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Preface

This volume brings together a collection of short papers written by the scholars from the Institute of South Asian Studies (ISAS) on the various themes that will be discussed at the 3rd South Asian Diaspora Convention (SADC). The papers range from reflections on the South Asian diaspora; the region's international relations, foreign policy and aspects of the socio-economic situation. They also discuss the potential of South Asia in the areas of industrial and infrastructure development and education and entrepreneurship. A couple of papers are more specific and focus on trade policy of Sri Lanka and the state of Andhra Pradesh in India. The papers intend to provide scholarly inputs for facilitating enriching discussions at the Convention. Speakers and participants at the SADC are encouraged to engage with the authors for greater deliberations on their topics of interest.

The views expressed in the papers are entirely those of the authors and do not reflect those of ISAS.

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Infrastructure Investments in India

S. Narayan

According to the Economic Survey of India (2005), the infrastructure sector covers transportation, telecommunications, electricity, water supply, sanitation and urban waste management. The World Bank started taking interest in India's infrastructure after the initial period of policy reforms that began in 1991. In a report in 1994, infrastructure was defined as covering "power, roads and bridges, ports, airports, railways, water supply, and sanitation, solid waste management and urban transport". The Income Tax Act attempts to make a distinction between three types of infrastructure. First are investments which by nature have little financial returns, or returns that accrue only over a very long period. These include investments in public goods like courts and jails, schools, irrigation projects, social sector projects as well as waste disposal and sewage projects. Second are investments which fall into categories where financial returns are possible in the medium term, primarily water supply, hospitals and health care, ports and airports and so on. Third are those which reap returns even in the short term, like road projects, power plants, renewable energy projects and the like. These classifications were later used for granting tax incentives and concessional financing eligibility to individual sectors. For example, a defined mega power project is entitled to tax-free imports of capital equipment, remission of excise duties on local procurement, as well as concessional finance and a high leverage ratio.

Prior to the reforms of 1991, infrastructure investment was largely considered a public good. Such investments were reliant on government funds and were executed by the government and government-owned companies. In that era, power plants were set up by the National Thermal Power Corporation and other sector-specific government organisations. The International Monetary Fund conditions which accompanied the 1991 policy changes resulted in a squeeze in public expenditure, especially in irrigation, schools and health. The World Bank at this time also advocated opening up the power sector for private investments. This extended to ports, and later to roads and airports in the 1990s period, and there was significant interest among private players after year 2000 to invest in these sectors. This was an era of tax breaks for infrastructure, public-private partnership modes and concession agreements. It was also a period of high levels of debt financing by Indian banks, both public and private.

The initiatives ran out of steam after 2010 for several reasons. The financial crisis of 2007-8 stressed several assets, made access to local and global equity difficult and constrained access to debt instruments. There were delays due to government clearances, land acquisition and environmental approvals. Project costs soared. Scams in the allocation of coal resulted in uncertainties in supplies for thermal power plants. Road traffic estimates were found to be exaggerated, resulting in revenues being much less than anticipated. An adverse combination of factors resulted in the stalling of over 50000 megawatts (MW) of new generating capacity, over 4000 kilometres of road projects and several port and rail projects. As a result, banks were left with a very large overhang of unserviced debt, which estimated to be close to a trillion dollars.

The government that came into power in 2014 inherited this scenario. Several changes have occurred. First, courts cancelled opaque allocations of coal blocks and ordered a transparent auction-based process, which has now been completed. Easing of environmental approvals has enabled many projects in the road, rail and power sectors to restart. In the last two years, close to 30000MW of projects that were held up are on stream. Road construction has picked up with new investments coming in. The Reserve Bank of India has instituted an asset quality analysis, which would force repayments of non-performing loan portfolios. At the same time, concessions have been extended to finance projects that are close to completion to ensure that assets become productive. The focus has shifted away from thermal power projects to renewable energy programmes which include solar power and wind energy.

There is a new focus on social infrastructure. The new focus includes waste management, "Swachh Bharat" (Clean India Mission), inland waterways and cleaning up of rivers, and a focus on social sector programmes. Infrastructure initiatives include roads and market improvements, and access to power supplies and digital infrastructure to enhance village-level connectivity. Devolution of substantial funds to the state (regional) governments ensures that regional priorities are met.

At the same time, public investment in irrigation and water supply is lagging. There is inadequate attention to qualitative as well as quantitative investments in education and health. Programmes in the railways are still moving slowly. The stresses are not due to financial constraints alone, but issues in planning and execution. For example, urban waste management programmes suffer from a lack of planning and execution abilities as well as deducing specific city base solutions. Institutions meant to spearhead new programmes like the National Mission for Clean Ganga are still in the nascent stage. The Swachh Bharat mission has experienced a mixed success- toilets are being built, however, without the necessary infrastructure and maintenance investments. This raises several questions for discussion to suggest the way ahead.

Infrastructure Investments in India

First, how should the priorities between programmes of physical infrastructure like roads, rail, and power supply be balanced with social infrastructure schemes like water and waste management? What should the role and incentives of the private sector be? Second, physical infrastructure requires working closely with state governments. There is variation between the implementation capabilities of state governments. What would be an appropriate approach to focus on regions that can implement better and faster, or to provide assistance for the weaker implementers to ensure balanced growth? Third, where should the technology for the schemes like waste management and water supply come from? Should there be standards of sewerage and waste treatment across the country, or should such standards be left to city governments? Fourth, there are issues of implementation which involve a selection of promoters, financiers and participation by the government which need to be spelled out for each sector. Is there an opportunity for collaborative decision making where all participants; including promoters, financiers and the government can cooperate for a workable concession agreement and arrive at time-bound project schedules that include all regulatory approvals?

Finally, is it possible to avoid a concentration of projects on physical infrastructure and prioritise areas like education and health? There is a need to ensure that the benefits of investments flow to all people- rural as well as urban, and guidelines are required to ensure this.

All the above does not address the large quantity of funds which are required to execute the programmes. The discussions can focus on alternate investment opportunities; which projects would suit a public-private partnership mode, and the need for off-shore financing through equity, debt or other types of instruments.

Sri Lanka and New Trade Agreements: Prospects and Challenges

Amitendu Palit

The emergence of the Colombo port as a major trans-shipment hub in the Indian Ocean has significantly influenced business prospects across the maritime geography of the Asian region. These prospects offer excellent opportunities to Sri Lankan industries for deeper integration into regional production networks and global value chains.

Colombo Port: Key to Bright Economic Prospects

Since the outbreak of the global financial crisis in 2008 and the contraction of demand, the global shipping industry has been overhauling operations to improve efficiency. One of the main efforts has been to employ containers of larger sizes that are capable of carrying more cargo over longer distances. These containers of more than 12,000 TEU (Twenty Foot Equivalent Unit– the measure used for marking capacities of commercial containers) are utilised most efficiently by shipping lines. On their journeys, they can berth in ports where they can offload cargo for re-loading onto other waiting ships, and also pick up new cargo.

Ports capable of accommodating mega-containers with quick turnaround time are noted as major trans-shipment hubs. Colombo has joined the league of these hubs in Asia that include Singapore, Hong Kong, Shanghai, Busan, Dubai and the Klang ports. The new international deep-water container terminal at Colombo is able to berth containers as large as 16,500 TEU and might be able to accommodate even larger ships in years to come.

With the Colombo port planted firmly on the global trans-shipment landscape, Sri Lanka can visualise bright economic prospects. These prospects arise from the country becoming a key variable in the regional and global value chain strategies of global corporations. Along with Singapore, Sri Lanka now figures as the most significant trans-shipment hub located on the East-West shipping route connecting the Far East to Europe across the maritime stretches of the Pacific Ocean, South China Sea, Bay of Bengal, Indian Ocean, Arabian Sea and the Mediterranean Sea. This busy traffic route has containers branching off on all directions. Cargo from other major South Asian countries such as India and Bangladesh, for example, are shipped to Colombo for travelling westward to Europe and Africa, and also further to South America and the east coast of the US through the Atlantic Ocean. The America-bound traffic will increase as the expanded Panama Canal, capable of accommodating larger containers commences operations soon. From a global business perspective, Colombo will become a major conduit for the movement of a variety of cargo from the East to the West as the port becomes a major hub for servicing India, China, Japan Australia, New Zealand, Indonesia and Malaysia. Indeed, industries that are part of the global value chains connecting these economies to the European, African and American markets will benefit by lower operational costs that arise from trans-shipment facilities at Colombo.

Sri Lanka's Strategic Eminence in the Indian Ocean

The positioning of Colombo and Sri Lanka on the global trans-shipment maritime map also increases the strategic significance of Sri Lanka from the perspective of major connectivity regional projects. The first of these is the Maritime Silk Road Initiative (MSRI) launched by China as part of its One-Belt-One-Road (OBOR) connectivity project for linking Asia and Europe. The second is "Project Mausam" proposed by India, which aims to revive India's maritime connectivity with countries in the Indian Ocean region. While greater proactivity by China and India might make the Indian Ocean a more strategically prominent region than in the past, Sri Lanka clearly stands to benefit from all potential maritime connectivity plans. Neither the MSRI, nor Project Mausam, can succeed in their economic objectives without weaving Sri Lanka and its port infrastructure facilities into their designs.

Sri Lanka's rising strategic prominence and the achievements of the Colombo port put it in the right position for following an aggressive outward-oriented external economic policy. As an island economy, Sri Lanka needs to rely on external markets for realising the benefits of scale and long-term growth. A key aspect of this strategy is to work on becoming members of upcoming Regional Trade Agreements (RTAs) and conceptualise new bilateral Free Trade Agreements (FTAs), while expanding the scope of existing agreements.

Sri Lanka, TPP and RCEP

Sri Lanka is a suitable candidate for seeking membership of two mega-RTAs coming up in the Asia-Pacific. These are the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP). The RCEP is being negotiated by sixteen countries– the ten-member group of the ASEAN, Australia, China, India, Japan, Korea and New

Sri Lanka and New Trade Agreements: Prospects and Challenges

Zealand. The TPP includes twelve economies from the Asia-Pacific: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam. The TPP has concluded negotiations and is awaiting ratification while the RCEP negotiations are at an advanced stage.

Sri Lanka's economic advantages make it an appealing prospect for existing members of both mega-RTAs. Sri Lanka should begin negotiations with key members of both groups with an eye on joining them. The TPP, for example, already has countries like Thailand, Columbia, Korea and Philippines, who are interested in joining. Sri Lanka could well be another aspirant. It is an equally potent candidate for the RCEP, which has China, India and Korea among its members. Sri Lanka is a part of the Asia-Pacific Trade Agreement (APTA) along with these three countries and Bangladesh and Lao People's Democratic Republic (PDR). It also has a FTA with India, which is expected to be upgraded to a more comprehensive economic partnership agreement, and has launched negotiations on a bilateral FTA with China.

Both China and India are keen on expanding their economic linkages with Sri Lanka and are already benefitting from the trans-shipment facilities of the Colombo port. Sri Lanka can discuss the possibility of its joining of the RCEP with both countries, as it can with Korea, Lao PDR, Thailand and Myanmar- the latter two are ASEAN members of the RCEP are also part of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) agreement along with Sri Lanka. These efforts to join the mega-RTAs can also be complemented by new bilateral FTAs that have strong possibilities of enhancing economic benefits, such as those with China and Singapore; and also finalising an upgraded FTA with India.

Domestic Policy Challenges

The challenge for Sri Lanka in "locking on" to new trade agreements is to align its domestic policies in a manner facilitating its integration with the new trade frameworks. The performance of the Colombo port reflects the improvement in domestic trade facilitation aspects. However, mega-RTAs like the TPP and RCEP, as well as new FTAs, would require significant progress in other domestic policies that impact international trade. Some of these policies are for foreign investment, movement of foreign professionals into the Sri Lankan economy, domestic product quality standards, intellectual property rights and government procurement rules. Reforming these policies with an eye on joining the upcoming trade blocs would help to convey positive signals about Sri Lanka's outward-orientation.

