish of 1962.

Mr Basu was sworn in twice as the Deputy Chief Minister of West Bengal as part of the ruling United Front government during the years 1967 and 1969. Following the return of the Congress party to power in the state after the 1972 elections, Mr Basu and the CPI(M) boycotted the assembly for five years (1972 and 1977) accusing the Congress of rigging the

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elections. These are however, legacies that Mr Basu distanced himself from post-1977. Indeed, most people have probably forgotten that Mr Ajoy Mukherjee, the then-Chief Minister of the United Front government representing Bangla Congress, a regional political party from the state, undertook a public hunger strike in protest against his communist cabinet colleagues (including Mr Basu) and issued a press statement, “This Left Communist and its associate parties should not be given the opportunity of ruling the country even for another day by being in the ministry.”²

But that was not quite what happened in 1977. Somewhat against the tide of a priori expectations, the Left Front [a coalition of communist parties led by the CPI(M)] came to power in West Bengal in 1977 with an overwhelming majority and Mr Jyoti Basu became the Chief Minister. In the turbulent Naxalite days of the early 1970s, the Left Front would not have won the elections had rural voters of West Bengal not turned against the Congress, a phenomenon that would drive much of the CPI(M)’s subsequent politics under Mr Basu. The Left’s brief stints in Kerala in 1959³ and West Bengal in both 1967 and 1969 also made the CPI(M) distrustful about democratic inclinations of both the Congress party and its leader Mrs Indira Gandhi.

These days, most people have forgotten the hard-line ideology of Mr Pramod Das Gupta, the veteran member of the CPI (M) politburo and general secretary of the West Bengal unit of the CPI(M). Mr Dasgupta, an old colleague and contemporary of Mr Basu, had a major say in the functioning of the CPI(M). It was not easy to bring in outside expertise and those who were not mass leaders (such as the state Finance Ministers like Mr Ashok Mitra and Mr Asim Dasgupta). In the pre-1991 pre-economic reform days, most people would have described Mr Basu as a pragmatist and capable administrator. Here was a person who, as Transport Minister in the United Front government, had pushed for nationalisation of Calcutta Tramways Corporation (CTC). Before he opted out of Chief Ministership, in 1995-96, he pushed for privatisation of the Great Eastern Hotel, a prime government property in Kolkata. And there were similar intentions expressed with other state properties, such as Lily Biscuits and WEBEL (West Bengal Electronics Industry Development Corporation).

Operation Barga⁴, panchayats, Centre-State relations, social empowerment, insulation of West Bengal (until recently) from caste and religion-based politics – all these are part of the Basu legacy. The Marxist downgrades role of individuals in history. But in all these various initiatives, much credit accrues to Mr Basu. As a member of the Indian federation, the state of West Bengal does not score well on several economic indicators and it is unnecessary to catalogue that litany of woes. By the same token, much culpability also accrues to Mr Basu. (It is a separate matter that the current Chief Minister of West Bengal Mr Buddhadeb Bhattacharya found it difficult to fill his shoes.) Agricultural transformation in West Bengal did not extend beyond low-productivity small-holder agriculture. There was no industrialisation. Work ethics were ruined. And flight of financial capital was reinforced by flight of human capital. As one who had obtained the best of education (St Xavier’s School, Presidency College, Middle Temple), Mr Basu ought to have appreciated that the Left’s conscious attempt to control education and “culture” would ruin West Bengal’s strength in

² Maiti, Prasenjit (2002), *Problems of Governance in India since Independence: The Bengal Success Story*, Vedams ebooks Pvt. Ltd. Delhi.

³ A communist government under the Chief Ministership of Mr E.M.S. Nampoothiripad was sworn in on 16 March 1957 and was dismissed on 31 July 1959.

⁴ A land reforms movement introduced in West Bengal after the CPI(M) came to power in 1978 for giving legitimate land titles to sharecroppers.

human resources. West Bengal might have trundled along had it not been for the momentous economic changes ushered in 1991 and the reform-orientation in several States, including the much maligned state of Bihar. It is undoubtedly true that West Bengal, even before Buddhadeb Bhattacharya, found it impossible to handle this. Especially since 2003, it was not only western and northern India that outstripped West Bengal, but so did the south and parts of eastern India.

Taken uncharitably out of context, “Though we did not have any clear idea about what was happening around us, one feature stood out; we did not like it at all.” This is a quote from Jyoti Basu’s memoirs *With the People*. But that is essentially what has happened to the Left Front in West Bengal; the violence witnessed under Mr Buddhadeb Bhattacharya is not something the “bhadralok” Mr Jyoti Basu would have liked. Mr Ashok Mitra – the erstwhile Finance Minister of West Bengal and a reputed economist – once said that he (Ashok Mitra) was a communist and not a gentleman. Jyoti Basu was both and more the gentleman than the communist. A chief minister for five consecutive terms (a record for all chief ministers in independent India), he did not have to witness the expected demise of the CPI(M) in the Legislative Assembly elections scheduled to be held in 2011. But he has seen the writing on the wall, even if he has not presided over it, and he has also witnessed marginalisation of the Left and the demise of the Third Front in national politics. This was a far cry from the days of Harkishan Singh Surjeet and Jyoti Basu and one cannot help feeling that Jyoti Basu would have been a happier man had he passed away in 2008, given that the Parliamentary elections of 2009 witnessed an unprecedented drop in the popular mandate for the Left in West Bengal. But the atheist is unlikely to have prayed to God for that.

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Rescuing Afghanistan: Let the Region Take Charge

Shahid Javed Burki¹

Abstract

The international community is set to meet again in London on 28 January 2010 to devise a new plan for the economic recovery and development of Afghanistan. The outcomes of the meeting will be analysed in a later brief by ISAS. This paper discusses how the continuing conflict in Afghanistan should be viewed and what countries with large Muslim populations in the Middle East and South Asia can do to save Afghanistan from edging closer to becoming a totally failed state. It is wrong and misleading to see the Afghan conflict in terms of a clash between two ideologies à la Huntington. It should be viewed instead as a case of relative deprivation of people who were once economically and politically powerful in the country. If the conflict has strong economic undercurrents then why seek a solution by suggesting that countries with large Muslim populations should step forward and save Afghanistan from totally collapsing? The reason for that presumably is the way the narrative of the conflict has been allowed to be shaped; it is being written in religious terms. Therefore a credible alternative may come from countries that can speak on behalf of the religion whose flag has been raised by the insurgents that seem to be winning at this time. The use of the term “countries with large Muslim population” is ostensibly for including India as well. It is critical to finding a lasting solution to a conflict that has gone on for more than three decades.

Introduction

The donor community is set to meet again on 28 January 2010 to devise yet another plan for Afghanistan. This would be third time that a large number of countries wishing to help Afghanistan will get together to do some tangible good for the country. The previous plans fell way short of everybody's expectations. The London plan would be drawn up following the articulation of the American Afghan strategy by President Barack Obama on 1 December 2009. Delivered before an audience made up of the cadets attending the West Point Military Academy, the Obama plan had a strong military component. Its main thrust was to wrest from the Taliban the control of the main population centres or, if these were still with the Kabul government, stop the insurgents from gaining control of them. Once these places were secure, the government, aided by the donors, was to pour a great deal of money into developing them so that there would be a palpable improvement in the economic and social

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situation of the citizens living there. After that happened – after the people had developed the confidence that they were being well served by the government – the citizenry of the area could be weaned away from the Taliban. This is the theory that is being worked upon.

The basic assumption behind this approach is correct – that the people have been driven towards the Taliban by economic desperation not by ideological convictions. That said, the strategy was undercut by its second component – that the Americans will begin to pull out their troops by July 2011. The London conference has been summoned to indicate that, notwithstanding the undertaking that the troop surge ordered by the American president will be in place for only 18 months, there is a long-term commitment by the international community to help in the economic and social development of Afghanistan.

Will this strategy work? This paper argues that there is a fatal flaw in this approach since it will not appear credible to the people at whom it is aimed. A different approach is required with a different group of countries supporting it.

It is all about economics

The United States decision to bolster its already large force in Afghanistan by sending in another 30,000 soldiers would only bring peace to that unfortunate country if its people perceive that the action is in their long-term interest. The struggle for Afghanistan has brought to the fore two conflicting points of view. Some Afghans have come to the conclusion (most of these live in the areas in the country's south and east borders on Pakistan) that they will secure a better future for themselves and the generations to come if they place their faith and trust in a government in Kabul that governs in the peoples' interest rather than in the interest of those who make up the governing elite. It is not entirely clear whether these people, a large number of whom support the Taliban, are wedded to political and economic systems inspired by Islam. They do not have good memories of the type of governance the Taliban brought in the late 1990s but they have an even poorer view of the damage inflicted by the current regime operating out of Kabul.

There is a consensus among Afghan watchers that Kabul under President Hamid Karzai has not delivered in the areas in which the Pushtuns are in large majorities. This ethnic group has been left behind by other Afghan communities. The income gap between the Pushtuns, who constitute more than 40 per cent of the country's population, and other communities has widened to the point where the average income per head of the Pushtun population is possibly half of that of the latter. Some 50 per cent of the work force in the Pushtun regions is unemployed. What is sustaining the economy from total collapse is the large amount of remittances from the people who belong to the area but have gone to the Middle East in search for work. But that poses a real problem since, it is believed, that remittances also finance some of the insurgent activity. Drug trade is the other source of income for the people, but the bulk of the return from this activity goes to the warlords, some of whom are heavily involved in this business.

There is also the impression that the political system put in place after the overthrow of the Taliban in 2001 will not countenance a regime change. That this is indeed the case was demonstrated by the way the presidential elections were handled last year.² Had they not been

² See Shahid Javed Burki, a) "Afghan Presidential Election: Developments Since the Fall of the Taliban", ISAS Brief No. 123, 17 August 2009; b) "Afghanistan Elections 2009: The Day of Reckoning", ISAS Brief No. 126, 31 August 2009; c) "Afghanistan Presidential Election 2009: Inconclusive Results a Dilemma for

so obviously rigged by the regime in power in its own favour, Kabul would have seen a new set of rulers. This experience seems to suggest that force through insurgency was the only way to bring a new group to power in Kabul, even if that group was drawn from the Taliban who were thoroughly discredited during their first time in power. That there was not much love for the Taliban became clear the way the victors were received in Kabul. As the Taliban fled, those who took their place were received with warmth and expectation. For a few years there was considerable goodwill towards the regime headed by President Hamid Karzai. And then things began to go wrong. America diverted its attention towards Iraq and Karzai allowed a number of local warlords to reclaim for themselves and their associates the land they had lost to the Taliban. These local leaders also usurped for their own use copious amounts of external funds received from the donor community. In 2009, Transparency International, the Berlin-based non-government organisation that keeps track of corruption trends in the world, rated Afghanistan as one of the two countries with the most corrupt governments on earth. The other was Somalia.

Afghanistan, India and Pakistan

Instead of relying on the largesse of the West, the part of the globe that has not endeared itself to the Muslim world, it might be appropriate to think in terms of the involvement of countries with large Muslim populations for saving Afghanistan from disaster. By emphasising the role of the “countries with large Muslim populations”, India is also being included among nations that will be asked to provide assistance in the effort. India’s inclusion is critical since its participation will prevent Afghanistan from becoming another Kashmir, a contested area for domination by India and Pakistan. Some of the difficulties Afghanistan currently faces can be attributed to the rivalry between these two South Asian nations. Pakistan has been nervous about the growing influence of New Delhi on Kabul. The fact that India has provided a US\$1.4 billion line of credit to the Afghan government has not gone unnoticed in Islamabad. Some of this money is being used to construct roads in the country which has gone through several decades of infrastructural degradation as a result of the long-enduring conflict. India is also committing resources to the construction of some visible symbols of its close relationship with the country. A significant amount of Indian assistance is being spent on building a new parliament house in the capital. Islamabad has always looked at Kabul’s relations with New Delhi as a zero-sum play; if India gains, Pakistan loses. This is, of course, incorrect since both countries will lose if they continue to treat Afghanistan the way they have done in the past.

Pakistan’s economic relations with Afghanistan have at best been uneasy. Kabul depends on its neighbour to the south for the transit of most of its international trade. Pakistan is obliged under its international obligations concerning the rights of landlocked countries to provide transit facilities. This was done most of the time, although at times, Pakistan has blocked the passage of some goods on the ground that they were not destined for the Afghan market but were meant to be smuggled back into Pakistan. Such smuggling did take place and represented a significant loss of revenue for Islamabad when the tariffs on international trade were high. A small town near Peshawar called Bara flourished since it offered Pakistanis goods that were not available in the local markets. With the lowering of import duties, this kind of smuggling is less consequential for Pakistan. It does not suffer the kind of revenue leakages that were happening when tariffs were high.

the United States”, ISAS Brief No. 130, 22 September 2009; d) “Afghanistan Presidential Elections 2009: The Run-up to the Run-off”, ISAS Brief No. 134, 26 October 2009; and e) “Hamid Karzai’s Second Term as Afghanistan’s President: Promises, Challenges and Prospects”, ISAS Brief No. 141, 24 November 2009.

For the Afghans what matters most is the grant of transit rights to India for two-way trade between the two countries. This is not acceptable to Pakistan as long as its relations with India remain problematic. The author of this paper had raised the issue of the grant of transit rights to India for trade with Afghanistan and Central Asia with two recent presidents of Pakistan, Pervez Musharraf and Asif Ali Zardari. Both realised the enormous benefits of granting transit rights. However, both were also of the view that this issue will have to be part of a comprehensive settlement of outstanding issues with India. This is short-sightedness on the part of Islamabad since it stands to gain much more than India in economic terms if it allows its neighbours goods and commodities to flow through its territory to Afghanistan and beyond.

A Regional Solution to the Afghan Problem

Extremists in the Muslim world have begun to attract recruits from places other than Afghanistan and Pakistan. This should be of considerable concern for the people and leaderships of the countries in the region. There is a growing presence of *Al-Qaeda* in Yemen and Somalia, two countries that have weak governments and weak economies. It is this type of environment that provides rich and fertile ground for groups such as *Al-Qaeda* to throw their roots in. To prevent this scourge from spreading, it is time for countries that have the military and financial resources to come together and devise a large development plan – a sort of Marshall Plan³ for Afghanistan – to assist Kabul in defeating the insurgents. This should be done by a combination of economic and social development along with the show and use of force by nations whose presence on the ground may be less troubling for the traditionally xenophobic Afghan people. A contingent of Muslim troops may be more acceptable to the local population than a force drawn entirely from the United States and Europe.

This effort will need a leader and Egypt with some experience of helping with conflict resolution in the Middle East can play that role. It will need money – lots of it – and the Organisation of Petroleum Exporting Countries (OPEC) with their coffers full, should be able to fund a Marshall Plan type of activity. Including India into the group of sponsors is critical for a number of reasons. This kind of arrangement will have for the first time India and Pakistan on the same side of conflict. Working together, they will be able to see the advantages that can be gained from cooperation rather than by perpetuating decades old hostility. With a very large Muslim population – the third largest in the world following Indonesia and Pakistan – India will be able to play a role for which they are well equipped. It has been India's wish – thwarted by Pakistan – to join the Organization for Islamic Countries. Participating in this activity will fulfil that ambition as well.

Conclusion

The main point advanced in this paper is that some fundamental departures need to be made in the way the international community, led by the United States, has dealt with the Afghan problem. After months of deep reflection, President Obama and his administration have come up with a strategy which is close to the one that was followed by President George W. Bush in the closing days of his administration. But Afghanistan is very different from Iraq, less

³ The Marshall Plan, christened after the then-United States (US) Secretary of State Mr George Marshall, was a reconstruction program implemented by the US during 1948-1952 for the countries of Western Europe.

well developed, more suspicious about outsiders, and concerned about preserving its culture which fuses tribal and religious traditions. Those entrusted with the job of bringing the country out of the mess in which it finds itself today are those who have greater affinity with the local people. This suggests putting together a Muslim force drawn from the region with a well articulated program of social and economic development financed by petrodollars.

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The ‘Free-Market’ and ‘Social Concerns’: ‘Asian Values’ and ‘Walking on Two Legs’!

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‘The gods of the market tumbled, and their smooth-tongued wizards withdrew.’

- Rudyard Kipling

Abstract

The reservoir of knowledge, collected over time from human experience leads us to conclude that all beliefs that are not re-energised or re-invigorated by reformation movements tend to wilt and wither. Those of the free market are no different. As history unfolded, these ideas were buffeted by adversities of real-world experience. But after each such experience they re-emerged in new form, further sharpened and honed. That is why the current financial, or more aptly termed, economic crisis must be seen as an opportunity to seize upon, to feed *that* propensity of the market that has proved to be its more powerful tool of survival, that is, its ability to correct itself, perhaps with a little bit of help from society. In this phenomenon Asia has a leadership role to play, encompassing both growth and care for the poor.

Introduction

This paper is about the placement of the ideas pertaining to the free market against the matrix of social concerns. This includes care for those who are on the flip side of the success story of the contemporary capitalist system. Also, how this juxtaposition is tempered in this part of the world by the so-called ‘Asian values’, reflected in loyalty to the family, corporation, and nation, preference for social stability over personal freedom, the pursuit of academic excellence, and, generally, thrifty behaviour.

The Idea of ‘Free Market’

Here ‘the free-market’ needs to be clearly defined. So, what is it? Simply put, it is an economy without *needless* (and mark the word ‘needless’) intervention by the state except to regulate against force and fraud. It requires the protection of property rights, but no

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regulation, no subsidisation, no single monetary system, no government monopolies, and no centralised system of command. Of course one must render unto Caesar what is Caesar's, that is, pay one's taxes, but always remain vigilant that these are well spent, not for wasteful *government*, but better *governance*.

The beliefs had their ardent prophets. Adam Smith spoke of the 'invisible hand' that leads the individual, who intends only his own gain, to promote an end which is no part of his intention. It was not, as Smith said, from the benevolence of his butcher, or brewer, or baker that he drew his dinner, but from their regard to their own self-interest. Deriving from this concept, Richard Cobden floated ideas that, according to him, "advocated nothing but what is agreeable to the highest behests of Christianity, to buy in the cheapest markets and sell in the dearest". Based on these again Frederick Hayek developed the theory that market economies allowed for 'spontaneous order', a more efficient allocation of societal resources than any other design could achieve. Closer to our times, Milton Friedman argued for severe restrictions on the rule of the government and the economy. These thoughts, doubtless, led to fruition in policy terms in Reaganism-Thatcherism, and aided the process of contemporary globalisation.

Its Evolution

When some critics bemoaned them, Jagdish Bhagwati, a friend of the process, forcefully held that globalisation does indeed have a human face; only that we must make it more agreeable. But the soaring ideals of the free-market were brought face-to-face with reality by John Maynard Keynes, who advocated the avoidance of the pitfalls of this unbridled free-market by appropriate interventions by the State to restore a modicum of social order. Capitalism has never been the same since. Of course some extreme advocates of change like Karl Marx, V.I. Lenin, or Che Guevara had called for a systemic overhauling through 'revolutions', while others like the Webbs saw merit in a gradual ('Fabian') transformation. Keynes and his ilk were for least disturbance in social harmony and saw value in insertions of appropriate policies. Keynes favoured the government's intervention through use of fiscal and monetary measures to mitigate the adverse effects of business cycles, recessions, and depressions. This is what finds resonance in contemporary governance, be it in Obama's United States or Hu Jintao's China. In Asia in particular, what was salient was the reliance on the underpinnings of liberal capitalist economics, while fusing into them a strengthened regulatory mechanism that espouses growth, coupled with a focus on equity and development.

The current economic crisis has posed stiff challenges for globalisation. Indeed, what began as a trans-Atlantic crisis assumed global proportions because, in what Thomas Friedman has called 'the flat world', the global economy of the twenty-first century has become closely integrated. A dense web of trade and financial linkages resulted in a quick spread of the contagion since the collapse of the Lehman Brothers. Analysts, academics and policy-makers from several parts of the developing world, including from Asia, began to argue that the crisis exposed the pitfalls of globalisation. There were others who urged calm. They pointed out that it was not just the failure of market, but really of *governance* – one that must be shared by both the market and the governments.

Its Asian Matrix

As a region, the Asia Pacific is increasingly becoming one of the most economically integrated parts of the world. Intra-regional trade has been particularly robust since the Asian

meltdown of 1997. That crisis spurred efforts for the movement towards an integrated trade architecture. It gave birth to the 'Chiang-Mai Initiative', and there was even talk of a separate Asian Monetary Fund, something that not only did not die down, but appears to have received a fillip from the present crisis. The Association of Southeast Asian Nations (ASEAN) framework has become more tightly organised since then. At the same time, shaken confidence in the global trade regime has led to a proliferation of bilateral pacts among East, South and Southeast Asian economies. The upshot was the growth of 'the noodle bowl', an intertwined set of multiple agreements covering the entirety of South, Southeast, and East Asia. Singapore's Senior Minister, Goh Chok Tong, reminded us that it would be increasingly difficult to regard the various regions of Asia as "distinct theatres interacting only at the margins."

From a regional perspective, the chorus of voices for greater Asian integration began to gain ground. A few months ago it received a thrust forward following the change of government in Japan and the installation of Prime Minister Yukio Hatoyama. Organisations like the Asian Development Bank (ADB) espoused the cause institutionally through studies and research. A remarkably palpable sense of 'Asian-ness' has emerged. Could the Asian Age have come upon us sooner than expected? Back in 1935 a Japanese economist called Kaname Akamatsu had developed a multi-tiered hierarchical 'flying-geese' model (which gained popularity in the 1960s) to demonstrate how industrialisation travelled from the developed to developing countries. The academic, if not policy-making circles, were now abuzz with talk of whether the 'flying geese' model could be applied to the integration of contemporary Asia, with the big economies leading and the smaller ones following, drawing power and strength from the flappings of the wings of the leaders! The President of ADB, Haruhiko Kuroda, confidently asserted that the world today was looking at Asia to lead the way!

To begin with, most stakeholders from this region were committed to the rule-based multilateral trading regime administered by the World Trade Organization (WTO). This was further buttressed by the joining of this multilateral forum by China, then the second largest economy of Asia (after Japan), and now poised to be the largest. Of late, however, there has been considerable disappointment at the lack of progress in the Doha Development Round. This is not to say that there has been any significant erosion in confidence in the purposes that the institution stands for. In other words, the benefits accruing to these stakeholders from the multilateral framework have remained undisputed. It may have opened the door to thoughts about the world body being replicated regionally to respond to the specific issues of the region. An Asian Trade Organisation, perhaps?

In several ways the financial crisis has provided an opportunity to examine more closely the existing inefficiencies in the current multilateral framework and addressing them. For instance, there are several outstanding issues that continue to pose significant roadblocks to the efficient movement of goods and services across the world. One of the key challenges confronting the free-marketeers must be to prevail upon the concerned authorities the urgent necessity of removing these constraints. There is little doubt that the rules of the game governing global trade need to become more accommodating and acceptable. Prolonged discussions on trade distorting subsidies and impediments to market access to date have yielded little results. Then again, more generic trade-related issues have not received the attention they deserve. These include uniform 'rules of origin', 'safeguard measures', and movement of skilled professional personnel. Global trade can become truly market-oriented and effective only when the market mechanism is allowed to function unencumbered. Selective application of rules and modalities must be avoided at all times. Otherwise it will

feed the penchant for evolving alternative mechanisms in Asia, and the ‘decoupling’ of Asian economies from other parts of the world. This would adversely impact the world to the extent that ‘interdependence’ is good for global peace and stability.

Asia today is in ferment. It is aware of its tremendous potentials, and of its ability to play a decisive role in the global economy. But the clout it wields must not confine its objectives and endeavours only to the region. We live in an interconnected world. With each passing day we are approaching the reality of a single ‘global village’. Economic jingoism, whether national or regional, eastern or western, must be discarded at all costs. Western trade and economic actors, both state and non-state, will need to acknowledge the shifting global balance and realign themselves in a way so as to become a key instrument in the growth and development of the East. Likewise, the East must always remain conscious of the critical importance of growing together in harmony in a mutually cooperative and collaborative framework. With due apologies to Rudyard Kipling, the twain must be made to meet for the good of all concerned.

So, what is to be done? We must accept that protectionism ultimately benefits none: not those sought to be protected, nor those from whom they are purported to be protected against. Tariffs, or even non-tariff barriers are the Berlin walls of the contemporary economic scene that must be pulled down. Even assuming that globalisation has significant pitfalls, it must be realised that it is on an irreversible trajectory. Instead of trying to reverse the process, we are better off making it more meaningful and welfare-oriented. Joseph Stiglitz, who had earlier focused on globalisation’s “discontents”, penned a more recent tome suggesting how to “make it work”, arguing that the process, if properly managed, as in the successful development of much of East Asia, can benefit alike both the developed and developing countries.

In Asia, a combination of beliefs, faiths and traditions have rendered it unacceptable that the flip side of our success ethic be the neglect of those who cannot make the grade. Progress must be that experience of the evangelical ‘rapture’ in which all participate, and none is left behind. Policy must involve ‘walking on two legs’, that is, the market must be free to operate but for those for whom it fails, the state should cast, and catch them in, its safety net. That would be in consonance with Asian mores. This is at the root of the National Rural Employment Guarantee Program (NREGA) in India. Bangladesh, once considered a basket-case by Henry Kissinger, is forging ahead aided by similar policies, and ‘home-grown’ innovative schemes like ‘micro-credit’, which its initiator, Professor Mohammed Yunus holds, will soon be able to consign poverty to the museum of history. Most developing countries in Asia are in the driver’s seat, in control, of their own destiny. Their ‘best practices’ are replicable in societies of comparable milieu in Africa, and in Latin America.

Towards A Global Village

It is essential that while we aspire to our goals, we do not divide humanity into separate compartments. Nobel Laureate Amartya Sen has stressed upon the need to dialogue on the richness of human identities, and on the need to avoid placing people in rigidly separate boxes, linked with religion or community. A structure of common human empathy must be built that should link all. After all, there can be no escape from the Gulag of life if the man who lives in the warmth does not feel for the man who lives in the cold.

There is a tendency in Asian societies for progress to be spearheaded by a 'vanguard' elite group in the society. This concept, of course, is not uniquely Asian. In the West, this was at the core of Plato's 'Republic', designed to be ruled by 'guardians' or 'philosopher kings' (and all western civilisation, it has been said, is but a footnote to Plato). But its practical application was more apparent in Asia. As Gandhi had once said, a small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history. But Asians must not attempt to go at it alone. Just as the West needs to reorient itself to accept Asia's 'rise', Asia must also recalibrate its collaboration with others in the world in the creation of the new 'global village'.

Conclusion

The entirety of the global community faces a challenge to work together, be it in development, or climate change, or ridding the world of weapons of mass destruction. The striving must be relentless bearing in mind the warning of the mighty Rabindranath Tagore – that you cannot cross the sea by merely standing at its edge, and staring at the water!

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Sri Lanka Polls: Incumbency is Endorsed

S. D. Muni¹

Sri Lankan President Mahinda Rajapaksa's electoral gamble has paid. His decision to go to polls two years before the end of his first term has won him a comfortable second term of six years.

Two things that carried him through this gamble were his political will and determination to eliminate the Liberation Tigers of Tamil Eelam (LTTE) militarily and his control over the State apparatus as the Executive President. The war on LTTE was fought under his leadership against heavy odds, particularly international pressures on humanitarian issues. His campaign effectively drove home the point that despite his opponent and erstwhile Army Chief General Sarath Fonseka's claims for an equal share in the campaign against the LTTE, victory belonged to him alone. It was he who took the critical political decision to deal with the LTTE militarily and carried the decision to its ultimate conclusion. In democracies, it is the political leadership and not army generals or bureaucrats that are credited with critical initiatives. Both Sinhalese, as well as Tamil voters seem to have endorsed this point. In the Tamil-dominated Northern and Eastern parts of the country the anti-LTTE voters supported Rajapaksa for ending terrorism. Those sympathetic to the LTTE in these areas voted with the combined opposition candidate General Fonseka. The pro-LTTE political party, the Tamil National Alliance (TNA) was a part of the combined opposition.

President Rajapaksa's incumbency gave him the critical control over official machinery. The State had numbed the critical media long back. Private Websites monitoring elections were blocked hours before the counting started. The Election Commissioner reportedly had to "withdraw the competent authority appointed to regulate the State media institutions due to the refusal of those bodies to implement his direction". He also abandoned his attempts to give directives to "police and other government authorities" as they ignored his directions in the "run-up to the presidential election". The first election held after the elimination of LTTE terrorism was not completely free from violence. Most of the violence was blamed on the official side. The pre-dawn series of blasts in Jaffna on the polling day definitely scared the pro-Fonseka Tamil voters to come out in full strength. Many of the Tamil IDPs of the anti-LTTE war were without their voting cards. The recorded voter turnout in the North was below 20 percent and in the East below 50 percent, both much lower than the national average of more than 70 percent polling.

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However, no large scale irregularities were reported in the voting watched by nearly 10,000 observers including international groups. Even without the alleged misuse of State machinery, President Rajapaksa would have perhaps carried the day. The combined opposition was such a mumbo-jumbo of discordant forces that it did not invoke any confidence among the voters. The liberal United National Party (UNP), joining hands with the Sinhala extremist Janatha Vimukti Peramuna (JVP) and being supported by the TNA, known as the LTTE front-organisation did not have anything economically or politically in common except the hatred for the Rajapaksa regime. President Rajapaksa, through his crafty political moves seriously eroded the strength of the JVP and the UNP. The elections of the provincial councils held in 2009 clearly established his firm hold over the Sinhala political dynamics. Roping in Rajapaksa's former army chief was a clear indication of the leadership bankruptcy in the opposition.

As a candidate Gen Fonseka appeared to be moved more by his personal rivalry with the Rajapaksa brothers, rather than any credible economic or political programme. He was an enthusiastic party to the elimination of the LTTE and all humanitarian violations alleged in the process. His attitude towards the Tamil minority was also not much to speak of, as he is on record to have caricatured them as second class citizens. His campaign to usher in greater democracy and change the presidential system and render justice to the Tamils could not inspire many. He did not display any economic vision for Sri Lanka either. His sole emphasis on corruption, nepotism and family oligarchy of the Rajapaksa family, though valid issues, did not cut much ice with the voters. The support he eventually received was from the secure constituencies of the three main parties in his favour. Rajapaksa also succeeded in conveying the message that electing a US green card holder and western supported candidate like Fonseka would be an affront to Sri Lankan patriotism. On the polling day, everyone was surprised to know that Fonseka had not even registered as a legitimate voter. His hometown constituency of Ambalangoda decisively voted against him.

President Rajapaksa fought against the opposition's slogan of "change". It would therefore be illogical to expect any major change in Sri Lanka. The victory was sought to consolidate the Rajapaksa regime and that will now be done ruthlessly on the strength of popular endorsement. There may be international pressure for a political package to the Tamils. But the Rajapaksa regime had mastered the art of blunting adverse international pressures while fighting the LTTE. It would be unrealistic to expect anything more than cosmetic relief for Tamil grievances. But will this revive Tamil resistance in a different shape and size?

Executive Presidency will be consolidated at the cost of freedom and prosperity of common Sri Lankans. Economy will grow in the name of reconstruction and rehabilitation of the war torn North and the East to the advantage of entrenched interests. Relations with China and India will dominate Sri Lanka's foreign policy but mostly on the terms of the Rajapaksa regime's priorities.

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Afghanistan: The London Meeting

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Abstract

On 28 January 2010, the international community met once again in London to discuss Afghanistan. The meeting was called by Gordon Brown, the British prime minister, and was attended by the representatives of 60 governments including Hillary Clinton, the United States (US) Secretary of State. On the eve of the conference, senior Afghan officials began to indicate that they were prepared to work with those in the Taliban movement who were willing to be associated with the government. This position, pushed for some time by Pakistan, seemed acceptable to Washington and other major capitals but with some reservations. President Hamid Karazi asked for US\$1.2 billion of donor assistance to help mainstream some of the Taliban. At the same time, General Stanley McChrystal, the US commander in Afghanistan, indicated that he was convinced that with the help of the additional troops that were on their way to Afghanistan, he could secure the main population centres and protect them from the insurgents? But doubts remain whether these moves will bring peace to the country and bring to an end a conflict that had lasted for more than three decades.

Introduction

The international community involved with Afghanistan since the American attack on the country in October 2001 met again in London on 28 January 2010. The meeting was called by Prime Minister Gordon Brown of Britain and was meant to underscore the new strategy announced by Barack Obama, the US president. It was being called, according to the British leader, at a defining moment for Afghanistan's future. In his speech given on 1 December 2009 at the West Point Military Academy,² the American president had presented a three-pronged strategy for the country that had not known peace for more than three decades. One, the US and its NATO allies will place more troops on the ground to win back some of the more populous areas that had come under the control of the Taliban or were under threat. Two, it was not the intention of the US-led allies to prolong their stay in Afghanistan and become an occupation force. To give substance to that pledge, the president indicated that he would start pulling out his troops starting 1 July 2011. In other words, the military was given

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² <http://www.whitehouse.gov/the-press-office/remarks-president-address-nation-way-forward-afghanistan-and-pakistan> (accessed on 4 February 2010).

18 months to secure the more populated parts of Afghanistan. Three, the allies would place an equal amount of emphasis on rebuilding Afghanistan and the Afghan state. It was the third element in this three-pronged strategy that was the focus of attention of the gathering in London.

Even before the delegates attending the meeting arrived in London, the Independent Election Commission announced in Kabul that the elections for the parliament had been rescheduled and would not be held this winter but will take place later in the year. Several reasons were provided; each one of which the London conferees were supposed to address. The Commission could not ensure security for those that wished to participate in the elections either as candidates or as voters. Not enough resources were available to conduct yet another election in a country as large as Afghanistan so soon after the presidential election on 20 August 2009. The government was too preoccupied with other concerns to give much attention to another election. The Election Commission's decision was well received by the political parties in the country as well as by a number of foreign agencies that were helping Afghanistan in various ways. The Americans and their NATO allies did not wish to be distracted from the main mission – to bring the more populated parts of the country under their and the government's control.

Pulling in before pulling out

There was one surprising development on the eve of the conference. President Hamid Karzai decided to invite those in the Taliban movement who were prepared to work with his government to join in the effort to rebuild the country. In an effort to build support for this position, he stopped in Turkey and met with Prime Minister Tayyip Erdogan. The Turkish prime minister had also met with President Asif Ali Zardari who was visiting as well. It was clear that the discussions in Turkey were focused on the issue of national reconciliation, a position that Islamabad has favoured for a long time. That notwithstanding, Karzai wanted Turkey's support to ensure that Pakistan, which had supported dialogue with some Taliban, would not allow those that oppose such a move towards reconciliation to operate from its territory.

Pakistan's position was articulated clearly during a visit to the country by Robert Gates, the US Defense Secretary, who gave two contradictory signals in his private discussions and public pronouncements in Islamabad. On the one hand, he urged the Pakistani authorities to extend their successful operations in Swat and South Waziristan³ to North Waziristan and Orakzai and, on the other hand, he declared that the Taliban were a part of the Afghan political fabric and will have to be accommodated in any kind of political structure that was meant to be durable.

The momentum for pulling the Taliban into the government began to build up as the opening day of the London conference came nearer. On the eve of the meeting, Omar Zakhilwal, Afghanistan's new finance minister⁴ said that the Taliban could be involved across all levels of government. The minister said that his government will propose a two-pronged approach to the conference in London. He told the *Financial Times* in an interview that the government would like to begin with the "lower ranks" who are not ideologically motivated. "Not all of them are idolizing the Taliban. Quite a large group of them have sided with the Taliban

³ This subject was covered in an earlier brief. See Shahid Javed Burki, "Rescuing Afghanistan: Let the Region Take Charge", ISAS Brief No. 151, 22 January 2010.

because they were forced” or had economic reasons for joining the insurgents. They would be given incentives to switch sides by offering jobs, and protection. It will take somewhat longer to bring in the people occupying higher ranks but bringing them in will be the second prong of the strategy. “Negotiations could begin as early as tomorrow if we have an international backing at the London meeting” the minister went on to say to the newspaper. He believed the Taliban were ready to negotiate. “Even at this moment they do sense that it will be impossible for them to return to power”. He said that there were “really quite a large number of [Taliban] who have been coming to the government. With the right sort of assurances, credible assurances, you can see some defections.” While accepting that it will be difficult to work with the Taliban as partners in a government set up, “doing nothing on that front is not an option.” He said Pakistan, which was instrumental in the creation of the Taliban in the 1990s would have to play an important role in bringing about this reconciliation. Bringing the Taliban in will have a financial cost for the international community which the minister estimated at US\$1.2 billion of which US\$200 million will be immediate and another US\$1 billion will be used to enforce whatever understanding was reached with the group. “The cost of peace is many times lower than the cost of war. That is the argument we will present in London”.⁴

Would this strategy work by drawing in the Taliban in sufficiently large numbers to break the momentum the insurgency had gathered in the last 18 months? According to one assessment, “there is a renewed sense of confidence in the NATO mission after a year of drift in which the US and UK-led coalition, by their own admission, lost the initiative across the whole theatre. In the past year the number of NATO casualties has doubled...[But] Gen McChrystal wants to create ‘unstoppable momentum’ in the spring, with eight to 10 districts under control by July 2011.”⁵

Karzai’s move had the support of many Afghan elders, even in the areas such as Arghandab, where the Taliban had been very active. Controlling a mountain pass that leads into the southern city of Kandahar, Arghandab is a pivotal district in the counter-insurgency strategy advocated by General McChrystal that underpinned President Obama’s new approach to Afghanistan. It was general’s aim to drain the Taliban’s energy by denying its fighters access to main population centres in the country. According to one newspaper correspondent who visited the area to see what kind of reaction to expect to the Karzai initiative: “locals support the idea that talks with top Taliban leaders, or programmes to create work for low level fighters, could end the fighting even though there are big obstacles in the path of these initiatives”.⁶ General McChrystal had identified 80 districts where he thought it would be possible to “work with (or, if necessary, against) local governors to reclaim authority and freedom of movement. Along with a possible amnesty to ‘non-terrorists’ insurgents willing to lay down their arms, this could pave the way to a settlement”.⁷

The Karzai government took another initiative before the London meeting to reach out to some of the Taliban leaders it thought it could work with. It requested the United Nations Security Council to remove five top Taliban leaders from its list of people subject to sanctions because of their alleged links with *Al-Qaeda*. The sanctions involve a ban on travel,

⁴ Serena Trilling and Fazel Reshad, “Prospect of Taliban talks raised”, *Financial Times*, (27 January 2010), p.1.

⁵ Lionel Barber, “Allies rally their forces for spring offensive”, *Financial Times* (29 January 2010), p. 3.

⁶ Mathew Green, “Elders press for early negotiations with the Taliban”, *Financial Times*, (27 January 2010), p. 2. ,

⁷ *Ibid.*, p. 3.

a freeze on assets held outside the country and an embargo on obtaining arms. The Security Council announced on 27 January that it had accepted Kabul's request. The leaders involved included Abdul Wakil Mutawakil who was Foreign Minister in the Taliban regime; Faiz Mohammad Faizan, Deputy Commerce Minister in the same cabinet; and Mohammad Musa, Deputy Planning Minister.

As was to be expected, the immediate response to these moves from the higher levels of the Taliban movement was not very helpful in terms of beginning the process of reconciliation. A Taliban spokesperson, Zabiullah Mojahed, rejected claims that talks were underway. "There is no negotiation going on about reintegration plan or forming a political settlement...I don't think there is any chance of negotiations until the foreign infidel troops leave our country."⁸

Also on the eve of the London meeting, the NATO commanders met with the commanders of the Russian and Pakistani armies. "There was feeling in the room that we are getting it right", Admiral Giampaolo Di Paola told reporters after the talks in Brussels. General Ashfaq Pervez Kayani, the Chief of Staff of the Pakistani army, who attended the meeting, was reported to have told his colleagues that they had keen interest in the success of the initiative. Kayani was said to be "incredibly in tune" with the approach of US General McChrystal. "That made me believe that the tide is turning", the Italian admiral said in his briefing.⁹

The London Meeting

The London conference was, at best, a half success. According to one western official who attended the meeting "the conference was [about] bringing momentum behind the Karzai government" but was held before the Afghan leader had the time to show that he was changing the course he had followed in the past and had begun to move in the direction favoured by the United States and its NATO allies. In fact, Karzai took some wind out of the sails of the conference by announcing that "he will host another big international conference in Kabul in the spring and that will be a more serious test of how far he has gone on reform".¹⁰

Suspensions about the effectiveness of the Karzai administration to provide good governance was repeatedly voiced by the speakers at the conference. Western governments pressed the Afghan president to do more in terms of controlling corruption, reminding him that in its 2009 annual report, Transparency International had ranked Afghanistan along with Somalia as the two most corrupt countries in the world.¹¹ They wanted him to appoint a permanent corruption monitoring and evaluation commission. The Afghans would only accept an *ad hoc* arrangement.

It was clear that President Karzai's main focus was national reconciliation. In the meeting he said that he will hold a "*grand jirga*" to drive forward the process he had initiated aimed at making peace with some of the Taliban. However, the US and European participants in the meeting insisted that any understanding with the Taliban can only occur on the basis of strict conditions. These included "renunciation by insurgents of links with *Al-Qaeda* and of an

⁸ Serena Trilling and Fazel Reshad, "Prospect of Taliban talks raised", *Financial Times* (27 January 2010), p. 4.

⁹ <http://epaper.dawn.com/ArticleText.aspx?article> (accessed 28 Jan. 2010).

¹⁰ Quoted in James Blitz and David Gardner, "Saudi Arabia offers to mediate with insurgents" *Financial Times* (29 January 2010), p. 3.

¹¹ Transparency International, *2009 Global Corruption Barometer*, Berlin Germany, 2009.

ideology that suppresses women”.¹² On the question of winning endorsement in his efforts to bring in some of the Taliban into his government, he won only partial support at the conference. Saudi Arabia offered to mediate between Kabul and the Taliban, provided the insurgents broke their ties with *Al-Qaeda*. In terms of assisting the Afghan government with financial resources it could use to bring in the Taliban, the conference participants pledged US\$140 million and placed it in a trust fund. The expectation that the conference would endorse a detailed plan for the pacification of Afghanistan by identifying the districts that would come under the control of the government along with a timeline was also unmet. The final communiqué was vague about both the number of districts and the timetable that was expected to be followed.

Conclusion

Conferences are useful in dealing with post-conflict situations not for planning a strategy for winning the conflict. That is the job of the politicians working behind closed doors and of the generals who are given broad goals to pursue. The London conference did not prove to be an exception to that general rule. In this context there are three “unknowns”: how will most of the Taliban react to the government’s offer to work with them, how successful will the generals be on the ground by freeing and holding some of the more populated areas; and how effective will Pakistan be in stopping the Taliban, who will come under pressure when the snows melt, from slipping into its territory.

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¹² James Blitz, “Karzai to face pressure on strategy” *Financial Times* (28 January), p. 2.

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The Pakistan Military Proves its Mettle

Ishtiaq Ahmed¹

Abstract

It is argued in this brief that the recent London conference on the Taliban insurgency in Afghanistan was a major success for the Pakistani military in convincing the international community that its cooperation is vital to resolving the crisis in Afghanistan. It was achieved in light of the fact that the Pakistani military effectively combated Taliban terrorism on its own soil. The Pakistani military has also come out against the Taliban domination of Afghanistan in case of an early United States (US) and North Atlantic Treaty Organization (NATO) troop pullout, because it would threaten Pakistani security and national interests.

Introduction

Considerable attention has been given to the conference hosted by United Kingdom's Prime Minister Gordon Brown at Lancaster House on 28-29 January 2010 in London in which nearly 70 countries, including the United Nations, backed a US\$500 million Afghan government drive to tempt fighters to give up their weapons in exchange for jobs and other incentives. Before the conference took place, brisk diplomatic moves were underway in Istanbul and London to garner the support of important players such as China, Turkey, Iran and Russia. It was realised that Pakistan was the key player in any peace deal in Afghanistan.

It dawned upon the American and the British – the two major powers involved in fighting the Taliban – that only military action would not do. In recent years the Taliban, who are almost all from the Pukhtun ethnic group, have expanded their influence outside the traditional Pukhtun strongholds of eastern and southern Afghanistan. They are reportedly present in almost all parts of the country, though it does not mean they exercise real power in them. The US and Allied Forces troop surge that is to bring more than 35,000 soldiers has been qualified by President Obama's statement that the US will start pulling back its troops from the summer of 2011.

US top commander in Afghanistan, General Stanley McChrystal, remarked recently that as a soldier he felt that it was time to find another way of dealing with the insurgency in

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Afghanistan.² The idea is that by mid-2011 the Afghan military and security forces should be large enough and trained properly to take over the responsibilities of maintaining the peace, and law and order. In any event, hectic consultations with President Hamid Karzai and other leaders had convinced the West that it was possible to strike a deal with sections of the Taliban who were not hardcore ideological fanatics.

The general understanding is that it is a major victory for Pakistan, as its point of view that not all Taliban were bad was accepted. Equally, it has been seen as a major setback to India, which had insisted all along that the Taliban as a whole had to be defeated because they were committed to an ideology that was rabidly militaristic and expansionist, and any concession to them would gravely threaten India's security. Such India-Pakistan sabre rattling in Afghanistan is symptomatic of their zero-sum postures on almost all security matters. The reality, however, is always more complicated and complex than what meets the eye.

Now, doubts are being expressed about the wisdom of such optimism about striking a deal with the Taliban. The Taliban have not responded to President Karzai's invitation to Taliban leaders to attend the traditional consultative assembly, the *Loya Jirga*. Karzai is travelling to Saudi Arabia to seek its influence in convincing the Taliban to attend the *Loya Jirga*. The Saudis are reportedly making it conditional to the Taliban openly declaring that they will part company with *Al-Qaeda*.

Pakistan's Chief of Army Staff General Ashfaq Pervaiz Kayani has stated, 'Pakistan doesn't want a "talibanised" Pakistan'.³ Elaborating that point, he said that Pakistan did not want for Afghanistan what it did not want for itself. Further, he stated that his country had no intention of controlling Afghanistan. He offered Pakistan's assistance and help in training the Afghan military. He also made the important point that Pakistan's geostrategic location continues to be relevant in the post-Cold War and post-9/11 periods. He urged the NATO to fully appreciate that objective reality.

Wahid Mujdah, a writer who served in the Afghan Foreign Ministry under the Taliban, has expressed his scepticism in the following words, 'These efforts will not bear fruit. I do not see any change, because the Taliban are abiding by their old stance and I cannot see anything new on the part of Karzai either'.⁴

Another doubtful voice is that of Daniel Korski of the European Council on Foreign Relation. 'Expectations stirred in London of a quick breakthrough in talks with senior militants are too rosy. The London conference was almost delusional in its optimism. Let's reject the idea that negotiations will happen according to a timetable that we find convenient. Let's reject the idea that 2010 is a make-or-break year. If the West and Karzai want the Taliban to negotiate, they will first need to score victories on the battlefield, improve the capabilities of the Afghan government and to weaken Taliban unity with well-run reintegration programmes', said Korski.⁵

At any rate, Pakistan has demonstrated that it can defeat the Taliban terrorists and put them on the run. The Taliban have been expelled from Swat and South Waziristan. Since May 2009, General Kayani, has been demonstrating an unwavering resolve to defeat the Therik-e-

² *Financial Times*, London, 24 January 2010.

³ *Daily Times*, Lahore, 2 February 2010.

⁴ *Daily Times*, Lahore, 2 February 2010.

⁵ *Daily Times*, Lahore, 2 February 2010.

Taliban Pakistan. The Pakistan military fought pitched battles with the Taliban. The latter retaliated by vicious suicide bombings and other acts of terror that have claimed 3,021 lives and caused injury to 7,334 people last year.⁶ The fact remains that the Pakistan military would never allow the Taliban to capture power in Pakistan. General McChrystal admitted some weeks earlier that the trust deficit between the US and Pakistan had begun to diminish.⁷

It is also commonsense to recognise that breaking the power of the Taliban in Afghanistan can be more successful if Pakistan's interests in Afghanistan are properly recognised. It remains the paramount power in south-west Asia. President Obama has given Pakistan an additional US\$0.5 billion increase in military aid.⁸ This despite the fact that the Pakistani Army spokesperson Major General Athar Abbas announced some days ago that they will be on a major offensive for the next six to 12 months.⁹

General Kayani also demonstrated another resolution that he adhered to with great consistency – to let the political process in Pakistan take its natural course. Sensational media reports and conspiracy theorists predicted a military coup that never took place. Under the circumstances, the point seems to be that a strong military in Pakistan does not preclude per definition a civilian and democratic government. It is, of course, too soon to jump to any conclusions. The military is and will remain the most powerful institution in Pakistan – for both bad and good.

India has started to recover from the shock that its standpoint on the Taliban was ignored at the London Conference. “World Rejects India's stand” wrote Ashis Ray of the *Times of India*.¹⁰ Foreign Minister SM Krishna issued a statement that his country can do business with the Taliban provided they fulfil three preconditions: acceptance of the Afghan constitution, severing connections with *Al-Qaeda* and other terrorist groups, and renunciation of violence. ‘If the Taliban are accepted in the mainstream of Afghan politics and society, we could do business’, asserted Krishna.¹¹ President Karzai has all along been very appreciative of India's help and assistance and India enjoyed considerable goodwill among the Northern Alliance old guard. Now, if the moderate Taliban return to the mainstream and are accommodated in the government it will mean reduced stature for India in Afghanistan.

It is the duty of the West to stay on as long as is needed to capture or eliminate *Al-Qaeda* and the hardcore Taliban leadership. Most Taliban would abandon their leaders and ideology only when it is demonstrated to them that they have no chance of prevailing in Afghanistan militarily. A premature exit could mean chaos and civil war in Afghanistan that can destabilise not only Pakistan but also India. The 35,000-plus troop surge will have to be used to inflict severe punishment and defeat on the *Al-Qaeda* and Taliban leadership. If that is not achieved then the rational basis for beginning the troop pullout will be undermined.

It is also important that India and Pakistan show maturity and vision. It should be perfectly possible to accommodate India's continuing participation in the reconstruction and developmental projects while Pakistan takes care of training the Afghan military. Pakistan's centrality to facilitating peace and stability in Afghanistan need not be over-emphasised. A

⁶ *Pakistan Security Report 2009*, Islamabad: Pakistan Institute for Peace Research, p. 4.

⁷ *Daily Times*, Lahore, 5 January 2010.

⁸ *Daily Times*, Lahore, 2 February 2010.

⁹ *Dawn*, Karachi, 22 January 2010.

¹⁰ *The Times of India*, New Delhi, 29 January 2010.

¹¹ *Daily Times*, Lahore, 31 January 2010.

division of tasks between India and Pakistan would in no way hurt their vital interests in Afghanistan. They may also learn the vital lesson that they gain more from cooperation than confrontation.

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India's Changing Priorities

S. Narayan¹

Abstract

The paper examines India's latest budget and official economic pronouncements to identify the government's recognition of the strengths and weaknesses of the Indian economy and the resolve to address these issues. It argues that this pragmatism is driven by the realisation that India's significance might be diminishing in some critical segments of the global arena.

Introduction

Analysts and media commentators are just starting to unravel certain fundamental features of the latest Indian budget presented in Parliament on 26 February 2010. The initial comments were about the reliability of the numbers, whether there was too little or enough on reforms, and whether the growth versus inflation balance had been maintained.

As analysts are discovering,² there are several distinct features to this document. At one level, it is clear that India has weathered the crisis rather better than several of the European and even Latin American countries, and that a steady growth in the range of 7.0 per cent to 9.0 per cent is almost a given for the next few years. It is also clear this would be driven largely by domestic demand and not necessarily by exports and trade. There is considerable pent up demand in the country that has enabled industrial production to grow at over 8.0 per cent (year-on-year) and the services sector, including information technology and telecommunications, continues its robust growth. The flagship National Rural Employment Guarantee Programme (NREGP), initially criticised as a waste of public funds, is working rather well, with citizen oversight committees ensuring that 'leakages' are minimised. The huge demand for work under this programme demonstrates the high levels of rural poverty and the safety net in terms of livelihood that this programme has been able to provide. The money available through these programmes, as well as the higher minimum support price for

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² See, for example, Martin Wolf's analyses in *Financial Times* on 3 and 4 March 2010 respectively.

agriculture, has generated sufficient liquidity in the rural and semi-urban areas to ensure that consumption demand is robust.

Yet it is not all good news, a fact that the government's statements in recent weeks have recognised. The large public outlays on subsidies and welfare programmes are straining public finances. For the first time ever, the government came out with a statement that its responsibility was for providing an enabling environment for growth with a primary concern for the welfare of the people. The budget allocated 37.0 per cent of all plan outlays for the social sector. As a statement of political philosophy, it is unique, for the Congress Party has been long considered to be left of centre, and prone to supporting nationalised industries and financial institutions as the vehicle for growth. The Finance Minister confirmed in a television interview on 26 February 2010³ that he and his party felt that the development responsibilities should increasingly be shouldered by the private sector and that he felt that India had reached a level of development where the private sector could be entrusted to shoulder these responsibilities. The budget announced that foreign direct investment (FDI) rules would be made easier; that there would be more licenses for private sector banks and also that the long overdue changes to permit FDI in retail would be pushed through. The priority for the Delhi-Mumbai Industrial Corridor was announced as well the fast freight corridor between Mumbai, Delhi and Kolkata. In subsequent interviews, the Finance Minister clarified that he expected substantial investments in infrastructure to happen through Public Private Partnerships.

Critics have been quick to argue that this is less a change of policy than making a virtue of necessity. On the one hand, the high levels of poverty dictate that there should be emphasis on social sector programmes which ensure livelihoods for the poor, leaving little money in the public exchequer to pay for growth, the responsibility for which is, therefore, passed on to the private sector. Of course, the constraint would be capital, for the equity as well as the bond markets may not be in a position to absorb the huge demands likely to be made by public borrowings as well as capital formation requirements - a constraint that is recognised by the government as it announces more banks, a better financial architecture, and easing of FDI norms. The trick is to convince external investors in infrastructure projects that long-term risks are worth taking and would yield adequate rewards - again a problem of state-level contractual obligations that the Prime Minister and Finance Minister recognise as a constraint.

A second constraint is that of capacity. India is a supply constrained economy and private capital investment has always lagged behind demand growth: a policy of scarcity has often resulted in supernormal profits for the producers. These supply constraints are spilling over to several sectors now. There is nearly 50,000 MW of power plants under construction but the core equipment manufacturers of turbines, boilers and electrical machinery have long order books on hand that is likely to delay all the projects. This is true of capital engineering goods as well as machinery and equipment. A recent tender by the National Thermal Power Corporation for seven super critical boilers-cum-generation equipment did not give rise to an adequate response as suppliers are already full up with orders. Capacity constraints are likely to slow down growth, again a fact that the Prime Minister's Economic Advisory Council has recognised.

³ TV interview with NDTV, 27 February 2010

Third, and most important, are the inflationary pressures in the economy. The drought of last year affected agricultural production; the government is also claiming that its fiscal expansion measures have led to greater food grains consumption among the poor. It is certainly true that prices of food articles have increased during the last one year substantially, straining middle class budgets. Though the government claims that food prices would be back to normal once the winter crop is harvested, it is more likely that India is going to witness an era of high food prices. Per capita availability of food grains is stagnant and increasing urbanisation is putting a pressure on agricultural production. As the economy grows, there is likelihood of pressures on commodity prices as well, including coal, gas and metals, and this would work its way into the prices of goods and services. The government has as yet no answer for this and the initiatives in agriculture are too small and too little.

An important development in the past few months has been the recognition by the government of the strengths and weaknesses of the economy, and the stated resolve to do something about it. Fiscal deficit is being addressed through expenditure contraction rather than taxation to ensure that growth parameters are not disturbed; there is a realisation that poor governance is at the root of most of the bottlenecks and also that management of the domestic economy requires a balance between social sector expenditures and investment. There is a promise to focus more on education, health and infrastructure, and most important, on delivery. In the past, of course, promises have always been more than actual realisation but it is perhaps the first time that a ruling government has laid bare its strengths and weaknesses in the public domain.

At the bottom of all this soul searching is perhaps the growing realisation that in the global arena, India is possibly losing its role. The London Conference on Afghanistan in January 2010 clearly marginalised the role of India, and as the United States (US) military increases its alliances with the Pakistan military against the Taliban (now called 'insurgents' rather than 'terrorists' by the US), India is disadvantaged in the dialogue. The increasing frequency of the US-China consultations on economic as well as political issues indicates that India is not a great player in these strategic initiatives and that the euphoria of 2007 is not relevant any more. The opposition has accused the Prime Minister of acquiescing to the US wishes, an argument that has been put forth by other commentators as well. In climate change negotiations or in trade discussions, India is not leading from the front but it is just an important member of a group. There is little that India can contribute to the debate on international financial regulation or on the long term stability of markets, institutions and instruments, a fact that the large Indian contingent realised during the recent Davos discussions. Foreign policy strategists are quickly looking for alternatives, and the focus on Russia, Saudi Arabia and Southeast Asia are attempts to retain foreign policy relevance in a fast changing world. There is also concern that internal security and external terrorist threats are real and need to be dealt with expeditiously and effectively, and perhaps these need new strategies and ideas. The important impression from New Delhi is that the government and policy makers are clearly aware of these developments and have taken these into consideration during their statements and actions. The decision to focus on stable growth, getting the economy in order, correct imbalances, and create an environment for the economy to grow and provide for an opportunity for all citizens, not only makes good economic sense at this time but it is also an excellent political strategy for a government that is likely to be burdened with a third term in office in 2014.

The interesting part of the story is that these shifts in emphasis and in thinking appear to have happened imperceptibly over the last few months. Soon after the elections in May 2009, the

government was captive to huge public expectations about reforms and delivery - the hundred-day agenda with which they started was quietly buried. In its stead has come a very pragmatic, carefully considered strategy that focuses more on the internal dynamics and recognises the limitations of its foreign policy initiatives. It remains to be seen whether this pragmatic thinking can be converted into effective action.

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Setting the Stage for a New Global Nuclear Order: The American Approach

Shahid Javed Burki¹

Abstract

The first in a series of three, this paper examines the changes in the global nuclear regime that can result from the agreement between the United States (US) and Russia on the size of their nuclear strategic weapons and the Nuclear Posture Review of the Obama administration. Although Barack Obama is not the first world leader attempting to rationalise the global nuclear order, he has made the same a part of his grand design. He had earlier promised that if elected, he will make a serious effort to create a nuclear-free world and has appeared to have embarked on fulfilling that promise. The paper argues that circumstances that have led the relative newcomers to the nuclear club - China, India, Israel, Pakistan and North Korea - to acquire nuclear weapons, are so different that it will be difficult to limit, let alone eliminate, their arsenals through a single global treaty.

Setting the Stage for a New Nuclear Order

Several Asian countries, China, India and Pakistan included, will be among the more than forty states participating in the nuclear summit convened by President Obama. The summit will be held in Washington on 13 April 2010. It will be held after the American President has signed a new and far-reaching arms control agreement with his Russian counterpart, President Dmitri Medvedev. The signatures were put on the new treaty on 8 April 2010 at Prague, where President Obama laid out his vision for a nuclear-free world. Addressing a large crowd in Prague on 5 April 2009, he had said that “the existence of thousands of nuclear weapons is the most dangerous legacy of the Cold War....Today the Cold War has disappeared but thousands of those weapons have not. In a strange turn of history, the threat of global nuclear war has gone down, but the threat of nuclear attack has gone up. More nations have acquired these weapons. Testing has continued. Black trade in nuclear materials abound. The technology to build a bomb has spread. Terrorists are determined to build, buy

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or steal one. Our efforts to contain these dangers are centred on a global non-proliferation regime but as more people and nations break the rules, we could reach the point where the centre cannot hold. Now understand that this matters to people everywhere. One nuclear weapon exploded in one city – be it in New York or Moscow, Islamabad or Mumbai, Tokyo or Tel Aviv, Paris or Prague – could kill hundreds of thousands of people. And no matter where it happens, there is no end to what the consequences might be – for our global safety, our security, our society, our economy, to our ultimate survival.”² The President was not prepared to accept this situation as being inevitable. “And as the only nuclear power to have used a nuclear weapon, the US has a moral responsibility to act. We cannot succeed in this endeavour alone, but we can lead it, we can start it.”³

In his attempt to usher in a new nuclear order, the American president chose to proceed in four steps. The first was to contain the arsenals possessed by the US and Russia. The two were armed to teeth during the Cold War and had threatened to blow the other up, if attacked. It was only the threat of “mutual assured destruction” that saved the world from annihilation. Even after the end of the Cold War and disintegration of the Soviet Union, US and Russia continued to hold on to most of their nuclear weapons. The US, for instance, has 10,000 weapons, of which 5,000 are deployed. The second step, as already indicated, was to sign a new strategic arms reduction treaty with Russia. The third was to call a summit of the large world powers, some of whom possess nuclear weapons, some who can develop them if the occasion so demanded, and some others determined to prevent the fate the President had outlined in his Prague speech. The Washington conference will also prepare the way for a major United Nations (UN) non-proliferation conference – the fourth and final step in President Obama’s approach. This is scheduled for May 2010, at which the parties to the Nuclear Non-Proliferation Treaty (NPT) would review the same with the expectation of updating it. India and Pakistan are unlikely to be present at this meeting as they have not signed the NPT.

Nuclear Posture Review

The Washington summit will use the Nuclear Posture Review (NPR) as a background. The document was issued by the White House on 6 April 2010, six days before the Washington summit.⁴ This was the third NPR to be prepared by the administration since the end of the Cold War. The preparation was ordered by the US Congress. It took longer than expected to prepare as there were sharp differences within the administration about the size of the US arsenal and its possible upgradation.⁵ The final draft of the review calls for major new investments in nuclear weapons laboratories and facilities to maintain the ageing arsenal. However, these weapons would not be upgraded as recommended by the strategy developed by President George W. Bush in 2002. Pursuing that approach would have gone against the basic purpose behind the current Obama approach. It would have started another arms race.

² The White House, “Remarks by in Prague as delivered” http://www.whitehouse.gov/the_press_office, Accessed on 6 April 2010.

³ *Ibid.*

⁴ United States Department of Defense, *The Nuclear Posture Review* (NPR), Washington DC, 6 April 2010. The NPR was presented at a news conference attended by Secretaries Robert Gates (Defense), Hillary Clinton (State), Chou (Energy) and Admiral Michael Mullen (Chairman Joint Chiefs of Staff).

⁵ Some of these were detailed in several newspaper reports including David E. Sanger and Peter Baker, “Obama to limit scenarios to use nuclear weapon”, *New York Times*, 6 April 2010, pp. A1 and A12.

The review also recommends tighter penalties on nuclear rogue states, a matter that would be taken up at the forthcoming NPT conference in New York.

The Obama Approach

As a presidential candidate, President Obama had made some promises in the hard-fought contest. These include making the world a safer place by reducing the number of nuclear weapons available for use around the globe, making it difficult for countries that did not have weapons to acquire them, and specify circumstances in which the US would use them. This was a difficult posture to adopt for a presidential candidate who faced experienced opposition in the fight for his party's nomination as well as in the Presidential election itself. Both Hillary Clinton, his Democrat challenger, as well as John McCain, the Republican Party candidate, was supposed to have better appreciation of the US strategic interests than the inexperienced neophyte Barack Obama. After winning the election, devising a new nuclear strategy not only for the US, but also for the world at large, become a key concern for President Obama. Indeed, his commitment to reducing the nuclear threat was emphasised by the Nobel Peace Prize Committee in granting him the award for 2009.

On 5 April 2010, President Obama met the press to throw light on the way he wished to conduct his country's nuclear policy as well as how he would be pushing other nuclear powers and those close to crossing the nuclear threshold to follow suit. He said that he was revamping the American nuclear strategy to narrow the conditions under which the US would use nuclear weapons. The country would abjure the use of nuclear weapons against non-nuclear countries. But Obama included a major caveat: "The countries must be in compliance with their non-proliferation obligations under international treaties. That loop hole would mean Iran would remain on the potential target list."⁶ Iran could be attacked if it developed nuclear weapons since that would be in defiance of the NPT it had signed decades ago.

President Obama further elaborated the nature of threats faced by his country. "I think what is clear is that the nature of Cold War conflict which saw either mutually assured destruction or a series of low level proxy wars around the world has been replaced with a multilateral or a multipolar world where the US is a singular military power, but our relationship with Russia has changed for the better, our relationship with other nuclear powers are ones in which tensions are managed effectively. And the big threats are now threats of nuclear terrorism, forms of asymmetrical warfare, state sponsorship of terrorism, all of which I think require more than a nuclear option or no option that can be realistic, serious deterrent."⁷

The new policy will also specify that the US weapons were for the purpose of deterrence. However, the policy has not gone as far as the left wing of his Democratic party wished him to proceed. It wanted him to take out the option of 'first strike' altogether; the weapons would be used only if the US was under threat of attack or actually attacked. Going as far as some other democrats would have wanted him to go would have unnerved some of America's European allies, who lived under the US protective nuclear umbrella.

⁶ Mary Beth Sheridan and Walter Pincus, "New nuclear policy takes middle course", *Washington Post*, 6 April 2010, p. A1 and A5.

⁷ From the transcript in the *New York Times*, <http://nytimes.com/world>. Accessed on 6 April 2010.

Can one nuclear strategy work for all?

How should the recognised minor nuclear powers react to the questions raised in the US review? It is possible to divide the countries that are nuclear powers, or are now recognised as such, into several categories. The US stands alone a country that has more interests around the globe and more non-state enemies than any other. It has declared that it would not use nuclear weapons against any of the recognised nuclear powers including the original five as well as India, Israel and Pakistan. The last three are not NPT signatories. As such, they did not violate any international treaty in going nuclear. However, North Korea which has developed nuclear weapons, and Iran, which seems to be keen on doing so, are NPT signatories and subject to sanctions. It is highly unlikely that the three European countries, Britain, France and Russia that have nuclear weapons will use them against one another. They wish to have weapons not for reasons of national security, but because of the prestige associated with being nuclear. The original reason for developing this kind of weaponry was the threat posed by the Soviet Union during the Cold War. There is a move in Europe that the US should remove the weapons it maintains in Europe, a demand towards which President Obama is also sympathetic.

The real threat of use exists among the late-comers to the nuclear game – India, Israel, China, Pakistan and North Korea. Each of these five nations believe that circumstances might arise that would force them to use the weapons in self-defence. South Asia presents the greatest challenge to the viability of the new nuclear order that will emerge following the deliberations on 13 April 2010. The most important question before the international community is how to create a level of comfort concerning these countries that nuclear de-escalation becomes a viable option here as well. This will be discussed further in the next paper in the series following the Washington summit.

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Restoring Parliamentary Democracy in Pakistan

Rajshree Jetly¹

Abstract

This paper comments on the recent Constitution (18th Amendment) Bill passed by the National Assembly in Pakistan. Apart from the many important amendments in the bill aimed at restoring Parliamentary democracy in Pakistan, it also marks the first time that a President has voluntarily relinquished his special powers. The process of pushing the bill through also shows that the political parties in Pakistan are able to work together in a democratic manner to bring about real and positive change.

Introduction

On 8 April 2010, the National Assembly of Pakistan passed the Constitution (18th Amendment) Bill by a two-thirds majority with 292 lawmakers out of a 342-member National Assembly voting in favour of the bill. The bill is an attempt to restore Pakistan to the parliamentary system of government envisioned in the 1973 Constitution. It is seen as one of the most comprehensive constitutional reform exercises aimed at reversing the damage done to Pakistan's Constitution by former military dictators, General Zia ul Haq and Pervez Musharraf, who tampered with the Constitution to legitimise their rules.

The main feature of this bill is the relocation of executive power from the President to the Prime Minister. Significantly, the bill repeals Article 58 2(b), which had allowed the President extraordinary powers to dissolve the National Assembly as well as appoint the three Service Chiefs and Provincial Governors. The bill also proposes, amongst other things, the repeal of the Legal Framework Order of 2002 and the controversial 17th Amendment of 2003, which legitimised former President Pervez Musharraf's decrees; the

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renaming of the North West Frontier Province (NWFP) as Khyber Pakhtunkhwa; the granting of greater provincial autonomy to the four provinces; and greater transparency in the appointment of judges to the higher courts. These are in line with the general thrust of the 1973 Constitution in which provincial autonomy and the independence of the judiciary were key issues.

The bill aims to strengthen the independence of the judiciary through Article 175 by proposing a more transparent process for judicial appointments. For example, there will be a judicial commission headed by the Chief Justice, which will nominate potential judges to the Supreme Court, High Court and the Federal Shariat Court, and a Parliamentary Committee made up of Senate and National Assembly members, which will make the final approval.