South Asia's Friends and Neighbours: Iran and Malaysia

Iftexhar Chowdhury

Iran, formerly Persia, sees itself somewhat like China, as something akin to the “Middle Kingdom” which can rule present day South Asia and the swathes of territories around it. The famous middle classical era Persian poet, Hafez Shirazi had penned his willingness to gift Samarkand, Bukhara, as well as the whole of Hindustan in return for his beloved's affection. Although the same might and wherewithal on Iran's part do not persist today, the economic and strategic interests in the region do. Contemporary Iran also has something of a “look east” policy that requires keeping a close watch on Afghanistan, Pakistan and India in the pursuit of its perceived national self-interest. The reverse is also true- Iran is seen as a critical actor by the region.

In recent times, the West was undoubtedly Iran's principal focus. The nuclear deal with the United States (US) and its European allies may have spiked apprehensions for some traditional rivals of Shi'a Iran such as the Wahabi Saudi Arabia and Jewish Israel, but for energy-hungry South Asia, the lifting of sanctions on Iran came as a great boon.

Iran hosts 2.3 million Afghan refugees and is keen on Afghanistan's stability, lest conflict spills into Iran's own territories. There is an existing water-allocation dispute concerning the Helmand river basin and the implementation of the 1973 water-treaty. Following the visit of the Afghan President Ashraf Ghani in April 2015 to Iran, serious efforts on resolution are under way. Two planned pipelines will benefit both sides. The first is the delayed “Peace Pipeline”, originating in South Pars gas field in Iran and extending its reach to the Pakistani cities of Gwadar and Nawabshah. The Second is the Turkmenistan–Afghanistan–Pakistan–India (TAPI) project with India. Given the turmoil in Balochistan in Pakistan, India has at times spoken of a “land-sea route” for it, involving Iran. Of course, this means that Iran will remain concerned about being used as a conduit for the Afghan narcotic trade.

The fact that Pakistan's national anthem is in Farsi (Persian), and that the “visionary” of Pakistan, Sir Mohammed Iqbal wrote his poetry mostly in that language, speak volumes for the cultural and emotional ties between Iran and Pakistan. In the halcyon days of the 1950s and 60s, both nations prioritized secularism over the sect of Islam they now champion and were military allies in the Central Treaty Organisation (CENTO). Times have changed. There has been a theocratic revolution in Iran and an upsurge of religiosity in Pakistan (albeit a different kind) but some interests have remained constant. What remains are largely mutual benefits that both countries accrue from cooperation. For instance, apart from the pipelines discussed earlier, the development of the Gwadar port as a part of the China-Pakistan Economic Corridor helps to stabilize the restive Balochi borders of Iran's Sistan province, which would benefit Iran. Another common interest is the need to combat the extremist Islamist ideology being propagated by Daesh and their ilk in the region, such as the Taliban.

Pakistan can also act as a link between Iran and China, as China might also use the Iranian connections to contain Islamist uprising in its western provinces. Pakistan has also reportedly offered to act as a go-between to improve Saudi-Iranian relations. Iran can also help Pakistan satisfy her thirst for energy. Should Pakistan-US relations deteriorate over Afghanistan or another issue, Iran could be a potential buttressing support, along with China. These elements are not unknown to the suave diplomats on both sides, who will no doubt try to tap on them for mutual advantage.

Delinking these developments from Iran's growing ties with India would of course prove challenging for Tehran. As with Pakistan, Iran also enjoys broad historical and cultural ties with India. A major manifestation of this is the Chabahar port on Iran's Gulf of Oman which is being built in cooperation with Afghanistan and Turkmenistan. India expects this facility to provide her with trade and transit corridors with Afghanistan as well as Central Asia through new rail networks linked to the port. India has expressed her wishes to extend lines of credit totalling over US\$550 million for small port upgrades and steel rails, as well as a willingness to invest up to US\$20 billion in the attached Special Economic Zones and in other parts of Iran. In addition to all this, Iran has been an important source of oil for India.

India had been somewhat wary of Iran's nuclear ambitions- another nuclear armed state in the region would be a hugely unpalatable prospect. It is clear that negotiations on this score with the West have been largely successful. India will nevertheless continue to keep a watchful eye on Iran's burgeoning relations with Pakistan and China, as well as Tehran's policies vis-a-vis Kabul.

The ties between the South Asian subcontinent and present day Malaysia also date back to antiquity. There are ethnic links between the region and Malaysia. A long serving Prime Minister of Malaysia, Mahathir Mohammad, was of Indian ancestry. There has always been a significant concentration of Indian immigrants in Malaysia, now including a large number of contractual labour-force from South Asia, such as the Bangladeshis. Attempts are always afoot, but not necessarily with overwhelming success to date, in translating the cultural and historic bonds to economic and political cooperation.

South Asia's Friends and Neighbours: Iran and Malaysia

To give bilateral relations a fillip, Prime Minister Narendra Modi of India visited Malaysia in November 2015. In the course of this, a number of key agreements were signed on cybersecurity, culture and public administration. A Memorandum on Defence Cooperation had already signed in 1993 and between 2008 and 2010, an Indian Air Force team was deployed in Malaysia to train local pilots on the Sukhoi-30 MKM aircraft. There are navy port calls on both sides, and India participates in the Cooperative Mechanism on the Straits of Malacca and Singapore (SOMS). Malaysia, according to some observers, has been a little cautious about India's role as a maritime sea provider in the Andaman Sea and its potential security implications on the Malacca Straits. During the Modi visit, however, it was decided that joint exercises would be upgraded and the Sukhoi Su-30 Forum will be set up.

Much enthusiasm was generated on the economic front. Modi sought support for his "Make in India" and "Smart Cities" schemes. In 2010, the two countries established the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) which covers trade in goods, services, investments and movements of natural persons (experts and specialists). Trade, though skewed in favour of Malaysia, is expected to rise to US\$25 billion by 2020. Investments are also expanding, mainly through third country routes, such as Maxis Communications in Aircel, Axiata in IDEA Cellular Ltd., Khazanah in IDFC, Apollo hospitals, Yes Bank and others. Construction companies are also active. With Malaysian Airports' partnership, GMR Group undertook major works on Hyderabad and Delhi airports.

With Pakistan, despite being co-religionists, bilateral relations went through some serious hiccups. Zulfikar Ali Bhutto of Pakistan, then Foreign Minister, broke off diplomatic relations with Malaysia on account of the latter's alleged support to India in the 1965 Indo-Pakistan war, which Prime Minister Tunku Abdul Rahman of Malaysia referred to as "peculiar behaviour". The then Prime Minister commented that Pakistan had retained ties with India, the country with whom Malaysia was at war with! A year later, diplomatic relations were restored through Iranian mediation, and the pendulum swung towards closeness, which led to Pakistan withholding relations with Singapore and Brunei till Malaysia had established them.

A Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA), signed in November 2007 came into force in January 2008. It liberalised trade in goods and services, and deals with investment, technical cooperation, capacity-building in sanitary and phyto-sanitary measures, intellectual property protection, construction, tourism, healthcare and telecommunications. There is a US\$1.9 billion trade deficit in favour of Malaysia, and efforts to narrow the gap have not succeeded.

Malaysia also enjoys close ties with Bangladesh, another major South Asian country, and a fellow Muslim-majority nation. Malaysia is a major investor in Bangladesh and was keen in 2012 on handling the Padma Bridge project. However, at present, the largest cooperation appears to be in the labour market with over 300 000 contractual workers from Bangladesh in Malaysia at any given time. Conversely, this issue also reached a sore point when Malaysia decided to import a very large number of workers and then reversed the decision.

Pakistan has shown keenness to study the interest-free Islamic banking system often practised in Malaysia (in consonance with Shari'a principles) with the objective of emulation. However, South Asian Muslim authorities are somewhat wary of the perceived religiosity in Malaysia, which could give rise to fundamentalist tendencies which they are anxious to avoid in their own countries. Malaysia has also a major trading and political relations with another South Asian country, Sri Lanka, which it also shares historical roots with. The alleged mistreatment of the Tamils in Malaysia has at times been an issue in India, as raised by the then Chief Minister M Karunanidhi of Tamil Nadu in 2007, but over time this has largely dissipated.

With the increase of globalisation and the "Look East" policies ("Act East" in India) of many South Asian countries, their cooperation with Malaysia is likely to increase. Malaysian universities are beginning to attract an increasingly larger number of South Asian students every year and Malaysian think tanks are focussed on widening and deepening knowledge about South Asia in Malaysia. Both sides using "soft power" to promote mutual understanding.

South Asia's Failure to Act as a Region

Shahid Javed Burki

South Asia is large. Its eight countries are spread over 5.2 million square kilometers. 1.7 billion people live in the region and their combined income is \$2.6 trillion dollars, which translates into \$1530 of income per head. Given its size, it could have- in fact, should have- played a more important role in the world than it does today and is likely to do in the future. The region's relative weakness is because of the inability of its citizens to overcome religious, ethnic, social and cultural differences and devise a political arrangement that could work for the entire region. That was not always the case. When most of what is South Asia today was managed by Britain as a colony, it functioned as one economy and one political system. The colonial administration used the resources available to it in one part of its vast empire to assist other areas that were resource-stressed. For instance, the extensive irrigation system in today's Pakistani province of Punjab was built to supply food grains to Bengal, Bihar and Orissa- areas that were often plagued by famines in the 19th century. Under Britain, the sub-continent worked as one economic unit.

However, when the British left in what the historian Stanley Wolpert has called "shameful flight", they sowed the seeds of disunity¹. The area in 1947 was divided into two parts, predominantly Hindu India and Muslim Pakistan. Then, in 1971 it was again divided- this time on the basis of ethnicity. The direction of trade is a good measurement for regional integration, and the region's poor faring in integration is shown by the fact that less than one-tenth of the total international trade is contributed by the South Asian countries.

In *Rising Powers and Global Governance*, a book to be published, I argue that the South Asian region has allowed nationalism to define its approach to the fast changing world.² I analyzed changes taking place in several countries and two world regions that have been or will become important actors on the world stage. Included in this work are some of the recent developments in the United States, China, India and Russia – four large countries that have already profoundly affected global politics and economics or are destined to do so in the near future. To these I have added two more – Afghanistan and Iran, not large countries but whose development, negative or positive, would influence the world. The Middle East and Europe are the two regions included in this work. Both at this time are in states of considerable turmoil. I have also discussed four issues of great significance that the world must collectively face. These include climate change, international trade, international migration, and the development of new technologies.

The United States and China are the world's two largest economies. By reckoning, China is now the largest. In October 2015, the International Monetary Fund, using its "purchasing power parity" methodology of estimating national incomes, observed that China would overtake the United States (US) in terms of the size of its national product. Even with a sharp drop in the rate of growth of its national income– China is expected to decline to about 6 percent annually from the 10 percent it has maintained for a quarter century– the Chinese economy will expand at a rate twice as much as the likely rate of growth of the US' Gross Domestic Product. In about three decades, China's economy is expected to be twice as large as the United States³.

India has also been growing rapidly since the early 1990s when it abandoned state controls over the economy in favor of greater openness and to provide a larger role for the private sector. For the last few years, the rate of growth of the Indian economy has surpassed China. This was largely because of the boost delivered by the sharp decline in the oil prices. In order to sustain this rate of economic growth, New Delhi will have to bring about structural changes which Prime Minister Modi is presently finding difficult to manage politically.

Russia is the fourth large country I have included in my list. Where India benefitted from the drop in oil prices, Russia has suffered from it. Russia is also slammed with sanctions imposed by the West to punish Russia for its involvement in Ukraine. With regards to the Iran and Afghanistan, in a paper published by the Institute of South Asian Studies (ISAS) in July last year, I suggested that Iran will become a major player in the Middle East after the lifting of sanctions.³ This ISAS contribution was written a few days after the lifting of sanctions. The Vienna accord will begin to reintroduce Iran into the global economy and we may well see a quadrupling of the size of the country's national income within a couple of decades. However, the pickup in the Taliban-led insurgency in Afghanistan could destabilize the region in which the country is located.