Inequitable distribution of economic benefits and lack of fair power-sharing have been longstanding issues between the Punjabi dominated centre and the smaller provinces of Sindh and Baluchistan. The 18th amendment promises devolution of greater political and economic powers to the provinces. The commitment to greater provincial autonomy is found in several amendments, the thrust of some of which is to ensure equitable distribution of resources. In fact, one of the responsibilities of the newly constituted National Economic Council, as envisaged in Article 156 of the Constitution, will be to ensure 'regional equity' and 'balanced development' of all federating units. In addition, the net proceeds of the federal duty of excise on natural gas and oil will be redeployed from the Federal Consolidated Fund to the province itself where the well-head of oil and/or natural gas is situated. The bill also proposes the abolition of the concurrent list, which will result in greater power for the provincial authorities. If the bill is adopted, it will be harder for the Federal Government to exploit provinces by appropriating their natural resources through excise duties and unfair distribution. These reforms, if implemented in true letter and spirit, could go a long way in allaying the apprehensions of the smaller ethnic groups and creating a stronger federation.

The Importance of the Bill

The bill is important for a number of reasons, the most significant of which is the triumph of democracy and civilian rule. Historically, Pakistan has had real challenges with its constitutional process. From the making of its first constitution, with a gestation period of nine years, to the repeated abrogation and amendments by military dictatorships, the sanctity of the constitution itself has been undermined. The 8th Amendment, passed in 1985 by General Zia ul Haq, brought a fundamental change, where the President was vested with special powers at the expense of the parliamentary system. This created a situation where the National Assembly could be dissolved at the discretion of the President, as was done on three separate occasions in the 1990s.²

² The governments of Prime Ministers Benazir Bhutto and Nawaz Sharif were dismissed by President Ghulam Ishaq Khan in 1990 and 1993 respectively; while President Farooq Leghari used his special powers against Prime Minister Benazir Bhutto in 1996.

The bill is also important because in a climate marked by factionalism and political infighting on a host of issues, various political parties have come together on this issue; without this consensus the bill could not have been tabled in Parliament. Although there were some differences, for example with the renaming of NWFP and the constitution of the judicial commission, the parties were able to work through their differences in a democratic manner in the larger interests of the country.³ All the political parties supported the bill despite their reservations on some issues which were recorded as ‘Notes of Reiteration’ in the document.

Implications for Pakistan

The passage of the bill may also be a boon to President Zardari and the Pakistan’s Peoples Party (PPP). According to the PEW Global Survey of August 2009, President Zardari’s ratings had fallen from 64 per cent in 2008 to 32 per cent in 2009. In repealing Article 58 2(b), President Zardari becomes the first Pakistani President to willingly surrender his special powers to Parliament. Some may argue that Zardari has done this only due to pressure from the opposition, mainly the Pakistan Muslim League (Nawaz) [PML(N)], and not for any reason of principle. Even if that were the case, it is nonetheless a positive development as one can read this as an instance of democracy at work in Pakistan – no one can dispute that the process led to an outcome that was desired by the people of Pakistan, and one which is positive for the future of the state.

Apart from the potential effect on the President and the PPP, the bill may also create a favourable atmosphere for inter- and intra-party politics. The fact that a consensus was gained is a significant achievement and a salutary reminder that “politics is the art of the possible.” The repeal of Article 58 2(b) removes an unnecessary and highly distracting irritant between the PPP and the PML(N), which can hopefully move beyond that conflict and engage more meaningfully on other matters of government. Interestingly, even the PML(N) benefits from the bill, as the removal of the limit of two terms for Prime Ministership allows Nawaz Sharif to re-enter the fray and contest for the top job. Not surprisingly, Chaudhry Nisar Ali, member of the PML(N) and opposition leader in the National Assembly, hailed the passing of the bill as a “win-win situation” for all parties.⁴

The repeal of Article 58 2(b) also restores the proper balance of power between the President and the Prime Minister. There have been reports of growing differences between President Zardari and Prime Minister Gilani, which was contributing to tensions

³ On renaming NWFP as Khyber Pakhtunkhwa, for example, the Pakistan Muslim League [PML-Quaid (PML(Q))] suggested the name ‘Sarhad’ to reflect the sensitivities of the Hindko speaking people in Hazara division, whilst the Pakistan People’s Party (Sherpao) recommended ‘Pakhtunkhwa’ to reflect the historical and cultural identity of the province. Similarly, on the issue of the appointment of judges, the PML(N) pressed for the inclusion of a retired Chief Justice/Judge of the Supreme Court as the seventh member of the judicial commission. The provision was finally included in the Bill.

⁴ ‘18th Amendment Approved by Majority Vote’, *Dawn* (9 April 2010), [<http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/03-18th-amendment-approved-with-majority-vote-ss-04>]. Accessed on 9 April 2010.]

within the PPP. The bill promises a better atmosphere for the functioning of the government. Celebrating the passage of the bill, Prime Minister Gilani, in a speech to the Parliament on 8 April 2010, admitted as much when he said that, ‘The impossible has been made possible by the house today...We have been saying we will go to the Westminster-style parliamentary system...Today we removed the anomalies. We are giving you a parliamentary form of government with balance of power between president and prime minister.’⁵

In terms of civil-military relations, some have argued that Article 58 2(b) potentially allows the Army to manipulate the President by forcing him to use his power to dissolve the National Assembly. It bears noting, however, that none of Pakistan’s military dictators – be it General Ayub Khan, General Zia ul Haq or General Pervez Musharraf – used this mechanism to overthrow the civilian governments. Article 58 2(b) was in fact used by civilian presidents as mentioned earlier. Nonetheless, the potential abuse of Article 58 2(b) was always present and its demise can only strengthen the position of democratically elected governments against possible future coups.

The 18th Amendment is no doubt an achievement and cause for celebration. It provides a new opportunity for Pakistan to move ahead as a democratic nation. To do this successfully, some of the forces that enabled this bill to be passed need to be harnessed and made the mainstay of a new era of Pakistani politics. There needs to be a new culture of party consensus and the avoidance of petty politics. The mechanisms in the bill to ensure the independence of the judiciary and to facilitate the devolution of power to the provinces must also be pursued effectively to keep Pakistan’s fledgling democracy on track.

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⁵ Ibid.

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Monetary Policy Pressures in India: A Comment

S. Narayan¹

Abstract

The Yuan-Dollar exchange rate decisions are likely to have an effect on how the Reserve Bank of India (RBI) manages its exchange rate policy. This is likely to add to the monetary policy concerns that the RBI has to address. This paper highlights some of the dilemmas before the RBI.

The consequences of the dispute between the United States (US) and China over the Yuan-Dollar exchange rates are likely to have some consequences for India. Since July 2008, China has kept its exchange rate pegged at 6.8 renminbi (RMB) to the dollar, a rate now widely considered to be unrealistic. Between 2005 and 2008, China allowed its currency to appreciate against the dollar by nearly 20 per cent, but this resulted in hot money flows into China by investors seeking arbitrage opportunities ahead of the appreciating Yuan. Financial and real estate asset prices ballooned, and China went back to a fixed exchange rate in July 2008. While the US says the Yuan's valuation has led to the massive trade deficit between the two countries and global trade imbalances, Chinese officials say restrictive US policies on the import of Chinese machinery are to blame for the gap. China has reiterated its position on 12 April 2010.

“Renminbi appreciation would neither balance Sino-US trade nor solve the unemployment problem in the US. Detailed measures for reform should be considered in the context of the world's economic situation, its development and changes as well as China's economic conditions. It won't be advanced by any foreign pressure,” said Mr Hu, according to a statement released by the Foreign Ministry.²

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² The Hindu, Chennai, 13 April 2010.

Notwithstanding the sentiments expressed, it is likely that China would announce some revaluation of its currency in the next few days, and also allow the currency to trade over a wider band than presently. At the same time, the steps would be measured in a manner that would lend credence to China's arguments that its exchange rate is not the villain of the piece. And herein lie the concerns for India.

First, as the Yuan appreciates, it is likely that countries that are exporting to China would see a strengthening of their currencies as the markets factor in these additional earning expectations. One could reasonably expect the Yen and the Australian dollar to appreciate, as also currencies of countries that are net exporters to China. While the Rupee may not appreciate in view of the large trade deficits that India has with China, it may result in imports becoming more expensive. Imports from China are not merely consumer goods and toys, but also a substantial amount of capital goods like power plant equipment and telecommunication equipment as well as electronics and white goods. The demand for these is fairly inelastic and hence imports may not go down, but prices, as well as current account deficits with China, may go up. If other currencies like the Yen and the Australian dollar appreciate, imports from these countries, including commodities and consumer durables, automobiles etc. are likely to become more expensive, adding to inflationary pressures in India.

Second, analysts have pointed out³ that as net exports (exports minus imports) from the US and China increase, the burden of absorbing this increment in net exports falls on the rest of the world. Given its current account deficit, a rise in US net exports makes sense. The same cannot be said for China with its massive current account surplus.

Therefore, with India's sizable current account deficit it makes little sense to have an appreciating Rupee. Yet that trend is likely to continue as long as net capital inflows are robust and the RBI refrains from active intervention. The appreciation of the Rupee would certainly hurt Indian exports, and the RBI may have to get back to sterilising inflows and to some capital account management. The alternative course of action is to moderate net capital inflows. There are various instrumentalities, including tightening of Participatory Note (PN) regulations, reduction of external commercial borrowing, etc. None of these options is neat and clean. The only reason that can be attributed to the RBI not doing it till now is possibly the concern that sucking out the excess liquidity may affect the fiscal borrowing programme of the Government, in a year where fiscal deficit, and hence borrowing, has been very high.

This leads to the third issue, and that is the consequence of the liquidity in the economy. On the one hand, there are concerns about inflationary pressures, caused by rising food prices, and more recently, the increasing commodity prices of iron ore, crude oil, copper and other metals that would have a price effect on Indian products. Some of these price effects are structural, and may not be amenable to monetary policy measures. The hot summer being experienced could well be the precursor for a good monsoon, thus alleviating pressures on food prices, and in any case, there are sufficient buffer stocks of cereals to provide for distribution through the coming season. However, the concern over non-food prices would remain.

³ Business Standard, 10 April 2010.

There appear to be two different factors contributing to these price pressures. The first is the excess liquidity in the economy, exacerbated by capital inflows, that is fuelling increases in asset prices in financial markets as well as in real estate, which is creating concerns of an asset bubble resurfacing. The social sector programmes of the Government, which are pumping in close to US\$15 billion⁴ into the National Rural Employment Guarantee Act (NREGA) and other subsidy programmes are adding to the consumption pressures. The fact that unknown investors are able to pay over US\$300 million⁵ in an auction for a cricket team, point to the availability of free resources in the economy that are not being deployed for productive investment, but only to raise valuations.

A second source of inflationary pressures arises from supply constraints. Demand for steel, cement, construction material and equipment as well as for power generation equipment, electrical machinery and heavy earthmoving machinery is at an all time high, and manufacturers have long waiting order books. At the same time, the sub-suppliers to the large factories, the SMEs, are not being able to add to capacities fast enough. During the last one year, there were a number of infrastructure projects that achieved financial closure. There is considerable activity in the power sector, and several other projects including roads, Special Economic Zones (SEZs), airport projects and ports are investing in construction. RBI norms prescribe sector exposure for infrastructure to be no more than 20 per cent of total exposure of banks; but there is a great pressure for project debt, and banks have been pressing for a relaxation of these limits. There is shortage of capital for investments, as well as shortage of capacity for completing the projects.

Inflationary pressures caused by supply shortages in the real economy and by asset bubbles in the financial sector instruments are likely to complicate the adjustment process that the RBI is moving towards. It is important that the process of growth especially the construction of infrastructure be adequately funded, and at the same time there be some moderation in inflation.

A further imponderable is the re establishment of the National Advisory Council (NAC), headed by Mrs Sonia Gandhi. Even in the initial days, the signals from the NAC have been to enlarge the social content of programmes. The NAC has been at the forefront in attempting to push through food security legislation, and a reservation for women in Parliament. These are indications that social sector agenda may have a priority over economic reforms – a move that was hinted at in the budget speech, and is likely to put pressure on public expenditure budgets of the central as well as the state governments. The NAC is apparently quite concerned over the fact that over 45 million families have tried to access the NREGA programme last year, a clear indication that poverty levels are still very high in the country. Increasingly, there is a recognition that the benefits of liberalisation have not penetrated down to the bottom 20 per cent of the population.⁶

Interestingly, the Government appears to have taken the view that the RBI has to sort out these monetary dilemmas, and that it has enough dilemmas of its own. The Prime Minister's Economic Advisory Council continues to make anxious sounds in the background. But there appears to be little direction from them on what the RBI should be doing.

⁴ From the Union Budget, 2010-11, Ministry of Finance, Government of India.

⁵ IPL auction for Kochi team; read Indian newspapers of 12, 13 and 14 April 2010.

⁶ See, for example, The Economic Survey 2010-2011, Ministry of Finance, Government of India, Chapter 1.

If the RBI decides to cool the economy through monetary tightening, then there would be consequences for growth. There would be some easing of inflationary pressures, though commodity prices and food prices would continue to be outside the control of this policy. Government may allow this tightening to happen, for inflationary pressures are beginning to be a worry even politically.

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SAARC at Twenty Five

S.D. Muni¹

Abstract

The paper reviews the latest summit of the South Asian Association of Regional Cooperation (SAARC) held at Bhutan during 28-29 April 2010. Reflecting in this context on twenty-five years of SAARC, the paper argues that despite disappointments, the enhanced commitment to regional cooperation displayed at the summit indicates movement in the right direction.

SAARC celebrated 25 years of existence at its 16th summit held on 28-29 April 2010 in the Bhutanese capital, Thimphu. There are two ways in which the performance of this regional grouping can be evaluated. One is to compare it with similar organisations, like the European Union and the Association of Southeast Asian Nations (ASEAN). The second way is to compare it with the level of regional cooperation in South Asia before SAARC was established and see what the grouping has done to the region in terms of development and integration, and in terms of the promises made by regional leaders. In both the cases, SAARC's achievements fall below expectations and promise resulting in frustration among its well-wishers.

SAARC has certainly succeeded in identifying the potential of regional cooperation and preparing an intellectual foundation for harnessing this potential. In some critical areas,

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instrumentalities and structures of regional cooperation have also been established such as South Asian Free Trade Agreement (SAFTA), SAARC Social Charter, Convention on Fighting Terrorism, a blueprint for poverty alleviation and the setting up of SAARC Developmental Goals (SDGs) on the lines of the United Nations Millennium Development Goals. In recent years, regional institutions are also being put in place like the SAARC Development Fund, SAARC Food Bank and South Asian University. There has certainly been a rise in the regional identity and consciousness in South Asia through unofficial and semi-official organisations like the South Asian Free Media Association (SAFMA), SAARC Lawyers, SAARC Youth Festival, South Asian Chambers of Commerce and Industries, SAARC TV programmes and above all, a peoples' SAARC that meets every year parallel to the annual SAARC summits. All these add to an impressive plethora of structures. However, in terms of their implementation and effect on the lives of South Asian people, record is far from being satisfactory. The poor performance on implementing the promises made and hopes aroused as well as the delivery of public goods have been lamented by the regional leaders year after year. The host of the 16th SAARC summit held in Bhutan, Prime Minister Jigmey Thinly said, 'Some 200 meetings take place every year among SAARC countries but these meetings are not matched by results.'² Similarly, Indian Prime Minister Dr Manmohan Singh urged his regional colleagues that, 'we should challenge ourselves by acknowledging that the glass of regional cooperation, regional development and regional integration is half empty... We have created institutions for regional cooperation but we have not yet empowered them adequately to enable them to be more pro-active.'³

Analysts have attributed several factors to this low performance of SAARC. Indo-Pakistan conflict and lack of initiative on India's part have been recounted as such factors umpteen times. The Maldivian President Mohamed Nasheed setting aside diplomatic niceties at the Thimphu summit said, 'I hope that neighbours can find ways to compartmentalise pending differences while finding areas on which they can move forward. I am specifically referring to differences between India and Pakistan.'⁴ Bilateral differences have no doubt been a bane of SAARC's progress, and such differences are not confined to India and Pakistan alone. SAARC in its 25 years life has had only 16 annual summits so far. The gap in numbers is made up by the missed summits on account of bilateral differences and such differences have been between India and Sri Lanka, India and Bangladesh, and Nepal and Bhutan. Besides bilateral differences, there have also been structural constraints inherent in the levels of development and structures of

² *Asian Tribune*, 30 April 2010, <http://www.asiantribune.com/news/2010/04/30/analysis-opinion-president-nasheed%E2%80%A2>

³ Dr Manmohan Singh's opening speech at the SAARC Summit at Thimphu, 28 April 2010.

⁴ *Asian Tribune*, 30 April 2010, *op.cit.*

economies, complicated often by the complexities of internal politics in member countries. However, things are changing gradually. Now, there is a functioning multi-party democracy in all the South Asian countries, which was highlighted at the Thimphu summit. Economically, all the SAARC countries are on an upward growth trajectory. With Pakistan is feeling the pressure of terrorism internally and Sri Lanka having eliminated the Liberation Tigers of Tamil Eelam (LTTE) terrorism militarily, there seems to be a greater realisation among all the SAARC members that the menace of terrorism cannot be overcome without the active cooperation of the neighbours. Forces of globalisation are pushing for regional integration all around the world and South Asia cannot escape that pressure. SAARC has expanded by the joining of new members like Afghanistan. There are another nine countries like the United States (US), China, Japan and EU joining as observers. Some of the observers like Myanmar and China are keen to become full-fledged members while others like Russia are in the queue to join as observer. This is an indication of enhanced global interest in the South Asian grouping.

SAARC has welcomed the role of observer countries with the Sri Lankan president Mahinda Rajapaksa making a specific plea that SAARC should 'strengthen the means for practical engagement with SAARC observer states.' One hopes that the powerful and resourceful observer countries of SAARC like the US, China and Japan will induce greater developmental cooperation in South Asia rather than driving the region in different directions to serve their short-term strategic interests. It is interesting to note that the US and China have established a 'sub-dialogue' on South Asia.⁵ The US, more than anyone else, needs a greater India-Pakistan cooperation to serve its own policy imperatives in the fight against 'global terrorism'. The US observer, Assistant Secretary of State Robert Blake, therefore appeared to be more focused on the India-Pakistan bilateral meeting while generally welcoming the 'vision for greater South Asian regional cooperation'. China conveyed a strong message through its Vice Foreign Minister Wang Guangya at Thimphu that it was serious in its engagement with SAARC. Wang said, 'On the basis and in the spirit of equality and mutual benefit, China is ready to conduct dialogue and exchanges, and expand practical cooperation with SAARC.' He endorsed SAARC's concern about the challenge of climate change highlighted during the Thimphu summit and promised to cooperate on this issue 'through bilateral channels and within the framework of South-South cooperation.' Beijing has promised a contribution of US\$300,000 to the newly established SAARC Development Fund. This Chinese activism

⁵ M.K. Bhadrakumar, 'China Breaks the Himalayan Barrier', 30 April 2010, <http://asiatimes.com/atimes/South Asia/LEo1Dfo3.html>

at SAARC, while being welcomed in the other member countries, will surely come under sharper strategic scrutiny by policy makers and analysts in India.⁶

The push for cooperative bonding in South Asia, resulting both from intra-regional and global pressures, was clearly evident at the 16th SAARC summit in Bhutan. This was evident in the bilateral meetings on the sidelines of the summit where India and Pakistan pledged to carry forward their dialogue process. This could be seen as India's strategic move forward in strengthening Pakistan's democratic leadership notwithstanding its concerns for bringing the culprits of Mumbai terrorism to the book. Prime Minister Manmohan Singh may be called upon to answer many questions on the wisdom of this move not only to the opposition and the strategic community, but also many within his own party and coalition. India's bilateral meetings with Nepal and Sri Lanka were also significant. While it pleaded for the need of national consensus (that includes Maoists) in Nepal, it urged upon the Sri Lankan President to seek a lasting political resolution of the ethnic issue and expedite the resettlement of internally displaced Tamils. The SAARC members reiterated their commitment to cooperate in fighting terrorism and pushing further the regional cooperation so as to make it concrete and meaningful to the peoples of the region. A regional agreement for 'Trade in Services' was signed at Thimphu. The summit leaders also agreed to form a South Asia Forum of 'eminent persons' to "generate debate, discussion and the exchange of ideas on South Asia and its future development".

The imprint of the host country Bhutan on the outcome of the 16th summit was clearly evident in the special focus on environmental issues. The Thimphu SAARC declaration was termed as, 'Towards a Green and Happy South Asia'. A separate statement on climate change was also adopted. It is useful to note here that Bhutan has done most in the region in the field of reforestation and Bhutan's concept of development go beyond material prosperity to cover the environmental and spiritual aspects. It has developed a unique index of Gross National Happiness (GNH) as against the conventional Gross National Product (GNP) to measure development. By making climate change the theme of the Thimphu summit, the South Asian leaders agreed to coordinate their approaches in this respect, particularly at the upcoming climate conference in Mexico in December 2010. They have also called upon developed countries to extend financial resources and transfer technologies to help the developing world meet the challenges of climate change. All the member countries also agreed to plant 10 million trees over the coming five years. They have also established an 'Inter-Governmental Group' on climate change to monitor regional policy in this area. The SAARC secretariat was asked to get a study prepared to facilitate the accreditation of SAARC with the Kyoto Protocol's Adaptation Fund.

⁶ See, Bhadrakumar, *ibid.* Also, Ravni Thakur, 'Observer as absorber', *The Hindustan Times*, 29 April 2010.

Though nothing dramatic came out of the Thimphu SAARC summit, the reiteration of regional cooperation with an enhanced sense of commitment reinforces the hope that SAARC is moving in the right direction, slowly but steadily.

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India and Pakistan Meeting: Third Time Lucky?

Rajshree Jetly¹

Abstract

This paper discusses the recent meeting between Indian Prime Minister Manmohan Singh and Pakistani Prime Minister Yousuf Raza Gillani on the sidelines of the South Asian Association of Regional Cooperation (SAARC) Summit in Bhutan. Although the talks did not produce any concrete results, it is an important step in reducing the mistrust that has bedevilled the Indo-Pak relations.

The Mumbai terrorist attack of November 2008 by militants allegedly based in Pakistan virtually froze all dialogue between India and Pakistan. Since then, there have been only three meetings between the states, the latest being the recent dialogue between Dr Manmohan Singh and Mr Gillani on the sidelines of the SAARC summit in Thimphu, Bhutan on 29 April 2010.

India and Pakistan have intractable legacy issues which have been exacerbated by the Mumbai terrorist attack. Both countries have clearly defined agendas that are difficult to reconcile and both countries have domestic constituencies that are unsympathetic to actions that suggest appeasement.² India's primary concern remains terrorism and cross-border infiltration for which it holds Pakistan responsible, directly or indirectly. Pakistan naturally takes a different view of

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² Earlier talks between the two leaders were held in Sharm-el-Sheikh in July 2009 on the sidelines of the Non Aligned Summit. The high point of these talks was India's decision to delink 'action on terrorism' from the Composite Dialogue, and include Baluchistan in the talks. These actions, however, led to an uproar in India.

this and prefers to have a broad-based dialogue on a range of matters that are relevant to its strategic interests, including Kashmir, Siachen, Sir Creek and sharing of water resources, amongst other things. New Delhi, since the Mumbai attack, has taken a hardline approach and refused to resume the Composite Dialogue with Pakistan unless the latter takes appropriate action against the perpetrators of the Mumbai attacks. Islamabad has been pushing for the continuation of the Composite Dialogue on the grounds that it is itself a victim of terrorism and feels that the dialogue process should not fall victim to terrorist activities by non-state actors.

Significance of the Meeting

Despite these constraints, the recent meeting had a positive ring to it and was significant for a number of reasons. First, it reiterated the fact that the two countries, despite their differences, appreciated the need to keep the lines of communication open. Pakistan's Foreign Minister Mahmood Qureshi described the outcome as 'more than expected... a step in the right direction, a concrete development',³ while the Indian Foreign Secretary Nirupama Rao hailed the meeting as 'an exercise in mutual comprehension as lack of trust has impeded normalisation of relations'.⁴

Secondly, unlike the earlier meeting at the Foreign Secretaries' level in February 2010 which was vague and undefined in terms of what it sought to achieve, the recent meeting between the two Prime Ministers seemed to be more focused on some form of deliverables, or at least clear follow-up action. The Foreign Secretaries and Foreign Ministers on both sides were asked to 'identify reasons for the trust deficit', and work out a formula for future dialogue and confidence building.⁵ Work on this by the respective parties is expected to begin after the Indian Parliamentary session adjourns in early May 2010.

Thirdly, this meeting is significant because both parties are willing to engage each other despite the earlier stand-off where India had refused to continue the Composite Dialogue unless Pakistan acted on terrorism. On the other hand, Pakistan insisted that the dialogue should not be hijacked by the single issue of terrorism. Both countries have since decided to place greater emphasis on the 'essence' rather than format of future talks.

³ Rezaul H Laskar, 'Talks better than expected, trust deficit remains: Pak', *Indian Express* (2 May 2010), www.indianexpress.com/news/reducing-the-trust-deficit/613777/. Accessed on 2 May 2010.

⁴ Sandeep Dikshit, 'India and Pakistan put dialogue back on track', *The Hindu* (30 April 2010), www.hindu.com/2010/04/30/stories/2010043057230100.htm. Accessed on 30 April 2010.

⁵ Gilani, Singh hold 'very positive' talks, *Dawn* (29 April 2010), www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/world/04-gilani-singh-meet-thimpu-qs-09. Accessed on 30 April 2010.

Shift in India's Position

One question that this meeting raises is why India changed tack from refusing to engage with Pakistan unless Islamabad delivered some tangible progress on prosecuting the perpetrators of the Mumbai attacks. There are a number of theories. First, recent constitutional developments under the 18th Amendment in Pakistan have appeared to shift some special powers away from the President to the Prime Minister, strengthening Pakistan's parliamentary democracy. It is in India's interest to support this and cultivate a good working relationship at the Prime Ministerial level. Secondly, there is a subtle pressure from the United States (US) for dialogue to continue between India and Pakistan as Washington wants regional stability to slowly reduce the US' commitment in the region, especially in Afghanistan. By agreeing to talk with Pakistan, India may gain some favour with the US, which could translate into more pressure on Pakistan to rein in the activities of militant organisations such as the Lashkar-e-Taiba.

India may also have less to fear in terms of domestic reaction to this meeting compared to the backlash following the dialogue at Sharm-el-Sheikh when India attempted to delink action on terrorism from the Composite Dialogue, and referred to Baluchistan as an issue. This time, India and Pakistan have played safe by not adhering to a specified format and not issuing any joint statement, which could have become controversial. This meeting seems to be a win-win for both sides as neither has had to lose face or concede anything for the sake of the other, but have opened the door to ongoing dialogue.

Way Forward

In the final analysis, the meeting has not produced anything tangible. But this is not surprising as there remains a level of mistrust between the two countries, particularly after the Mumbai attacks. This 'trust deficit' needs to be overcome by a fundamental shift in terms of how both countries perceive each other. The fact that the leaders of the two countries are talking again is a welcome development. This effort at rapprochement must be sustained. It is imperative that India and Pakistan keep an eye on the big picture and match rhetoric with credible action. Having suffered terrorist attacks to its Parliament in 2001 and its financial capital in 2008, patience is wearing thin amongst the Indian electorate, making it very difficult for its leaders to take a soft stance on terrorism.

Nevertheless, it is in neither country's interest to stop dialogue as this will only further estrange the two countries and provide opportunity for hardliners on both sides to gain an upper hand. The approach of the leaders at this meeting is promising as they seem to be more pragmatic in their approach by eschewing fanfare and putting in place measures to carry the dialogue forward.

While cynics may criticise these meetings as all talk and no action, given what is at stake, it may be that some talk is still better than no talk at all.

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Karzai Visits the United States: A Mutual Opportunity to Bury Hatchets?

Shanthie Mariet D'Souza¹

Abstract

President Hamid Karzai's four-day visit to the United States (US) was viewed as an exercise in mending ties. As the US military surge in Afghanistan has advanced and a major anti-Taliban military offensive in Kandahar is on the anvil, it was necessary on Karzai's part to repair the bilateral ties, frayed by war of words, back on track. For the US, it is important to placate and publicly embrace Karzai, for he remains central to the US plans in Afghanistan.

The recent visit of President Karzai to Washington DC brought to the fore the differences that have frayed the relationship under the new US administration, at a time when they need each other the most. The fraud-marred 2009 Afghan presidential elections and the subsequent repeated hurling of accusations of cronyism, inefficiency and corruption of the Afghan government by the Obama administration, had strained the relationship between the two countries. President Karzai too had lashed out at the foreign involvement in the elections and repeatedly pointed at the mounting civilian casualties. He visited China, hosted the Iranian president and even threatened to join the Taliban, none of these actions were music to Washington's ears. Obama's public lecturing in Kabul during his March 2009 unannounced visit to Afghanistan looked like another step downhill.

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Karzai enjoyed a rather close relationship with President Bush, whereas his ties with President Obama are at best 'distant'. His relationship with Obama's two key administration emissaries – Richard C. Holbrooke and Karl Eikenberry remain strained. He has clashed with Vice President Joseph R. Biden Jr over issues of corruption in the Afghan government. The only exception being the top US military commander in Afghanistan, General Stanley A. McChrystal, with whom Karzai shares a close relationship.

In a way, these tensions are reflective of the internal stresses within the civil and military component of the American-Afghan team, including friction between Eikenberry, American Ambassador to Afghanistan and the military, and between Holbrooke and the White House. These stresses have further exacerbated in the absence of a coherent strategy and consensus of the means to address the present quagmire Afghanistan.

Even with his serious differences with the Obama administration, President Karzai is obliged to take the first step to make amends, for the US aid and support remains crucial for Afghanistan's reconstruction and recovery. Reports indicate that the Afghans are pressing the Obama administration to designate Afghanistan 'a major non-NATO ally'², a status enjoyed by Japan, Australia, South Korea, Israel, and more importantly – Pakistan. The designation brings with it access to the US military technology and other benefits. Afghans also want to 'update the US-Afghanistan strategic partnership agreement of 2005',³ and in line with the recently held US-Pakistan strategic dialogue, are vying for greater US commitment and resources long after the summer of 2011. The establishment of the US-Afghan strategic dialogue is seen as a step in that direction.

If 'kiss and make up'⁴ is a matter of compulsion for Karzai, for Obama too, it is a choice between the devil and deep blue sea. With less than a year to go before the announced exit, the Obama administration appears to have come to terms with dealing with the *de jure* power centre in Kabul. After a year of sniping, realisation seems to have dawned in the US policy-making circles about the need to maintain working relationship with Karzai. Given that the US troop numbers would rise above 100,000 in that country by 2011 and for the draw down to actualise in the stated time frame, it is imperative that

² David S. Cloud, Julian E. Barnes and Paul Richter, 'Afghanistan wants to be designated a significant U.S. ally', *Los Angeles Times* (12 May 2010), <http://articles.latimes.com/2010/may/12/world/la-fg-afghan-karzai-20100512>. Accessed on 18 May 2010.

³ *ibid.*

⁴ Helene Cooper and Mark Landler, Karzai's Warm Reception Reflects New U.S. Approach, *New York Times* (10 May 2010), www.nytimes.com/2010/05/11/world/asia/11karzai.html. Accessed on 18 May 2010.

Afghans take the lead. For this, enhancing Karzai government's capacity and credibility would be crucial.

A Pentagon report submitted to Congress in April 2010 said that the security situation in Afghanistan has improved from what it was a year ago although it can be sustained only through the Afghan government's ability and willingness to expand governance to areas that international forces clear of Taliban. In light of the troop increase and heightened military activity, the US is now spending more in Afghanistan than Iraq, for the first time since 2003. In February 2010, Pentagon spent US\$6.7 billion in Afghanistan compared with US\$5.5 billion in Iraq. For the fiscal year 2008, Iraq was three times as expensive and in 2009, it was twice as costly.⁵

Having announced a troop surge and an arbitrary date for the drawdown of forces, President Obama has a limited window of opportunity to demonstrate success to his domestic constituency where public opinion in support of the war is waning. The new counter-insurgency approach has not turned the situation around as quickly as President Obama had hoped. The lack of capacity of the Afghan state and uncoordinated international development efforts have been a force multiplier for the rapid spread of the insurgency and has largely undercut General McChrystal's counter-insurgency strategy, which has sought to gain the support of the Afghan population. The result is a quagmire in which 'nobody is winning',⁶ as General McChrystal admits.

As the recent *Operation Moshtarek* at Marjah demonstrated, concerns remain about shoring up local government capacity to 'hold' on the cleared area. For instance, General McChrystal's 'government in a box' idea for a local Afghan government that would start functioning and delivering in former Taliban stronghold of Marjah once the US troops cleared out the insurgents has not taken off. The Marjah campaign offers important lessons for the upcoming offensive in Kandahar this spring, described as 'decisive', in the overall Afghanistan war effort. The US efforts of improving local governance in Kandahar will have to be done concurrently with clearing operations. Good governance through strengthening government at the district and local levels would remain central to the operations attempting to dislodge the Taliban control. However, reining in Karzai's controversial half brother, Ahmed Wali Karzai, tainted with charges of corruption and

⁵ Richard Wolf, 'Afghan war costs now outpace Iraq's', *USA Today* (13 May 2010), www.usatoday.com/news/military/2010-05-12-afghan_N.htm. Accessed on 18 May 2010.

⁶ Patrick Cockburn, "'Nobody is winning", admits McChrystal', *Independent* (16 May 2010), www.independent.co.uk/news/world/asia/nobody-is-winning-admits-mcchrystal-1974697.html. Accessed on 18 May 2010.

drug trafficking who wields enormous power as the chairman of the provincial council, would require Karzai's good offices.

Karzai is seeking the US support for his plan for reconciliation with and reintegration of the Taliban, an attempt at fracturing the insurgency at a time when the US military action is slated to intensify and before the US withdrawal. Ahead of the peace *jirga* (consultative assembly) to be held on 29 May 2010, Karzai has managed to get a pledge that most of the Afghan detainees will be transferred from North Atlantic Treaty Organization (NATO) to Afghan custody. As the military stalemate continues, many allies like France, Holland, Britain, Germany and Italy are under intense political pressure at home to begin withdrawing from Afghanistan, providing increasing credence to the talks of negotiating with the Taliban. The forthcoming peace *jirga* is an outreach effort to some 1,500 Afghan community leaders to discuss the way forward in reconciliation. Likewise, the talks to negotiate a broad agreement with the Taliban leadership that forms a national unity government and guarantees that *Al-Qaeda* and other radical groups do not return to Afghanistan, are gaining currency in the Western policy-making circles.

While civilian deaths from aerial bombings have declined, American officials now admit shootings of Afghan civilians by American and NATO convoys and at military checkpoints have spiked sharply this year, becoming the leading cause of combined civilian deaths and injuries at the hands of Western forces. According to the US military statistics, at least 28 Afghans have been killed and 43 wounded in convoy and checkpoint shootings this year – 42 per cent of total civilian deaths and injuries and the largest overall source of casualties at the hands of American and NATO troops. The shootings alienate Afghans, who see them as proof of impunity with which the international forces operate. The US is seemingly taking steps to address these issues. Military commanders are issuing new troop guidelines that include soliciting local Afghan village and tribal elders and other leaders for information to prevent such convoy and checkpoint shootings.

Not surprisingly, the public criticism of Karzai government has been toned down. There is much less reference now to the prevailing level of corruption, inefficiency of the administration and the drug trade. The US Ambassador to Afghanistan Eikenberry, who had warned against the troop surge and had denounced Karzai in a diplomatic cable last year as not being 'an adequate strategic partner'⁷, personally escorted Karzai on the flight from Kabul to Washington. In contrast to the visit last year where Karzai had to share the spotlight with Pakistan President Asif Ali Zardari, the US administration this time rolled

⁷ Thomas L. Friedman, 'This Time We Really Mean It', *New York Times* (30 March 2010), www.nytimes.com/2010/03/31/opinion/31friedman.html. Accessed on 5 May 2010.

out the red carpet for Karzai, who arrived with nearly 20 members of his cabinet. Amidst much fanfare and symbolism, President Karzai attended a state dinner with Secretary of State Hillary Clinton, met with President Obama, and had a formal head of state press conference at the White House.

In its desperation to find a solution from the present morass, the Obama administration is more than willing to bury its hatchets with Karzai. For the beleaguered Afghan President too, it is a matter of the US support or deluge. Circumstances do necessitate such strange alliances.

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The West Bengal Municipal Polls: End of the Road for the Left?

Tridivesh Singh Maini¹

Abstract

The Trinamool Congress (TMC), an important constituent of the Congress-led United Progressive Alliance (UPA) government, has triumphed in the West Bengal Municipal Council polls. The ruling Left Front has lost in some of its strongholds due to a strong anti-incumbency wave, while the Congress which fought independently has also disappointed. This brief gives an overview of the verdict and also analyses the possible ramifications of the outcome for both state politics, especially in the context of next year's assembly elections in the state and national politics.

The Trinamool Congress – a key constituent of the ruling Congress-led UPA in India – has defeated both the Left Front and Congress Party in the recently concluded West Bengal Municipal Council polls. The TMC hopes to set up the municipal boards in at least 50 civic bodies on its own strength and with Congress support in a few others.² The Communist Party of India (Marxist) CPI(M)-led Left Front has won 18 municipalities and the Congress has triumphed in seven. In 25 civic bodies, no party has been able to secure a decisive majority.

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² 'Mamata's moment', *The Hindu* (4 June 2010), <http://beta.thehindu.com/opinion/editorial/article445825.ece>. Accessed on 4 June 2010.

Headed by the Minister for Railways, Mamata Banerjee, the TMC has won the polls with emphatic margins. It is Banerjee's triumphs in the Kolkata Municipal Corporation (KMC) and the Salt Lake City, which have come as major surprises. The party has won 95 out of 141 wards in Kolkata, and 16 out of 25 in Salt Lake.³ The results indicate that urban voters in Bengal, particularly in Kolkata and suburbs, widely prefer Banerjee and her party over the ruling Left.

The Left's debacle in the municipal polls has not come as a bolt from the blue. The decline of the Left in West Bengal and the rise of the TMC were evident in last year's parliamentary elections, where the latter bagged 19 of the 42 Lok Sabha seats. A crucial difference this time around was that during the parliamentary elections, the Congress and TMC fought together, while they did not in the current polls. The TMC, however, won handsomely despite parting ways with the Congress. As Banerjee remarked after the elections, 'The victory in the Lok Sabha elections was easy, since we had an alliance. But this time, it was hard because we were alone. This time, the fight was against Congress, BJP and the CPI(M). When everybody left us, the people accepted us.'⁴

The strong anti-Left sentiment in West Bengal can also be gauged from the fact that Banerjee triumphed despite faltering on numerous accounts in the recent past. She has politicised the outbreak of Left Wing Extremism (LWE) in the state by claiming that there was no Maoist problem and it was all a creation of the ruling Left regime. Only recently, the TMC chief remarked that 'there are no Maoists' in West Bengal and condemned the security operations conducted against the Maoists, saying that the operations were only strengthening workers of the ruling CPI(M)⁵. Moreover, as Minister for Railways, her handling of the Gyaneswari Express derailment, which resulted in the killing of 148 people,⁶ left much to be desired. Rather than focusing on dealing with the crisis, Banerjee was busy making political statements. 'Whoever did it, it was a political conspiracy. The accident has happened two days before the (civic) election. One may be politically against us, but I feel bad that the way the incident was engineered to fulfill one's political interest.'⁷ Indeed, Banerjee was quick to apportion all blame for the tragedy on the West Bengal government and refrained from sharing any responsibility. Finally, while the Left has been criticised for lack of

³ Smita Gupta, 'In victory a bitter message for Mamata', *The Hindu* (3 June 2010), <http://beta.thehindu.com/news/national/article445027.ece>. Accessed on 4 June 2010; and Bidyut Roy and Ritwik Bhattacharya, 'Mamata drives another nail in West Bengal Left Coffin', *Indian Express* (3 June 2010), www.indianexpress.com/news/mamata-drives-another-nail-in-west-bengal-left-coffin/628751/0. Accessed on 4 June 2010.

⁴ See Bidyut Roy and Ritwik Bhattacharya, 'Mamata drives another nail in West Bengal Left Coffin'.

⁵ 'No Maoists in West Bengal', *The Hindu* (15 April 2010). www.thehindu.com/2010/04/15/stories/2010041561791300.htm.

⁶ 148 people were killed and over 200 injured in the derailment of the Howrah-Kurla Lokmanya Tilak Gyaneshwari Super Deluxe Express in West Bengal's West Midnapore district, allegedly triggered by Maoists on 28 May 2010.

⁷ 'Political war begins', *The Pioneer* (2 June 2010), www.dailypioneer.com/259258/Political-war-begins.html. Accessed on 4 June 2010.

industrialisation and economic progress in West Bengal, there is no denying that Banerjee spearheaded the agitation for dislodging Tatas' Nano car project from Singur in West Bengal. The Nano project eventually rolled out from Gujarat, much to the disappointment of West Bengal.

The municipal elections in West Bengal are dubbed as the 'semi-finals' in the run-up to assembly polls in the state next year. If the current results are seen together with last year's parliamentary elections, there is no doubt that the exit of the Left from West Bengal is a foregone conclusion. A media report echoes the sentiment, 'After a record seven successive wins in the Assembly election, beginning 1977, the CPI(M) and the other Left parties might have to settle for a spell in the opposition. Even if corrective action is taken by the Buddhadeb Bhattacharjee government, it is difficult to envisage a change in the popular mood in West Bengal.'⁸ If the Left loses West Bengal, a state that it has ruled for more than three decades, its political prospects in India will receive a severe jolt.

The municipal election results, apart from driving another nail in the Left Front's coffin, also have some bearing for the national politics. They increase Banerjee's leverage with the Congress Party and the UPA, with whom she has been sharing a strained relationship of late. Immediately after the results, Banerjee was quick to demand for early assembly polls in Bengal. She has demanded advancing the polls to October 2010 from 2011. Though her demand is unlikely to be accepted, Banerjee will not relent easily.⁹

The Congress on its part realises that Banerjee is indispensable in West Bengal. Right on the eve of the municipal council elections, senior Congress leader and Finance Minister, Pranab Mukherjee, had warned the TMC supremo not to cross the 'lakshmanrekha' as CPI(M) general secretary Prakash Karat did during the tenure of the first UPA government at the Centre. The verbal slugfest began when Banerjee accused the Congress of being soft on the Communists. Mukherjee, visibly miffed at the TMC supremo's tirade, was quick to make the point that Banerjee should refrain from unnecessary criticism of the Congress. The party has 207 MPs, and the UPA can survive without TMC support. Mukherjee reiterated point that in its earlier tenure, the UPA had managed to survive with 147 Congress MPs inspite of the Left Front's departure from the alliance.¹⁰

Mukherjee was quick to make amends by promptly congratulating Banerjee for her party's swashbuckling performance in the polls. Banerjee on her part has expressed complete faith in

⁸ See 'Mamata's moment', *The Hindu*.

⁹ Raktima Bose, 'Mamata renews demand for early Assembly Polls', *The Hindu* (2 June 2010), <http://beta.thehindu.com/news/national/article444870.ece>. Accessed on 4 June 2010.

¹⁰ 'Pranab warns Mamata: Don't go Karat way Mamata told', *The Statesman* (27 May 2010). http://thestatesman.net/index.php?option=com_content&view=article&id=329323&catid=35. Accessed on 8 June 2010.

the UPA leadership and stated that she is keen to put up a joint fight, with the Congress, against the Left during the assembly elections in 2011.¹¹

Banerjee's win may also compel her to quit from her ministerial position in the cabinet so that she can devote more time to West Bengal. Her political career has evolved on securing the ouster of the Left from West Bengal and she is unlikely to relinquish the post of Chief Minister following her impending victory in the assembly polls. She has drawn considerable flak for her casual handling of the Railways Ministry and spending more time in Calcutta than at the Centre.¹²

Banerjee's recent victory is bound to make her more assertive vis-à-vis the Congress Party. It remains to be seen whether the Congress is prepared to play second fiddle to the TMC, in the run up to the assembly poll. The TMC supremo on her part needs to articulate her party's stance on Maoism, which has so far been woolly to say the least. While Banerjee has been quick to blame the West Bengal government for the increase in Maoist violence, she has never outlined her party's policy. On the subject, this critical issue along with Bengal's economic revival and better governance are areas where she needs to articulate her position for obtaining lasting popular support.

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¹¹ 'Pranab warns Mamata', *The Times of India* (28 May 2010). <http://timesofindia.indiatimes.com/india/Pranab-warns-Mamata-Banerjee/articleshow/5983237.cms>. Accessed on 3 June 2010.

¹² Harish Gupta, 'West Bengal in sight, Mamata Banerjee may give up railways', *DNA* (4 June 2010). www.dnaindia.com/india/report_west-bengal-in-sight-mamata-banerjee-may-give-up-railways_1391700. Accessed on 5 June 2010.

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United States-India Strategic Dialogue: Still Waiting for Obama?

Sinderpal Singh¹

Abstract

The recently concluded inaugural United States-India Strategic Dialogue held in Washington from 1 to 4 June 2010 has been hailed by the United States (US) administration as a symbol of deepening ties between the two countries. However, there are several questions being raised in policy circles about the dearth of any concrete 'deliverables' from this much publicised event. Such voices have once again revived the debate about the Obama administration's sincerity and ability to raise the US-India relationship to the heady heights forged during the previous Bush administration.

In the run-up to the US-India Strategic Dialogue, the Obama administration released its *National Security Strategy* (NSS) report in which it saw India, together with China and Russia, as 'key centres of influence' with which the US will work 'to build deeper and more effective partnerships'. It goes further to add that 'working together through our Strategic Dialogue and high-level visits, we seek a broad-based relationship in which India contributes to global counter-terrorism efforts, non-proliferation, and helps promote poverty-reduction, education, health and sustainable agriculture'.² The Strategic Dialogue had a wide range of issue areas on its agenda, stretching from energy, agriculture, science and technology, health and education, defence and counter-terrorism.³ The language and tone of the joint statement

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² *National Security Strategy* (May 2010), www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf. Accessed on 10 June 2010.

³ Narayan Lakshman, 'US-India Strategic Dialogue to cover entire gamut of ties', *The Hindu* (30 May 2010), www.thehindu.com/2010/05/30/stories/2010053056541000.htm. Accessed on 11 June 2010.

released at the end of the Strategic Dialogue broadly echoed references to India in the NSS report. It saw India and the US pursuing a 'global strategic partnership' on the basis of 'common ideals as well as security and economic interests'.⁴

Despite the rhetoric (and the fact that President Obama broke protocol in attending a US State Department reception for India's External Affairs Minister, S.M. Krishna), there is hesitation in several quarters in attaching too much significance to the rhetoric emanating from this particular meeting. Such hesitation is grounded in the realisation that in several key issue areas, there is still significant distance between the two countries – distance which this particular set of meetings did not seemingly address in any significant manner.

The first of these issue areas is Afghanistan. The joint statement 'reiterated their shared interest and commitment to a stable, sovereign, democratic and pluralistic Afghanistan' as well emphasising that 'India and the US committed to regularly consult with each other on Afghanistan'.⁵ Beyond these broad proclamations, the main bone of contention between the two sides is Pakistan and India's role in Afghanistan. With regards the former, any kind of political solution in Afghanistan which provides for the Taliban's involvement (an idea the US administration seems resigned to) will offer Pakistan the kind of role it seeks in Afghanistan and would be objectionable to India.⁶ With regards to India, senior US officials have been somewhat wary of India expanding its role from developmental assistance to providing training to the Afghan army, largely to assuage Pakistani objections.⁷ In a priority policy issue area for both countries, the distance is significant. The US has said it sees Pakistan as 'indispensable' and India as 'very important' in the context of its policy on Afghanistan.⁸ From the Indian perspective, this approach does not afford due consideration for Indian interests in Afghanistan vis-à-vis Pakistan. It remains to be seen if both sides can push their strategic interaction to the next level without meaningfully negotiating this gap over Afghanistan in the near future.

⁴ Office of the Spokesman, US Department of State, *US-India Joint Strategic Dialogue Joint Statement* (4 June 2010), www.state.gov/r/pa/prs/ps/2010/06/142645.htm. Accessed on 12 June 2010.

⁵ *US-India Joint Strategic Dialogue Joint Statement*.

⁶ For details of this India-Pakistan 'struggle' over Afghanistan vis-à-vis US policy, see Simon Tisdall, 'India and Pakistan's proxy war puts Afghanistan exit at risk', *The Guardian* (7 May 2010), www.guardian.co.uk/commentisfree/2010/may/06/india-pakistan-afghanistan-exit. Accessed on 8 June 2010.

⁷ On the eve the Strategic Dialogue, in a session with reporters, the US Assistant Secretary of State for South and Central Asian Affairs, Robert Blake, when asked about public Pakistani misgivings on India providing training to the Afghan army, sought to downplay the amount of training India provided. Instead, he sought to highlight the 'very important role with the \$1.3 billion in assistance they(India) provided to date, mostly in infrastructure and other kinds of reconstruction projects, but also capacity building and training and so forth'. See United States Department of State, Office of the Spokesman, *Assistant Secretary Robert Blake on US-India Strategic Dialogue: Blake answers questions on India, Afghanistan and Pakistan* (28 May 2010), www.america.gov/st/texttrans-english/2010/June/20100601143045SBlabahC0.2188793.html. Accessed on 8 June 2010.

⁸ 'US says Pakistan indispensable in Afghanistan', *Dawn* (4 June 2010), www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/the-newspaper/front-page/us-says-pakistan-indispensable-for-success-in-afghanistan-460. Accessed on 9 June 2010.

The second issue concerns Iran and its nuclear programme. India's vote for an International Atomic Energy Agency (IAEA) resolution censuring Iran in November last year at Vienna led many to suggest that the former had hitched itself onto the bandwagon of the US' Iran policy. However, Indian foreign policy very recently seemed to have taken a step back on this issue, by way of welcoming the recently announced Turkey-Brazil nuclear fuel swap deal.⁹ The Iranian government-run press also reported on Minister Krishna's visit to Tehran in May 2010 (to attend the G-15 summit) in highly positive terms, quoting him as saying that 'India praises Iran for fighting for its rights', a statement which would have made for difficult reading in Washington.¹⁰ Most recently, the US has confirmed publicly that both countries had divergent views on the subject of Iran's nuclear programme.¹¹ As India attempts to straddle between demonstrating its credentials as a responsible nuclear weapons power and maintaining an independent course towards Iran, both the US and India will have to revisit potential points of convergence on this issue sometime in the near future. Their inaugural Strategic Dialogue does not seem to have made significant headway on this count. Practising meaningful 'global partnership' on global issues will however require exactly such a convergence.

The third issue is enabling the functioning of the US-India civilian nuclear deal and facilitating high technology exports from India to the US. Minister Krishna, in striking a reassuring note, 'said his government is committed to implementing a 2008 civilian nuclear deal with the US'.¹² However, for that to happen, India's parliament needs to pass a domestic Nuclear Liability Bill, which provides for caps on financial liabilities for nuclear reactor manufacturing companies in the event of a nuclear mishap. This has become the most difficult enterprise for the current Indian government, with fierce criticism springing from both opposition parties and certain sections of India's civil society.¹³ The failure to pass this domestic legislation and activate the 2008 US-India civilian nuclear deal will be a huge knock to one of the most historically significant milestones of the US-India relationship.

⁹ For an insightful analysis on India's position on this issue see M. Bhadrakumar, 'India's course correction on Iran', *Asia Times Online* (22 May 2010), www.atimes.com/atimes/South_Asia/LE22Df02.html. Accessed on 11 June 2010.

¹⁰ 'India hails Iran's fight for right', *Press TV* (18 May 2010), www.presstv.ir/detail.aspx?id=126884§ionid=351020101. Accessed on 9 June 2010.

¹¹ 'No uniform view with India on Iran: US', *Hindustan Times* (8 June 2010), www.hindustantimes.com/No-uniform-view-with-India-on-Iran-US/Article1-551956.aspx. Accessed on 12 June 2010.

¹² Ashish Kumar Sen, 'India assures US on 2008 nuclear deal', *Washington Times* (2 June 2010), www.washingtontimes.com/news/2010/jun/2/india-assures-us-on-2008-nuclear-deal/. Accessed on 7 June 2010.

¹³ This criticism has gathered even more pace with the recent verdict by an Indian court on the criminal trial of several people accused in the Bhopal gas tragedy. See 'Bhopal verdict fallout: Focus back on nuclear bill', *Hindustan Times* (9 June 2010), www.hindustantimes.com/Bhopal-verdict-fallout-Focus-back-on-nuclear-bill/Article1-555170.aspx. Accessed on 13 June 2010.

On the issue of high technology transfer, there seemed to be little progress on the slow pace of liberalising high technology exports from the US to India, at the conclusion of the Strategic Dialogue. In their joint statement, in reference to the issue of 'high technology', both sides were 'committed to approach the issue of export controls in the spirit of the strategic partnership between the two countries', indicating no immediate tangible advancement in this area.¹⁴ India's frustration in this regard relate to both general restrictions as well as the specific sanctions against such leading Indian establishments as the Indian Space Research Organisation (ISRO) and Bhabha Atomic Research Centre (BARC). Despite sounding upbeat, Minister Krishna's frustration was apparent when he told a business forum in Washington that 'we have given a number of written assurances that US technology will enjoy the level of security stipulated by the relevant US laws and... (that) these controls are not only anomalous but also a hindrance to furthering trade and investment in this particularly significant sector of our economies'.¹⁵ Once again, it remains to be seen if some variety of progress can be achieved in this crucial area in the months ahead.

President Obama is expected to visit India in November this year and many see this particular Strategic Dialogue as a preparatory meeting for this important visit. There is thus a sentiment in certain quarters that the success of this inaugural Strategic Dialogue should be not gauged prematurely but rather at the end of Obama's trip in November.¹⁶ This section of opinion feels that this high-level meeting should be recognised as significant particularly because it demonstrates the continuing dedication on both sides to publicly stress the importance the bilateral relationship.¹⁷ However, not everyone shares this optimism, especially within India. There are many in India who do not seem particularly enthused about the US proclamations about India being its global partner and the US stress on building a long-term 'strategic' relationship. For some, like seasoned Indian defence analyst K. Subrahmanyam, the bilateral dialogue now needs also to deliver on tactical aspects after all the talk about 'strategic goals', which framed the tenor of the Indo-US joint communiqué back in November 2009.¹⁸ Tangible deliverables are a key part of such tactical goals. India will now await Obama's visit in November 2010. In terms of concrete progress in crucial areas, India will hope it does not have to keep waiting too long beyond that.

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¹⁴ *US-India Joint Strategic Dialogue Joint Statement*.

¹⁵ C. Raja Mohan, 'India expects early liberalisation of US technology exports', *Indian Express* (4 June 2010), www.indianexpress.com/news/india-expects-early-liberalisation-of-us-high-technology-exports/629354/. Accessed on 9 June 2010.

¹⁶ 'Obama looking for "ambitious results" from India visit', *The Economic Times* (8 June 2010), <http://economictimes.indiatimes.com/Politics/Nation/articleshow/6022640.cms>. Accessed on 13 June 2010.

¹⁷ K. P. Nayar, 'S.M Krishna's visit to Washington will bolster Indo-US ties', *The Telegraph* (Kolkata) (9 June 2010), www.telegraphindia.com/1100609/jsp/opinion/story_12542234.jsp. Accessed on 12 June 2010.

¹⁸ K. Subrahmanyam, 'Partners, not allies', *Indian Express* (31 May 2010). Accessed on 7 June 2010.

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The Bhopal Tragedy Verdict: Can India Handle Industrial Disasters?

Amitendu Palit¹

Abstract

The recent verdict on the Bhopal Gas Tragedy of 1984 has drawn attention to India's legal safeguards for handling industrial catastrophes. This paper discusses the existing shortcomings for fixing liabilities in industrial accidents in India. Arguing that the Bhopal case highlights the failure to apply the principle of 'polluter pays', the paper concludes that industrialisation without safeguards can have disastrous consequences.

The world's worst industrial catastrophe occurred in India twenty-five years ago. On the cold winter night of 2-3 December 1984, around 40 tonnes of methyl isocyanate (MIC) gas leaked out of the Union Carbide of India Limited (UCIL) pesticide manufacturing plant at Bhopal in the state of Madhya Pradesh in India. The deadly gas unleashed a ruthless spell of death in the city as the rest of the country slept peacefully. Thirty-six municipal wards in Bhopal with an estimated population of 559,835 people were exposed to the MIC.² More than 3,000 people died on the night itself. The death toll is estimated to have risen to 20,000³ over the years as more and more people gradually succumbed to the ill-effects of the poisonous gas.

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² Bhopal Gas Tragedy Relief and Rehabilitation Department, Bhopal, Government of Madhya Pradesh, India, www.mp.gov.in/bgtrrdmp/facts.htm. Accessed on 21 June 2010.

³ 'Bhopal GoM to submit final report today'; *The Times of India*; <http://timesofindia.indiatimes.com/articleshow/6073510.cms?prtpage=1>. Accessed on 21 June 2010.

Memories of the disaster have revived following the recent verdict delivered by a Bhopal court on the gas tragedy. The court on 7 June 2010 convicted the then-UCIL Chairman and seven others of causing death by negligence and awarded them a maximum imprisonment of two years. The convicted were also asked to pay Rs 100,000 (US\$2,125)⁴ each. All the convicted immediately applied for bail and obtained release, setting off a public furore over the judgement.

The verdict has drawn attention to an issue being debated in India for several years: Does the country have a strong legal framework for handling industrial disasters? The issue assumes critical importance in the context of a country that has embarked on a path of rapid and aggressive industrialisation in pursuit of high economic growth.

The ineffectiveness of existing laws for punishing polluters and errant industries is evident from the difficulties faced in fixing liabilities. There are two aspects to the latter. The first is compensation received by victims of industrial accidents. The scale of the Bhopal disaster was not limited to deaths of people only. Injurious effects of the MIC gas have prevailed over years leading to serious impairments and disabilities among people of Bhopal. Children exposed to the gas have grown up with chronic illnesses. The adverse consequences of the calamity have spread across generations. But have the victims and their kin been adequately compensated for their sufferings?

The UCIL paid US\$470 million as complete settlement of all its liabilities (civil and criminal).⁵ Assessment of economic rehabilitation that followed thereafter indicates that most victims of personal injuries received compensations of Rs 25,000 (US\$830), while for death claims the average compensation was Rs 62,000 (US\$2,200).⁶ Several people were left uncompensated since they could not conclusively establish that their injuries were directly related to the exposure to MIC. Thus, it was not only a matter of compensations being small but also inefficient procedures often denying even these small reliefs.

The only law in India that entitles victims of industrial disasters affected by handling hazardous substances to award of compensation is the Public Liability Insurance Act of 1991. Section 3(1) of the Act stipulates a maximum compensation of Rs 25,000 for fatal accidents

⁴ 'Bhopal Gas Tragedy: Accused awarded only 2 years in jail, get bail'; <http://news.rediff.com/slide-show/2010/jun/07/slide-show-1-bhopal-gas-tragedy-verdict.htm>. Accessed on 21 June 2010 and 'Bhopal Trial: Eight convicted over India gas disaster'; BBC, http://news.bbc.co.uk/2/hi/south_asia/8725140.stm. Accessed on 21 June 2010.

⁵ Eckerman, Ingrid (2005), *The Bhopal Saga – Causes and Consequences of the World's Largest Industrial Disaster*, (India: Universities Press).

⁶ Ibid.

and permanent disability.⁷ The compensation is minimal given the extensive damages that can be inflicted by industrial accidents.

The second aspect critical to fixation of liability pertains to responsibilities for post-disaster management. The aftermath of the Bhopal catastrophe witnessed deposition of almost 400 tonnes of toxic chemicals at the site of the disaster. These chemicals have not been cleaned up till today. They remain major health hazards for the residents of the city. Several scientific studies carried out on the basis of testing samples of soil, groundwater, water from tube wells, and vegetables from areas surrounding the UCIL plant have shown contamination due to high incidence of several toxic heavy metals and chemical compounds (e.g. naphthol, mercury, copper, nickel, carbon tetrachloride, chloroform and benzene hexachloride).⁸

Why has not the toxic waste been cleared till this date? The plant was operated by UCIL, the Indian subsidiary of the Union Carbide. The latter sold off its Indian arm in 1994 with the approval of the Supreme Court of India. The arm was renamed and currently exists as Eveready Industries India Ltd. The Madhya Pradesh government revoked the lease of the land on which the plant stood in 1998. Union Carbide itself was acquired by the United States (US)-based Dow Chemical Company in 2001. Several environment activists and civil society groups have been arguing that the toxic waste removal is Dow's responsibility. Dow, however, has steadfastly maintained that it acquired the assets of Union Carbide only after the latter fully settled its liabilities in the Bhopal case. It therefore does not inherit any obligation to fulfil any liabilities arising from the incident including cleaning-up of the site.⁹ The decision on fixing the responsibility to clean up the site has been pending with the Jabalpur High Court in Madhya Pradesh since 2004.

The disappointment over the verdict on Bhopal prompted the Government of India to look into the matter afresh. A Group of Ministers (GoM) headed by the Minister of Home Affairs Mr P. Chidambaram reviewed several aspects of the tragedy that were back in spotlight following the verdict. These included compensations awarded to victims and expeditious action on cleaning the toxic waste. In its recommendations submitted to the Cabinet of Ministers on 21 June 2010, the GoM proposed a financial package of Rs 13.2 billion (about US\$300 million) for the rehabilitation of accident victims, environmental clean-up and upgrade of seven hospitals in Bhopal for extending better treatment to affected people.¹⁰

⁷ The Public Liability Insurance Act, 1991; (no.6 of 1991); Ministry of Law and Justice (Legislative Department), Government of India; For fatal accidents, the law provides for medical reimbursement up to a maximum of Rs 12,500 (US\$415), [www.cpcb.nic.in/upload/NewItems/\(38\)%20THE%20PUBLIC%20LIABILITY%20INSURANCE%20ACT,%201991.doc](http://www.cpcb.nic.in/upload/NewItems/(38)%20THE%20PUBLIC%20LIABILITY%20INSURANCE%20ACT,%201991.doc). Accessed on 21 June 2010.

⁸ These various studies have been carried out by local municipal authorities, Greenpeace, BBC and the Centre for Science and Environment (CSE), India.

⁹ 'Dow to NDTV on no Bhopal Liability', <http://ndtv.com/news/india/dow-to-ndtv-on-no-bhopal-liability-31362.php?u=1029>. Accessed on 22 June 2010.

¹⁰ 'GoM for hike in payouts, review of verdicts', *The Times of India*;

The GoM's proposals, despite being steps in the right direction, will probably be construed by many as efforts aimed at offering ad-hoc solutions to what continue to remain larger and unaddressed issues. As far as compensation is concerned, the Public Liability Insurance Act is clearly insufficient for addressing fallout of large-scale industrial disasters. With several chemical hubs coming up in India, concerns over impacts of potential future accidents continue to loom large. These concerns are expected to figure prominently in the ongoing public debate on the civil nuclear liability bill as well.

The delay in removing the toxic wastes is a pertinent example of the failure to apply the 'polluter pays' principle in industrial pollution accidents. The fact that these wastes have been lying unattended for several years reflects the inability to fix liabilities. Even now, it is not clear as to who should eventually clear the wastes. Should it be the Dow Chemical Company who now owns the assets of the Union Carbide? Should it be the Eveready Industries? Or should it be the Madhya Pradesh government that has owned the site land for more than a decade now?

The GoM has proposed setting aside a sum of Rs 3 billion for enabling the initial clean-up. It has also recommended inviting global bids for exhaustive waste removal and decontamination. A joint task force comprising representatives from the Government of India and the Government of Madhya Pradesh is proposed to oversee the clean-up exercise in close coordination with the Central Pollution Control Board (CPCB). The key question that remains unanswered is, with the decision of the Jabalpur High Court on the clean-up still pending, will there be interests expressed by global agencies in taking up the cleaning?

More than twenty-five years after it occurred, the latest developments over the Bhopal tragedy highlight the inadequacies in India's legal framework in tackling fatal outcomes of industrial disasters. Rapid industrial and manufacturing developments are essential for India's high growth and economic prosperity. But, industrialisation without safeguards can have disastrous consequences. The verdict on Bhopal is a stark reminder of the legal limitations and urgent imperatives for devising appropriate safeguards for avoiding future Bhopals.

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India-Pakistan Foreign Ministers Meeting: The Impasse Continues

Rajshree Jetly¹

Abstract

This paper discusses the recent meeting between Indian Foreign Minister S.M. Krishna and Pakistani Foreign Minister Shah Mehmood Qureshi in Islamabad. Hopes of the meeting producing some fruitful outcomes have not materialised. The paper examines why India and Pakistan have failed to overcome their historic impediments to constructive dialogue.

Prelude to the Meeting

On 15 July 2010, foreign ministers of India and Pakistan, S.M Krishna and Shah Mehmood Qureshi respectively, held talks in Islamabad. This was part of the follow up to the recent resumption of dialogue between the two countries initiated by Indian Prime Minister Manmohan Singh and Pakistani Prime Minister Yousaf Raza Gillani in April 2010. The talks on 15 July marked the third high-level contact in six months and were the first meeting of the foreign ministers since the Mumbai attacks in November 2008. Both the foreign ministers were tasked by their respective prime ministers to identify areas of trust deficit and develop a formula for renewal of future dialogue and confidence building between the two countries.

There was some optimism with regard to this latest meeting between the foreign ministers. During the foreign secretaries' meeting held earlier in June 2010, both sides appeared willing to take on a more pragmatic and accommodating approach. Significantly, India had signalled that it was willing to back down from its hard line posture of resolving terrorism issues before resuming dialogue on the broader concerns as it realised that the hard line approach had not been fruitful. In the aftermath of the Mumbai attacks, it was politically impossible for India to engage with Pakistan without taking a tough stance on terrorism; but the passage of time and

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appreciation of internal challenges faced by Pakistan as well as the progress made by Pakistan in investigating and prosecuting the perpetrators of the Mumbai attack were sufficient reasons for India to soften its stance and give diplomacy another chance.²

Similarly, Pakistan also indicated that it would not allow the Kashmir issue to undermine the dialogue process. Thus, while terrorism and Kashmir remained critical issues for India and Pakistan respectively, this time there was some hope that both countries would exercise restraint on these sensitive topics to allow discussion on other matters and achieve progress on critical concerns such as trade and commerce, tourism, water, culture and humanitarian issues.

The Meeting

Despite the show of pragmatism and positive attitude visible at earlier talks between the foreign secretaries and home ministers in June this year, the foreign ministers' talks did not yield anything substantive leading to continuation of the impasse. Terrorism, a highly critical and politically emotive issue for India, resurfaced as a major stumbling block, catalysed by the evidence gathered from the United States (US) terror suspect, David Coleman Headley who was charged with the planning and plotting of the Mumbai attacks. Headley had testified his links with the Pakistan-based terrorist organisation, Lashkar-e-Taiba (LeT) and had alleged that the Pakistan Inter-Services Intelligence (ISI) was closely involved with the group.³ This clearest evidence linking a Pakistani terrorist group with the Mumbai attack provoked India into pressing Pakistan on concrete action with respect to terrorism.

In light of Headley's 'non-partisan' revelations on the LeT, the Indian Foreign Minister said that India had provided 'overwhelming' and 'irrefutable' evidence to Pakistan on the Mumbai attacks. He also submitted that in the face of such 'overwhelming evidence', there was a strong expectation that the 'government will have to act'.⁴ The Indian Foreign Minister also protested against the continued anti-India propaganda flowing from the LeT chief, Hafiz Saeed.⁵

Pakistan took umbrage at the Indian reliance on Headley's testimony to link ISI with LeT to bring pressure on Pakistan, saying that it was 'uncalled for' to do this on 'the eve of the

² For details, see Indian Foreign Minister S.M. Krishna's interview in the Indian newspaper *Tribune* (20 May 2010), <http://meaindia.nic.in>. Accessed on 17 July 2010

³ According to Indian Home Secretary G.K Pillai, Headley's interrogation had revealed the complicity of both the ISI and the LeT Chief Hafiz Saeed in the Mumbai attacks and that the ISI were 'literally controlling and coordinating it (the attacks) from the beginning till the end', 'ISI behind 26/11, from start to end: Home Secy', *Indian Express* (14 July 2010), www.expressindia.com/latest-news/ISI-behind-26-11-from-start-to-end-Home-Secy/646108/. Accessed on 19 July 2010.