In addition to these country-specific changes, there are several potentially destabilizing developments in two regions that will have serious consequences for the world. The Middle East is torn apart by a number of overlapping conflicts. There is an ongoing war within Islam with a segment of the Muslim population using archaic and brutal force in an effort to dissuade followers from the attractions of modernity. The centuries-long conflict between the Sunnis and Shiites has been ignited by the intense rivalry between Saudi Arabia and Iran. The region's youth are unhappy with their current situation and future

¹Stanley Wolpert, *Shameful Flight: The Last Years of the British Empire in India*, London, Oxford University Press, 2006.

²Shahid Javed Burki, *Rising Nations and Global Governance*, New York, Macmillan-Palgrave, 2016.

³Shahid Javed Burki, *Rising Nations and Global Governance*, New York, Macmillan-Palgrave, 2016.

South Asia's Failure to Act as a Region

prospects. The success of the Arab Spring of 2011 proved to be short-lived. This multi-dimensional conflict has played out in several devastating ways in Syria, where a five year long civil war has already taken 400,000 lives and undoubtedly more before an end is in sight. That the world would be deeply affected by the turmoil in the Middle East came to be realized when more than a million refugees from Syria and Iraq– and also Afghanistan– found their way into Europe, adding to the issues faced by the European region.

For South Asian regional integration to work, it is worth spending sometime on the European experiment. For decades the European project of bringing together more than two dozen nations that had fought several wars into a primarily economic union was seen as an example of success of supra-nationalism over nationalism. But immigration from within and without the region strained relations among member nations. On June 23 2016, Britain held a referendum to decide whether to remain in the union or leave it. The Brexit group won.

The historian-turned newspaper columnist Simon Schama highlighted the reasons why Europe was under such stress in 2015-16. "There is no deep mystery why all this happening," he wrote in a long article for the Financial Times. Even as the world enjoys the benefits of globalization- the unprecedented free movement of goods, people and ideas, and the unbound cyberspace of the internet, it also recoils against those things on the realization that they don't guarantee prosperity or happiness. An immune reaction kicks in, in which psychological and physical defenses are mobilized against people stigmatized as alien, dangerous and cannot be assimilated. It is convenient to blame the thousands of ills on migrants than to see them as the result of changes in economy and society."⁴

Movements of large number of people is one of the several stresses the world faces at this time. The number of people looking for safer places to live may increase manifold as global warming continues to inflict damage on the environment. South Asia is one of the world's regions that will be affected the most; and Bangladesh may experience a mass movement of people as sea levels rise. Those rendered homeless will head towards higher land in the country and elsewhere.

There are both opportunities and challenges for South Asia in the changes described in my forthcoming book which has been briefly recounted here. The challenges would have been easier to accommodate had the international institutional not been weakened as world changed. The old system served the world well for half a century after the conclusion of the Second World War. The Bretton Woods institutions were established by the war's victors who met in small town of that name in the American state of New Hampshire. The United States was already the dominant global economic power, a position that was further strengthened when in 1991 when the Soviet Union collapsed.

However, the system proved unequal to the task of giving fair representation to rising economic powers, in particular, China and India. Frustrated, these two countries, together with Brazil, Russia and South Africa formed an association of their own called the BRICS. This name and the initiative were inspired by a Goldman Sachs study that concluded that the share in global income of these nations will increase at the expense of the United States, Europe and Japan. The BRICS also went on to establish their own development bank, the New Development Bank. Later on, China also led the way in the creation of the Asian Infrastructure Investment Bank, AIIB, which over time may challenge the dominance of the World Bank- a Bretton Woods institution and the Asian Development Bank, its regional sister organization.

The international trade system- which in 1995 took the form of the World Trade Organization was unable to accommodate the diverse interests of its entire membership, in particular the emerging nations. Led by the United States, a couple of regional trade associations are being formed. The aim of such associations is to spread the US' regulatory system worldwide while containing the growing influence of China.

In this highly charged global economic and political environment, what are the options available to South Asia? India, accounting for 76 percent of the region's population and 80 percent of the region's combined income will have to determine which direction the region should proceed. The region will follow the way India goes. But India has also adopted the American approach towards China, linking up with the other Asian giant in a series of efforts to contain China. I will use the different approaches in the region to illustrate how geopolitics is playing out to improve connectivity in the region.

Saying that "geography is not our destiny", Ashraf Ghani, the Afghan president, signed an agreement with India and Iran to invest \$500 million to develop Iran's Chabahar port on the Gulf of Oman. Narendra Modi, India's prime minister described the agreement as a milestone deal that would boost growth, spurt the unhindered flow of commerce in the region and give Afghanistan "as assured, effective and friendlier route to trade with the rest of the world." There was unmistakable criticism of Pakistan in this remark. Ayatollah Ali Khamenei, Iran's Supreme Leader, threw his weight behind Chabahar and described

South Asia's Failure to Act as a Region

India as “one of the emerging and progressive economies of the world”. Pakistan had been the main transit for land-locked trade between Afghanistan and the world. According to an analysis by Financial Times’ Victor Mallet, “most Afghan trade- principally imports funded by foreign aid and opium smuggling- passes through the port of Karachi...The idea of route from South Asia to Afghanistan bypassing Pakistan has long been a problem for Pakistan’s security planners who have become accustomed to using access to Karachi as a lever during more than 30 years of Afghan conflict.”⁵

This was seemingly India’s counter-move to the decision by China to invest as much as \$46 billion to develop the so-called China-Pakistan Economic Corridor (CPEC). The CPEC will connect the newly constructed port of Gwadar on Pakistan’s Balochistan coast with China’s western provinces which are relatively backward. Beijing was given the management of the port and it plans to convert the port into a major trading hub moving goods and commodities around Central Asia and the Middle East. The corridor is one part of Beijing’s ambitious “One-Belt, One Road” project that will develop land-based commerce to bring China’s western provinces out of isolation and economic backwardness. The CPEC will also act as the conduit for moving the enormous mineral wealth reportedly available in Afghanistan. Beijing has already made large investments in exploiting some of these rich deposits.

Since physical connectivity is an important component of integrated regional development, these large infrastructure projects should have been conceived by the South Asian nations cooperatively rather than each state pursuing their strictly national interests. The intense and enduring rivalry between India and Pakistan is the main reason why South Asia remains by far the least integrated region in the world. Unable to define the area’s economic interests collectively, it is likely to be sucked into the burgeoning rivalry between the United States and China. Under Prime Minister Narendra Modi, India has already signalled a strong desire to become a part of President Barack Obama’s “Asia Pivot” approach; which is a polite way of paraphrasing the “need to contain China”. There is increasing defense cooperation between the two countries which has not gone unnoticed by Beijing. Islamabad is already close to China and India’s positive response to overtures by the United States will pull Pakistan more firmly into the Chinese orbit. It appears that South Asia is allowing itself to become the stage where the new Cold War is likely to be played, but with the nations arrayed on the opposite side of the Beijing-Washington divide.

⁵Victor Mallet, “India to bypass Pakistan on trade route to central Asia,” Financial Times, May 25, 2016, p. 2.

Captains of Industry- Manufacturing Scenarios and Challenges in South Asia

Deeparghya Mukherjee

Industrial activity is a key component of the development trajectory in most economies across the globe. Most developed countries in the world today relied on the development of manufacturing industries in the past to increase prospects of production, employment and economic growth.

The South Asian countries of India, Pakistan, Sri Lanka, Bangladesh, Afghanistan, Nepal, Bhutan and Maldives have unique industrial advantages which domestic and foreign industrialists have exploited to earn profits as well as fuel economic growth. The region is diverse and rich in resources. Across primary, secondary and tertiary sectors, most of the countries are well endowed with land, minerals, agricultural productivity, labour and have manufacturing potential of various products and services. However, the region remains less vibrant in terms of industrial activity compared to other regions of the world like east and South-east Asia. While India accounts for 80% of the Gross Domestic Product (GDP) of the region, India's growth story has been mostly fuelled by the services sector over the last two decades.

As reflected in Table 1 below, the share of the manufacturing sector value added in GDP for most South Asian countries is between 15 to 20% of their GDPs with the exception of Bhutan, Maldives and Nepal- for which the shares of manufacturing are even lower.

Table 1: Share of Manufacturing Value added as a percentage of GDP

Region/Country	2011	2012	2013	2014
South Asia	17.4	17.2	16.7	16.7
Afghanistan	14.2	12.8	12.0	12.3
Bangladesh	16.9	16.8	17.3	17.4
Bhutan	8.7	9.4	8.8	8.6
India	17.9	17.7	17.1	17.1
Maldives	5.4	6.0	5.3	5.0
Nepal	6.5	6.6	6.6	6.5
Pakistan	14.3	14.5	14.1	13.9
Sri Lanka	20.0	20.9	19.3	18.8

Source: World Bank Databank

In the recent past, the growth rate of manufacturing value added in GDP has been most impressive for Bangladesh followed by India (Table 2). For the South Asian region, the growth rate of manufacturing value added in GDP has been around 6% in the last four years.

Table 2: Growth rate of Manufacturing Value added in GDP

Region /Country	2011	2012	2013	2014
South Asia	6.95	5.91	5.47	6.48
Afghanistan	3.06	7.32	1.07	-2.49
Bangladesh	10.01	9.96	10.31	8.68
Bhutan	7.30	6.79	-5.25	5.93
India	7.41	6.12	5.29	6.69
Maldives	2.78	2.87	-6.54	0.93
Nepal	4.05	3.63	3.72	1.86
Pakistan	2.50	2.08	4.62	4.46
Sri Lanka	3.47	3.16	2.26	2.89

Source: World Bank Databank

Captains of Industry- Manufacturing Scenarios and Challenges in South Asia

For each of the South Asian countries, specific sectors dominate the manufacturing sector and each of these sectors have specific industrial leaders or captains. Most notable entrepreneurs would include N.R. Narayana Murthy, Azim Premji, Ratan Tata and the late Dheerubhai Ambani. Other top industrial captains from the South Asian region include the late Samson H. Chowdhury of Bangladesh, Binod Chaudhury (the only billionaire of Nepal listed by Forbes) and Otara Gunewardene of Sri Lanka.

The captains of industry have established their business in the world stage. The industries which stand out as competent industries for each South Asian country are listed in Table 3 below.

Table 3: Major industries of South Asian Countries

Country	Major Industries
India	Software, petroleum products, chemicals, pharmaceuticals, agriculture, textiles, steel, transportation equipment, machinery, leather, cement, mining and construction
Bangladesh	Ready-made garments, textiles, food processing, light engineering, steel, plastic and jute
Sri Lanka	Rubber, tea, coconuts, tobacco, telecommunications, tourism
Pakistan	Cotton textile production, apparel manufacturing, agriculture
Nepal	Tourism, garment, food and beverages, metal manufactures, herbs
Bhutan	Wood products, tourism, processed fruits, alcoholic beverages, cement
Maldives	Tourism, fishing, shipping and boat-building
Afghanistan	Agriculture

Source: Collated by the author from various sources

South Asian entrepreneurs are faced with multiple challenges when growing their manufacturing base to reach out to world markets at a competitive level. Reaching out to world markets require production of quality goods at the least cost. Maintaining the competitive advantage would require identifying opportunities to improve production techniques and marketing innovative products to beat competition and reach prospective customers. Amongst other factors, three major attributes which make it difficult for South Asian entrepreneurs to grow and serve wider world markets may be: (1) adherence to standards to guarantee quality of products, (2) labour laws and administrative bottlenecks and (3) lack of innovation or research.

Markets across the world are becoming increasingly conscious about the quality certification of products. This requires standardisation of production processes and adhering to norms on production. Amendments to production processes or meeting specifications require sizable investments by the producers, thereby acting as a burden for many manufacturers across the world. For South Asian entrepreneurs who are looking to enter world markets, this factor acts as a bottleneck depending on the industry.

Labour laws in India have long been stringent, making it difficult for industries to thrive. Administrative bottlenecks such as receiving clearance for expanding or starting a business, in addition to corruption acts are disincentives to entrepreneurs. Such obstacles are also reflected by the poor ranks of South Asian countries in the World Bank's indicators on doing business with ease in a particular country. Most South Asian countries rank above 100 in the world in such indicators. In India, the present government's initiatives like "Startup India" and "Make in India" are aimed at improving prospects of entrepreneurs who wish to start or expand their business, paving the way for future captains of industry.

Finally, a culture of innovation needs to be built in South Asian manufacturing to sustain advantages and improve productivity. The advantages that South Asian economies possess in textiles, gems and jewellery, petroleum refining or pharmaceuticals can be sustained only through the design of better products through research.

South Asia as a region has tremendous opportunities for industrial activities and may serve as a manufacturing hub for the world. The captains of industries have established their countries in the world map for specific industries. However, there are problems which need to be addressed to improve South Asia's potential in the world market. Apart from improving labour laws and envisioning business scenarios in the respective countries, encouraging a culture of research and innovation and adhering to international quality standards are key to making South Asian industries act as means of sustainable economic growth and development in the longer term.

Geopolitics of South Asia

Sinderpal Singh

This paper will outline and examine three key issues pertinent to the contemporary geopolitics of South Asia. The first is the current nature of India-Pakistan relations. The second is the examination of recent developments within Afghanistan. Third is the changing bilateral relationship between India and Bangladesh.

India's bilateral relationship with Pakistan is, to a large extent, currently driven by the aftermath of the attacks on the Indian airbase at Pathankot. This attack follows from the earlier incident in July 2015 in Gurdaspur, in the Indian state of Punjab. In the case of Pathankot, after early reports indicating the attackers came from Pakistan were circulated, there was significant pressure on the present Indian government to appear to deal firmly with Pakistan. The first step of this firmness is displayed typically as the halting of any kind of talks with Pakistan. However, the Pakistani Prime Minister, Nawaz Sharif's prompt offer to commence an investigation in Pakistan in relation to the attacks afforded the Indian government some amount of political capital domestically. This allowed India to maintain a dialogue with Pakistan, albeit seemingly only on the issue of Pathankot and more broadly, on the issue of tackling terrorism.

The Pathankot incident and its aftermath provide two broader observations. Firstly, the Indian government believes that it requires a greater range of options in dealing with Pakistan in the event of another attack similar to Pathankot. The range of response will go beyond the conventional one of cutting off dialogue with Pakistan. More options will help to prevent the representation of India as the uncompromising party in relation to confidence-building between the two countries. More specifically, this strategy will help to fend off international pressure, mainly from the United States on India to play its part in reducing tensions with Pakistan. However, there is a limit in employing this strategy. The strategy of engaging Pakistan is highly dependent on the amount of political capital the Indian government is willing to expend vis-à-vis relations with Pakistan. There are various other domestic issues which may compete for political capital domestically and the government is acutely aware of the potential trade-offs.

The second observation relates to the nature of India's porous border with Pakistan. Traditionally, it was the Line of Control (LOC) in the Indian-controlled state of Jammu and Kashmir which was the site of border crossings for terrorists who had planned attacks on Indian soil. The incidents in Gurdaspur and Pathankot have demonstrated that terrorists have begun using pre-existing drug and human smuggling routes across the international border in Indian Punjab for their crossings. For India, policing such routes has become an urgent internal security issue as well as a significant variable in dealing with Pakistan and cross-border terrorism.

Afghanistan continues to experience horrific levels of civilian deaths by continued terrorist attacks. The National Unity Government of Afghanistan appears to lack the capacity and political will to provide the most basic form of governance to Afghans, much less to effectively deal with and defeat the Taliban. The prospects of peace talks led by the Quadrilateral Coordination Group of Afghanistan (QCF), including Afghanistan, the US, Pakistan and China have been dim, largely because of the Taliban's refusal to enter into any peace talks with the QCF. The killing of the Taliban leader, Mullah Mansour in May this year by US drones on Balochistan in Pakistan have made any prospects of a negotiated peace with the Taliban even more remote. In the meantime, tensions between the Afghan government and Pakistan have been rising in recent months, culminating in border clashes between both parties in June this year. The clash has left four soldiers dead but a negotiated resolution has yet to be reached between the two countries. Evidence for the dismal state of this bilateral relationship is apparent in Afghanistan's Permanent Representative to the United Nations statement in June this year. The representative accused Pakistan's state structure of facilitating terrorist groups in the region. In the midst of the deteriorating Afghan-Pakistani relations, India has emerged as the beneficiary. This has once again led to deepening trepidations in Pakistan regarding the perception of growing Indian influence in Afghanistan. The US has tried to temper this Pakistani perception by insisting that India plays an important but limited role in Afghanistan. However, it does not seem to have convinced Pakistan about Indian intentions in Afghanistan.

Relations between Bangladesh and India have been steadily improving. The two states have reached a milestone agreement to allow Indian goods to transit via Bangladesh from Kolkata to Tripura. This new transit agreement, signed during Prime Minister Modi's visit to Dhaka in June 2015 is a major breakthrough. The deal will cut the distance for goods to travel from Kolkata to Northeast India by approximately half as compared to the earlier route via the narrow Siliguri "chicken neck".

This landmark deal builds on other significant breakthroughs in the bilateral relationship. In July 2014, a United Nations arbitration panel ruled on a longstanding maritime dispute between the two countries. The panel ruled largely in Bangladesh's favour and this was cited by many, especially in India, as a model for states in the region to settle festering

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disputes over land and maritime borders. A year later, both countries managed to agree and implement the Land Boundary Agreement where they agreed to exchange enclaves- with each country assuming control of enclaves within its territory. This rationalisation of the border has allowed the two countries to cooperate more meaningfully on cross-border crime and militancy. Both sides have also agreed to cooperate on issues related to human and narcotics smuggling as well as the movement of fake currencies across the border. Specifically, both countries have also agreed to work more closely in joint-policing of militant movements on both sides of the border. This has been viewed as an important development in both countries.

However, despite this significant progress in bilateral relations within the last two years, the Teesta Water dispute still remains unresolved. It is clear that the agreement of West Bengal's Chief Minister, Mamata Banerjee, is essential in resolving this dispute. Bangladesh has publicly announced that Prime Minister Sheikh Hasina would likely meet with Mamata Banerjee as part of her visit to India later this year. One of the main agendas at this meeting is likely to be on the Teesta Water dispute. It is still too early to speculate if there has been any fundamental shift in Mamata Banerjee's opposition to the proposed deal as compared to her view on it in 2011, when she refused to endorse Prime Minister Manmohan Singh's attempt to seal the historic deal over Teesta. However, India's relations with Bangladesh seem to be strengthening significantly and could possibly serve as a model for the fractious geo-politics evident in the rest of South Asia.

Overall, the geo-politics of South Asia demonstrate certain patterns of continuity as well as change. The India-Pakistan relationship remains stuck in a pattern which alternates between dialogue and seeming bonhomie, followed by a violent attack within India which then leads to the cooling off of relations. However, the incumbent Indian government has attempted to employ a more nuanced approach towards Pakistan instead of adopting the typical response of cutting off talks with Pakistan.

Events in Afghanistan have regional and global implications and it is very difficult to have much optimism for developments within Afghanistan. Pakistan, however, has been losing strategic ground in Afghanistan, with relations between the two governments at a low ebb. On a more optimistic note, India-Bangladesh relations have provided a more positive outlook for South Asian analysts. This expanding relationship can potentially serve to demonstrate how land and maritime border disputes can be resolved, and how such conflict-resolution can deepen bilateral cooperation between South Asian states. India's relations with Sri Lanka also seem also to be on the upswing with the current Sri Lankan government signalling its desire to maintain cordial and economically profitable relationships with both India and China. India's relationship with Nepal, has however, suffered significantly as a result of Nepal's own difficulties in re-fashioning a democratic, federal polity after a long period of civil war and domestic strife. This deteriorating bilateral relationship has been accompanied by growing ties between China and Nepal, especially in the domain of economics and connectivity infrastructure.

A New Wave: China-Japan Competition in South Asia

P S Suryanarayana

China and Japan, not on the best of terms in mid-2016, are set to ride a new wave of competition in South Asia. For several decades now, post-imperial Japan is well-known for its Official Development Assistance (ODA) to India and other countries in South Asia. In more recent years, China has emerged as a premier geo-economic and geo-military player in South Asia, especially so since Xi Jinping's ascent to the helm in Beijing in 2013.

Geostrategic competition has economic and military dimensions. China continues to boost the military capabilities of Pakistan, which constantly seeks to challenge its neighbour, India. At the same time, and recognising the growing importance of India to a future global order, Beijing has also begun serious military-to-military dialogue and marginal cooperation with New Delhi. In this context, the United States, a durable global superpower as of now, is willing to help India become militarily more powerful. Japan, a long-time ally of the US, has also begun to look upon India as a rising power in military and economic terms. Sino-Japanese geo-economic competition is noticeable almost throughout South Asia.

First, as for geo-economics, a potential game-changer is China's successful launching of the Asian Infrastructure Investment Bank (AIIB) in 2015. India's contribution is next only to China's in the capital structure of this bank. Because of this, AIIB has had a good start as a genuine Asian entity. At the same time, Japan continues to be the prime mover in the long-established Asian Development Bank (ADB).

Competitively Japan has stayed out of AIIB, whereas China may continue to exercise considerable influence within ADB. Not long ago, the Chinese had indeed sought to scuttle New Delhi's bid to secure ADB funds for infrastructure projects in India's sub-national state of Arunachal Pradesh – a territory whose ownership China claims. In the future, an issue to watch out for is whether China will object to the funding by the new AIIB for projects in India's Arunachal Pradesh itself or in the Indian state of Jammu and Kashmir which Pakistan lays claim to.

China succeeded in attracting a number of industrialised Western countries, other than the US and Canada, as the founding-members of AIIB. This strengthens China's hands in its competition with Japan for the affections of South Asia, India included in some respects, in the geo-economic sphere. But Japan is in no mood to step aside.

Tokyo's ODA and Beyond

Looking beyond the dense data about Japan's multi-dimensional economic engagement, including ODA, with South Asia, it is clear that India has been Japan's preferred geo-economic destination for long. The reason: India is the biggest and most-vibrant economy and polity in South Asia. But Tokyo's trade and investment interests in Sri Lanka, and more recently in Afghanistan as well, are also common knowledge. Sri Lanka's geographical location along the busy sea lanes of international trade, including energy supplies, is an obvious attraction. Afghanistan, for its part, is virtually the fulcrum of a volatile arc of countries extending from Pakistan in South Asia and into West Asia (Middle East). Economic stabilisation of Afghanistan is an obvious attraction to ambitious external powers like Japan, not just China.

Post-imperial Japan, after stabilising itself and becoming an economic and technological superpower, began its quest for trade-and-investment links with South Asia, especially friendly India as an emergent independent country. Later, global geopolitics of the Cold War in the second half of the last century set the clock back. In the 21st Century, however, Tokyo has intensified its economic engagement with South Asia, especially India which is now seen as a rising power. So, despite China overtaking Japan in macroeconomic (not technological) terms in recent years, Tokyo has sustained its geo-economic interest in South Asia.

For Japan, unlike for China, South Asia is not a proximate neighbour. China, with its rising economic and military clout, has begun to harness this advantage. China, too, is increasingly becoming India-centric in geostrategic terms because of the ongoing Indian growth story. Surely, India is as yet nowhere near China in macroeconomic terms. But India's military-technological potential, especially as a US-friendly Swing-State in the overlapping Indo-Pacific and Asia-Pacific regions, is a factor that neither Beijing nor Tokyo ignores.