⁴ 'India, Pakistan to discuss resuming peace process', *The News International* (15 July 2010), www.thenews.com.pk/updates.asp?id=108516. Accessed on 16 July 2010.

⁵ Rajeev Deshpande, 'Time for Pak to act on 26/11 Proof: Krishna', *The Times of India* (15 July 2010), <http://timesofindia.indiatimes.com/articleshow/6169428.cms?prtpage=1>. Accessed on 16 July 2010.

dialogue.’⁶ It also upped the ante by placing Kashmir and Siachen on top of its agenda and insisting that a clear time line be established for resolution of these outstanding issues.⁷ This was rejected by India on the ground that timelines were unrealistic for these territorial disputes, which were highly complex with long histories. While Pakistan denied charges that it supported cross-border infiltration⁸, it reaffirmed that it would ‘continue extending full diplomatic and moral support to [the people of Jammu and Kashmir] legitimate cause and struggle for self-determination.’⁹ At the same time, when Pakistan raised the issue of Baluchistan, the Indian Foreign Minister said there was no credible evidence presented by Pakistan of any Indian involvement in Baluchistan.

The meeting, instead of assuming constructive proportions, degenerated into an exchange of accusations on sensitive issues. While Pakistan felt that India was being ‘selective’ in its approach, India felt that there was a ‘hiatus’ in expectations on both sides.¹⁰ The talks failed to yield anything fruitful because of three reasons: the underlying mistrust between the two countries, different agendas on both sides and the fear of backlash from respective domestic constituencies. Both sides were found retreating to their intractable positions.

Retreating to the Status Quo

India’s main focus was terrorism. Pakistan, for a variety of reasons, has not been able to deliver to India’s satisfaction on the subject.¹¹ Pakistan’s demands on Siachen and Kashmir were equally firm, with a refusal to discuss terrorism unless its concerns were concurrently addressed.¹² While India’s demands on greater Pakistani action on terrorism are entirely legitimate, two points should be borne in mind. One, some degree of compromise is necessary in any process of dialogue and India needs to moderate its emphasis on terrorism. Two, while the Mumbai attacks might have originated from the Pakistani soil and Pakistan

⁶ ‘No Progress reported,’ *The News International* (16 July 2010), www.thenews.com.pk/print3.asp?id=30069. Accessed on 18 July 2010.

⁷ Siddharth Varadarajan, ‘Timeline on Siachen, Kashmir talks was deal-breaker’, *The Hindu* (18 July 2010), www.hindu.com/2010/07/18/stories/2010071861830800.htm. Accessed on 18 July 2010.

⁸ The Pakistani Foreign Minister Mehmood Qureshi said that ‘Infiltration is not the policy of the government of Pakistan or any intelligence agency of Pakistan, period’ and ‘If there are individuals who have crossed over, deal with them firmly and Pakistan will cooperate’, www1.voanews.com/english/news/asia/Pakistan-and-India-End-Talks-On-Mumbai-Terrorist-Attack--98550164.html. Accessed on 18 July 2010.

⁹ See Ministry of Foreign Affairs, Pakistan, ‘Record of Press Briefing held on 8 July 2010’, www.mofa.gov.pk/Spokesperson/2010/Spokes_08_07_2010.htm. Accessed on 18 July 2010.

¹⁰ See Interview of Indian Foreign Secretary Nirupama Rao, Ministry of External Affairs, ‘<http://meaindia.nic.in/>’. Accessed 19 July 2010.

¹¹ While assuring India that the perpetrators of the Mumbai attacks will be brought to justice, Pakistani Foreign Minister Qureshi added that ‘we should allow the judicial process to take its time in undertaking the due course.’ See ‘India, Pakistan to take trust building process forward’, *The News International* (15 July 2010), www.thenews.com.pk/updates.asp?id=108567. Accessed 15 July 2010.

¹² Mariana Baabar, ‘India selective in approach: Qureshi’, *The News International* (17 July 2010), www.thenews.com.pk/top_story_detail.asp?Id=30106. Accessed 18 July 2010.

might have had control over some of the actors, there is a broader terrorist agenda over which Pakistan has little control and is itself a victim of.

By reverting to the traditional intractable positions for appeasing domestic constituencies, the dialogue process has hit a major stumbling block. India and Pakistan need to come out of their traditional mindsets and search for bold and innovative solutions to achieve breakthroughs. India needs to be mindful of the fact that Pakistan's civilian democracy is still finding its feet and the government cannot be pushed too far on certain issues. Some accommodation and willingness to engage Pakistan on its issues of concern, particularly with less emphasis on terrorism, is perhaps necessary. Pakistan has the greater responsibility in this partnership to take active measures for dismantling the terrorist infrastructure within Pakistan and prevent elements operating from its soil for supporting terrorist activities abroad. Otherwise, any potential meeting of the two foreign ministers on the sidelines of the Afghanistan international conference on 20 July will be a futile exercise.

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South Asian University: Catalyst for Regional Cooperation?

Suvi Dogra¹

Abstract

Armed with a three-fold agenda of building a culture of understanding and regional consciousness; nurturing a new class of liberal, bright and quality leadership; and building the capacity of the region in science, technology and other disciplines, the South Asian University is set to open its gates this month. This brief analyses the efficacy of the university and whether it can act as a catalyst for regional cooperation.

Indian Prime Minister Manmohan Singh's vision of a regional varsity is finally set to take shape in the form of the South Asian University (SAU), which opens its doors to students this month. A first of its kind, the university is a brainchild of the Prime Minister, who mooted the idea at the 13th annual meeting of the South Asian Association for Regional Cooperation (SAARC) in Dhaka in 2005.² The SAU will initially offer two postgraduate courses; Master in Development Economics (two years) and Master of Computer Application (three years). Both courses will have 25 students each. In development economics, 13 students hail from other SAARC countries, while 12 are from India. Sixteen Indian students and nine students from other SAARC nations have enrolled for the computer application programme.³

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² 'South Asian University to start from August 26', *The Times of India* (2 August 2010), <http://timesofindia.indiatimes.com/city/delhi/South-Asian-University-to-start-from-August-26/articleshow/6230022.cms>. Accessed on 19 August 2010.

³ Ibid.

The foundation stone of the SAU campus, at a 100-acre plot in Delhi's Maidan Garhi, was laid in 2008. The initial cost of US\$300 million for the university is being borne by the Indian government. However, all SAARC member countries will contribute towards operational costs and the university will also raise money from international financial institutions, educational foundations and donors. While the main campus is still under construction, the university will start functioning from its temporary campus in Akbar Bhavan in central Delhi.⁴

With keen focus on research and postgraduate level programmes, SAU hopes to ultimately offer 12 postgraduate science and non-science courses, along with a small stream of undergraduate studies.⁵ At full strength, the university envisages to accommodate around 7,000 students and 700 teachers. The admission process for SAU entails a common admission test for applicants in all eight SAARC nations. In order to have a balanced representation, no more than 50 per cent of students can be from India. Each SAARC country is to have at least 4 per cent of students at the SAU. To encourage enrollment, the Indian government has offered 50 'SAARC Silver Jubilee Scholarships' for meritorious students from SAARC's Least Developed Countries.⁶

Education is not a new item on SAARC's agenda. Given the lack of access to higher education options and suboptimal quality in several segments of the academic environment in South Asia, cooperation in education among members entered SAARC's agenda with the establishment of a Technical Committee on Education in 1989. Since reorganisation of the SAARC Integrated Programme of Action (SIPA) in 1999, the subject has come under the purview of the Technical Committee on Human Resources Development. The SAARC fellowship and scholarship schemes are also in operation.⁷ A SAARC Consortium of Open and Distance Learning (SACODiL) has been created with a view to standardisation of curricula, mutual recognition of courses and promotion of transfer of credits. A SAARC Teachers Forum has also been established.

While SAARC may constantly be engaged in resolving the political and economic dilemmas amongst its members with limited success, optimists view the cooperation on education as one of the few achievements of SAARC. It may also be a catalyst for the regional integration process. The university aims to create a centre of excellence and produce leaders who

⁴ 'South Asian University to start functioning in August,' *The Hindu* (03 June 2010), <http://beta.thehindu.com/news/national/article445133.ece>. Accessed on 19 August 2010.

⁵ Ibid.

⁶ Prime Minister Manmohan Singh announced the scholarships at SAARC's annual meeting in Thimpu in April 2010. For details, see www.southasianuniversity.org/NewsLetter/news10.html. Accessed on 19 August 2010.

⁷ Though instituted in 1987, the scheme proved to be ineffective and it is only after revising the scheme first in 2002 and later in 2007, that it was finally implemented. Since 2008, Bangladesh, India and Nepal have offered the scholarships. Further details can be viewed at www.saarc-sec.org/areaofcooperation/detail.php?activity_id=16. Accessed on 19 August 2010.

identify themselves as citizens of the region with a common vision of success for both their home country and the neighbours. A realistic and pragmatic leadership in the region could perhaps go a long way in resolving cross-border issues, while dealing with larger domestic problems. Given strained ties in the region, it may be difficult to be optimistic about the progress on the peace process between certain member countries. However, initiatives such as the SAU, may pave way for a process poised to move beyond initial pleasantries.

The challenge for every SAARC member, however, is still at home and unless domestic problems are tackled, the region is unlikely to progress. Capable leaders can definitely contribute to this progress. But can the SAU indeed train young leaders who are willing to devote their expertise both to the region and their home country? That said what needs to be seen is whether the university indeed will prove to be an effective instrument for regional cooperation or remain just a prototype for social interactions. Further, is there a demand from the youth of the region to be a part of the peace and solution building process via an SAU-like forum? A lobby of regionally 'conscious' young leaders, which can pressurise member country governments for engaging in a region-building process does not appear conspicuous till now.

For SAU, a key challenge will be to attract the right crop of academics and scholars to ensure quality education needed for its vision of excellence to be achieved. Can generous salaries with tax incentives and an academic environment free of interventions from regulatory bodies be lucrative enough for reputed international scholars to move to the university? The salaries to be paid to the faculty members have also caused disagreement within SAARC.⁸ Such a disagreement is reminiscent of the widely held notion that achieving consensus within SAARC is impossible without strife and contention.

In the absence of a precedent, the university representative of a South Asian identity would need much learning, unlearning and consensus-building over issues such as curricula and academic commitment. Rules and regulations are likely to be under constant review during the early years. That said, while the consensus on materialising the vision of cooperation in education is visible, it is clearly the implementation which may falter.

Timing is another challenge for the SAU with the high-profile Nalanda University commencing operations soon. Based on the ideal of the ancient university once situated in Nalanda, Bihar, the university is a dream project of the former Indian president A.P.J. Abdul Kalam and has Japan, China, Korea and Singapore as key stakeholders. From an Indian vantage point, the university fits in with its 'Look East Policy'. It also personifies a pan-

⁸ 'Faculty salaries for South Asian University set to be slashed,' *The Indian Express* (19 April 2010), www.indianexpress.com/news/faculty-salaries-for-south-asian-university/608181/. Accessed on 18 August 2010.

Asian vision of the region and has a budget of Rs 1,005 crore (approx S\$290 million).⁹ Compared to the high profile project supported distinguished scholars such as Professor Amartya Sen and Lord Meghnad Desai, SAU is still a much modest vision.¹⁰

Through SAU, South Asia has an opportunity to build upon scientific and technical manpower, wherein it can provide the globalising world with competitive skilled labour. But in order to strengthen the human resource base of the region, attracting sustained public investment for a long term vision will remain a challenge. In this respect, it remains to be seen whether SAU can nurture true South Asian leaders capable of dissociating themselves from limited national identities for donning regional robes, or if it fizzles into another tame confidence building measure.

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⁹ 'Cabinet nod for Nalanda bill,' *The Times of India* (09 July 2010), <http://timesofindia.indiatimes.com/india/Cabinet-nod-for-Nalanda-bill/articleshow/6144055.cms>. Accessed on 18 August 2010.

¹⁰ 'Nalanda University set to reopen in '10, Amartya on faculty?' *The Times of India* (14 August 2008), http://timesofindia.indiatimes.com/India/Nalanda_University_to_reopen_in_10/articleshow/3362587.cms. Accessed on 19 August 2010.

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The 2010 Commonwealth Games: Will India Pull It Off?

Syeda Sana Rahman¹

Abstract

With less than two months to go to the nineteenth Commonwealth Games (CWG), it seems increasingly unlikely that India will be able to stage the event successfully. Inundated with reports of inefficiency and corruption, the Central Government has now stepped in to supervise the preparations. However, there are fears that these moves may be rather late. Even if the preparations are finally completed on time, the Games, which were to demonstrate India's arrival on the world stage, may serve as an embarrassing reminder of governance problems plaguing India.

With less than two months to go to the nineteenth CWG, it seems increasingly unlikely that the Indian government will be able to pull off a successful event given that major venues and related infrastructures are still under construction. New Delhi has been racing to complete preparations for the CWG with deadlines repeatedly being missed and revised. Just last month, New Delhi Chief Minister, Sheila Dikshit, set 31 August 2010 as the deadline for the completion of all projects related to the CWG.² However, reports now indicate that major projects like the renovation of Yamuna Sports Complex, works at the Talkatora indoor boxing

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² 'Sheila Dikshit says she's nervous about C'wealth Games preparations', *DNA: Daily News & Analysis* (18 August 2010), www.dnaindia.com/india/report_sheila-dikshit-says-she-s-nervous-about-c-wealth-games-preparations_1425367. Accessed on 18 August 2010.

stadium, and roads connecting important sites, amongst others, are, according to top officials like the Delhi Government's Chief Secretary Rakesh Mehta, 'unlikely to [be] finished by August-end'.³

The current state of affairs highlights the problems of governance in India.⁴ Corruption, in particular, has led to mismanagement of funds, budgetary problems and inefficiency. According to a preliminary Central Vigilance Commission (CVC) report released in late July 2010, inspections of the CWG preparations have revealed 'use of sub-standard material, rigging of bids, sanctioning of projects which were not needed, favouritism in selection of contractors and private bidders being allowed to tamper with figures post-auction'.⁵ While the CWG preparations in India have been drowning in allegations of corruption and mismanagement for some time,⁶ matters have now come to a head, with opposition members of parliament (MPs) accusing the government of misappropriating funds from other (unrelated) projects to make up the shortfall caused by the rampant corruption surrounding the Games.

According to the opposition MPs such funds as those that had been earmarked for Scheduled Castes have been diverted to meet expenditures associated with the CWG.⁷ The former are also protesting a host of questionable deals, such as the US\$3,989,000 deal with London-based companies, AM Films and AM Car Hire, to rent vehicles, video screens and other equipment and amenities for the Queen's Baton Relay in London on 29 October 2010, 'without proper contracts or documents'.⁸ Thus, according to the Bharatiya Janata Party (BJP) leaders like Arun Jaitley, the CWG has come to signify the 'generation of personal wealth rather than common wealth'.⁹ At the same time, the legitimacy of the Chairman of the CWG Organising Committee (OC), Suresh Kalmadi, who is also president of the Indian Olympic Association (IOA), is being questioned. According to reports, in the original bid submitted in 2003, the IOA president was

³ Ibid., Sunrita Sen, 'Scams, shoddy works cloud India's Commonwealth Games', *M&C: Monsters and Critics News* (10 August 2010), www.monstersandcritics.com/news/southasia/features/article_1576616.php/028-Scams-shoddy-works-cloud-India-sCommonwealth-Games-News-Feature. Accessed on 16 August 2010.

⁴ For more details, see Syeda Sana Rahman, 'The 2010 Commonwealth Games: India's Triumph or Disaster?', *ISAS Insights* 106 (9 July 2010). Available at: www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Insights_106_-_Email_-_The_2010_Commonwealth_Games_12072010184341.pdf.

⁵ 'Major irregularities in 2010 Games projects: CVC Report', *NDTV* (30 July 2010), www.ndtv.com/article/india/major-irregularities-in-2010-games-projects-cvc-report-40977. Accessed on 16 August 2010. For the full report, see 'Common Wealth Games Works Inspected' (India: Central Vigilance Commission, last updated 18 August 2010), available at <http://cvc.nic.in/>. Accessed on 19 August 2010.

⁶ Syeda Sana Rahman, 'The 2010 Commonwealth Games: India's Triumph or Disaster?'.

⁷ 'Uproar in Parliament over Belgaum, Commonwealth Games', *The Times of India* (3 August 2010), <http://timesofindia.indiatimes.com/india/Uproar-in-Parliament-over-Belgaum-Commonwealth-Games/articleshow/6250892.cms>. Accessed on 16 August 2010. 'Commonwealth Games Corruption', *DNA: Daily News & Analysis* (07 August 2010), www.dnaindia.com/sport/report_commonwealth-games-corruption-rocks-parliament_1419926. Accessed on 16 August 2010.

⁸ Sunrita Sen, 'Scams, shoddy works cloud India's Commonwealth Games'.

⁹ Ibid.

to be the Vice Chairman of the CWGOC.¹⁰ However, since then, changes appear to have been made to the updated bid that allowed Kalmadi to hold both the presidency of the IOA and the Chair of the CWGOC concurrently.¹¹

The flurry of accusations has led the Central Government – which hitherto had stayed in the background – to intervene and oversee the CWG preparations in a bid to complete all projects on time. Since the debate erupted in parliament, Prime Minister Manmohan Singh and Congress leaders have promised action against those responsible for the mismanagement. In a recent press statement, Singh directed ministries to investigate the various complaints of irregularities and said that ‘those found guilty should face severe and exemplary punishment’.¹² Heads have already started rolling. The CWGOC’s Joint Director General, T. S. Darbari, who had been implicated in the irregularities surrounding the London relay, has been sacked.¹³ Additionally, treasurer A. K. Khanna resigned after reports surfaced that ‘his son’s firm had been awarded a contract to lay the tennis surface at a games venue’.¹⁴

Singh also set up a Committee of Secretaries, led by a Cabinet Secretary, to ‘review implementation...will have the status of an Empowered Committee... [and] have jurisdiction over matters relating to the Organising Committee’.¹⁵ He also authorised the Group of Ministers (GoM), headed by the Urban Development Minister Jaipal Reddy, to supervise all CWG projects and to take ‘all decisions necessary’ to ensure the readiness of venues and related infrastructure in time for the Games.¹⁶ This effectively brings the CWGOC under the purview of the Cabinet, which will also receive weekly updates on the status of the preparations.¹⁷

¹⁰ Digvijay Singh Deo, ‘CWG bid tampered to let Kalmadi be chairman?’, *CNN-IBN* (18 August 2010), <http://ibnlive.in.com/news/cwg-bid-tampered-to-let-kalmadi-be-chairman/129121-3.html?from=search>.

Accessed on 17 August 2010; ‘CWG documents were tampered with to make Kalmadi OC chief, says report’, *DNA: Daily News & Analysis* (19 August 2010), www.dnaindia.com/sport/report_cwg-documents-were-tampered-with-to-make-kalmadi-oc-chief-says-report_1425510. Accessed on 19 August 2010.

¹¹ Digvijay Singh Deo, ‘CWG bid tampered to let Kalmadi be chairman?’.

¹² ‘Kalmadi sidelined, secretaries’ panel to supervise CWG’, *The Times of India* (14 August 2010), <http://timesofindia.indiatimes.com/sports/events-tournaments/commonwealth-games/top-stories/CWG-glitches-Guilty-to-be-severely-punished-says-PM/articleshow/6311630.cms>. Accessed on 16 August 2010.

¹³ ‘Commonwealth Games like Big Fat Indian Wedding without a groom’, *NDTV* (10 August 2010), <http://www.ndtv.com/article/india/commonwealth-games-like-big-fat-indian-wedding-without-a-groom-43198>. Accessed on 19 August 2010; ‘Kalmadi aide Darbari, earlier suspended, now sacked’, *NDTV* (9 August 2010), www.ndtv.com/article/sports/kalmadi-aide-darbari-earlier-suspended-now-sacked-43103. Accessed on 19 August 2010.

¹⁴ Sunrita Sen, ‘Scams, shoddy works cloud India’s Commonwealth Games’; Anil Sharma & Mayank Aggarwal, ‘Heads roll as Commonwealth Games organizers try to save face’, *DNA: Daily News & Analysis* (5 August 2010), www.dnaindia.com/india/report_heads-roll-as-commonwealth-games-organisers-try-to-save-face_1419304. Accessed on 19 August 2010.

¹⁵ ‘Kalmadi sidelined, secretaries’ panel to supervise CWG’.

¹⁶ Ibid.

¹⁷ Ibid.

While these recent moves are promising, they may be too late. With just a few weeks left, New Delhi will need a herculean effort to pull off the Games successfully. According to news reports, the ‘construction quality certificates of several projects have turned out to be ‘fake or suspect’ and many newspapers have featured pictures of purportedly completed stadia with ‘seepage, hanging wires, broken tiles...[and] piles of rubble...outside games venues and across the city’.¹⁸ Nevertheless, Singh, has struck a reassuring note, and said that almost all venues are in advanced stages of preparation and should be ready in time.¹⁹ Still, safety may be an issue. In a Times of India interview, CWGOC Secretary General, Lalit Bhanot, admitted that regulatory clearances had still not been obtained, but added that he expected the requisite clearances to be obtained by end of August.²⁰ Meanwhile, heavy rains have also retarded the already rushed preparations for the Games.²¹

Although leaders like Manmohan Singh, Sonia Gandhi, Congress Party spokesman Manish Tiwari and Sports Minister M. S. Gill continue to exhort people to ‘pull together’ and keep faith in India’s ability to pull off the costliest CWG in history,²² it appears more likely that the CWG, which was meant to herald India’s arrival on the world stage will only serve to highlight the issues of governance that continue to plague the South Asian giant.

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¹⁸ Sunrita Sen, ‘Scams, shoddy works cloud India’s Commonwealth Games’.

¹⁹ ‘All venues to be ready by August 25, promises OC’, *The Times of India* (17 August 2010), <http://timesofindia.indiatimes.com/city/delhi/All-venues-to-be-ready-by-August-25-promises-OCHEAD/articleshow/6321861.cms>. Accessed on 20 August 2010.

²⁰ Ibid.

²¹ Ravi Nessman, ‘Weeks out India’s Commonwealth Games in crisis’, *Salon.com* (20 August 2010), www.salon.com/wires/world/2010/08/20/D9HNANO00_as_india_games_crisis/. Accessed on 20 August 2010.

²² Sunrita Sen, ‘Scams, shoddy works cloud India’s Commonwealth Games’; ‘Commonwealth Games: Sonia Gandhi says those guilty will not be spared’, *DNA: Daily News & Analysis* (19 August 2010), www.dnaindia.com/india/report_commonwealth-games-sonia-gandhi-says-those-guilty-will-not-be-spared_1425561. Accessed on 20 August 2010. Note: Currently the official budget estimate for the CWG stands at US\$2 billion, with some unofficial estimates predicting that the final costs will be at least triple. ‘Commonwealth Games: India PM intervenes to rescue Delhi Games’, *Channel NewsAsia* (15 August 2010), www.channelnewsasia.com/stories/afp_asiapacific/view/1075322/1/.html. Accessed on 20 August 2010.

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H1B Visa Fee Hike: Will Indo-US Ties be Affected?

Sinderpal Singh¹

Abstract

The United States (US) Congress has recently passed a legislation hiking visa fees for technology companies hiring highly skilled foreign workers under the H1B visa programme. Firms with more than 50 workers and with more than 50 per cent of those employees from abroad would see the current US\$320 fee per visa application jump to US\$2,000. The issue of H1B visas is vital to Indian information technology (IT) companies who have offices in the US. This paper looks at how and why certain domestic pressures on the Obama Government on issues of immigration and job creation have led to this legislation. It also looks at the reaction of the Indian Government in the matter and examines if the fee hike is a sign of potential future irritants in bilateral relations.

On 12 August 2010, the US Congress passed the Southwest Border Security Bill intended to channel some US\$600 million 'to enhance technology at the border, share information and support with state, local, and tribal law enforcement, and increase DOJ and DHS presence and law enforcement activities at the border, to include increased agents, investigators and prosecutors, as part of a multi-layered effort to target illicit networks trafficking in people, drugs, illegal weapons, and money'.² A large part of this US\$600 million is to be offset by a

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² DOJ is an acronym for Department of Justice and DHS for Department of Homeland Security. For the full text of Obama's statement on this bill, see The White House, Office of the Press Secretary, 12 August 2010, 'President Obama on Passage of Southwest Security Border Bill', available at www.america.gov/st/texttrans-english/2010/August/20100812154139su0.6275446.html?CP.rss=true. Accessed on 19 August 2010.

hefty increase in fees paid primarily by technology companies that hire highly skilled foreign workers under the H1B visa programme. Firms with more than 50 workers and with more than 50 per cent of those employees from abroad would see the current US\$320 fee per visa application jump to US\$2,000. A statement by President Obama justified the move as ‘a temporary increase to the fraud prevention and detection fees for some employers seeking high skilled foreign workers’.³

The issue of H1B visas is vital to Indian information technology (IT) companies who have offices in the US. These visas, usually issued for a three-year period, permit temporary employment of foreign workers in speciality occupations. The US has a quota of about 100,000 H1B visas each year. Indian companies, such as Infosys, Wipro and Tata Consultancy Services (TCS), lead the list of companies receiving the largest number of such work permits.⁴ The large jump in visa fees has already prompted swift action on the part of the Indian Government. In a letter to the US Trade Representative Ron Kirk, India’s Commerce and Industry Minister Anand Sharma, argued that the new legislation ‘will have an (estimated) additional cost implication of over USD200 million annually and an adverse impact on the competitiveness and commercial interests of Indian companies’.⁵

An important aspect of this legislation is the manner in which it links border security and visa fees for non-immigrant workers entering the US, a large number of whom are employed by India-based companies. This link has not been lost on critics of the legislation. For example, Ron Somers, president of the US-India Business Council, saw it as ‘unfortunate that the Congress passed a Bill that not only links India to border security with Mexico, but also does not take into account the terrible economic impact this will have for the United States’.⁶

Defending the link, the US Homeland Security Secretary Janet Napolitano, has described the legislation as one that ‘makes a lot of sense because what it's saying is that we're going to make sure that we pay for immigration in this part of it, but we paid for it out of the visa system’.⁷ More significantly, this legislation reflects the impact that certain US domestic compulsions can possibly have on the US-India bilateral relationship in the near to future term.

³ Ibid.

⁴ James Lamont, ‘India Lashes Out at US Visa Regime’, *Financial Times* (10 August 2010), available at www.ft.com/cms/s/0/5a186610-a487-11df-abf7-00144feabdc0.html.

⁵ ‘US Fee Hike to Cost Indian Cos \$200mn a Year: Sharma’, *Economic Times* (10 August 2010), available at <http://economictimes.indiatimes.com/news/news-by-industry/services/travel/visa-power/US-visa-fee-hike-to-cost-Indian-cos-200-mn-a-year-Sharma/articleshow/6288495.cms>.

⁶ ‘Visa Row: US Officials to Start Talks with Various Parties’, *Deccan Herald* (12 August 2010), available at www.deccanherald.com/content/87994/visa-row-us-officials-start.html.

⁷ See ‘Visa Fee Hike under New Border Security Act Makes Sense’, *Indian Express* (14 August, 2010), available at www.indianexpress.com/news/visa-fee-hike-under-new-border-security-act-makes-sense-us/660317/.

First, this legislation reflects the pressures the Obama administration is currently facing over the issue of immigration reform, especially on how to deal with illegal immigration. With mid-term Congressional elections to be held in November, there seems to be a deep division between the Obama administration and the Republican Party on the specific issue of dealing with illegal immigrants already residing in the US.⁸ Obama's plans include devising a system where illegal immigrants currently residing in the US can obtain citizenship after declaring their status and completing certain obligations, such as paying a fine and back-paying taxes, among others.⁹ The Republicans represent this plan as an amnesty that rewards illegal migration and one that impacts jobless US citizens.¹⁰ This bill is thus an attempt by the Obama administration to demonstrate its commitment towards stemming the movement of illegal migrants from Mexico despite its proposed plans on dealing with illegal migrants already in the country.

Second, and linked to the first point, is the issue of jobs in the present dismal economic context in the US. As discussed earlier, the issue of illegal migration and jobs for US citizens may become a key issue for the forthcoming mid-term elections. Politically, its impact may persist even beyond these forthcoming elections. In this context, the Obama administration is targeting the presumed link between outsourcing and American jobs. More specifically, Obama recently argued that his administration had managed to increase the country's economic competitiveness to the effect that jobs were no longer migrating to countries like India, China and Germany.¹¹ There has been some concerted criticism, from within the US, of the economic rationale of this link, specifically in the case of the hike in visa fees for H1B visas.¹² Such voices contend that a rise in H1B visa fees will in fact, eventually retard job growth in the US for US citizens and that this particular legislation is driven by political posturing rather than sound public policy.

Third, there is the issue of how and to what extent this specific development will impact India-US relations in the near to middle future. Besides official protests to the Obama administration over the implications of this bill for India-based companies, the Indian Government now seems to be contemplating referring the matter to the World Trade Organization (WTO). In a statement on 17 August 2010, India's Commerce Secretary Rahul Khullar, was quoted as saying that the visa fee hike 'is WTO incompatible' and that 'if the

⁸ For a more detailed examination of all the potential issues that could impact these midterm elections, see 'US Elections 2010: The Basics', *BBC News* (14 July 2010), available at www.bbc.co.uk/news/10263956.

⁹ See Peter baker, 'Obama Urges 'Fix' to Broken Immigration System', *New York Times* (1 July 2010), available at www.nytimes.com/2010/07/02/us/politics/02obama.html.

¹⁰ See 'GOP Lawmakers Warn of Administration Plan to Grant Amnesty to Illegal Immigrants', *Fox News* (23 June 2010), available at www.foxnews.com/politics/2010/06/23/lawmakers-warn-administration-plan-unilaterally-grant-blanket-amnesty/.

¹¹ See 'Obama Steps up Outsourcing Rhetoric', *The Asian Age* (10 August 2010), available at www.asianage.com/business/obama-steps-outsourcing-rhetoric-177.

¹² For details of this criticism see 'No Bad Idea Left Behind', *The Wall Street Journal* (12 August 2010), available at <http://online.wsj.com/article/SB10001424052748704164904575422293810650232.html>.

US wishes to put up its protectionist barriers to hurt itself let them do it but where a measure is specifically targeting my commercial interest I cannot keep quiet'.¹³ The Obama administration meanwhile seems aware of the depth of India's grievances on the matter and has attempted to address Indian concerns.¹⁴ With the US-India trade policy forum planned in three to four weeks time and Obama's scheduled visit to India in November 2010, there are indications that the US might make certain adjustments in implementing the visa hike in the light of Indian concerns. Reflecting this optimism, Indian officials were recently quoted as saying that they were 'hopeful of a quick solution' before the two sides met for their trade policy forum.¹⁵

On the whole, it is still not clear if any solution satisfactory to both sides can be found on this issue at this stage or how long it would take to arrive at such a solution. Although it is evident that this issue has created some friction in Indo-US ties, it is unlikely to unravel the multi-layered links that both countries have increasingly developed since Obama assumed office. This incident, however, does point to a larger potential irritant for future Indo-US ties. This irritant originates from the various domestic pressures on the Obama administration that could impact US foreign relations with India. More specifically, as the American public increasingly embraces protectionist postures espoused by US politicians, in tandem with the shrill debate over immigration, an anti-immigration protectionist discourse is emerging within the US with foreign knowledge workers an important target.¹⁶ Indian knowledge workers in this regard would be one of the hardest hit. So might the Indo-US relations in the longer term.

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¹³ 'India May Drag US to WTO for Hiking H-1B Visa Fee', *Times of India* (17 August 2010), available at <http://timesofindia.indiatimes.com/business/india-business/India-may-drag-US-to-WTO-for-hiking-H-1B-visa-fee/articleshow/6325497.cms>.

¹⁴ See 'Trying Best to Address India's Concern on Visa Hike Fees: US', *Economic Times* (19 August 2010), available at <http://economictimes.indiatimes.com/news/news-by-industry/services/travel/visa-power/Trying-best-to-address-Indias-concerns-on-visa-fee-hike-US/articleshow/6336249.cms>.

¹⁵ See Nayanima Basu, 'India Sees Early Solution to US Visa Imbroglio', *Business Standard* (20 August 2010), available at www.business-standard.com/india/news/india-sees-early-solution-to-us-visa-imbroglio/405213/.

¹⁶ For a deeper discussion of this 'anti-immigrant protectionism', see Vivek Wadhwa, 'America's Perilous Anti-Immigrant Protectionism', *Business Week* (15 April 2009), available at www.businessweek.com/technology/content/apr2009/tc20090415_771803.htm.

**Pakistan Floods:
Coping with Disaster**

Rajshree Jetly¹

Abstract

Pakistan is reeling under one of the biggest natural disasters in the history of the country, as large swathes of its territory lies under flood waters. While such floods are devastating under any circumstances, its adverse effects are more in a country like Pakistan that is battling Islamist insurgency, and has a fragile civilian government and a weak economy. This brief examines the challenges that Pakistan is facing in dealing with this calamity.

A Humanitarian Crisis

Pakistan has been hit by one of the worst natural disasters in its history as massive floods inundated large parts of its territory. Beginning in late July in the northern region of Pakistan, the flood waters have swept into all four provinces of the country resulting in an estimated 1,600 people losing their lives and a staggering 20 million people affected. Reports put the area of land affected by the floods as over one-fifth of Pakistan's territory. Comparisons have been drawn with recent natural disasters such as the 2004 Tsunami, which affected five million people, the 2005 Pakistan earthquake, which affected three million people and the Haitian earthquake, which affected three million.² The number of people affected by the Pakistan floods exceeds the total number affected by all three of these disasters put together.

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² 'Pakistan flood crisis bigger than tsunami, Haiti: UN' *The Dawn* (9 August 2010), www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/pakistan/03-pakistan-flood-crisis-bigger-than-tsunami-haiti-un-ss-05. Accessed on 23 August 2010.

Beyond the human suffering and loss of lives, the floods have inflicted tremendous damage to property and infrastructure, including roads, railway lines, communication links and energy supply lines. Power plants and some gas fields have had to be closed down, leaving millions without power. In addition to the physical damage, Pakistan will have to cope with a body blow to its economy and deal with a brewing political crisis as Islamist insurgents gain an upper hand by being first in line to deliver aid and help the flood victims.