Beijing's Initiative and its Impact

Xi Jinping's ongoing "Belt and Road Initiative" (BAR) is a plan for Eurasian network of economic connectivity- and infrastructure- projects. BAR has been projected as a visionary initiative that could prove beneficial not only to China but also

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Pakistan, Sri Lanka, Bangladesh, and even India in South Asia. The South Asia-specific projects already conceived and/or piloted by Beijing are: (1) US\$ 46-billion China-Pakistan Economic Corridor (CPEC), (2) the development of Hambantota port and other projects in Sri Lanka at an unspecified cost, and (3) Bangladesh-China-India-Myanmar (BCIM) Corridor which is still very much on the drawing-board. India remains wary of China's geo-military ambitions in regard to BCIM, not just CPEC.

Now, Japan's most prominent connectivity project in South Asia is the Delhi-Mumbai Industrial Corridor (DMIC) in India. Interestingly, the mapped routes of CPEC and DMIC, respectively, lie on the Pakistani and Indian sides of their border. A matter of utmost strategic-military interest to India is that the northern segment of CPEC passes through the disputed Pakistan-Occupied Kashmir (POK, or Azad Jammu and Kashmir, AJK, in Pakistani parlance) and Pakistan-controlled Northern Areas. Both these territories belong to India under the Instrument of Accession signed by the ruler of the erstwhile princely State of Jammu and Kashmir in the 1940s. Pakistan, however, disputes this accession.

As I have argued in my book, *Smart Diplomacy: Exploring China-India Synergy* (World Century Publishing Corporation, Hackensack, NJ, USA: 28 April 2016), Xi Jinping did not choose an option that was open to him. Take a brief look at the logic of this option that Xi discarded. At the heart of the BCIM plan, there lies Beijing's intention of linking China to Bangladesh (and, therefore, the Bay of Bengal) through India, despite the Sino-Indian differences and disputes over a host of issues. Similarly, China could have, if only it wanted, conceived of linking China to Pakistan (and, therefore, the Arabian Sea) through India, by skirting altogether the disputed POK (AJK) and Northern Areas. This proposition is in tune with China's original position that the Sino-Pakistani border agreement of 1963 was only "temporary" in scope. China had also agreed to negate that agreement and, instead, negotiate a fresh accord with the real "owner" of Jammu and Kashmir as and when that issue were to be settled. Crystal clear was the implication that China would do so with India, if that be the case eventually. However, China has now begun to treat Pakistan as the permanent "real owner" of POK (AJK) and Northern Areas even in the absence of an Indo-Pakistani accord to this effect. Formidable, surely, are the technological hurdles of linking China to Pakistan through India – through, say, Sino-Indian joint projects along a treacherous terrain in dispute between New Delhi and Beijing. But these technological challenges will be just as formidable as those encountered in POK (AJK) and Northern Areas. So, the option that Xi discarded – without consulting India – is just as practicable as the CPEC initiative now being implemented.

In contrast to the controversy over China's CPEC route-map, the Japanese-aided DMIC does not traverse through any territory in dispute between India and China or between New Delhi and Islamabad. New Delhi has, therefore, become acutely aware of Beijing's perceived geostrategic "encirclement" of India through (1) the CPEC, (2) China's global-connectivity plans that partially encompass Sri Lankan ports and (3) the BCIM initiative (if only potentially).

To be fair to Xi Jinping, he may not have planned to try and "encircle" India in this manner while seeking to position China as the next global superpower. However, his master-plan has produced the effect of New Delhi sensing new geostrategic challenges. India's perceptions have been strengthened by its Prime Minister Narendra Modi's failure to convince Xi Jinping on 23 June 2016 that China should be accommodative of India's national interest of wanting to enter the Nuclear Suppliers Group (NSG). China, too, has begun to act on the basis that India could be a potential Swing-State. India is enhancing links with the US in the domains of high-tech military affairs, outer space, cyber security and civil-nuclear energy (the last three being frontier areas with civil-military potency). Having failed to enter the NSG on 24 June, India acceded to the Missile Technology Control Regime, where China is not a member, on 27 June 2016 – a matter of utmost strategic interest to both countries.

Nonetheless, Beijing had already begun to humour New Delhi through pledges of substantial investments in industrial parks and infrastructure projects in India – at least US\$ 20 billion as outright investment at the baseline and project exports of over US\$ 60 billion and so on. China has also tried its hand at soft power towards India. In 2014, Xi presented the "Five Principles of Peaceful Coexistence Friendship Award" to Manorama Kotnis, younger sister of the legendary China-friendly Dwarakanath Kotnis, and Mohan Reddy, Secretary General of the Telugu-speaking Andhra Pradesh Chapter of the India-China Friendship Association. Unimpressed, India is trying to avoid a potential China-spawned strategic trap, by reaching out to Iran, among other steps. Iran, now relieved that the international sanctions on it have been removed, may see a kindred soul in New Delhi. India is going to develop Chabahar port in Iran, not far from Pakistan's Gwadar port which is now under Chinese purview as part of the CPEC blueprint. However, it is only the naive who will see a Gwadar-Chabahar paradigm as a Sino-Indian Great Game right now. Iran, unlike Pakistan, has millennial expertise at statecraft including foreign policy.

Chabahar and Gwadar: Investing in Ports and Regional Stability

Jivanta Schottli

Two Ports, Two Projects

Chinese investments in Gwadar have been continuing since 2007 when the port was officially completed. However, the real boost came in April 2015 with the state visit of President Xi Jinping to Pakistan and the official unveiling of the China Pakistan Economic Corridor (CPEC) which he described as cementing the countries' shared interests and common destiny. CPEC is envisioned as a 3,000 kilometre network of roads, railways, pipelines from Gwadar Port to Kashgar city in China's Xinjiang Uyghur Autonomous Region. A US\$46 billion plan of Chinese investments and credit lines was announced with 51 agreements committing China and Pakistan to cooperate on a number of projects including power generation and transport infrastructure have been signed. Since then, CPEC has become a centrepiece in China's grand strategic vision titled, One Belt One Road. The further development of Gwadar's deep-sea port, along with related projects such as an international airport and liquefied natural gas (LNG) terminal has also accelerated markedly.

Just 70 kilometres away from Gwadar is Chabahar, Iran's only access point to the Indian Ocean, which has been grabbing the headlines. Work on the port was started by India in the 1990s but progress was stalled due to the United Nations' sanctions on Iran. On 22 April 2016, the Indian Prime Minister Narendra Modi visited Tehran, signing 12 agreements- of which 6 had implications for Chabahar and its related infrastructure. In a media statement, the Prime Minister committed US\$500 million from India and a joint Indian-Iranian statement was released. The statement described the deal as "historical", marking the end of Iran's international isolation. The visit was given additional significance thanks to the Chabahar Transport and Transit Corridor agreement signed between India, Iran and Afghanistan, which was breakthrough in cooperation between the three countries. This agreement needs to be seen as part of the International North-South Transport Corridor aimed at substantially reducing freight costs.

At the moment, Iran relies on Bandar Abbas in the narrow Strait of Hormuz for 85 per cent of its seaborne trade. In contrast, Chabahar is an ocean port with the capacity to manage much larger ships and cargo. Currently, it can handle about 2.5 million metric tons of cargo per year and Iranian officials hope to increase its capacity to 80 million tons per year. Unlike Iran, Pakistan already has two deep-water seaports, Karachi- which is responsible for 60 per cent of the nation's cargo and Port Qasim, which manages 35 per cent of national cargo. Gwadar, a naturally shaped peninsula, is ideally located vis-à-vis oil and gas resources and the Gulf countries.

The Gwadar and Chabahar projects highlight the importance of regional connectivity. Connectivity has facilitated a number of purposes such as the creation of manufacturing hubs and production sites, establishing and enhancing market access, developing routes and infrastructure to transport energy resources and valuable minerals and raising hopes for other developing economies. Certainly this planned architecture will also serve strategic ends, which include military presence and intelligence gathering. Both are therefore test cases and launch pads for ambitious Asian-led initiatives to connect Eurasia through the heartland of Central Asia, to the Indian Ocean.

Risks, Rewards, Rhetoric and Reality

Chabahar and Gwadar are currently feted projects but their success rests upon precarious grounds. In both cases, there was initial confusion as to who would be the operational partners in developing and running the port. According to their website, in May 2013, the state-run China Overseas Port Holding Company (COPHC) was given the contract for construction and operation of Gwadar port, including a 40-year lease to develop a free trade zone. Uncertainty and delays arose over the ability or willingness of Pakistan to make its original contribution of 15 per cent to gas infrastructure projects. Reports since then indicate that China has proposed to completely finance the LNG Gwadar terminal as well as the plan to lay a 700 kilometre Gwadar-Nawabshah (in Sindh Province) gas pipeline.

Negotiations between India and Iran were delayed over various details, including the issue of the local partner. Unlike Gwadar, the Chabahar port has been leased out on a long-term basis to an Iranian company and there is extensive scope for Iranian control within the project. For the bilateral contract on Chabahar Port for port development and operations, the company Arya Banader was the Iranian signatory along with Indian Ports Global Pvt Ltd (IPGPL)- a joint venture of Jawaharlal Nehru Port Trust and Kandla port, which was created in 2015. IPGPL is to develop two terminals, one for containers and the other for a multipurpose cargo facility plus five berths and these will be operated via a Special Purpose Vehicle with an Iranian partner. Furthermore, the Memorandum of Understanding states that after the ten-year lease, the Indian side will transfer ownership of the equipment provided through Indian investments to Iran's Port and Maritime Organisation at no additional cost.

Chabahar and Gwadar: Investing in Ports and Regional Stability

Aside from fixing contractual technicalities, both Pakistan and Iranian have to be able to provide security for workers and business. Gwadar and Chabahar are located in regions that are poor, under-developed, politically unstable and violent. At this point in time, there is political support for port-development from the respective governments' leadership as well as at the regional level. In Pakistan, the navy is boosting sea patrols in the harbour and ground forces have been recruited to provide security for workers and investors. A recent plan was released, titled "Gwadar Safe City". The plan involves Islamabad's commitment to fund and install security cameras and communication networks. Balochistan's provincial administration is backing the federal government's efforts but has to be careful to listen to the local population who have traditionally been resentful and suspicious about the extraction of valuable resources, exploitation by outsiders and the role of the Pakistan army.

The security situation in Iran's Sistan-Balochistan province which borders Pakistan and Afghanistan is equally challenging. Endemic poverty is a serious issue and unemployment rates have been reported to be at 50 per cent. Rampant cross-border smuggling and drug-related activities which are difficult to control are rife, as with the threat of Sunni-separatist groups operating within and across the border areas in the Sunni-dominated region in a Shia-majority country. Iran's security forces maintain a strong presence, and there have been accusations by Pakistan and Iran of border incursions, leading to recurring episodes of tension between the neighbours.

Nonetheless, expectations for the ports and associated projects are high and optimistic. The port in Gwadar is already operational with shipments of Chinese equipment arriving. The Indian minister of road transport, highways and shipping recently stated that, "work has already begun on the Chabahar port" with actual port activities set to begin in December 2017. In both cases, adjoining free trade zones are in place, with commitments to eliminate trade barriers and minimise bureaucratic regulations. Land has been leased to COPHC for the Gwadar free trade zone, with an extensive tax-exemption plan for COPHC, its subsidiaries and contractors. The Chabahar free trade industrial zone dates back to 1992 and therefore has a longer, though frequently interrupted history of business operations.

Conclusion

Both ports have the potential to substantially cut transportation costs be it for the Middle East, Africa and China route through Gwadar, or between Europe, Russia, Iran and India via Chabahar. In fact, the two projects can be complementary and contribute generally to global trade and transport networks. For China, there is the additional strategic aim to reduce its dependence on the Strait of Malacca while for India the strategic goal is to reach landlocked Afghanistan via Iran and thereby circumventing Pakistan. The stakes are high for all parties involved, in terms of financial and reputational investments that have been committed. Both Pakistan and Iran are valuable and strategically important partners for China and India respectively. However, Iranian and Pakistan's internal politics involve a delicate balancing act between powerful groups, where abrupt changes in regime orientation and policy directions are highly possible. Economic investment at this moment in time is crucial and can produce positive spill-over effects for regional prosperity and security, making the roles of China and India in this region more significant and important than ever before.