Challenges

Pakistan is already reeling under a weak economy and struggling with sectarian violence, extremism and political instability. The challenges posed by the floods are impossible to meet without international aid. There are several areas of urgent concern, including shelter, disease prevention, food supply, clean water, sanitation and social stability. Sanitation is a major problem in the aftermath of any natural disaster, but floods pose an additional problem as they facilitate waterborne diseases. The first cholera case was reported on 14 August 2010 in the Swat Valley. The United Nations (UN) Office for the Coordination of Humanitarian Affairs (OCHA), estimates that up to six million people, mainly children and infants, are at risk of contracting waterborne diseases such as cholera, typhoid and dysentery.

Food and water are in short supply, or non-existent in many parts. The floods have affected over 17 million acres of Pakistan's most fertile land. Food crops have been destroyed and large amounts of stored grains and food have been washed away in some regions. The shortage of food has caused severe inflation, making food unaffordable to the poor even outside the flood affected areas. Forecasts are that inflation will rise by 2 per cent due to the floods, from a projected 9.2 per cent to 11.5 per cent.³ The loss of cash crops such as cotton, rice, sugarcane and wheat is devastating to the economy. Estimates are that 1 per cent of GDP (gross domestic product) growth has been lost due to the floods, pushing it down from 4.1 per cent to 3.2 per cent.⁴ Inflationary pressures have forced the Central Bank to raise the interest rate from 12.5 per cent to 13 per cent, further adding to Pakistan's economic woes.

The shortage of food, water and medical supplies has fanned social unrest as desperation has driven people to looting and violence. Extremist organisations which have excellent grassroots networks have been highly effective in mobilising and distributing resources to help the flood victims. Pakistan has already been severely challenged by the rise of extremism and religious fundamentalism in its midst. The flood crisis and the government's slow response have given militant organisations, such as the Jamaat-ud-Dawah, a great

³ See Pakistan Country Report, Economist Intelligence Unit, *The Economist* (August 2010), p.9.

⁴ See Pakistan Country Report, Economist Intelligence Unit, *The Economist* (August 2010), p.8.

opportunity to win over the support of ordinary Pakistanis. The Jamaat-ud-Dawah, operating under the banner of Falah-e-Insaniyat Foundation Pakistan, has set up many relief camps around the country.⁵ There is a real risk that the extremists may gain more popular support, which would be devastating for the government, which is already struggling to contain these radical groups.

The Pakistan government faces a monumental challenge. It has not been wholly successful in its war against militants and now looks to be losing the battle of hearts and minds. The timing of the floods could not have been worse, as it has come at a time when the Pakistan government was at war with insurgents in the flood hit areas. Pakistan's military has 60,000 troops stationed for disaster relief, but their effectiveness is severely restricted by the poor infrastructure in Pakistan which has been further eroded or completely destroyed by the floods. Failure to effectively deal with the flood crisis will damage the credibility of the government. As it is, Pakistan President Asif Ali Zardari's decision to travel to Europe and not cut short his trip despite the mounting toll from the floods has been severely criticised.

On top of this, in the early days of the crisis, international aid did not appear to be forthcoming. Pakistani leaders were forced to compare the generous response to other crises such as the 2004 Tsunami and the Haiti earthquake, and question whether Pakistan was being unfairly treated. The slow international response may be explained by the fact that the international community did not fully appreciate the enormity of the crisis as initial media coverage was not intense and the number of dead was relatively small. It was only when the number of people affected was highlighted did the international perception of the crisis change. Some have suggested that Pakistan's image as a corrupt nation with sympathetic links to militant and terrorist organisations was a factor in the early apathetic response. There may have been concern that aid money could end up financing terrorist activity. However, once the true nature of the crisis was revealed, the international community has acted swiftly. The UN Secretary General convened a special session of the General Assembly to call for funds for Pakistan.

Moving Ahead

As of 20 August, US\$490 million had been committed and a further US\$325 million had been pledged, bringing the total to over 800 million dollars.⁶ Much of this money came from the West, especially the United States (US), United Kingdom (UK) and European Union.

⁵ 'Hard-line Islam fills void in flooded Pakistan', *The New York Times* (6 August 2010) www.nytimes.com/2010/08/07/world/asia/07pstan.html. Accessed on 24 August 2010.

⁶ Masood Haider and Baqar Sajjad Syed, 'Pledges exceed UN appeal: Qureshi' *The Dawn* (22 August 2010), www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/the-newspaper/front-page/pledges-exceed-un-appeal-qureshi-280. Accessed on 23 August 2010.

This assistance is expected to rise in the days ahead. According to the OCHA, as of 25 August 2010, the US was in the lead with 25.1 per cent of total humanitarian assistance, with the UK and European Commission following at 10.4 per cent and 8.7 per cent respectively. Saudi Arabia was the next largest donor after the US with a share of 12 per cent.⁷ Many other countries have also contributed, including Australia, Denmark, Germany, Canada and China. Some have suggested that these western powers have a strategic interest in helping Pakistan, as they need a stable Pakistan to fight terrorism and maintain stability in the South Asian region. As compared to the contributions by the western powers, China's relatively smaller contribution of US\$9.2 million (1.5 per cent) is surprising, given its close relations with Pakistan. Contributions by some Gulf countries such as Kuwait and Oman (0.8 per cent) and Iran (0.1 per cent) have also been relatively low.

Regardless of the motive, the humanitarian crisis in Pakistan is overwhelming and this is not a time for national and international leaders to play politics. Aid must get through to the victims. More should also be done regionally. India has offered US\$5 million in aid and Pakistan has accepted it despite some opposition domestically. This is significant given the tension between the two countries and is a sign that pragmatism and good sense have prevailed. Bangladesh has also offered assistance, and is in some ways well placed to give technical assistance, given its extensive experience with floods. Finally, the South Asian Association for Regional Cooperation should be actively engaged and be used as a platform to coordinate regional relief efforts and share knowledge on disaster management. This is a time for nations to come together, putting aside their political and strategic differences and save the millions of innocent lives that have been put at risk by the floods.

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⁷ For a country wise break-up of total funds committed see United Nations office for the Coordination of Humanitarian Affairs (UCHA), Pakistan Floods-July 2010 Table B: Total Humanitarian Assistance per Donor (Appeal plus other*) as of 25 August 2010, http://fts.unocha.org/reports/daily/ocha_R24_E15913___1008251044.pdf. Accessed on 25 August 2010.

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Parliamentary Elections in Afghanistan: Imperfect, Yet Necessary

Shanthie Mariet D'Souza¹

Abstract

The usefulness of holding the upcoming election to the lower house of the Afghan parliament has been subjected to intense debate. While security situation remains a critical challenge forestalling polling in large parts of the country, speculations are rife that the voting process may be marred by wide spread fraud and irregularities as witnessed in previous elections. As a result, the representative character and legitimacy of the newly elected house would remain a matter of debate. However, in spite of such challenges, in a country where insurgency is still raging, allowing the common people a sense of participation in shaping the future of the nation is critical. This would probably pave the way to let them develop a long term stake in the peace and stability of Afghanistan.

The elections scheduled for 18 September 2010 would go down as yet another landmark in the political history of Afghanistan as the country votes for the second time to elect a 249-member strong *Wolesi Jirga*, the lower house of the parliament. It remains debatable whether holding elections in conflict ridden Afghanistan are any indication of normalcy in the country. But there can be no two opinions on the fact that such exercises provide rare opportunities to the common people in exercising their rights in shaping the future of

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the country and are necessary if the goal of entrusting the Afghans the command of their own country is to be realised.

In a nascent democracy like Afghanistan, parliament as a decision making body is still in evolution. Though the lower house is much more powerful than the *Mesherano Jirga* or house of elders (made up of presidential and provincial appointees) and has the power to endorse decisions taken by the government formed by the President, it is mostly seen as a debating forum. However, this role is changing. In recent times, the *Wolesi Jirga* has blocked President Hamid Karzai's choices for certain cabinet positions.²

A total of 2,545 candidates, including 410 women, are in fray for 249 *Wolesi Jirga* seats.³ All candidates are contesting as individuals as political parties are refrained from the electoral scene mainly to prevent ethnic factionalism. The number of seats allocated to each district depends on the number of its population. Capital Kabul with three million people has been allotted 33 seats. A total of 662 candidates are registered in the capital alone⁴ including many from other provinces, where security situation is too fragile even for figurative campaigning.

One of the most visible signs of this election is an increase in the number of women and youth who are seeking representation in parliament. In a country where threat from the Taliban and other conservative groups to female politicians, educators and students is routine, the number of women candidates has increased from 328 in the 2005 parliamentary elections across Afghanistan. As many as 68 women had been elected as Members of Parliament (MPs) in 2005, four more than the 64 seats reserved by law for women in the *Wolesi Jirga*.

Similarly, almost one fifth of the candidates contesting in Kabul are aged between 25 (the minimum age required by the law to contest) and 35 years. The proportion of young candidates varies across provinces, with major urban centres like Balkh, Nangrahar and

² Of late, the *Wolesi Jirga* has taken initiatives in developing procedures including on how to make the executive more accountable, it insisted on passing a far more liberal media bill than what Karzai wanted; unfortunately the government refused to promulgate this bill into law, quite illegally. It is this ability of the executive to act arbitrarily and get away that raises questions about Afghanistan's evolution as a democratic polity. On the flip side, it also highlights the recognition of the evolving role of the parliament to play a more important role.

³ Bahman Boman and Shahpoor Saber, 'Taliban play poll spoilers', *Asia Times* (27 August 2010), www.atimes.com/atimes/South_Asia/LH27Df03.html. Accessed on 29 August 2010.

⁴ 'Outcry over Afghanistan's election poster menace', *BBC* (26 August 2010), www.bbc.co.uk/news/world-south-asia-11087483. Accessed on 29 August 2010.

Herat having more younger candidates.⁵ How many of them will actually make to the parliament is not clear. However, these young men and women, representing different backgrounds, would eventually fill the void between the rising aspirations of the country and its senior power brokers. Their enthusiastic participation is also an indication of the gradual emergence of youth networks in the country and could be seen as a direct challenge to political networks of warlords, smugglers and narco-traders.

The expression 'national elections' would, however, remain a subject of local interpretation. The country's Independent Election Commission (IEC) has confirmed that out of the initially planned 6,835 polling stations, only 5,897 can be opened. The rest 938, amounting to 14 per cent of the total number of booths, in 25 provinces would be too unsafe to open.⁶ As a result, a significant number of Afghans would not be able to vote and there are concerns that parliament would not be representative in the true sense of the term.

Moreover, campaigning by candidates in southern and eastern Afghanistan, especially in the Taliban stronghold areas, has been difficult. Candidates have tried to reach out to their voters through posters, radio and television as well as private canvassing. In spite of the fact that the Taliban has chosen to make no formal announcement opposing the elections, it has killed at least three candidates and issued death threats to many others.⁷ Although the United States (US) Secretary of State Hilary Clinton condemned these incidents and asked the Afghan government to provide security to the candidates⁸, the government's capacity to ensure security of candidates across the country remains suspect. As a result, such attacks and intimidation are expected to rise as the day of polling approaches.

The successful conduct of elections remains important both for the Afghan government and the international forces. For Karzai, successful and less violent elections would provide credence to his claims that his own Afghan forces have grown in capacity and

⁵ Gran Hewad, 'The young candidates' challenges', <http://aan-afghanistan.com/index.asp?id=1003> (30 August 2010). Accessed on 1 September 2010.

⁶ 'Afghanistan election fraud fears force 900 polling stations to stay shut', *Guardian* (17 August 2010), www.guardian.co.uk/world/2010/aug/17/afghanistan-election-polling-stations-shut. Accessed on 20 August 2010.

⁷ Among the killed was Sayedullah Sayed, leader of a small political party while addressing a Friday prayer gathering on 23 July 2010 in a mosque at Ismail Khel in Khost province bordering Pakistan. In the last week of July, Taliban abducted and killed another candidate, Najib Gulstani in the Qarabagh district of Ghazni province. In the last week of August 2010, another candidate and five of the campaign team members of a female candidate were killed in Heart province.

⁸ 'Clinton condemns election-linked killings in Afghanistan', *AFP News* (1 September 2010), www.google.com/hostednews/afp/article/ALeqM5jGtLV1twEm6sY27B9Zrz8R5W7frQ. Accessed on 1 September 2010.

would be able to hold fort once the international forces return home. For NATO (North Atlantic Treaty Organization) and the US, the conduct of elections could make the deadline for drawdown of forces a more probable one. It seems to be just another event to be marked off in the checklist.

The criticality of a successful election for the future of Afghanistan notwithstanding, the process heralds the spectre of allegations of wide spread fraud. Given that the outgoing *Wolesi Jirga* had assumed an assertive role and had blocked President Karzai's choices for certain cabinet positions, Karzai will be inclined to avoid a scenario in which powerful rivals create a hostile parliament for him. He, in order to appease certain opposing blocs (who will eventually turn into his supporters) will have a genuine responsibility to ensure their victory. This could entail large scale tinkering with the voting process, especially in areas where the insecurity is at its highest and the monitoring process is at its minimum.

During the presidential elections of August 2009, Karzai had insisted on opening as many polling booths as possible across the country. While this sought to democratise the entire process, lack of security and absence of monitoring mechanism turned this exercise into establishing ghost polling stations, which generated ballot boxes stuffed with voting papers fraudulently filled. Critics allege that this had in fact assisted Karzai to secure a won over his rival Abdullah Abdullah.⁹ The five-member Electoral Complaints Commission (ECC), which was dominated by a majority of three non-Afghans, had estimated that one in three votes cast in favour of Karzai was fraudulent.¹⁰ The fraud marred elections had thrown the Obama administration's much proclaimed 'stronger, smarter and comprehensive' Af-Pak strategy of transferring authority to a legitimate Afghan government into a quandary.¹¹ The ECC since has been reconstituted by Karzai ensuring an Afghan majority in the body.¹²

⁹ For more details also see Shakti Sinha, Presidential Elections in Afghanistan: Unintended Consequences? ISAS Insights No. 73, 1 July 2009, www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_%20Insights_%2073_21102009220824.pdf.

¹⁰ 'How does Afghanistan's parliamentary election work?', *Reuters* (24 August 2010), www.reuters.com/article/idUSTRE67N10S20100824. Accessed on 30 August 2010.

¹¹ Shahid Javed Burki, Afghanistan Presidential Election 2009: Inconclusive Results a Dilemma for the United States, ISAS Brief No. 130, 22 September 2009, www.isas.nus.edu.sg/Attachments/PublisherAttachment/ISAS_Brief_131_29102009122254.pdf; Also see Shanthie Mariet D'Souza, Afghan elections and Af-Pak Strategy, IDSA Strategic Comment, 29 September 2009, www.idsa.in/idsastrategiccomments/AfghanelectionsandAf-PakStrategy_smdsouza_290909.

¹² 'Electoral Complaints Commission', www.ecc.org.af/en/. Accessed on 1 September 2010.

For the West, which seems eager to say a hasty goodbye to Afghanistan, a Karzai friendly parliament would be an ideal goal. They hope that such a parliament can be encouraged to act more vigorously towards anti-graft efforts and improve governance. However, its opposite could also be true. Karzai has been accused of stalling moves to bring in a representative, transparent and corruption free administration. In the last week of August 2010, he dismissed the Deputy Attorney General Fazel Ahmed Faqiryar. Faqiryar alleged that Karzai's move is linked to the investigations Faqiryar launched against more than two dozen senior Afghan officials — including cabinet ministers, ambassadors and provincial governors.¹³ Thus, a parliament where President Karzai's bloc is matched in strength by that of the opposition might make the proclaimed task of the West much smoother. It is necessary that the Afghan parliament is representative and legitimate to the extent possible. The Taliban has always tried to drum up support among the local Afghans mocking at the lack of legitimacy of the electoral processes as foreigner's agenda of imposing a puppet regime. A free and fair election would be a rebuff to such accusations.

A perfect election will remain a myth; both in conflict wracked countries as well as thriving democracies. South Asia is rife with such examples. However, deficiencies in the system do not outdo the utility of such exercises. In conflict ridden countries like Afghanistan, such popular rendezvous with democracy provides the common people with a platform to exercise their rights by choosing their representatives. With such experimentations, however flawed, it would be possible to extend the limits of such experiences, both in terms of its reach and quality. These opportunities could pave the way for the Afghans in actualising with their idea of democracy which takes into account the local culture and needs of the populace. The need for electoral, political and sector reform will need to be factored in the long term to meet the rising expectations of the Afghans as they move ahead with yet another such election.

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¹³ Dexter Filkins and Alissa J. Rubin, 'Graft-Fighting Prosecutor Fired in Afghanistan', *New York Times* (28 August 2010), www.nytimes.com/2010/08/29/world/asia/29afghan.html. Accessed on 30 August 2010.

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Untangling the Ayodhya Verdict

Ronojoy Sen¹

Abstract

The relative calm which greeted the Allahabad High Court ruling on the Ayodhya dispute was one of the positive fallouts of the verdict. However, the judgement was a highly unusual one ordering a three-way split of the disputed land in Ayodhya, the site of a mosque, which was pulled down by Hindu fundamentalists in 1992, who believe it was built on a spot sacred to the Hindus. One of the most troublesome aspects of the ruling was its reliance on the faith or belief of Hindus to decide the division of the land. As things stand, the verdict is likely to be challenged in the Supreme Court.

The Indian government must have heaved a sigh of relief when the much anticipated Ayodhya judgement on 30 September 2010 was received calmly in most parts of the country. Deciding on rival claims on the disputed site in Ayodhya – which saw the demolition of a mosque in 1992 by Hindu fundamentalist groups who believe it was built on the spot where Hindu god, Lord Ram, was born – a three-judge bench of the Allahabad High Court in a split verdict decreed a three-way division of the land between the Hindus (representing the deity of Ram), another Hindu denomination (the Nirmohi akhara) and the Sunni Central Waqf Board.

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If the relative calm which greeted the judgement was one of the positive fallouts of the ruling, the court order, which ran into several thousand pages, was a highly unusual one. This was reflected in the immediate reactions from the media. While one newspaper led with the headline, 'Ayodhya verdict: a win-win-win solution', another magazine was much more critical preferring to go with 'Law Makes A Leap Of Faith'.² It is possible that the judges might have consciously aimed at maintaining communal harmony, but the ruling itself was on somewhat shaky legal ground.

Without going into the nitty-gritty of the ruling, certain broad observations can be made about the verdict on a case that goes back to 1949. One, the majority verdict given by Justice Sudhir Agarwal and Justice S.U. Khan ruled that all three parties are joint holders of the disputed 2.77 acres of land. In his minority judgement, Justice Dharam Veer Sharma handed over the entire site to the Hindus. Two, regarding the question whether the mosque was built by destroying a temple, two of the judges averred; Justice Khan, however, disagreed saying that there was no evidence that a temple was demolished. Three, all three judges were unanimous that the Hindu idols in the disputed area were placed only in 1949. Four, the majority judgement ruled that the structure in the disputed area was a mosque while the minority judgement said it could not be regarded as one since it was built against the tenets of Islam.

The most contentious bit of the majority judgement was the way the disputed land was divided among the litigants. The area under the central dome of the three-domed Babri Masjid was given to the Hindus. The court did so on the grounds that the area under the central dome was believed by Hindus to be the birthplace of Lord Ram. In doing so, the court seems to have relied on the belief or faith of a community, something that is best not entered into by any secular court of law. The other troubling aspect of the judgement was that it gave a legal stamp to the appearance of idols in 1949, which by all accounts had been placed in the mosque by Hindu activists.³

There are two ways of looking at the Ayodhya judgement. One view, articulated by several commentators, is that instead of getting bogged down in the legal details, the focus should be more on the possible road to conciliation that has been worked out by the court. The most sophisticated version of this argument is presented by constitutional scholar and commentator Pratap Bhanu Mehta. He writes, 'The Lucknow bench of the Allahabad High Court has perhaps delivered a judgement befitting India. On God: there should be no compromise. On property: compromise. On history: move on.'⁴ He goes on to say, 'The question to ask is not whether it is

² 'Ayodhya verdict: a win-win-win solution', www.livemint.com/2010/09/30163336/Ayodhya-verdict-a-winwinwin.html and 'Law Makes A Leap Of Faith', www.outlookindia.com/article.aspx?267313. Accessed on 3 October 2010.

³ A.G. Noorani, 'Legal Aspects to the Issue', in Sarvepalli Gopal ed. *Anatomy of a Confrontation: The Rise of Communal Politics in India* (London: Zed Books, 1993).

⁴ Pratap Bhanu Mehta, 'The Leap and the faith', *The Indian Express* (1 October 2010).

a compromise. The question to ask is whether the compromise takes us forward in the direction of the constitutional values we cherish.’

A contrasting view is presented by journalist Siddharth Varadarajan: ‘The Lucknow Bench of the Allahabad High Court has made judicial history by deciding a long pending legal dispute over a piece of property in Ayodhya on the basis of an unverified and unsubstantiated reference to the “faith and belief of Hindus”.’⁵

While both views have an element of truth, the important thing perhaps, as Mehta points out, is the fallout of the verdict. Since 1992, Ayodhya has become a byword, along with the 2002 Gujarat riots, for a deep crisis in Indian secularism. A day before the judgement, Indian home minister P. Chidambaram had said, ‘I think, India has moved on, young people have moved on. I think, young people have recognised that India story is much more than a dispute over a place where one religious group claims they are entitled to than another religious group.’⁶ A survey by a national daily, albeit with a limited sample size, done immediately after the Ayodhya judgement would seem to back up Chidambaram.⁷ When people aged between 18-35 years across 12 Indian cities were asked, ‘How important is the Ayodhya verdict to you?’, 41 per cent said “Not so important” and 36 per cent said “Irrelevant”. That means that three-fourths of those surveyed did not believe the judgement was some sort of a watershed.

The political reaction, of course, has been much more mixed. The judgement has come as a shot in the arm for the Bharatiya Janata Party (BJP) and the *Sangh Parivar* (the saffron brotherhood). A meeting of the core group of the *Parivar* interpreted the court order as an ‘outright ideological victory and a defeat for pseudo secularists, an emphatic win for the temple and 75-80 per cent win in the fight for the site.’⁸ But how much this will further the BJP’s electoral prospects are debatable.

Needless to say the governing Congress Party would have been quite surprised by the verdict. It has publicly maintained that the status quo will prevail. Prime Minister Manmohan Singh said after the verdict, ‘The correct conclusion at this stage is that the status quo will be maintained until the cases are taken up by the Supreme Court.’ But predictably parties such as the Samajwadi Party, which banks heavily on Muslim support, are trying to make political capital by invoking hurt sentiments. Samajwadi Party chief Mulayam Singh Yadav was quoted in one newspaper as saying, ‘This does not augur well for the country, the constitution and the judiciary

⁵ Siddharth Varadarajan, ‘Force of faith trumps law and reason in Ayodhya case’, *The Hindu* (1 October 2010).

⁶ ‘Don’t Derail India Story with Ayodhya, appeals Chidambaram’, *The Indian Express* (29 September 2010).

⁷ ‘Mandir, Masjid: Young Don’t Care’, *Hindustan Times* (1 October 2010).

⁸ ‘Verdict surprises govt, surpasses saffron hopes’, *The Times of India* (1 October 2010).

itself. Muslims in the country are feeling cheated. There is a sense of despair in the entire community.”⁹

Much of this discussion though is probably academic since there is every chance of the verdict being challenged in the Indian Supreme Court. The Sunni Central Wakf Board has already indicated that it is mulling an appeal.¹⁰ If that happens – and that is the most likely outcome – the Ayodhya issue would be pushed further down the road, with a final verdict unlikely in the near future.

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⁹ ‘Mulayam first to stir Ayodhya pot, says Muslims hurt’, *Hindustan Times* (2 October 2010).

¹⁰ ‘Finding grounds for appeal., Board takes hard look at all 3 rulings on Ayodhya suits’, *The Indian Express* (3 October 2010).

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Indian Prime Minister's Visit to East and Southeast Asia: Economics Drives Strategy

Suvi Dogra¹

Abstract

The successful conclusion of the Indian Prime Minister Manmohan Singh's recent three-nation tour of East and Southeast Asia has sent out strong signals regarding India's deepening economic linkages with the region. This paper analyses India's attempts at consolidating its position in the region by employing free trade agreements as effective tools for achieving its economic and strategic ambitions.

While he may have given the United Nations (UN) general assembly a miss this year, the Indian Prime Minister Manmohan Singh has his priorities spelt out as far as engaging Asia is concerned.² By embarking on a three-nation (Japan, Malaysia and Vietnam) tour of Asia last week, Dr Singh has not only marked a new era in India's 'Look East Policy' (LEP), but has also sent out strong signals to the world of its commitment towards deeper economic and strategic integration with the region. The agenda for the seven-day tour was primarily dictated by economics, with trade commitments and negotiations at the helm of discussions in the three countries. As India's Foreign Secretary Nirupama Rao put it: 'The Indian economy is getting increasingly integrated with those of its East Asian partners. PM's three nation tour is organically defined by this process.'³

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² 'Look East policy: PM to visit Vietnam, Japan, Malaysia', *The Indian Express* (7 September 2010), www.indianexpress.com/news/the-no-vision-pm/678506/. Accessed on 1 November 2010.

³ 'PM leaves for three-nation Asia tour,' *The Times of India* (24 October 2010), <http://timesofindia.indiatimes.com/india/PM-leaves-for-three-nation-Asia-tour/articleshow/6802726.cms?> Accessed on 1 November 2010.

Free Trade Agreements (FTA) have emerged as crucial tools for India's LEP, given the recent success India has had in negotiating and concluding economic deals with its East and Southeast Asian counterparts. It is evident that the range and degree of cooperation among states, in terms of economic integration both regionally and globally, is fast changing the Asian landscape.

A late entrant in the FTA game, India's rush towards FTAs for long has been viewed with much skepticism as it seemed to be missing a sense of a defined economic strategy. India was looking east in what was bordering around the 'Nike Strategy' (Just Do It!).⁴ However, given the nature of agreements that India has frozen this time – Comprehensive Economic Partnership Agreement (CEPA) with Japan and Comprehensive Economic Cooperation Agreement (CECA) with Malaysia - it is evident that India's economic pacts with the region are increasingly becoming more exhaustive in terms of coverage of sectors and scope for trade. India is displaying a keenness to make its agreements go beyond trade in goods to exchange of services, investment and labour. This is not only making the agreements economically wider but also allowing India's domestic markets to integrate more meaningfully with those in the region.

Looking east for growth

In the wake of the limited progress of the Doha round of the World Trade Organisation (WTO), India has resorted to expanding its trade basket by accelerating its regional free trade negotiations. India's need to look beyond its traditional partners such as United States (US) and United Kingdom has also prompted it to seek more exclusive ties with Asian economies.⁵

Dr Singh landed in Japan amidst an environment marked by elevated tensions between Japan and China. The hallmark of the visit was the bilateral economic agreement with Japan. After four years of sustained negotiations, the conclusion of the India-Japan CEPA is slated to boost bilateral trade, which has not been growing as fast as India's trade with its other major Asian partners such as China and Singapore. The CEPA has emerged as a truly comprehensive agreement spanning trade in goods, services, investments, movement of natural persons and intellectual property rights.⁶ The agreement will witness complete removal or significant dilution of tariff barriers for around 9,000 goods traded between the

⁴ Sally Razeen, 'Trade Policy in Asia: Where Next With a crippled WTO and Weak FTAs?' ECIPE Policy Briefs, No. 01/2007, www.ecipe.org/publications/ecipe-policy-briefs/trade-policy-in-asia/PDF. Accessed on 29 October 2010.

⁵ 'UK-India bilateral trade declining', *The Indian Express* (22 June 2010), www.indianexpress.com/news/ukindia-bilateral-trade-declining/637020/. Accessed on 29 October 2010.

⁶ Press Information Bureau, Government of India 'Joint Declaration between the Leaders of the Republic of India and Japan on the conclusion of the Comprehensive Economic Partnership Agreement between the Republic of India and Japan' (25 October 2010), www.pib.nic.in/newsite/PrintRelease.aspx?relid=66596. Accessed on 26 October 2010.

two countries.⁷ Less than 10 per cent of the goods will figure on the negative list. The CEPA is targeting bilateral trade worth USD20 billion by 2012.⁸ The CEPA will allow two of India's sunrise sectors – Information Technology (IT) and pharmaceuticals (mainly generic drugs) - greater access to the Japanese market.

The Association of South East Asian Nations (ASEAN) has been at the centre of India's LEP. Leveraging on its synergies with ASEAN, India is now strengthening its ties with the member nations by expanding bilateral partnerships. The CECA with Malaysia and the ongoing talks with Indonesia are relevant examples. ASEAN is fast proving to be India's gateway into the commercial architecture of the Asia-Pacific. The formalisation of economic engagement with ASEAN and other countries in the region has begun yielding strategic dividends for India as well. This is best reflected in India's securing a seat recently as the Asian regional representative at the 15-member UN Security Council after a gap of 18 years.⁹

Malaysia was an important part of the Indian PM's three-nation visit. The CECA with Malaysia is the second bilateral agreement of its kind with an ASEAN member. The first was signed with Singapore in 2005. India also has an FTA with Thailand. After two years and 32 rounds of negotiations, the India-Malaysia CECA is set to be implemented by July 2011 as a single undertaking (including trade in goods, services and investments).¹⁰ The CECA hopes to achieve bilateral trade of USD15 billion by 2015.¹¹ Under the CECA, Malaysia has agreed to allow more than 50 per cent foreign direct investment (FDI) by Indian companies in construction joint ventures. India can also look forward to improved market access in two-wheelers, basmati rice, eggs, textiles and apparel. Palm oil trade has traditionally been a bone of contention between the two countries. The CEPA will allow tariffs on refined palm oil exports from Malaysia to India to decline to 45 per cent (from the current base rate of 90 per cent) by end of 2018, a year earlier than similar reductions proposed in the India-ASEAN FTA. Malaysia will also enjoy improved market access in India in cocoa and textiles and

⁷ 'A big deal, finally: India-Japan Trade Pact,' *The Economic Times* (29 October 2010). <http://economictimes.indiatimes.com/opinion/editorial/A-big-deal-finally-India-Japan-Trade-Pact/articleshow/6832961.cms>. Accessed on 30 October 2010.

⁸ Iyer, Vaidyanathan P, 'India, Japan conclude Cepa talks', *The Indian Express* (26 October 2010), www.indianexpress.com/news/india-japan-conclude-cepa-talks/702475/. Accessed on 26 October 2010.

⁹ 'India secures UN Security Council seat in style', *Daily News & Analysis* (12 October 2010), www.dnaindia.com/india/report_india-secures-un-security-council-seat-in-style_1451697. Accessed on 29 October 2010.

¹⁰ Ministry of Foreign Affairs, Malaysia, 'Joint Statement on the Framework for the Malaysia-India Strategic Partnership' (27 October 2010), www.kln.gov.my/web/guest/pr2010/-/asset_publisher/X9Nx/content/joint-statement-on-the-framework-for-the-malaysia-india-strategic-partnership-english-version-only?redirect=%2Fweb%2Fguest%2Fpr2010. Accessed on 28 October 2010.

¹¹ 'India, Malaysia agree to implement Ceca by July '11,' *The Indian Express* (28 October 2010). www.indianexpress.com/news/India--Malaysia-agree-to-implement-Ceca-by-July--11/703564. Accessed on 1 November 2010.

clothing, which have been excluded from the India-ASEAN FTA. The CECA also contains stricter anti-dumping provisions compared with the India-ASEAN FTA.¹²

The last leg of Dr Singh's visit to Hanoi added substantive value to the LEP. Not only did he attend the 8th India-ASEAN Summit and the East Asia Summit (EAS), he also held significant bilateral meetings with his counterparts from China, Vietnam, Singapore and Australia and the US Secretary of State. At both the summits, Dr Singh called for greater integration between India and East and Southeast Asian countries, and pushed for early completion of India-ASEAN negotiations in services and investment. In a significant gesture aiming to increase people-to-people contact between India and ASEAN members, India announced visa-on-arrival facility to nationals from Cambodia, Vietnam, Philippines and Laos from January 2011. Other measures like setting up a Centre for Tracking and Data Reception and an Imaging facility for the ASEAN countries, adding further impetus to its ties with ASEAN, were also announced.¹³

Reaping Strategic Benefits

Comprehensive trade pacts can be useful facilitators for India's economic growth as well as its gradual emergence as a vibrant regional centre for trade and commerce. The past two years have witnessed a spurt in India's engagement with Asian economies through formal bilateral and regional agreements. The economic engagement is also acquiring greater geo-strategic dimensions and enabling political and diplomatic overtures. It is thus not surprising that while South Korean President Lee Myung-bak was the chief guest at India's 2010 Republic Day celebrations, the 2011 ceremony will see Indonesian President Susilo Bambang Yudhoyono as the chief guest.¹⁴

The Indian PM's emphasis on deeper economic engagement with Asia, ahead of the US President Barack Obama's visit and the G-20 Summit at Seoul, will have a bearing on India's objective of enhancing global strategic leverage through deeper ties with the Asian region. India's steady growth as a prominent regional presence and the concomitant global influence it has begun acquiring is evident from the fact that heads of the five permanent members of the UN Security Council – David Cameron, Barack Obama, Dmitry Medvedev, Nicolas Sarkozy and Wen Jiabao – would have visited India by the end of the year. There is little doubt that economic engagements through trade pacts are increasingly becoming useful tools for acquiring strategic benefits as far as India is concerned. More efforts in this direction are expected in the foreseeable future.

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¹² Ministry of International Trade and Industry, Government of Malaysia, www.miti.gov.my/cms/content.jsp?id=com.tms.cms.article.Article_ebd9d91f-c0a81573-4b7b4b7b-ec08386d.

¹³ Press Information Bureau, India (30 October 2010), <http://pib.nic.in/newsite/PrintRelease.aspx?relid=66678>.

¹⁴ Dixit Sandeep, 'Yudhoyono to be chief guest at R-Day parade' *The Hindu* (16 October 2010). www.thehindu.com/news/national/article830500.ece. Accessed on 1 November 2010.

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India Looks East: Encircling China or Enlightened National Interest?

Gayathri Lakshminarayan¹

Abstract

Indian Prime Minister Manmohan Singh's recent visit to Japan, Malaysia and Vietnam saw not only comprehensive trade pacts being inked but also forging of a more intimate security role for India in the region, giving a fillip to India's 'Look East' Policy. The Prime Minister's visit was at a time when China's relationship with Japan is strained. The warming of Indo-Japanese ties has been attributed to the recent frosting in Sino-Japanese relations. There is a growing perception that India with its economic and military prowess can be a counterweight to an assertive China. This paper analyses India's strategy in engaging with the region more closely, which is in its interests, while refraining from striking an adverse posture against China.

The 'China' factor loomed large in Prime Minister Manmohan Singh's recent trip to Japan, Malaysia and Vietnam that aimed to integrate and engage more closely with India's Asian neighbours. New Delhi's attempt to give a fillip to its 'Look East' Policy (LEP) comes at a time when China is increasingly entangled in skirmishes in the East and South China Sea. The burgeoning ties between India and the East and Southeast Asian countries have been interpreted by some as efforts to 'encircle' China. India's keen on ensuring peace and stability in the region and providing security to the Sea Lanes of Communication (SLOC). New Delhi's interests are similar to those in the region, especially the Association of Southeast Asian Nations (ASEAN) members that want India, the United States (US) and

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Russia to have stakes in the security of the region.

India's LEP, which was enunciated in the 1990s by former Prime Minister P.V. Narasimha Rao, focused on economic initiatives with ASEAN. It has evolved over the years to cover political, military and regional security dimensions as well. Given the South Asian Association for Regional Cooperation (SAARC)'s inability to enhance intra-regional trade or hedge against China's influence, New Delhi is keen on integrating more closely with the ASEAN and East Asia.² This was the primary objective behind Dr Manmohan Singh's visits to Japan and Malaysia and attending the 8th ASEAN-India Summit and the 5th East Asia Summit (EAS) in Vietnam.

In the bilateral meetings, Tokyo not only saw a significant trade pact being finalised but also growth of intimate security ties between Tokyo and New Delhi. Both sides agreed to accelerate negotiations on the civilian nuclear deal, which has been the biggest impediment in more robust bilateral ties.³ Japan was insistent on India signing the nuclear Non-Proliferation Treaty (NPT) and the Comprehensive Test Ban Treaty (CTBT) for moving forward on bilateral civil nuclear cooperation. India had maintained that its nuclear pact with the US would be the basis of its pact with Tokyo. Japan's demand was perceived as hypocritical, given India's security concerns emanating from a nuclear Pakistan aided by China, while Japan enjoyed the nuclear security umbrage of the US.⁴ The nuclear pact is crucial for India given the involvement of Japanese firms in both the US and French civilian nuclear industry.⁵ The Prime Ministers of both countries also signed a Memorandum of Understanding (MOU) to simplify visa procedures, which would supplement the bilateral Comprehensive Economic Partnership Agreement (CEPA) and agreed to expedite discussions on reforms in the United Nations Security Council as part of which both aspire for permanent membership.

India-Malaysia relations were on high gear as well, as Dr Singh and his Malaysian counterpart Najib Razak signed six pacts in Kuala Lumpur. Apart from the comprehensive trade agreement inked, both countries pledged to strengthen their strategic partnership in an effort to promote military ties and fight terrorism.⁶ The highlights of the joint statement on the Framework for India-Malaysia Strategic Partnership included exchange of defence ministers and military officials, joint collaboration in defence projects, supporting each other's defence exhibition, co-operation in counter-terrorism through information sharing and

² Panchali Saikia, 'Manmohan Singh in Southeast Asia', Institute for Peace and Conflict Studies, www.ipcs.org/article/india/manmohan-singh-in-southeast-asia-3267.html. Accessed on 30 October 2010.

³ 'India, Japan to speed up nuclear deal talks', *Times of India* (25 October 2010), <http://timesofindia.indiatimes.com/articleshow/6810516.cms?prtpage=1>. Accessed on 1 November 2010.

⁴ Harsh V. Pant, 'The Japan Roadblock to Nuclear Cooperation', *Wall Street Journal* (28 October 2010).

⁵ Ibid.

⁶ 'Joint statement on the framework for the India-Malaysia Strategic Partnership', *The Hindu* (27 October 2010), www.thehindu.com/news/national/article852420.ece. Accessed on 1 November 2010.

establishment of a bilateral Joint Working Group on Counter-Terrorism.

Dr Manmohan Singh finalised a civilian nuclear deal with South Korea in Hanoi, while Singapore reaffirmed economic and political ties with both Tokyo and New Delhi. At the EAS, which saw the inclusion of Russia and the US, the Indian Prime Minister hailed the first ASEAN Defense Ministers-plus-eight meeting as it contributed to building an open and transparent security architecture while calling for cooperation on various fronts to forge a wider Asian community. Dr Singh also discussed various issues with Chinese Premier Wen Jiabo, including the row over the stapled visas for Kashmiris, on the sidelines of the EAS.

India's embrace of East and Southeast Asian countries and its growing role in the EAS is seen as hedging against China's growing clout. 'China containment' is probably not a realistic option as there are areas of cooperation that are juxtaposed with the irritants in Indo-Sino relations. There is also a difference in perception with regard to how the two Asian powers perceive their neighbourhood. China sees the regional powers in concentric circles of cooperation. ASEAN +3 (which functions as a coordinator between ASEAN countries and East Asian nations of China, South Korea and Japan), makes the core inner circle, which is of greater importance followed by the EAS in the outer circle. India does not accept the argument about core and periphery but seeks a more open, inclusive, loosely structured security structure, rather than a hierarchical one, he added.

Despite Dr Singh and Premier Wen Jiabao reiterating that the world is large enough for both countries to develop, China's state run newspaper, 'The People's Daily' suggested that India's LEP is possibly 'Look to encircle China policy'. India's National Security Advisor, Shivshankar Menon, had earlier stated that just as China had a presence in South Asia, India has a presence in East Asia. Implying, just as China had formed close links with Pakistan and Sri Lanka in India's neighbourhood, India sought to counter-balance Chinese presence in Southeast Asia.

Beijing's military expansion, assertive trade policies and renewed claims of strategically placed islands in the South China Sea has many countries mulling about the consequences of China's rise. The strained relations between Tokyo and Beijing over the boat collision near the disputed Diaoyu/Senkaku islands in the East China Sea is the latest instance of the East Asian countries chafing with rising China. South Korea was frustrated earlier this year when China blocked an international condemnation of North Korea for sinking *Cheonan*-a South Korean warship. Japan sees India as the only potential regional power to act as a possible counterbalance to China. Its interest in India has also to do with India's naval capabilities as it is linked to their economic welfare.

However, India's interest in the region is in building an Asian order in a way that diminishes

potential confrontations with China.⁷ India will do a soft balancing between China and Southeast Asia.⁸ While it does not want to be seen as ganging up on China, it wants to forge closer ties with East and Southeast Asia. China's territorial claims in the South China Sea has also lead to warming of ties in large part between Vietnam and the US and has persuaded Japan, South Korea and Singapore to reaffirm their enthusiasm for the US security umbrella.⁹ Recently, US Secretary of State Hillary Clinton signaled clearly that US is unwilling to accept China's push for regional hegemony. To this effect, it is expected that when President Obama visits India he will envisage a bigger role for India in East Asia while maintaining a positive role with Beijing.

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⁷ 'Big on Japan', *Indian Express* (27 October 2010), www.indianexpress.com/story-print/703048. Accessed on 29 October 2010.

⁸ Pranay Sharma, 'Eastward Ho', *Outlook* magazine (25 October 2010), www.outlookindia.com/article.aspx?267490. Accessed on 1 November 2010.

⁹ Mark Landler, Jim Yardley, Micheal Wines, 'China's Fast Rise Leads Neighbors to Join Forces', *The New York Times* (30 October 2010), www.nytimes.com/2010/10/31/world/asia/31china.html. Accessed on 1 November 2010.

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QEII and India's Responses

S. Narayan¹

Abstract

The Quantitative Easing policy of the Federal Reserve has been criticised by several countries on account of the destabilising impact it can have on global trade and national currencies. This paper examines the likely implications of the policy for India.

Among major issues facing the G20 was the impact of the Quantitative Easing (QE) policy announced by the United States (US) Federal Reserve (Fed) last week. The Fed announced that this policy (QEII) is the second phase of injecting liquidity into the US economy in the last two years. The Fed will buy treasury bonds and securities from the market to the tune of US\$600 billion at the rate of US\$100 billion a month for the next few months. This will be funded by printing more dollars. There have been concerns in other economies about the impact of this additional liquidity, particularly on their currencies. The Fed has already created liquidity since August 2010 and the size of the Fed budget has expanded by over US\$200 billion since then. Coupled with low interest rates in the US, continuing unemployment and lack of capital formation, there is apprehension that excess liquidity will wash over the shores of many emerging market economies, several of which are struggling to come out of the financial crisis. There has been considerable criticism of the policy on the ground from the European Union, Korea, Japan, Brazil and even China, that this would artificially strengthen their currencies and weaken trade.

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Asian financial markets have been on a roll since August 2010 buoyed by capital inflows from developed countries. There is significant liquidity in the markets and the equity prices are close to their 2007 levels with price-earnings (P/E) ratios appearing to be high. The impact of these developments on the Indian economy is expected to be fairly complex.

First, India is the only country grappling with a double-digit inflation. There are inflationary pressures in China, but of a lower order till now. There are three distinct elements to the inflationary pressures. The first is the rise in commodity prices. The quantitative easing announced will drive investors away from dollars into commodities and raise commodity prices even further. As a major importer of oil, coal and many other commodities, India will be affected by these price increases, which can only be partly offset by the strengthening of its currency in the wake of a weakening dollar. Inflationary pressure is also caused by food prices. During the last three years, there have been several increases in minimum support prices of cereals, oil seeds and cotton in India for making agricultural livelihoods more sustainable. There has also been significant increase in consumption due to growing prosperity in the country, especially in smaller towns and rural areas. Growth in food production has not kept pace with consumption. Policymakers have more or less given up the attempt to control the rise in food prices hoping that there would be improvements in production this year that would mitigate the price increases. The Reserve Bank of India (RBI)'s attempts to fight inflation is impacting only the real goods and services sector and the RBI has had to play a very cautious role. Monetary tightening might slow down the growth momentum and make capital formation more expensive; there are also signs of industrial output growth slowing. At the same time, consumers are affected by increasing prices. In this dilemma, both monetary and fiscal policy measures for addressing the impact of the QE are quite limited, unlike in other Asian and European countries.

Second, there will be an impact on financial markets that is not yet quantifiable. Since August 2010, equity markets in India have been on a bull run. Considerable investment inflows have taken place from Foreign Institutional Investors (FIIs), who are viewing emerging markets like India as sources of earnings. These inflows have strengthened the Indian rupee against the US dollar and have added to the arbitrage profits that these funds bring. Local funds and retail investors have booked their profits and exited from the market. The consequent domestic liquidity created by local investors booking profits has fuelled consumption leading to an upsurge in sale of luxury goods in the past eight weeks. Robust equity market prices driven by capital inflows are likely to remain and provide fresh opportunities for investors to raise capital. A spate of equity issues have either happened or are in the pipeline. The government has also accessed the equity market for selling shares in public sector companies like the Coal India Limited (CIL) with huge success. As a consequence, government finances are looking healthy, and fiscal deficit targets appear within reach. Government, corporates and individual investors

are keen on maintaining the buoyancy in equity markets without worrying about underlying risks associated with so much 'hot' money, which can fly away as quickly as it came in. Again, unlike other countries, including China, regulators are loathe to consider any curbs on capital inflows, arguing that such moves will slow down capital formation. Equities are a more risky class of investments and given the inflationary pressures, it is natural for savers to move from fixed deposits giving little real returns, to equities for obtaining higher returns.

Third, the capital inflows and expectation of more foreign investment are exerting upward pressure on the rupee, which has gained nearly 16.0 per cent in last five months. The RBI has begun resorting to currency stabilisation measures by purchasing foreign exchange and holding the rupee-dollar rate at around Rs 44.30. Any significant lowering of the exchange rate will adversely affect exporters' revenues. With the current account deficits reaching their highest levels as a proportion of gross domestic product, such measures for maintaining exchange rate levels appear necessary. There are, however, two likely consequences. First, expectations of exchange rate management will encourage more capital inflows with currency risks somewhat mitigated. Second, there will be even more liquidity in the economy through these securitisation measures and that aggravate inflation. Other risky class of investments such as real estate, where there are signs of a fresh bubble forming, might be influenced. The RBI has selectively tightened bank exposure to real estate lending though it may not be adequate. On the trade front, exports have started picking up, with 13.0 per cent growth in September 2010. In the automobile sector, India has become a global source of automobile parts with automobile manufacturing integrating over a global chain similar to textiles. But India's competitive advantage might erode if the rupee continues to strengthen.

In short, India appears vulnerable to the external shocks of the quantitative easing activity, with little leeway to act, without disturbing the growth momentum. The pressures could not have come at a worse time with India struggling with infrastructure deficiencies and governance problems. There is also the concern over what a lower US dollar implies for the Chinese Renminbi. A stronger Chinese currency is not in India's interest given its huge imports from China – not just consumer goods, but also equipment and machinery for power generation and telecommunications. Other Asian countries, Japan and Korea in particular, are also anxious over large inflows of dollars. Both rely heavily on exports. They are considering measures for controlling capital inflows including imposing taxes like Brazil. China is unlikely to be affected as its exports have already factored in a stronger currency and there is considerable diversification of production from China into Myanmar, Bangladesh, Laos, Cambodia and also poorer regions of China with low labour costs. China has been preparing for the currency war since 2008, unlike the US, which has been lurching from monetary expansion to government bailouts. There are already several multinational banks ready to trade Renminbi and the Chinese currency may well emerge as a safe haven along with gold and silver.

In South Asia, Bangladesh, driven by good internal demand, remittances, and growing textile exports, is likely to weather the volatility well, as is Sri Lanka, which is flush with capital inflows and several upcoming projects. Pakistan's fragility is not economic, but more due to security reasons. That leaves India to manage the forthcoming turbulence on her own – and as mentioned, without too much in the armory.

Policymakers in India are aware of the difficulties and several counter measures are likely. First, both the Securities and Exchange Board of India (SEBI) and RBI will closely monitor capital inflows for curbing excess liquidity or market distortions. In particular, real estate stocks and investments would be under close scrutiny. Government revenues are buoyant and the government would try to mop up more funds by selling shares in government companies. Apart from reducing liquidity, this will also mitigate effects of any sterilisation measures for foreign exchange inflows that the RBI may adopt. Second, capital inflows will sustain equity markets, and as corporate performance is reasonable, equity prices are likely to be buoyant. International bond yields may fall with the growing infusion of liquidity reducing the gap between long and short term yields. This may be an opportunity to tap global markets for raising finance for infrastructure. Third, the market activity is likely to keep the economy growing at a healthy pace, though capital formation and progress on infrastructure projects will be closely watched. One is likely to see considerable activity in these areas.

Finally, if QEII succeeds, then it would help the US regain its growth trajectory, a result that would be welcome to India, with opportunities for greater service exports. The Indian Prime Minister Manmohan Singh was among the few who supported the US measures at the G20 in light of their long term advantages rather than their short term volatilities.

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President Obama's India Visit: Substance in Symbolism

S.D. Muni¹

Abstract

President Obama's visit to India will go down in the history of the India-United States relations as a major step towards consolidating the strategic partnership between the two countries. The outcome of this visit, while helping the US economically, has enhanced India's power profile in Asia and encouraged it to play a greater role in world affairs.

Strong on symbolism, the United States (US) President Obama's visit to India from 6-8 November 2010 was not without substance. While the visuals of Obama and the first lady Michelle dancing on Bollywood and folk tunes thrilled Indian hearts, the scenes of the members of Indian Parliament thunderously applauding President Obama's address and falling over one another to shake hands with him convinced the American guests that the right chord had been struck. There was considerable give and take between the two sides during the visit to provide a much-needed momentum to the strategic partnership between India and the US.

This visit being the first leg of the US President's visit to other Asian countries reflected the new policy thrust in Washington that US would remain actively engaged in Asia. It is a part of evolving US responses to China's growing assertiveness in Asia to indicate that notwithstanding its economic slide, the US will not compromise on its leadership in the world. The visit also

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took place in the context of President Obama's declining popularity at home, exposed by the poor showing of the Democrats in the US House and Senate elections, just days before the visit was undertaken. Having slipped on domestic political and economic fronts, President Obama had a compulsion to succeed on the foreign policy front. Specifically with regard to India, he had to match his predecessor, George W. Bush, who had gained immense popularity for initiating and completing the process of 'civil nuclear cooperation' between the two countries. He also had to undo the burden of his earlier perceptions and preferences. President Obama's preoccupation with 'outsourcing' and American job losses, as well as non-proliferation, was anathema to Indians. His early policy announcements on Kashmir as a component in the US Af-Pak policy, invitation to China (during his visit to China a year back) to join the US for 'bringing about more stable, peaceful relations in all of South Asia' stirred strong concerns and anxieties in India. On all these issues the US President's position was significantly redefined during the visit.

If one were to look at the substantive aspects of the visit, there was give and take on both sides. While the US 'takes' were concrete, those for India were important but intangible. President Obama made no secret of his principal commercial objective of expanding the market for US goods in India. He came in search of jobs, to placate his disturbed home constituencies and wrapped up deals worth more than US\$10 billion that would create more than 50,000 jobs in the US. There was also 'preliminary agreement' on India buying ten C-17 military transport aircrafts from the US worth another US\$10 billion, which would yield an additional 22,000 jobs for the US. Then there was also the Indian promise of 'early commencement of commercial cooperation in the civil nuclear energy sector in India which will stimulate economic growth and sustainable development and generate employment in both countries'.² President Obama acknowledged in his press conference on 8 November 2010 that he will advertise the securing of these jobs to the American people for justifying the longest presidential stay in India. The Indo-US Joint Statement issued at the end of the visit also underlined the link between India's defence modernisation and US job creation. It said, 'President Obama welcomed India's decision to purchase US high-technology defense items, which reflect our strengthening bilateral defence relations and would contribute to creating jobs in the United States.'³

India's 'takes' were more in the area of intangibles, though expansion of bilateral trade and relaxation of US technology controls will energise the Indian economy. Three of India's public sector establishments namely Indian Space Research Organization (ISRO), Defence Research and Development Organisation (DRDO) and Bharat Dynamics Limited were taken off the restricted 'entities-list'. Among the intangibles, President Obama elevated India's global status

² Text of the Indo-US Joint Statement, <http://news.rediff.com/report/2010/nov/08/obama-visit-joint-indo-us-statement-full-text.htm>. Accessed on 13 November 2010.

³ Ibid.

from an 'emergent' to an 'arrived' 'great power' and in doing so he went beyond rhetoric to commit US support for India at the high table(s) of critical global decision making. He promised US support for India's permanent membership of a 'reformed' United Nations (UN) Security Council. By doing so he not only reflected the bipartisan consensus within the US but also acknowledged the ground reality in the UN where only a month back, India had received support of 187 of 192 members to win its Security Council membership. He also assured support for India's membership of Nuclear Suppliers Group (NSG), Missile Technology Control Regime (MTCR), the Australia Group and the Wassenaar Arrangements that play critical roles in transfers of nuclear and conventional defence technologies in the world.

The US push for India towards the global high table was no doubt in recognition of India's impressive economic growth and strategic potential. It was also in search of a greater global balance in view of a 'rising' China. This came out indirectly in President Obama's repeated praise for the Indian democracy and emphasis on 'human rights', in contrast to those countries that were 'lured by the false notion that progress must come at the expense of freedom'.⁴ It also came out sufficiently clearly when he called upon India to 'partner' with the US in Asia by doing more than 'looking east' to 'engage east'. Neither India, nor the US was interested in focusing much attention on China directly during the visit as there were a lot many bilateral and regional issues on the table.

India's positive role in Afghanistan was acknowledged and encouraged by the US President and he assured Indian Parliamentarians that – 'The United States will not abandon the people of Afghanistan or the region to violent extremists who threaten us all'.⁵ India and the US not only 'committed to intensify consultation, cooperation and coordination to promote a stable, democratic, prosperous and independent Afghanistan' but also 'resolved to pursue joint development projects with the Afghan government in capacity building, agriculture and women's empowerment'.⁶ This would open greater prospects for joint Indo-US action in Afghanistan, though India is surely not on board with the US military and political strategy, including that of co-opting the so-called 'moderate Taliban'.

On the most critical question of Pakistan, there obviously was no clarity in the US position. President Obama, despite provocative questions, refused to endorse the Indian view that the Pakistani state, or at least sections of it, including the army and the intelligence (ISI), was conniving with extremists and terrorists operating across the Pakistani borders. But he strongly called for greater Indo-US cooperation in counter-terrorism. The Joint Statement endorsed the

⁴ President Obama's address to the Indian parliament on 8 November 2010.
<http://meaindia.nic.in/mystart.php?id=530116636>. Accessed on 13 November 2010.

⁵ Ibid.

⁶ As in 2 earlier.

Indian position that ‘success in Afghanistan and regional and global security require elimination of safe heavens and infrastructure for terrorism and violent extremism in Afghanistan and Pakistan...that all networks, including Lashkar-e-Taiba must be defeated and called for Pakistan to bring to justice the perpetrators of the November 2008 Mumbai attacks’. President Obama’s decision to stay at the Taj Hotel in Mumbai, which was the principal target of terrorists on 26 November 2008, and his Memorial service for the victims of those attacks was a loud and clear message to Pakistan in this respect. To sooth Pakistani sensitivities, he also called upon India to start dialogue and confidence building process with Pakistan, including on the Kashmir question. A ‘stable and secure Pakistan was in India’s own interest’, he urged. He however could not succeed in changing the Indian position that Pakistan must first stop its ‘terror-machine’ for any meaningful dialogue to start, as mentioned by Prime Minister Manmohan Singh in the press conference. Obama also voiced his differences with India on the issues of Iran and Myanmar. In a rather sharp attack on the military regime in Myanmar, Obama poked the Indian leaders for shying away from facing the issues like ‘violation of human rights’ by the ‘regime in Burma’.⁷

Notwithstanding these differences, President Obama’s India visit is a major step towards consolidating the Indo-US strategic partnership. The Obama administration seems to have rediscovered the strategic value of India in Asia and the world and India has welcomed the US support for its aspirations. The event has been carefully watched in Islamabad and Beijing with degrees of unease. It is hoped that its policy implications will be welcomed by all those who are looking forward to a stable, secure and prosperous Asia.

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⁷ As in 4 earlier.

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Scams in India: Concerns and Lessons

S Narayan¹

Abstract

The paper discusses various concerns arising from multiple scams that have come to light in India. In this context, it argues that the political leadership in India should note that citizens are speaking up through votes and rewarding only those who perform.

Last week, there was news of yet another scam in India. The Central Bureau of Investigation (CBI) arrested several senior officers of the Life Insurance Corporation (LIC) of India and some Government-owned banks. These officers had allegedly helped grant real estate loans to fictitious entities and individuals. Funds had mysteriously moved from these accounts to accounts of several real estate firms who were then using these funds as free equity. Presumably, the loans would be treated as non-performing assets (NPAs) over time.

This revelation is the latest in a series of major corruption allegations that have surfaced in the media and in the public. It started off with allegations about the misuse of funds in the recently concluded Commonwealth Games, followed by a major housing scam in Mumbai, and then the furor over the Comptroller and Auditor General (CAG) report on the losses of public funds in the misallocation of 2G spectrum licenses, followed soon after by the revelations of bank frauds. The Supreme Court has demanded an explanation from the Prime Minister's office. The

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ruling United Progressive Alliance (UPA)-II coalition has been on the back foot, unable to defend itself against allegations of corruption. The incumbent telecommunications minister was forced to resign recently, as was the Chief Minister of Maharashtra.

The first concern is voiced by the opposition – that the Prime Minister has not been able or is unwilling to say anything about the sequence of events and whether such events occurred without his approval, or in spite of his misgivings. This has been a serious blow to the image of Prime Minister Dr Manmohan Singh, and he is appearing to be weak and ineffective. The Congress party, while closing ranks against the onslaught of the opposition, has been somewhat slow and guarded in its defence of Dr Singh. In fact, during the recent Congress party conclave, there was no mention of corruption in Government, a fact that a number of newspapers have been quick to point out.

The second is the series of conversations revealed in the *Outlook* magazine – an English weekly enjoying extensive readership between corporate lobbyists, ministers and major corporate houses. These conversations clearly point to a nexus between politicians and corporate houses, attempting to bend and twist policies to suit their individual needs. Not surprisingly, the two major chambers of industry in India, the Federation of Indian Chamber of Commerce and Industry (FICCI) and the Confederation of Indian Industry (CII) have been very guarded in their comments, as it appears that a number of their members are involved in these allegations.

In the media, the anger and frustration of the average citizen is evident, as show after show focused on the inability of the Government to act and to set things right. As one revelation follows another, the earlier events move to the background and there is a feeling of deep distress and perhaps, a sense of resignation on what is happening.

The consequences of these events are likely to be serious. At the level of the citizen, there is a strong disenchantment with the politicians and with the bureaucracy, which could feed existing resentments. The Naxalite movement in several states, at its roots, is a protest against exploitation and against the dictates of the state. Maintenance of public order has become a concern in several states, and the Kashmir riots were perhaps an expression of frustration against lack of development and economic opportunities. In reaction, the political class is drawing on itself and its supporters and political parties are seen to be indulging in creation of support groups that are bordering on the criminal. In short, if there is no improvement in governance, the citizen may lose faith in the state and the order that it can bring.

The businessmen perhaps see the problem as an opportunity as well as a threat – an opportunity to cash in on access to Government concessions, and a threat that the business environment needs to be managed to their advantage. There are several business houses, known for their

ethical track records, which have started investing overseas rather than pursue business opportunities in India, even though returns from the domestic markets are far greater. These companies have plans to see their revenue generation from external operations growing substantially as a percentage of total revenues. As much as inward capital flows, there is evidence of outward flows, both as investments and as savings, that is denying the Indian economy of capital formation opportunities. Overseas investors are viewing these developments with concern.

Amidst all the gloom, there are significant streaks of light. The elections in Bihar have demonstrated that the average citizen is looking for a government that is concerned about welfare and development. The success of the Nitish Kumar Government has been due to improvements in governance and in law and order, and the voters have rewarded him for these successes. The recent local body elections in Gujarat have once again demonstrated the trust of the citizenry in the governance policies of the ruling Narendra Modi government. At the same time, it is clear that the days of the Karnataka government, assailed with allegations, are numbered. In short, the citizens are speaking with their votes in the state and local body elections, and those that can perform are being rewarded. This is a very healthy sign, and one that the politicians at the central level are likely to heed.

More importantly, the entrepreneurial spirit is still buoyant. Wherever there are opportunities, there are people to invest and grow in the various states. There are only a few who seek growth from the grant of government concessions. Thousands are forging their own paths and the newspapers and stock markets are full of their success stories. The 8.0 per cent growth in Gross Domestic Product (GDP) is almost accepted as a given, and the opportunities that it generates are likely to far exceed the concerns that these scams cause. Interestingly, these groups are more concerned about looking ahead, not looking back.

Of course, the pressure to punish those who transgress is growing, preferably through the ballot, and not with a gun.

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The Bihar Election: Gamechanger or Business as Usual?

Ronojoy Sen¹

Abstract

Bihar Chief Minister Nitish Kumar's re-election in November 2010 by a huge margin was based on his solid performance over the last five years, something that has been commented on widely by the media, both in India and abroad. But he probably would not have won only on his development agenda. He also had his poll arithmetic right by reaching out to a large constituency, which included the extremely backward castes and women. The paper however, points out that the election result, remarkable as it is, might not signal a change in the style of Indian politics.

This was one election where exit polls were not required to predict the results. Much before the result for the six-phase Bihar elections, which stretched from 21 October to 20 November 2010, was announced, it was known that Chief Minister Nitish Kumar would return to office. However, the margin of victory – with Kumar's Janata Dal (United) [JD (U)] and its ally the Bharatiya Janata Party (BJP) winning 206 of the 243 seats in the Assembly – still came as a surprise.

Nitish's victory was based on his solid performance over the last five years, something that has been noted and feted by the media, both in India and abroad. In early 2010, *The Economist*

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carried an article on Bihar saying India's most notorious state was failing to live up to its reputation. Bihar was finally turning around after years of decline and stagnation. In the last five years, Bihar's economy has grown at an annual average of over 11.0 per cent, nearly triple the state's earlier growth rate of 3.5 per cent. This was partly possible due to massive investment in infrastructure, particularly roads. Some 2,400 km of roads were built in 2009 alone with the government spending Rs 2,489 crore (approximately SGD716 million) in 2008-09, compared to a mere Rs 263 crore (approximately SGD70 million) in 2005-06. Another 400 bridges were built in the last five years. As *The Economist* put it, 'Today, Bihar has pot-holes where formerly it didn't have roads.'² What really made a difference to the people was the spectacular improvement of law and order. In a state where there were 400 recorded cases of kidnappings in 2004, the number fell to 66 in 2008.

But Nitish probably would not have won solely on his development agenda. He also had his poll arithmetic right by reaching out to a large constituency, which included the extremely backward castes and women, in addition to his traditional vote bank of the Other Backward Classes (OBCs), to which he himself belongs.

Besides the success of Nitish's strategy, there are a few other notable facts that emerged from the Bihar elections. One, the success of the BJP which won 91 seats compared to 55 in the last election. This has breathed life into the moribund National Democratic Alliance (NDA), which governed India from 1999-2004, of which the BJP and the JD(U) are the two main constituents. It has also shown a possible way to the BJP to reach out to Muslims and Dalits, who have traditionally been wary of its Hindutva agenda. Two, the elections have decimated two major politicians from Bihar – former Chief Minister Lalu Prasad Yadav and his ally Ram Vilas Paswan. Both their parties, the Rashtriya Janata Dal (RJD) and the Lok Janashakti Party (LJP), could only win 25 seats, down from 64 in the last election. Three, the Congress and Rahul Gandhi, who campaigned vigorously in Bihar, have come a cropper winning only four seats compared to nine in the last election.

What now needs further scrutiny is the nature of the Bihar mandate which has been interpreted by most commentators as one where governance trumped caste and ethnic politics.³ Nitish himself said after the election victory: 'They [the voters] have unambiguously declared that caste-based politics is passé, and those who seek to divide people to get votes will fail... People have responded to a positive agenda.'⁴ The question is whether the Bihar verdict, as many seem to believe, is a gamechanger for Indian politics.

² 'The Bihari enlightenment', *The Economist*, 28 January 2010.

³ Seema Chishti, 'Simply Nitish', *Indian Express*, 25 November 2010; Samar Harlankar, 'Nitish confirms India has great aspirations', *Hindustan Times*, 25 November 2010.

⁴ 'Caste politics is passé', *The Times of India*, 25 November 2010.

What makes Nitish's re-election special is his emphasis on development and delivering substantially on campaign promises in a state that has long been regarded as among the poorest and worst governed in India. There is, however, evidence to show that in the last few years governance – or *bijli, paani, sadak (bipaas)* as it is now called in India⁵ – figures prominently in the voter's calculus. The National Election Study 2009, conducted immediately after the last general elections, found that drinking water and unemployment were top-of-the-mind issues for voters. One can be sure that these were always concerns for Indian voters but were not possibly being addressed by most politicians. As for the influence of caste in voting, that might always have been somewhat overstated. As political analyst Yogendra Yadav pointed out in a recent article: 'Most voters, in Bihar or anywhere else for that matter, view governance or development from their own social location. Caste appears to be the only factor when there is not too much to choose from in terms of development or governance.'⁶ This means that if the parties or the contesting candidates have little to differentiate them, only then are voters likely to vote for their caste brethren in the hope of accessing state resources.

It is also important to remember that chief ministers and ruling parties being voted back to power, ostensibly for fulfilling at least some expectations of voters, is not so unusual these days. West Bengal, where the Left Front has been in office for over three decades, is seen as an anomaly in Indian politics. But Bihar itself saw Lalu Prasad Yadav and his wife Rabri Devi rule the state for 15 years. In Delhi, Chief Minister Sheila Dikshit is in her third term; Narendra Modi has been the Chief Minister of Gujarat since 2001 and Naveen Patnaik has been holding office in Orissa from the same time. Madhya Pradesh has a second-term Chief Minister in Shivraj Singh Chauhan, Chhattisgarh in Raman Singh and Haryana in Bhupinder Singh Hooda. It is estimated that from end-2007, 15 out of 20 incumbent governments have won elections.

As the reduction in anti-incumbency suggests, state governments have begun paying more attention to voter concerns. But what worked so well for Bihar might not work elsewhere since the state started with such a low base and the results of good governance were there for everyone to see.

These healthy trends might even be difficult to replicate in some of the states that go to elections next year. Tamil Nadu, the home base of disgraced telecom minister Andhimuthu Raja and his party, the Dravida Munnetra Kazhagam (DMK), is one of the better-off states in India but also one of the most corrupt. Old-style patronage politics and populism rule there with things unlikely to change much for next year's elections. As for West Bengal, another state

⁵ *Bijli, Paani* and *Sadak* are electricity, water and road respectively in Hindi.

⁶ Yogendra Yadav, 'Bihar election is all about hope, period', *The Times of India*, 31 October 2010.

which is up for polls around the same time, it has been held hostage to the worst forms of populism by Mamata Banerjee, tipped to be the state's next chief minister.

It is probably too early to say that development is going to be the only agenda in the coming state elections.

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India and China at Cancun: A New Approach to Climate?

Amitendu Palit¹

Abstract

The decisions at the Cancun conference on climate change have been accepted positively by the international community. China and India refrained from taking obstructionist positions at Cancun. This paper argues that such posturing does not indicate their dilution of commitment to the Kyoto Protocol and the principle of ‘common but differentiated responsibilities’ in global action on climate change.

The two-week long United Nations (UN) Conference on climate change ended at Cancun on 10 December 2010. Beginning from 29 November 2010, the conference involved around 25,000 participants from 193 countries negotiating the future multilateral agenda for tackling climate change. This was the 16th Conference of Parties (COP) on climate change and the first after the much-discussed Copenhagen conference in December 2009.

The outcomes from the conference have been greeted positively by the international community. The positive response is probably due to the conference producing certain agreements, which had seemed exceedingly difficult given the sharp differences between major countries on several issues. The fact that the negotiations did not break down on these

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differences and concluded by making some new beginnings, however tentative, was a major relief for all concerned.