Citizenship and the South Asian Diaspora in the Age of Globalisation

Subrata Mitra

Concepts pick up new meanings and shed old connotations when they travel through time and space. In the process, notions which appear concrete and cohesive from far become nebulous as one approaches them. Such is the case of “citizenship” and “diaspora”. The former, from its origin in Greek antiquity, has acquired a global reach, acquiring local colour in the course of its journey (Table 1). Diaspora, from its early Jewish origins, has now reached the four corners of the global world.⁶ However, its popular usage has come with a necessary loss of precision; fatal to students of institutional and policy analysis. This exploratory essay sets up the parameters for detailed investigation in the context of the panel on “Citizenship and South Asian Diaspora in the Age of Globalisation” which forms part of the South Asian Diaspora Convention 2016.

Table 1⁷

Thomas Maissen, Concepts of Citizenship in Europe

	Greek polis	Rome	Italian Medieval Cities	Northern Early Modern Cities	Early Modern States	Liberal State	Modern Democratic State
Name	Polites (astus)	Civis	Cittadino	Bürger, bourgeois, burgher	Sujet	Citoyen	Citizen
Precondition	Descent, autarchy, virtue	Descent, residence, emancipation (slave), treaty of alliance, virtue	Descent, virtue	Privilege, <i>coniuratio</i> (oath)	Residence	Property, commerce, adherence	Birth, descent
Status	Landowner, oikia (rule in the oikos)	Legal person within tribus	Member of the popolo	Craftsman in guild	Subject	Sovereign member of the nation	Sovereign member of the nation
Residence	„suburban“	Cities (civitas)	Urban, villa in the countryside	Urban (within the walls)	Territory	Territory	Territory
Legal community	Polis and surrounding	Individual cities	City and contado	City	Territory	Territory	Territory
Quality	Participation (self-rule, offices, honour)	Soldier, participation, protection	Ruler, merchant	(Economically) privileged and free	Protected	Producer, equal in rights	Protected, equal in rights and participation, taxes, military service
Access to offices	Census, military service	Patrician status, <i>cursus honorum</i>	Patricians, wealth (or foreigner: <i>podestà</i>)	Distinct families (Regimentsfähigkeit)	Nobility, bourgeois specialists	Meritocratic	Functional elites, university graduates
Distinction/categories of non-citizens	vs. foreigners, <i>Metoikoi</i> , women, adults, slaves	liber vs. slaves (and plebs), Romanus vs. foreigners	vs. rural nobility, peasants, signoria	vs. rural nobility, peasants, princely rule	vs. foreign powers	non-productive and poor people (nobility, labourers)	vs. non-nationals (foreigners, immigrants)
Theory	Aristotle	Cicero	Machiavelli	(Calvin)	Hobbes	Sieyès	(Rousseau, Tocqueville)

Citizenship as we observe in Table 1 is based on conditions. These have varied in course of evolution from the Greek to the European and modern nation-state. The identification of certain rights and obligations and the need to defend those rights was closely tied to membership of the political community which inhabit a specific territory. This, however, has become more fluid because of the presence of vast populations which have acquired some right to stay, work, and build a new home for their own community despite being viewed as non-native by the original inhabitants. Unlike the current Iraqi or Syrian diaspora, the bulk of new arrivals from South Asia to North America, Europe, Australasia and Southeast Asia- broadly referred to as the South Asian diaspora- are not fleeing persecution at home, but are attracted by greater opportunities. They are often economically successful communities whose social and political integration, however, do not experience the same level of success.

The conceptual link between the original diaspora and the new diaspora remains tenuous. Like citizenship, the meaning of diaspora has also changed over time. The original meaning of the concept dates back to historical events such as the flight of Greeks after the fall of Constantinople, the expulsion of Jews from Judea, the forced departure of African slaves from their homelands to overseas markets, or the mass migration of large parts of the Irish population on the wake of the Irish famine. The forced nature of the exile and the longing for return to the homeland was the common thread in this phenomena. However, in the South Asian diaspora, one finds a sense of striking new roots, and in consequence, a notion of multiple

⁶See Kenny, Kevin, *Diaspora: A very Short Introduction* (New York: Oxford University Press; and Kantor, Mattis, *The Jewish Time Line Encyclopedia: a year-by-year history from Creation to the Present* (New Updated Edition) (Jason Aronson, Northvale NJ, 1992).

⁷See, table 4.1 in Subrata Mitra, “Turning Aliens into Citizens: A ‘Toolkit’ for a Trans-Disciplinary Policy Analysis,” in Subrata Mitra, ed., *Citizenship as Cultural Flow: Structure, Agency and Power*, (Heidelberg: Springer; 2013), p. 71

Citizenship and the South Asian Diaspora in the Age of Globalisation

homes and multiple identities. The sentiments of belonging within this diaspora is much more complex than the original diaspora. These feelings vary between a total denial of the foreign origin to total alienation from the host society, creating a breeding ground of disenchantment, retreat into religious extremism and alarming signs of linkage with global terror among some elements of the new generation.

The election of Mr Sadiq Khan as the Mayor of London illustrates the point above. The incident has caused much jubilation in South Asian circles. It has also raised complex questions of theory and public policy. What is the general significance of this extraordinary event for the nature of citizenship in the age of globalisation? Does an iconic electoral success signify the victory of inclusive British citizenship over the narrow definition of Englishness as the sole criterion of belonging? Is the election of the son of a Muslim bus driver of Pakistani origin to one of the most visible public offices in the United Kingdom (UK) signify a new form of citizenship which conflates global connectivity, territorial citizenship and local roots of an extra-territorial kind? Does this new concept permit British citizens of diasporic origin to aim for high office without having to either conceal, or to flaunt their ethnic identity? Finally, is *glocalisation*- the conflation of universalisation and particularisation- the best solution for the contradictory forces released by the process of globalisation?

A detailed discussion of these intricate issues is beyond the remit of this article.⁸ Instead, we focus here on concepts and policies that can pave the way for diasporic citizens towards a level playing field in their adopted country. Research on these issues demands that we move beyond the immediate challenge of everyday politics and engage ourselves in research on how the concept of citizenship travels between and within cultures, the hybridization of imported concepts of citizenship and its entanglement with indigenous notions of personhood and how to devise appropriate public policies to promote citizenship for ordinary men and women who feel excluded.

Citizenship in the age of the intrusive global media and social networks is no longer only a legal issue of rights and entitlements but also as a moral construction of identity and obligation. This deeper meaning is not captured in its frequent use in public documents and political discourse. In India, as in other arenas of fast changing political currents; attempts at giving a concrete meaning to citizenship have been divisive and entangled with larger and darker debates on identity, political, social and economic exclusion, collective memory and violent inter-community conflict. In the UK itself, thanks to its famously unwritten constitution, such issues are kept implicit, and generally left to tradition. But events like London's mayoral election forces the analyst to raise this question in categorical terms. In our global times, who is a citizen and what are his rights? Mr Khan has answered this question with delectable candour. When asked to define his identity, he replied: "I'm a Londoner, I'm a European, I'm British, I'm English, I'm of Islamic faith, of Asian origin, of Pakistani heritage, a dad, a husband."⁹

This strategic juxtaposition of identities, when feasible, offers the best chance for the sons of the soil and the immigrant to live in perfect mutual harmony. The challenge for the policy maker is to provide a level playing field in housing, education, recruitment and representation- which provides both sides their best possible chances. The denial might lead to resentment which finds its way to extremist ideologies among the alienated migrants and disempowered natives because racialist ideologies of the extreme right appear as an escape. How one balances the conflicting claims of the diverse stakeholders is a challenge as much for the policy makers as the political representatives. These solutions include institutional arrangements, shifting discourses, constitutional, political and economic reforms as well as architectural space, symbols and design to create inclusive public domains.

As a crucial interface between state and society, citizenship is the third space- where rights and entitlements germane to membership in a political community converge with a moral commitment to society as a whole. This moral commitment is based on a sense of identity, identification and obligation. Strategic reform, incorporation of core social values into constitutional norms underpinning the institutional arrangements of any state and firm, fair and transparent management of law and order all have deep implications for policies and their success in creating and political stability. Citizenship is the basic building block of political order.

The recent innovation of the Overseas Citizens of India which connects the Indian diaspora to Indian soil is an exemplar. The aim of the innovation is to reconcile the multiple needs of identity, belonging rights and obligations of people of Indian origin who are now citizens of foreign countries. India's relative success in moulding aliens and subjects into citizens is a function of political structure. The structure involves process and memory, woven together in an institutional arrangement which draws its inspiration both from the modern state and traditional society, federalism and consociationalism, individual rights and group rights in the Indian Constitution. It is also evident in government policies of subsidies for the Haj pilgrimage while balancing the profession and practice of secularism. In a comparative frame, one can argue that the absence of similar policies have led to the collapse of political order and the atrophy of modern political institutions in India's neighbourhood.

⁸I have discussed these theoretical implications in my book *Citizenship and the Flow of Ideas in the Era of Globalization: Structure, agency and Power*, (Delhi: Samskriti; 2012)

⁹"Sadiq Khan vs. Donald Trump", Opinion, in the Straits Times, Wednesday May 4, 2016, p. A25

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The Indian experiment provides important insights not only for other changing societies and multicultural nations but also for Western countries. Currently confronted with unprecedented waves of migration, slowing economic growth and a rise in populist political movements, European states are facing a renewed debate on the meaning and importance of the nation-state. Our research findings on hybrid citizenship leads us to strongly caution against the use of watertight categories and implicit dichotomies. We argue for a politics of citizenship that recognises myriad local and regional usages and practices and the enduring entanglement of political, historical and cultural processes.

The emergence of the “flexible citizen”¹⁰- a liminal category that joins the sons of the soil and the immigrants- holds the potential both to stretch the accommodating capacity of the political system and blunt the edges of anti-system behaviour. Such new notions of differentiated and multi-level citizenship can lead to new conceptual tools which are relevant for policy-making for old, established democracies cast in the Westphalian mould, as well as for transitional societies looking for their own model of democratic governance. That makes citizenship a significant area of research and policy analysis of conceptual flow where practices, notions, institutions of citizenship have been imported, emulated and adapted to successfully meet local needs and constraints.

Partnership in Education in India

Robin Jeffrey

Partnerships with India's government-controlled educational institutions have been difficult to achieve. Collaboration between private organizations has been somewhat easier, though not without problems. The chief interest in education in Australia, Canada, the United Kingdom and the United States in relation to India has been the recruitment of fee-paying Indian students for post-secondary institutions of varying quality. A recent recommendation of the National Institution for Transforming India (NITI) Aayog, the successor to the Planning Commission; advocates permitting foreign universities to set up campus in India. Such suggestions have been made in the past, but have never gone beyond the discussion stage.¹¹ Outstanding foreign universities have also sought ways to broaden their activities in India. The University of Chicago's Center in Delhi, established in 2014, is an example. However, its main role is to provide a meeting place for Indian scholars and those from the University of Chicago. It is not a teaching or qualification-granting entity.¹²

Foreign institutions have found it easier to work with private universities in India. Yale University and Ashoka University, for example, concluded an agreement this year for joint research, mutual exchanges and visits. There are numerous agreements of this kind between foreign universities and Indian institutions. Mountains of Memorandums of Understanding (MOUs) have, however, failed to produce concrete results. The inflexibility of the government-controlled university system has made meaningful partnership difficult. Universities in India have not been allowed to recognize undergraduate study undertaken by their students during exchange programs at foreign universities. Indian universities, unlike Chinese, South Korean and Singaporean ones, are also not permitted to hire foreign staff.

Successful partnerships at the highest levels exist, but they take years to come into fruition and their results are specialized. Such programs build up an institution's reputation and promise long-term benefits, but they do not make money. An example of such a partnership is the Indian Institute of Technology Bombay (IITB)-Monash Research Academy, established between IITB and Monash University in Melbourne, Australia. The Research Academy is the result of more than ten years' work which involved researchers with strong ties in both Melbourne and Mumbai. In the long-term, it promises to have a major impact with an ultimate target of 300 engineering doctorate candidates working back and forth between the two institutions at any one time.¹³

A British report last year on Trans-National Education programs (TNE) outlined how a few of the less-famous British universities partnered with Indian private institutions to enable students to obtain a British-branded degree combined with a period of study in the United Kingdom (UK).¹⁴ About 13,000 Indian students were in the UK in such "articulated" programs in 2015. The UK institutions found the market subject to "price-sensitivity." The level of fees that Indian students were prepared to pay was low, and it was difficult to earn enough money to cover costs. They relied on "strong staff relationships" – informed and energetic scholars and administrators in the UK and India in cases of partnership success.

Technical and vocational education in India is also an immense need. The country is urbanizing rapidly and the desire for housing and infrastructure is expanding. A building boom is creating a market for people skilled in modern construction. Technical education is overseen by the All India Council for Technical Education (AICTE), which manages oversight of institutions and programmes in "Engineering, Technology, Architecture, Town Planning, Management, Pharmacy, Applied Arts and Crafts, Hotel Management and Catering Technology etc. at different levels." AICTE's position on foreign partnerships has been very cautious. According to its latest annual report on the Internet (2011-12), the Council did not endorse suggestions that foreign institutions be permitted to establish operations in India, though the Council did favour partnerships and collaborations.¹⁵ For 2016-17, AICTE listed ten foreign institutions with twinning programs with Indian partners, six in engineering and technology, three in management and one in hotel management and catering. These involved five UK universities, four American and one Canadian.¹⁶

There has been a huge growth in private institutes providing training in fields that appear to offer a fair chance of employment. A Google inquiry for "computer training Uttar Pradesh" produces 276,000 hits. The quality of such programs varies immensely, and there appears to be little regulation, except for the reputation that an institute gains in its locality. Non-Resident Indians and People of Indian Origin (NRIs and PIOs) enjoy advantages in negotiating the educational terrain. The international GEMS network of Dubai-based Sonny Varkey has 18 schools in India from Batala to Kochi. GEMS operates in 13 countries.¹⁷

India has 330,000 private schools, of which only about 5 per cent are elite, high-fee paying institutions. The median fee for unaided private schools in rural India in was Rs 300 a month and as low Rs 117 monthly in Uttar Pradesh in 214. At the

¹¹Indian Express, 16 April 2016, <http://indianexpress.com/article/india/india-news-india/allow-foreign-university-campus-niti-aayog-2755773/>.

¹²<http://www.uchicago.in/>.

¹³<http://www.iitbmonash.org/about-us/>

¹⁴https://www.britishcouncil.org/sites/default/files/tne_report_for_web.pdf

¹⁵<http://www.aicte-india.org/aboutus.php>

¹⁶<http://www.aicte-india.org/dashboard/pages/tp.php>

¹⁷<http://www.gemseducation.com/>

Partnership in Education in India

other end of the scale, one of India's most prestigious private schools charges annual fees of more than one million rupees (USD \$15,000). "Primary schooling is traditionally the most cash-rich part of the education business," wrote Meeta Sengupta in a lucid overview of Indian education five years ago.¹⁸ Geeta Gandhi Kingdon, a professor of education at the University College London (UCL) argues that the Right to Education Act (RTE) of 2009 is leading to government-enforced closure of lower-end private schools because of their inability to comply with "the norms stipulated" in the act. However, Kingdon points out that many government schools do not meet the requirements of the act, and they are not required to comply. The RTE Act requires every private school to have a quarter of its enrolment composed of disadvantaged children whose fees are paid by the government. It also stipulates the minimum infrastructure that a private school must provide.¹⁹

Low-fee private schools are popular with aspiring parents, especially in rural areas. Research in Navsari district of Gujarat by Viresh Patel focused on a private high school. The private school is run by businessmen from Surat and it popular among all communities, including the Scheduled Tribes. In contrast, the local government school languished. Parents believed that teaching standards were better in the private school, and moreover, the monthly fees were low- only Rs 230 for an English-medium student in 11th standard.²⁰

The British report, *Transnational Education. A Guide for Creating Partnerships in India*, notes that though foreign participants in education face a "challenge" to meet their costs. "Economies of scale," the report says, are likely to be necessary.²¹

National regulations prohibit institutions of higher education to run for profit. Such institutions must be constituted as a trust and surpluses must be reinvested according to the goals of the trust. These rules, however, are routinely bypassed. A report of the National Institute of Public Finance and Policy found that the "education sector [was] number two in the list of black money generators."²² "Capitation fees" – an illegal admission fee paid to the school's owners- is a frequently used method of breaking the rules and enabling professional colleges to become profitable business. A rough estimate found that "half of a random sample of India's private medical colleges ... were backed by politicians or entrepreneurs."²³ India has about 400 medical colleges, with the capacity to take on about 50,000 new students each year. In 2014, about 800,000 students applied to medical colleges.

India urgently needs an expansion of higher-quality education at all levels, especially primary and vocational. Bureaucratic procedures often hinder private ventures, yet such procedures fail to ensure value-for-money education for students and the parents paying for their children. Well-resourced vocational and technical education exhibiting clear paths to jobs in expanding industries will find a very large numbers of fee-paying students. But to set up such institutes will require government willingness and outstanding partners who understand local conditions in order to succeed.

¹⁸Meeta Sengupta, "Education sector: policy design is key," CGOConnect, December 2011, p. 34, <http://www.cfo-connect.com/images/article/tt-education-sectordec2011.pdf>

¹⁹Geeta Gandhi Kingdon, "Schooling without learning," *The Hindu*, 8 February 2016, <http://www.thehindu.com/opinion/op-ed/schooling-without-learning/article8206302.ece>

²⁰Viresh Patel (Oxford), "College for the village kids: youth, gender and private secondary education in rural Gujarat," paper delivered at the Australia-India Institute, Melbourne, 10 June 2016.

²¹*Transnational Education. A Guide For Creating Partnerships In India*, British Council, December 2015, p. 5, https://www.britishcouncil.org/sites/default/files/tne_report_for_web.pdf

²²S. Vaidyasubramanian, "Administer triple test to eradicate capitation fee," *New Indian Express*, 30 August 2014, <http://www.newindianexpress.com/magazine/voices/Administer-Triple-Test-to-Eradicate-Capitation-Fee/2014/08/30/article2403004.ece>

²³Jeetha D'Silva, "India's private medical colleges and capitation fees," *British Medical Journal*, 21 January 2015.

Andhra Pradesh

Duvvuri Subbarao

The state of Andhra Pradesh (AP) in south-eastern India was bifurcated into two in June 2014, carving out a separate state of Telangana, comprising 10 districts, with the rump state of Andhra Pradesh retaining the remaining 13 districts.

Bifurcation of Andhra Pradesh

This division of a major state of India sharing a common language- Telugu- into two came as a consequence of a protracted, festering, often boisterous and occasionally violent agitation by the people of Telangana for an independent state on the ground that their region's development and welfare were being neglected. The agitation in the combined state stemmed from the sentiment that politics and economics were dominated by "Andhra" interests. Although empirical evidence for this contention was weak and questionable, the leadership in the previous United Progressive Alliance government in New Delhi gave in to the demand, ostensibly on political considerations. The people of the Andhra region were embittered by the division, in large part because it entailed the loss of the capital city of Hyderabad to Telangana, where Andhras had invested in business and industry for over two generations and had built up social, cultural and emotional links.

State Reorganization on Linguistic Basis

The reorganization of Indian states on a linguistic basis way back in 1956 was in fact motivated by an agitation in the erstwhile Andhra state that all Telugu speaking regions which, although being contiguous, were scattered across several states, should be brought together into a single state- Andhra Pradesh. It is ironic therefore that the logic of dividing states on the basis of language had begun to unravel in Andhra Pradesh- the state where it all began.

Impact of the Bifurcation on Andhra Pradesh

The bifurcation has dented the public finances and economic resilience of AP. By far the biggest hit has been the loss of Hyderabad, which has grown into a major economic hub in India with enormous tax and employment potential. Although AP has major towns like Vijayawada, Visakhapatnam, Guntur, Kurnool and Tirupathi, it will take several years for them to grow to rival Hyderabad.

Comparative Picture: Andhra Pradesh and Telangana

	Andhra Pradesh	Telangana
A. Macroeconomic		
Gross State Domestic Product (GSDP) [2015-16] (billion INR)	6,034	5,831
Per capita GSDP (INR)	122,141	165,658
State Per capita GSDP (Rank in the Country) [2013-14]*	15	11
Poverty Ratio (Percent)	9.2	8.8
B. Public Finance		
Own Revenue (billion INR) (excluding central transfers)	495	689
Per Capita Revenue (INR)	10,074	19,576
Expenditure (billion INR)	1,130	1,156
Per Capita Expenditure (INR)	22,884	32,866
State Tax-GSDP (Percent)	7.3	8.0
C. Socio Economic		
Literacy Rate (Percent)	67.4	66.5
HDI Rank	9	10
Population (million)	49.4	35.2
D. Economic data:		
Number of Special Economic Zones (SEZs)	36	67
Industry Friendly States Ranking	2	13

Sources: (i) State-wise Socio Economic releases for 2015-16; (ii) State-wise Budget-in-brief 2015-16; (iii) * calculated based on GSDP data from Ministry of Statics and Programme Implementation, Go

Andhra Pradesh

State Elections in 2014

In the election to the state assembly held in mid-June 2014, coinciding with the bifurcation of the state, the Telugu Desam Party (TDP) under the leadership of Chandrababu Naidu secured a comfortable majority and came into office for a five-year term. Mr. Naidu was earlier chief minister of the combined state for nearly ten years from 1994 to 2004 and had earned a formidable reputation for leadership acumen and administrative capability. It is believed that his electoral victory after the bifurcation in 2014 reflected people's confidence that he is the most capable person to rebuild the economy of the state.

Special Category Status

The Telugu Desam Party (TDP) fought the 2014 parliament and state assembly elections in coalition with the National Democratic Alliance (NDA) which won the national election. The TDP leadership hoped that they would be able to leverage on the alliance to make the NDA government at the centre accord it a "special category" status which will entitle it to larger financial support from the central government. The NDA government has not acceded to this request so far, leaving the TDP government in the state bitter and resentful.

Amaravati – the New Capital City

An immediate task for the new government is the building of a green-field capital city. Chief Minister Naidu moved quickly to get broad endorsement for locating the new capital- christened Amaravati- in a greenfield site on the banks of the Krishna river. This site is located in the agriculturally fertile and politically influential Krishna-Guntur belt. Drawing from the experience of other capital cities built earlier which became sterile urban sprawls, Amaravati is being conceived and planned as a "liveable and environmentally sustainable" agglomeration that will encompass nine thematic cities covering justice, sports, knowledge, electronics, media, tourism, education, government and finance. Given that land acquisition has lately become an increasingly sensitive and politically contentious issue across the country, Naidu had seen that acquisition invoking eminent domain could potentially derail the project even if it was legal. Instead, Naidu opted for an innovative land pooling formula- the largest such endeavour in the country- where farmers who gave up their land for the city would continue to share in the appreciation of the land. The infrastructure investment envisaged is INR 412 billion (US\$6.5 billion).

As per current plans, the capital city will spread over 217 square kilometres, have a population of 3.5 million and generate domestic product of INR 2.2 trillion (USD 30 billion). Amaravati is proposed to be linked to the Vizag-Chennai industrial corridor which is projected to be an economic growth engine.

The Government of Andhra Pradesh signed an MOU with the Government of Singapore to plan the development of the capital city as well as the capital region of Amaravati, reflecting the iconic status that Singapore enjoys as a model to be emulated for ambitious new cities. Mr Gopinath Pillai, Chairman of ISAS, has been appointed by the Government of Singapore as special ambassador to AP, reflecting the importance that Singapore attaches to this collaboration.