From a more objective perspective, the conference stayed away from declaring a binding multilateral target for reducing emissions of greenhouse gases (GHG). The Kyoto Protocol of 1997 remains the only such agreement. The future of the Protocol was a major subject of discussion in the conference. The Protocol has well-defined emission targets for advanced developed economies. Success under the Protocol, however, has been limited with the United States (US) refusing to adopt binding targets unless China, India and other large developing economies also did so. The first commitment period under the Protocol is to end in 2012. Several countries had expected that the Cancun conference will be able to extend the life of the Protocol beyond 2012 and ensure that the advanced countries implement their commitments to reducing emissions. The conference, however, has refrained from taking a definite view on the continuation of the Protocol. It has simply urged the parties in the Protocol to continue negotiations for completing their work.²

The decisions from the conference point to the adoption of a ‘pledge and review’ approach to climate change rather than taking up binding targets for cutting emissions.³ Instead of fixing targets for countries, both advanced and developing countries have been allowed to proceed on their respective courses of action for reducing emissions. Developing country mitigation actions will be matched and recorded with respect to the technological and financial support they receive from developed countries. This was the issue on which China, India, Brazil, South Africa and most developing countries had differences with developed countries as they were unwilling to allow the latter to scrutinise their climate management programmes. However, both countries, decided to soften their stance with the hope of obtaining a balanced outcome. The fine print is not yet clear on what kind of monitoring, reporting and verification (MRV) requirements will finally emerge.

From the point of view of developing countries, the financial pledge by developed countries to build a US\$30 billion fund for helping developing countries to pursue mitigation and adaptation measures for fighting climate change is a welcome development. The fund is expected to grow to US\$100 billion by 2020. The process to design a ‘Green Climate Fund’ has also been established⁴. Consensus was also reached on taking urgent action to provide financial and technical support for curbing emissions from deforestation and forest degradation in developing

² ‘UN Climate Change Conference in Cancun delivers balanced package on decisions, restores faith in multilateral process’, Press Release, United Nations Framework Convention on Climate Change (UNFCCC) (11 December 2010), http://unfccc.int/files/press/news_room/press_releases_and_advisories/application/pdf/pr_20101211_cop16_closing.pdf. Accessed on 12 December 2010.

³ Cancun Pact Inked, Kyoto on Way Out’, *Sunday Times of India*, New Delhi (12 December 2010), p.18.

⁴ As in 2 earlier.

countries. Similar support is also to be provided to developing countries for planning and implementation of adaptation projects through a new framework set up at Cancun.

For China and India, two of the world's largest developing countries and major GHG emitters, the Cancun conference involved considerable tightrope walking. Climate change is an issue where both countries are collaborating with the objective of resisting the developed world from influencing the climate action agenda in a way that is detrimental to developing country interests. Both have emphasised upon 'common but differentiated responsibilities' (CDR) – the principle underlying the Kyoto Protocol – as the key principle for all global initiatives on climate change. They have been pressing for continuation of the Protocol with the main onus of emission reductions on industrialised countries and resisting imposition of binding emission targets on developing countries. In the Copenhagen conference in December 2009, both countries had remained firm on their stances. Both, however, subsequently endorsed the decisions taken at Copenhagen and moved ahead on their individual plans for addressing climate change. During the run-up to the Cancun conference, both expressed solidarity with other developing countries in opposing the MRV requirements insisted upon by developed countries. At the same time, however, both have also probably realised that they have major roles to play in shaping a constructive and long-term global action agenda on climate change. In this respect, they could not be seen adopting an entirely obstructionist agenda at Cancun.

The final agreements at Cancun have been received positively by both China and India. This reflects the responsible and meaningful position that both countries have decided to assume in the climate change agenda. The Cancun texts hardly outline a dedicated and focused long-term action plan. However, they do underline a willingness on the part of the international community to address climate change concerns in a collective albeit sketchy manner. Both India and China have hailed this collective spirit.

India's posturing at Cancun has surprised many. It has also raised questions over whether India has sacrificed its commitment to the Kyoto Protocol. From a non-negotiable position on binding commitments on emission reductions, India advocated the need to consider binding commitments in a legally appropriate manner.⁵ At the same time, it also underscored the necessity to look at MRVs according to an internationally acceptable system of standards. These views underline India's perceptible shift from a somewhat obdurate position and adoption of a more flexible stance. China also demonstrated flexibility by assuming the role of a facilitator during the Cancun talks on various occasions.

⁵ 'Was Jairam's remark pre-scripted?', *Sunday Times of India*, New Delhi (12 December 2010), p.18.

In spite of welcoming the outcomes from Cancun, both China and India realise that the outcomes are far from perfect and leave much to be desired. China has already indicated that it will stand firm on the Kyoto Protocol and will emphasise on the second period of commitment under the Protocol⁶. India is likely to take a similar stand. Thus Cancun, notwithstanding the bouquets it is receiving, has not been able to iron the main creases in the global divide on climate change. China and India's responsible posturing at Cancun should not be interpreted as deviation from their emphasis on the Kyoto Protocol and the principle of 'common, but differentiated responsibilities' as the bulwark of climate change actions.

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⁶ 'Continuing Kyoto is the 'Key Issue', *China Daily* (11 December 2010), www.chinadaily.com.cn/china/2010cancunclimate/2010-12/11/content_11686732.htm. Accessed on 12 December 2010.

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Wen Jiabao in India: Mission Business

Amitendu Palit¹

Abstract

The Chinese Premier's recent visit to India emphasised on developing closer business ties with India in different areas. Several agreements were signed, including in banking and finance and green technologies. The paper argues that despite both countries deciding to increase bilateral trade and addressing the current imbalance, the latter might persist due to low competitiveness of Indian exports in the Chinese market and the Indian industry's inability to compete with Chinese imports.

Chinese Premier Wen Jiabao visited India five years and eight months after his last visit in April 2005. Much has changed during these years. No change, however, has been as remarkable as the rapid acceleration in economic ties between China and India. Between the Premier's two visits, Sino-Indian merchandise trade has increased from US\$12.7 billion (2004-05) to US\$42.4 billion (2009-10).² Overall trade figures will be even larger by including bilateral services trade, on which, unfortunately, no official estimates are available. The almost fourfold increase in trade during the last five years has led to China becoming India's largest trade partner and India becoming one of China's major trade partners.

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² Export-Import Data Bank, Ministry of Commerce, Government of India, <http://commerce.nic.in/eidb/iecint.asp>. Accessed on 18 December 2010.

The two countries have been among the fastest to recover from the deleterious impact of the global financial crisis of 2008 and have outpaced the rest of the world in their growth rates. They have been collaborating in global forums on various common concerns such as formulating policies for addressing climate change, getting the Doha Development Agenda (DDA) of the World Trade Organization (WTO) back on track, and shaping the global financial and regulatory architecture. There was therefore little doubt that the Chinese Premier's visit will focus on exploiting the opportunities arising from robust upturn in growth in both countries. Indeed, the 'business' thrust of the visit was evident from the size of the delegation accompanying the Premier: around 400 delegates representing more than 250 Chinese firms including top-notch companies such as Shanghai Electric, SinoSteel, Huawei, ZTE and Bank of China – all looking forward to doing business with India.

And business it was that dominated the visit. Both countries decided to lift bilateral trade to US\$100 billion by 2015.³ Going by the rate at which bilateral trade has been increasing in recent years, the target might well be achieved before the chosen date. Both countries also decided to work together in infrastructure, telecommunications, investment, finance, information technology and environmental protection for achieving 'win-win' outcomes. Forty-nine Memoranda of Understanding (MOUs) were signed between Chinese and Indian business entities during the visit. Two key ones among these were between the Federation of Indian Chamber of Commerce and Industry (FICCI) and China Chamber of Commerce (CCC), and the Reserve Bank of India (RBI) and the China Banking Regulatory Commission (CBRC) respectively.

The Chinese Premier's visit will be remembered for facilitating closer integration of banking and financial sectors of the two economies.⁴ The Industrial and Commercial Bank of China (ICBC) – one of the largest global lenders by market value – has applied for setting up branches in India, while other leading Chinese banks such as Bank of China, China Construction Bank and Agricultural Bank of China are expected to do so in the future.⁵ Existing Indian banks in China [eg. State Bank of India (SBI)] are likely to expand operations.⁶ The decision to set up an India-China CEO's forum should also help in the better understanding of business prospects and

³ *Joint Communiqué of India and China* (16 December 2010), <http://netindian.in/news/2010/12/16/0009257/joint-communique-india-china>. Accessed on 17 December 2010.

⁴ 'India, China gun for \$100 bn trade by "15"', *Financial Express* (17 December 2010), <http://financialexpress.com/news/india-china-gun-for-100-bn-trade-by-15/725637/0>. Accessed on 17 December 2010.

⁵ 'ICBC applies to RBI as China Banks line up for India foray', *Financial Express* (17 December 2010), www.financialexpress.com/news/icbc-applies-to-rbi-as-china-banks-line-up-for-india-foray/725421/0. Accessed on 18 December 2010

⁶ The SBI currently has a branch in Shanghai and a representative office in Tianjin. It is planning to upgrade the Tianjin office into a branch and open a representative office at Guangzhou. See 'SBI to open office in Guangzhou', *Business Line* (16 December 2010), www.thehindubusinessline.com/2010/12/17/stories/2010121752780400.htm. Accessed on 18 December 2010.

practices between the two countries. In an expected affirmation of the Sino-Indian collaboration on mitigating and adapting to climate change, both countries signed an agreement on cooperation in green technologies.⁷

It is evident that China has begun playing a critical role in India's infrastructure. The power sector is witnessing active participation of China in augmenting capacities. The agreement between the China Development Bank and Reliance Power for a US\$1.1 billion credit facility for the latter's Sasan thermal power project is a key example.⁸ India has evinced keen interest in Chinese investments in roads and railways. Manufacture of telecom equipment is also an area where Chinese producers are active in the Indian market. Huawei's plans to upgrade production and research facilities in India (US\$2 billion for the research unit at Bangalore and the manufacturing arm at Chennai) underline its vision of playing a more expansive role in the Indian market. On the other hand, the nascent cooperation in banking and finance should be exciting for India as these are segments where its competitive advantages are strong and backed by effective modern regulations. Though policies governing foreign financial service providers are still not as liberal in China and India as they are in advanced economies, both countries can work on these issues on a bilateral basis for expediting progress.

Considerable interest has been generated on the proposed launch of the bilateral Strategic Economic Dialogue.⁹ The dialogue is expected to address macro-economic policy coordination, and issues and challenges in development. Though the fine-print will emerge over time, the dialogue might subsequently address exchange rate and interest rate policy coordination, among other matters, as these directly influence export competitiveness of both countries in each other's regional and global markets. Discussions might also include coordination of crude oil imports of both countries – as deliberated during Premier Wen's visit – for avoiding demand-driven volatility in global crude prices along with joint bidding for acquiring hydrocarbon assets in third-country markets.¹⁰

India's primary concern in the bilateral economic relationship is the trade imbalance. Widespread apprehensions voiced by different quarters over India's trade deficit with China might convey the erroneous impression that trading with China is the main reason behind India running a deficit in its external trade. Little attention in this context is paid to the large

⁷ As in 2 earlier.

⁸ 'India, China cement ties with 49 pacts', *Financial Express* (17 December 2010). www.financialexpress.com/news/india-china-cement-ties-with-49-pacts/725349/0. Accessed on 18 December 2010.

⁹ As in 2 earlier.

¹⁰ 'India, China could join hands to check oil spike', *Financial Express* (17 December 2010), www.financialexpress.com/news/india-china-could-join-hands-to-check-oil-spike/725891/0. Accessed on 18 December 2010.

contribution of crude oil imports in enlarging the trade deficit, hardly any of which are imported from China. Nonetheless, both sides have committed to correcting the imbalance.

The key to balanced trade is increasing India's exports. China has agreed to encourage Indian agricultural, pharmaceutical and service exports in its domestic market.¹¹ These and other Indian exports will increase if non-tariff barriers (NTBs) in China's domestic market come down and they also become more competitive. While NTBs can probably be reduced by negotiating with the Chinese government, competitiveness of Indian exports in the Chinese market vis-à-vis similar exports from Southeast Asia and other competing countries cannot be increased in the same manner. Thus despite reduction in NTBs, Indian exports might not experience substantial increase.

On the other hand, Indian industry must also note that till now they have successfully lobbied against Chinese imports and precipitated anti-dumping measures largely because China is yet to be treated as a 'market' economy by the WTO. This will, however, change from 2016. It is important for the Indian industry to reconcile to the fact that Chinese imports will be as much a part of the Indian market as they are in most other markets of the world. Instead of clamouring for protection and lobbying against Chinese imports, it is more sensible to lobby for domestic reforms that will reduce production and operational costs, and make Indian exports more efficient and competitive.

As India struggles to analyse the pluses and minuses from the Chinese Premier's visit, it is clear that China wants to do business with India. Unresolved borders cannot and should not hold back two of the world's largest economies from exploiting mutual synergies. That is the message emanating from Premier Wen's visit. Will India play ball?

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¹¹ 'Trade target set at \$100b', *China Daily* (17 December 2010), www.chinadaily.com.cn/bizchina/2010-12/17/content_11716305.htm. Accessed on 18 December 2010.

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Chinese Premier's Visits to India and Pakistan: Strategic Implications

Rajshree Jetly¹

Abstract

This paper discusses the recent visits by Chinese Premier Wen Jiabao to India and Pakistan. Premier Wen spent three days in each country and held discussions on a wide range of issues. This paper focuses on the political and strategic issues, and makes some observations on what these visits reveal about the nature of Sino-Indian and Sino-Pak relations.

Introduction

Chinese Premier Wen Jiabao made two back-to-back official visits to India and Pakistan from 15-17 December and 17-19 December 2010 respectively. In contrast to the India visit that was relatively low key in terms of expectations and deliverables, the Pakistan visit was marked by greater fanfare and resulted in more deliverables, signifying the close relations between the two countries. This paper considers the political and strategic objectives of Premier Wen's visits, and comments on some of the achievements and outcomes.

For China, the India visit was important to soothe the tensions that had recently erupted between them with respect to several issues, including the territorial dispute concerning Arunachal Pradesh; China's growing presence in Pakistan Administered Kashmir through its infrastructural assistance; and its hydroelectric projects, in particular the construction of a huge dam on its side of the Brahmaputra river which threatens to affect India's water supply.

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Economic realities and strategic considerations have also compelled China to develop closer ties with India. Both these countries are the emerging economic giants of the world, with China the second largest economy after the United States and India tipped to become the third largest economy by the middle of this century. Strategically, India's growing bonhomie with the United States and Japan, both of whom have differences with China, would have been a factor in the present timing of the visit. Premier Wen's trip to Pakistan, on the other hand, was a reinforcement of the special ties the two countries share with each other, and a reminder that despite China's engagement with India, Pakistan remains its special friend.

The Visit to India

There were several positives that resulted from the India visit. Economics and trade topped the agenda, with both countries agreeing to increase bilateral trade from the present US\$60 billion to US\$100 billion by 2015. Economic agreements worth US\$16 billion were signed between the two countries. More importantly, India's concerns on the water issue, in particular about China building a hydroelectric dam to divert water from its territories were also allayed by Premier Wen who said 'that all upstream development activities by China... will never harm downstream interests.'² However, despite these positive gains, India's prime security concerns on Kashmir, terrorism and the border were not addressed to India's satisfaction.

China's recent policy of giving stapled visas instead of the regular stamped visas for residents of Jammu and Kashmir on grounds that it is disputed territory has been a matter of great concern to India which regards Jammu and Kashmir as an integral part of its territory. During the visit, Premier Wen remained largely non-committal on the issue, suggesting further bilateral discussions to find a solution to the problem. India's displeasure is apparent in its pointed omission of the 'One China Policy' in the recent joint communiqué. India had earlier expressed the view that just as it was sensitive to China's concerns over the Tibet Autonomous Region and Taiwan, China should respect India's position on Jammu and Kashmir. This is also the first time that India allowed demonstrations by Tibetan protesters in the capital. This is seen in some quarters as a subtle message that if the Chinese do not recognise India's claim over Jammu and Kashmir, India may no longer be as forthcoming in its 'One China Policy'.

Terrorism remains another significant concern for India after the Mumbai attacks. The joint communiqué issued by the two countries denounced terrorism and both countries agreed to fight against it jointly, including dismantling networks that fund terrorism. Both countries

² 'Working Together for New Glories of the Oriental Civilization', Address by H.E Wen Jiabao, Premier of the State Council of the People's Republic of China at the Indian Council of World Affairs (16 December 2010), www.icwa.in/pdfs/chinapm_lecture.pdf. Accessed on 17 December 2010.

committed themselves to implementing the UN resolutions, particularly UNSC 1267 which proscribes organisations such as the Jamaat-ud-Dawa and Lashkar-e-Taiba, largely believed to be behind the Mumbai attacks. China, however, refrained from making any specific reference to the Mumbai attacks or of India's concerns about terror outfits operating from Pakistani soil. This is natural given China's own interest in maintaining its close ties with Pakistan. Any expectation that India may have had of China using its special relationship with Pakistan to pressure it to bring the perpetrators of 26/11 to justice were belied.

The biggest issue between India and China involves longstanding boundary disputes, largely concerning an area of over 40,000 square kilometers around Aksai Chin in the western sector and over 90,000 square kilometers in the state of Arunachal Pradesh in the eastern sector. Premier Wen acknowledged that the border issue was a 'historical legacy' that was not 'easy to completely resolve.'³ Both sides agreed to set up a mechanism for consultation and coordination on border affairs and reiterated their commitment to peaceful resolution of disputes. However, short of promising to carry on with negotiations, no real advances were made on this issue. Similarly, while Premier Wen expressed support for India's 'aspiration to play a greater role in the United Nations, including in the Security Council'⁴, he did not give it the kind of full endorsement that had earlier been given by President Obama during his visit to India.

The Visit to Pakistan

By contrast, there was little ambiguity or coyness in China's affirmative statements during Premier Wen's visit to Pakistan. Pakistan and China share a warm symbiotic relationship; China is Pakistan's largest benefactor in the defence, nuclear technology and infrastructural development while Pakistan is China's gateway to West Asia and the Indian Ocean region. The visit provided both countries an opportunity to strengthen their 'all weather' friendship. 2011 was designated as the 'Year of China-Pakistan Friendship', coinciding with the 60th anniversary of Pakistan-China diplomatic ties.

As with the visit to India, economic cooperation was at the forefront of this visit. Both countries pledged to double their bilateral trade to US\$15 billion by 2015. This visit culminated in trade deals worth US\$ 35 billion dollars, including a series of agreements in

³ Shubhajit Roy, 'Boundary issue a historical legacy, will take long time to resolve: Wen', *Indian Express* (17 December 2010), www.indianexpress.com/story-print/725959. Accessed on 17 December 2010.

⁴ Ministry of External Affairs, India, *Joint Communique of the Republic of India and the Peoples Republic of China* (16 December 2010), www.mea.gov.in/mystart.php?id=100016879&pid=1921. Accessed on 20 December 2010.

important sectors of energy, banking and transportation.⁵ The trade agreements are expected to breathe new life into Pakistan's economy, especially after the devastation caused by the floods earlier this year. During the visit, China reaffirmed its commitment to be actively involved in the post-flood reconstruction efforts,⁶ proving again that it is an all-weather friend.

Cooperation in infrastructure, energy and agriculture also figured prominently in the discussions during the visit. China is investing in closer transportation and infrastructural links with Pakistan and, amongst other things, has agreed to help upgrade the Karakoram Highway. Premier Wen also reaffirmed China's interest in developing Pakistan's energy sector by cooperation in conventional, renewable and civil nuclear energy.⁷

On the specific issue of terrorism, China acknowledged Pakistan's challenges and resolved jointly to fight the three forces of terrorism, separatism and extremism. It is no secret that China is battling extremist elements in its own backyard with separatists fighting for autonomy in the province of Xinjiang where there is a sizeable Muslim population. China has fears that the rise of religious militancy in Pakistan could spill over to Xinjiang. It is a sign of the close ties between these two countries that China did not press Pakistan on the issue of rising militancy and terrorism, and instead expressed its support and understanding for Pakistan's actions on fighting terrorism.

Conclusion

In so far as India's and Pakistan's strategic considerations are intermeshed with China, these visits suggest that Pakistan has more to smile about. While significant gains were made on the economic side for both India and Pakistan, on core security issues including the dispute over Kashmir and the Mumbai terrorist attacks, China's statements tended to favour Pakistan's position. This is not surprising as China and Pakistan clearly have greater strategic congruence; indeed India is a common factor in both countries' strategic considerations. It is apparent that the key driver in India-China relations is economics (these two economic giants have no choice but to deal with each other) whereas the strong friendship between China and Pakistan is based on a mutual need for – and trust in – the other.

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⁵ 'China PM vows to boost ties with Pakistan', *The Dawn* (19 December 2010), www.dawn.com/2010/12/19/terrorism-should-not-be-linked-to-any-nation-chinese-pm.html. Accessed on 21 December 2010.

⁶ 'All Weather Friendship', *China Daily* (19 December 2010), www.chinadaily.com.cn/opinion/2010-12/18/content_11721611.htm. Accessed on 20 December 2010.

⁷ Ministry of Foreign Affairs, Pakistan, *Joint Statement between the People's Republic of China and the Islamic Republic of Pakistan* (19 December 2010), www.mofa.gov.pk/Press_Releases/2010/Dec/PR_310.htm. Accessed 20 December 2010.

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AfPak: President Obama's Two Wars

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Abstract

The nature of the American effort in the region it once called AfPak has gone full circle. The administration headed by President Barack Obama started with the notion that it was fighting one war being waged in the areas on either side of the Afghanistan-Pakistan border. Inhabited mostly by the Pushtuns, Washington called it the AfPak region and appointed one person, the late Richard Holbrooke, to handle the framing and execution of the American policy.

The term AfPak fell into disuse once it was recognised that these were in fact two wars, one against the Taliban group that wanted to defeat the Americans in Afghanistan and several other groups of Taliban operating in Pakistan. The Pakistani Taliban had a number of different objectives. These included not only assisting the Taliban fighting the Americans in Afghanistan, but also bringing Pakistan under the influence of Islam. Now the Americans have concluded that they should be engaged in just one war – that in Afghanistan with very limited objectives to be achieved within a period of three years, 2011-14.

When, on 1 December 2009, President Barack Obama announced his intention to escalate the war in Afghanistan, it was also his intention to keep the country fully informed about the success or failure of the new approach. There were three significant parts of the new strategy. The first was the decision to increase the size of the American force operating in Afghanistan by adding another 30,000 soldiers, thus bringing the total to 100,000. The second was to shift the focus of America's involvement away from obtaining an outright victory over the Taliban

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but to create instead areas which would be virtually free of the presence of the enemy. This was more likely to be in the country's urban areas where the government, aided by the expanding Afghan military force, could establish its control. There was also the expectation that once these areas had been pacified, economic development would win the hearts and minds of the people.

The third element of the strategy was to induce Pakistan to play a more aggressive role in helping the Americans achieve their limited aims. In return for Islamabad's help, the Obama administration promised the country generous economic and military support valued at US\$9.5 billion of which US\$7.5 billion was for economic development and was to be disbursed over a period of five years. To convince Pakistan that this assistance would be available for a reasonably long time, the United States (US) Congress passed what came to be known as the Kerry-Lugar Bill. America, in other words, was preparing to fight two wars, one each in Afghanistan and Pakistan. The Americans also indicated that they will use unmanned aircrafts, the drones, to kill the leaders and commanders of the Taliban operating out of the tribal areas of Pakistan. This was to be done with the tacit approval of the Pakistani government. It was expected that Islamabad would continue to condemn the attacks while secretly providing the Americans intelligence about the targets to be attacked.

Following the announcement of the new policy, President Obama promised that a full review would be carried out and released for public view a year from the adoption of the new approach. That has happened; on 16 December 2010, the White House released its appraisal of the United States' effort in the region which the Obama administration had once called 'AfPak'. The *Overview of the Afghanistan and Pakistan Annual Review* begins with a quote from President Obama's address at the West Point military academy on 1 December 2009. 'Our overarching goal remains the same: to disrupt, dismantle, and defeat al Qa'ida in Afghanistan and Pakistan and to prevent its capacity to threaten America and its allies in the future.'² The December 2010 review presented a positive picture of the situation in both Afghanistan and Pakistan. 'Specific components of our strategy for Afghanistan and Pakistan are working well and there are notable operational gains. Most importantly, al-Qa'ida's senior leadership in Pakistan is weaker and under more sustained pressure than at any other point since it fled Afghanistan in 2001. In Pakistan, we are laying the foundation for a strategic partnership based on mutual respect and trust, through increased dialogue, improved cooperation and enhanced exchange and assistance programs and in Afghanistan, the momentum achieved by the Taliban in recent years has been arrested and reversed in some key areas, although these gains remain fragile and reversible.'³

² The White House, 'Overview of the Afghanistan and Pakistan Annual Review', www.whitehouse.gov/the-press-office/2010/12/16/overview-afghanistan-and-pakistan-annual-review (16 December 2010). Accessed on 22 December 2010.

³ *Ibid.*

The review said that there was palpable progress in the United States' war that was aimed particularly in the country's south. There were many successes in and around the city of Kandahar, the area from where the Taliban had risen a decade and half earlier. However, in presenting his report to the public, President Obama said that gains made needed to be reinforced by progress in other areas – in the quality of governance available to the Afghan people and economic development they could expect from the combined efforts of the government and the community of donors. According to one assessment, 'the review coincides with the administration's bid to reverse what Robert Gates, defense secretary, acknowledged was public opposition to the war in both the US and its more than 40 partners'.⁴

Although the public policy community quickly reached the conclusion that there was nothing unexpected in the review, one part of the assessment stood out. President Obama, while signaling to Pakistan that much more was expected of it for America to succeed in Afghanistan, there was also growing recognition in Washington that Islamabad's options were limited. The American military leaders in the field were now of the view that their country's limited goal – creating an environment that would help the US to begin to pull out of Afghanistan by July 2011 – could be achieved even if Pakistan was unable – or unwilling – to close the sanctuaries in North Waziristan. In other words, America was concentrating on fighting one war not two, the other being waged with the help of the Pakistani army on the other side of the border. Success, the military strategists now believed, could be achieved without a thorough cleansing of the forces of resistance operating from the Pakistani side of the border.

Reducing the pressure on Pakistan to act was the result in part of the better appreciation of the difficulties Islamabad faced in removing the Taliban from all the areas in which they had established themselves since 2001. That Pakistan's all out support for the American effort across the border in Afghanistan could have grave consequences for the country was underscored by a suicide attack by two bombers in the tribal agency of Mohmand. The army has been fighting in Mohmand for nearly two years, but so far has had little success in clearing the area of militants. The attack was carried on 6 December 2010, ten days before the American review was made public. This was a part of the strategy the Taliban were carrying out, to signal their presence in a brutal way whenever a major event was scheduled in the war against them. The attack killed 40 people including two journalists from Pakistani television channels who were attending a 'peace jirga assembled to plan strategy to stand up to the Taliban...Such attacks have by now become familiar tactics. Insurgents have often

⁴ Daniel Dombey and Quentin Peel, 'US claims "fragile" progress in Afghanistan', *Financial Times* (17 December 2010), p.1.

struck with suicide bombers at meetings of government officials and tribal elders to prevent them from forming anti-Taliban militias'.⁵

There was also growing frustration in Europe about what was received as an unwinnable war. In fact on the day the US administration released its assessment, Germany, which has the second largest force in Afghanistan, announced that it will start withdrawing its contingent of 4,800 soldiers as early as next year and complete the pull back by 2014. This was also the date when the Americans were expecting to be out of the country, handing over the security of their country to a large – and it was hoped – a well trained and motivated Afghan force.

In designing its own strategy, Pakistan has to take note of a number of developments that include: increased American resolve to quit the Afghan scene starting in 2011 and completing the process by 2014; unwillingness on the part of America's NATO allies to stay engaged in the country; partial success by the US in bringing peace to some of the contested areas; and some doubt on the part of the American military commanders as to the sustainability of their success in the battlefield. The positive tone of the assessment notwithstanding, the fact remains that there are still many things that could go wrong in the battlefield and in the political and economic environment in Afghanistan and Pakistan.

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⁵ Ismail Khan and Salman Masood, 'Bombers in Pakistan strike anti-Taliban conference', *The New York Times* (7 December 2010), p.A8.

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World Powers Beeline to Delhi

S.D. Muni¹

Abstract

The world's five nuclear and United Nations Security Council (UNSC) veto wielding powers came calling on India in a short period of six months in the latter half of this year. They were essentially driven by their respective economic and strategic interests, but the message that these visits emit is loud and clear, namely that India has emerged as a major strategic player in the Asian and world affairs. One hopes that India will use its economic and strategic clout for not only augmenting its own status and capabilities, but also in contributing towards prosperity, stability and security in the region and the world.

It is unusual for a country to host four heads of state/government in a short span of six weeks. India has had this experience between the first week of November and the third week of December 2010 when the United States (US) President Barack H. Obama (6-8 November 2010), French President Nicolas Sarkozy (4-7 December 2010), the Chinese Premier Wen Jiabao (15-17 December 2010) and the Russian President Dmitry Medvedev (20-21 December 2010) visited. If the new British Prime Minister David Cameron's visit on 27 to 29 July 2010 is included in this list, it would be all the five nuclear and UNSC veto wielding powers (P-5) visiting India in less than six months. Each of these visits was significant in its own right, but India received President Obama with much gusto and enthusiasm. He was the only dignitary accorded the privilege of addressing a joint session of the Indian parliament. President Obama in turn boasted that his was the longest 'Presidential stay in India' from the US.

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What drove these visits? The competition among the leading powers for a share in India's burgeoning market and the growing strategic significance of India. The world leaders came with huge business delegations. They succeeded in concluding impressive trading and investment deals and identified prospective new business proposals. These deals were to create thousands of badly needed jobs back home in the declining economies of the US and Europe. To institutionalise and sustain the flow of business between India and the visiting countries, bilateral CEOs Forums were energised. Such forums were constituted where they did not exist, like with Britain and China.

India's market size has become especially lucrative for the American and European economies with the opening of its civil-nuclear and defence sectors. However, technical glitches persist in the proper harnessing of these sectors. India's nuclear liability bill, for instance, is not seen as being fully compatible with the interests of the major suppliers. As a result, expected deals could not be finally clinched with the US, Russia and France. It is hoped that India will address their concerns soon. However, during President Sarkozy's visit, agreements for collaboration in research and setting up of joint nuclear power projects between Indian and French companies/agencies were inked.² Prime Minister Cameron assured that traditional British condition of not supplying civil-nuclear technology to non-NPT (Nuclear Non-Proliferation Treaty) states will not be allowed to come in the way of India-United Kingdom (UK) cooperation in this field. India placed billions of dollars worth of orders for defence purchases with the Russian, US, UK and French companies during these visits. The issues of conditionality, transfer of technologies, prices and dependability of supplies continue to weigh on India, hindering further cooperation between India and these countries in defence purchases. Russia, which continues to be the major defence supplier to India, is also not free from these issues.

It is however interesting to note that China, even without having a cooperative engagement with India either in the field of civil nuclear energy or defence, emerges as its strongest bilateral trading partner among all visitors. A new target of doubling the India-China trade to US\$100 billion by 2015 was set during Premier Wen's visit. China has promised India to address India's concern regarding the growing negative trade balance which presently stands at nearly US\$20 billion. It was India's reservations on China's unfair trading practices like dumping and the links of some of the major Chinese companies with its defence establishment that has withheld India from accepting the proposal of Free Trade Agreement with China.

India has become acutely aware of its market potential for the world's major economies. Big Indian entrepreneurs like the Tata group, Mittals, Ambanis are becoming important economic players, providing thousands of jobs and creating valuable assets in the US, UK, and France. Indian investments are also increasing in Russia and China. During these high profile visits,

² Ministry of External Affairs, India, Press Release, 'India-France: Partnership For the Future' (6 December 2010).

India seemed willing and well prepared to deploy this newfound economic clout for extracting long-term economic and strategic gains. Economically, India sought access to high-technology and energy sources, as well as mobilising investments for its infrastructure projects, which in the coming decade may need US\$750 billion of expenditure. Strategically, India sought endorsement of its aspirations for a permanent seat in the UNSC, which was explicitly and categorically accorded by all the visitors with the exception of Chinese Premier. Premier Wen stuck to the usual Chinese formulation, 'China...understands and supports India's aspiration to play a greater role in the United Nations, including in the Security Council'.³ The US has so far been wavering on this issue, but in order to make his visit a landmark event like that of his predecessor George W. Bush, President Obama enthusiastically committed his country to supporting the process of reforms in the UNSC and India's seat in it as a permanent member.

India also secured firm commitment from its hosts in fighting terrorism and cooperating in all aspects of counter-terrorism. With the exception of China, all the visitors, addressing Pakistan, asked for bringing the perpetrators of the Mumbai terrorist attack (26 November 2008) to the book. The British Prime Minister rather bluntly asked Pakistan to stop 'exporting terrorism to India', which was obviously resented strongly in Islamabad.⁴ The Chinese Premier refused either to mention the Mumbai terror attacks or Pakistan's role in it. He was lucky for not being exposed to the media or public questioning on this issue unlike the US President who was equally resistant to blaming the Pakistani state for involvement in the Mumbai attacks. Both Obama and Wen had their own respective compulsions. President Obama needs Pakistan for his war on terror in Afghanistan and China is an all weather friend of Pakistan bordering its turbulent sensitive regions and serving its regional interests. It is to keep Pakistan in good humour that China shies away from accepting its border with Kashmir as a part of the Sino-Indian border.⁵

The western powers and Russia are not only massaging India's aspirations for a global power status, but acknowledge it as such particularly in the context of anxiety and instability stirred in Asia and the world by a rising and increasingly assertive China. President Obama's remarks that 'India has risen' and his proposal, endorsed by the French, Russian and British leaders, to support India's participation in the global strategic decision-making bodies, ranging from Nuclear Suppliers Group to Missile Technology Control Regime to G20, underline this acknowledgement. President Obama's prodding to India to play a greater role in East Asian and Pacific affairs and President Medvedev's support for India to become a full member of the Shanghai Cooperation Organisation (SCO) are surely China specific indications. It remains to be seen how India would use its economic clout and strategic

³ Paragraph 17, India-China Joint Communiqué (16 December 2010), Ministry of External Affairs, India.

⁴ *The Guardian* (28 July 2010). He said this while addressing Indian business leaders in Bangalore. He prefaced his remarks by saying that he had discussed Pakistan with the US President before coming to India.

⁵ 'Chinese media has different border claim', *The Hindustan Times*, New Delhi (20 December 2010).

significance, highlighted during these visits, in promoting security and stability in Asia and the world.

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