Development Strategy

According to the Vision document unveiled by the Andhra Pradesh government, the state aspires to become one of the top three states in India in terms of socio-economic development by 2022 and to achieve the status of a developed state in India by 2029. To realize this aspiration, AP has planned strategic interventions in the areas of agriculture, industry, infrastructure, urban development, knowledge and skill development, the services sector and social empowerment.

The state has identified ten focus areas for industrial growth- agro and food processing, life sciences, textile and apparel, electronics, aerospace & defence manufacturing, automobiles and auto components, petrochemicals, energy, mineral based industry and leather. These areas play to the several strengths of the state- enterprising people, a strong agricultural economy, the longest coastline in the country (974 km long), plentiful water resources, immense potential of oil and natural gas, well-established educational institutions, research facilities in life sciences and presence of SEZs, amongst others.

Taking advantage of the several major and minor ports along its long coastline, Andhra Pradesh aspires to emerge as a logistics hub for integrating India into global supply chains by leveraging on development of its ports, road and rail network, besides its locational advantage in the south Asian region. The long coastline also offers immense opportunities for the development of fisheries and allied marine industries.

Andhra Pradesh

Collaboration in Higher Education

In pursuit of its quest to be an education hub of global standing, the state is seeking to strengthen its 15 state universities, including three technical universities. AP aims to build partnerships with the private sector and invite investments in new universities under a recent landmark state legislation. As a part of this initiative, there are plans to build a collaboration between Andhra University, the oldest university in the state, and the internationally reputed National University of Singapore through academic and research partnerships. The partnership also involves the training of faculty, strengthening of key performance indicators and setting up a school of public policy.

Challenges on the Way Forward

Andhra Pradesh will face many challenges on the way forward to moving up the ranks to the top three by way of socio-economic development.

By far, the biggest challenge will be to attract investment in order to create jobs for the tens of millions of unemployed. There is intense competition among the states of India for both domestic and foreign economic initiatives. This is because chief ministers across the country now realize that this is the only way to create jobs and secure their political fortunes. Chief Minister Naidu, who built his reputation on putting Hyderabad on the global investment map in his earlier stint as the chief minister of the combined state, is better placed in this game relative to his peers. Even so, attracting investment into greenfield sites in AP today will turn out to be a much tougher challenge than was attracting investment into brownfield sites in Hyderabad. There is a risk of overpromising and under delivering which can irreparably dent investor sentiment. Naidu will have to ensure not only good policies but their efficient implementation so as to inspire credibility. Experience shows that what potential investors prize above all else is good governance. Naidu will have to keep that in mind.

Second, two other things that investors look for in addition to good governance is infrastructure and skills, both of which require not only finance but also innovative solutions, including building mutually beneficial partnerships with private parties.

The third big challenge for AP will be to repair its broken public finances. What the AP government claims has been the “unscientific bifurcation” of the state in June 2014 has led to a huge overhang of revenue and fiscal deficits for the new state that has left it struggling to find the required finances to build its greenfield capital. Infrastructure improvements is also necessary to make it a logistics hub of global repute and more spending on health and education to improve human development indicators is also required. The state will have to carefully prioritize expenditures and shun the temptation of populist schemes so as to restore its public finances to sound health.

Fourth, building the new capital city is going to be a daunting challenge. Notwithstanding all the granular planning, or indeed because of that- there is a risk of the project becoming hostage to a supply-led approach. Hence, even if the state is able to mobilize the finances required for this gigantic and ambitious project, the dynamics of establishing a well-integrated city supported by a vibrant local economy will demand flexible responses to evolving situations and intelligent improvisations along the way.

Finally, on the political front, Naidu, as the head of a regional party and with no leadership challenges from within, should put his advantages to good use. However, the many political challenges ahead, including resolving the outstanding river water sharing issues with Telangana, battling for the “special category state” status without burning political bridges and entering into partnerships with the private sector in a transparent and contestable manner are bound to test the political skills of even an astute politician like Naidu.

Encouraging Entrepreneurship and Start-ups

Vinod Rai

It has been established globally that Startups are driving the economic growth of nations, creating employment and fostering a culture of innovation. There is also consensus among stakeholders on the importance of encouraging startups across South Asia. Such ventures will not only provide avenues for channeling the region's creative entrepreneurial energy but also create new jobs and enhance incomes. It is therefore imperative that governments nurture emerging talent and entrepreneurship as part of the larger goal of nation building. In this short paper, we attempt to study the problem inhibiting entrepreneurship in India and the initiatives that the government has taken in the last few years. Some of these initiatives may serve as a guide for other states in the region.

The population in India, specifically those aged 15 to 24 has increased by 45 percent between 1990 and 2015, according to data from United Nations World Population Prospects. However, the rise in population from this age segment is not met with a corresponding increase in jobs. In the next few months, job placement firms expect the government's to renew its push on employment for manufacturing through its "Make in India" and "Startup India" initiatives. The government hopes to create 100 million new jobs by 2022. Also, it is estimated that 700,000 temporary jobs are likely to be created in the next one year. This rise would provide an additional 8 to 13 percent of jobs to the current pool because of an increase in investments for manufacturing, engineering and related sectors. The government is very conscious of the build-up and has initiated a multi-pronged strategy to ensure that talent and entrepreneurship are identified and nurtured to set up entities of their own. It will be worthwhile to study some of these initiatives as it will serve as a guide to other countries in the region who will soon; if not already, face a similar situation.

The government has announced the "Startup India" campaign which aims to promote bank financing for startup ventures to boost entrepreneurship and job creation. The initiative ensures that women and certain reserved categories of entrepreneurs have a fair chance of setting up their own businesses. The scheme facilitates loans from Rs 1 million to Rs 10 million for these sectors of the population. The scheme also helps entrepreneurs by facilitating loans for non-farm sector entrepreneurship. This is aimed at fostering entrepreneurship and promoting innovation by creating an ecosystem which is conducive to the growth of startups. These initiatives strive for providing a long due impetus to the entrepreneurial setup in the economic landscape of India.

Major impediments encountered by entrepreneurs include matters related to funding, regulatory regimes, mentorship and support infrastructure. While existing sources of funding are engaging constructively for growth, they are far from being adequate to keep pace with the exponential rate at which Startups are expected to grow in India. Furthermore, aspects relating to ease of doing business in India- spanning across entry, compliance and exit are rudimentary and require major overhaul to be lucrative enough to attract entrepreneurs. Additionally, incubation support in terms of mentorship and infrastructure require holistic revamp.

As a discourse to these challenges, the government of India is steering its efforts towards crafting an enabling environment for startups. Since the launch of the initiative in January 2016, a number of forward-looking strategic amendments to the existing policy ecology have been introduced. Recently, Startup India Portal and Mobile Application have been launched. These initiatives will provide on-the-go accessibility for startups to various services, information and networking opportunities with the stakeholders of the startup ecosystem. In addition, Startup India Hub has been operationalized; a move which is instrumental in helping to resolve queries from startups via email or a dedicated toll-free number.

With the launch of the scheme for facilitation of Startups Intellectual Property Protection, the government is working aggressively to promote innovative startups in the country. In addition, the Reserve Bank of India (RBI) has proposed regulatory relaxations. These relaxations include the permitting of foreign venture capital investors to invest in startups, allowing access to rupee denominated external commercial borrowing, issuance of convertible loans, issue of sweat equity to promoters and more. Further, the RBI has simplified processes on selecting foreign direct investment related filings (online facility) to make the functioning of startups easier.

Some of the noteworthy initiatives towards promotion of entrepreneurship in the country are:

- The "Stand up India Scheme" which was launched on April 5, 2016 to promote entrepreneurship among Scheduled Caste/Schedule Tribes and Women for loans in the range of Rs. 1 million to Rs. 10 million. The Scheme is expected to benefit a large number of such entrepreneurs because it is intended to facilitate at least two such projects per bank branch on an average; one for each category of entrepreneur.

Encouraging Entrepreneurship and Start-ups

- Inspired by the central government's initiative, several state governments have also taken steps towards the creation of a conducive ecosystem for the startups. One of the key initiatives by many state governments is the introduction of a formal Startup or entrepreneurship policy. States like Kerala, Andhra Pradesh, Karnataka and Rajasthan have been the frontrunners, with states like West Bengal, Uttar Pradesh, Jharkhand and Haryana following suit.
- *Self-Certification Compliance Regime*: The Ministry of Labour and Employment has issued guidelines to state governments on the adoption of self-certification across six labour laws. The Ministry of Environment, Forests and Climate Change has also published a list of white category industries that will self-certify compliance across three environment laws.
- *Startup India Hub*: A Startup India Hub has been set up to address queries of various Startups and assist them through their lifecycle. Additionally, a platform for interaction amongst entrepreneurs on Twitter, known as "Twitter Seva" has also been launched. Startups would be able to tweet any query or grievance and obtain timely resolutions to them.
- *Rolling-out of Mobile App and Portal*: The Startup India Portal and Mobile App has been made operational. The portal and app provide functionalities such as the creation of applications for obtaining real-time startup recognition, verification of recognition certificate, checking information availability such as the list of incubators. It also includes the Securities and Exchange Board of India's (SEBI) registered funds and notifications issued by various departments, etc.
- *Fast-tracking Patent Registration and Legal Support*: A scheme for Startups' Intellectual Property Rights- this scheme facilitates fast track filing of patents, trademarks and designs of startups. The scheme provides for expedited examination of patents filed by startups. This will reduce the time taken in getting patents. A panel of lawyers has been constituted to assist Startups to get patents filed, completely free. The fee for the filing of patents for Startups has also been reduced by 80%.
- *Relaxed Norms in Public Procurement for Startups*: Provisions have been introduced in the procurement policy to relax norms pertaining to prior experience or turnover for micro and small enterprises.
- *Faster Exit for Startups*: Failures are inevitable to build a large and successful business. Considering this, a special provision in the Insolvency and Bankruptcy Code (IBC) has been introduced to provide for expedient winding-up of Startups within 90 days.
- *Fund of Funds and Credit Guarantee Fund*: The Small Industries Development Bank of India (SIDBI), along with Department of Financial Services is in the process of finalizing guidelines for operationalization of a Fund Of Funds (FOF).
- *Tax Incentives*: Tax incentives for Startup companies for a period of three years have been introduced in the Finance Act 2016.
- *Organizing Fests for Startups*: Startup fests at national and international platforms will be organized to showcase innovation and provide a collaboration platform.
- *Launching Atal Innovation Mission, Setting up Nationwide Incubator Network and Incubator Grand Challenge*: Detailed scheme guidelines for Atal Innovation Mission (AIM), setting up nationwide incubator network and Incubator Grand Challenge have been formulated by the National Institution for Transforming India (NITI) Aayog in consultation with various stakeholders of the startup ecosystem.
- *Building Innovation Centres and Setting up of Seven Research Parks*: 2 research parks, 16 Technology Business Incubators (TBIs) and 10 Startup centres are to be made operational soon. 25 to 30 new innovation centres have been envisaged to be launched in the current financial year.
- *Promoting Startups in Biotechnology Sector*: Scheme guidelines have been drawn by the Department of Bio-Technology (DBT) to scale up existing 15 bio-incubators.
- *Launching of Innovation Focused Programs for Students*: Scheme guidelines for Innovation core, National Initiative for Developing and Harnessing Innovations (NIDHI) and Uchchatar Avishkar Yojana (UAY) have been finalized by Ministry of Human Resource Development.

With the above proposed measures, the government of India has set the tone for laying the foundation of a new chapter in India's economic growth. It is therefore vital for all stakeholders to come together as a community and place India at the peak of global entrepreneurial map.

Many private Indian startup-facilitating entities have been set up to equip entrepreneurs to establish well run, technically advanced and profitable companies. They network among Indians across the world to help venture new startups, nurture existing startups, encourage entrepreneurship, provide incubation facilities, co-working spaces, seed funding, crowdfunding, and foster investor connections between co-founders, mentors and advisers. They also provide, wherever possible, free website, legal, patent, accounting, marketing and other essential services needed for startups.

