

SOUTH ASIA

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South Asia and East Asia: Towards Closer Ties

In South Asia, the seven member countries met in Dhaka in November 2005 for the 13th South Asian Association for Regional Cooperation (SAARC) Summit. Three major agreements were signed during the summit. They were on double taxation avoidance, liberalisation of visa regimes for member countries and the creation of a SAARC Arbitration Council. Equally importantly, Afghanistan was recognised as a member of SAARC while Japan and China were given observer status. An assessment of the SAARC Summit is presented in this newsletter.

A month later, the inaugural East Asia Summit (EAS) was held in Kuala Lumpur and brought together members of the Association of South East Asian Nations (ASEAN), China, India, Japan, South Korea, Australia and New Zealand. The goal of the EAS is to create a powerful international forum with its own free trade agreement (FTA), which according to India's Prime Minister Dr Manmohan Singh, has the potential to rival the European Union. A FTA pact was signed between ASEAN and South Korea. ASEAN is also negotiating FTAs with Japan and India.

In the South Asian region, another significant event was the election of a new President in Sri Lanka. Mr Mahinda Rajapaksa became the island nation's 5th president in November 2005. An analysis of the Sri Lankan elections and its implications on the ethnic conflict is presented in this newsletter.

The Institute of South Asian Studies achieved a milestone in November 2005 when it launched its first book, *Growth Opportunities in Indian States: Issues of Governance and Economic Development*, less than six months after engaging its first researcher. Written by Dr S. Narayan, Visiting Senior Research Fellow at the Institute, and Former Economic Advisor to the Prime Minister of India, the book studies the relationship between economic development, governance and business climate in the different states of India. The Institute has also continued to produce its regular series of working papers and background briefs.

In addition to the SAARC Summit and the Sri Lankan elections, this issue contains articles on India's foreign policy orientation in view of the Iranian nuclear 'issue', the East Asian Summit and the impact of the South Asian earthquake on Indo-Pakistan relations. It also has snippets on recent happenings in Bhutan, Maldives and Nepal as well as key programmes and events organised by the Institute.

We hope that you enjoy the coverage of the recent developments in South Asia in this issue of the Institute's newsletter.

Assoc Prof Tan Tai Yong
Acting Director

The South Asian Earthquake and the Kashmir Conundrum

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The earthquake that hit Pakistan and Indian administered Kashmir on 8 October 2005 was a transnational phenomenon, even though it affected Pakistan-administered Kashmir and the northwestern areas of Pakistan to a much greater extent. According to one estimate, 86,000 people died in Pakistan. An eminent Pakistani economist estimated that the US\$6 billion that was pledged to Pakistan by international donors would be inadequate to meet the challenge posed by this disaster. Pakistan was ill-equipped to meet the immediate needs of disaster management, which included evacuating the injured from the rubbles, using helicopters to bring down the victims from the upper reaches of the Himalayas, immediate resettlement in tents and the provisioning of medical and food supplies for the needy. Given the dire nature of the crisis, India's proximity and capacity for disaster management evident in the tsunami relief effort, this human tragedy became a test for Indo-Pakistan relations. Could India and Pakistan mount a joint effort to reduce the suffering of the victims, transcending their differences?

The irony of this earthquake was that Kashmir is the major issue contributing to the conflict-ridden relations between India and Pakistan since independence in 1947. The India-Pakistan conflict is essentially a conflict between two competing views of nationalism. India sought to construct a nation on the basis of a notion of secularism that sought, however imperfectly, to allow every religion

to flourish. Pakistan, on the other hand, viewed India's Hindu majority as a source of insecurity for Muslims in the subcontinent. It sought to secure the Muslim majority areas within its territory. Pakistan and India fought two major wars over Kashmir in 1948 and 1965 and were engulfed in a low-intensity conflict in 1999. Both countries have maintained military positions in the higher reaches of the Himalayas, causing valuable peacetime casualties. More significantly, Bangladesh's dissociation from Pakistan in 1971 was a victory for Bengali nationalism over a conception of nationalism based on Islam. This setback notwithstanding, if Islam were to define Pakistani nationalism, then Pakistan needed to wrest Indian-administered Kashmir with a majority of Muslims from India. Pakistan wished to revise the Indian notion of the border with Pakistan in Kashmir. In

the recent Summit of the South Asian Association for Regional Cooperation in the aftermath of the earthquake, Pakistan's Prime Minister Shaukat Aziz talked about a "trust deficit" between the two countries, and linked free trade with India to the resolution of the Kashmir dispute.

India, on the other hand, has consistently opposed Pakistan's quest for Kashmir. Its alternative view of nationhood needed to ensure the efflorescence of an Indian identity that could not be based exclusively on religion. Moreover, India is a large and diverse country whose nation-building project is premised on the accommodation of diversity. If it failed to keep one Muslim majority area, this might affect the management of other conflicts within the Indian union. The Indian state's response to conflict management has been through granting greater autonomy within the Indian union. Aspirations that sought their resolution outside the Indian union were generally obstructed by a mighty national security state.

Indo-Pakistan cooperation during the course of the earthquake must be seen in the light of the sensitive Kashmir issue facing the two wary neighbours. The earthquake created some major opportunities which could only be accepted by either side in the context of their national security interests. India's Prime Minister Dr Manmohan Singh did not lose much time in assuring Pakistan's

President General Musharraf that India would do all that it could in the hour of crisis. This gesture was appreciated and India was allowed to airlift 25 tons of relief materials to the disaster sites, aided by an Indian Air Force transport airplane. This was the first airlift to Pakistan since the 1971 war. Subsequently, relief materials were sent via the Samjhauta Express but could not be directly sent to Kashmir. There were rumors about cooperation between the Indian and Pakistani armies, a fact that was promptly denied by Pakistan.

There were some genuine gestures from the Indian side, which did not go unappreciated. The Indian government allowed Pakistan to fly adjacent to the line of control on a case-by-case basis, in order to aid the relief efforts. A kilometre on each side of the line of control, which was a designated no-fly zone, was to be monitored the Director General of Military Operations. The Indian government allowed Kashmiris in the Indian-administered areas to call their relatives in Pakistan free of cost for 15 days. And India pledged US\$25 million to the relief efforts at the donor's conference. This was in addition to the relief materials that were sent to Pakistan.

Competing national security concerns driven by divergent views of nationalism allowed for a minimalist approach to the peace process. Pakistan could accept neither Indian helicopters nor relief material directly from the Indian side. This was at a time when the loss of lives due to inadequate infrastructure within Pakistan and delays in getting international assistance were taking a heavy toll.



Second, it took a long time to concretise General Musharraf's proposal to open up the border along the line of control. This finally led to an agreement on opening up of five points along the line of control. Opening the border for the aggrieved people on both sides, it was opined by both the governments, would aid the peace process. Had this process continued and become more spontaneous, it could have been a glimmer of hope aiding the normalisation of Indo-Pakistan relations.

Indo-Pakistan rapprochement would not augur well for terrorist organisations such as Lashkar-e-Toiba and Jaish-e-Mohammed, whose operations in Kashmir were significant. These organisations needed the Indo-Pakistan rivalry for their sustenance. They had been hit by the crackdown on militant outfits after the September 11 attacks in the United States. There are credible reports that the earthquake had taken a toll on both their human resource and training centres around places like Muzaffarabad and Manshera. The earthquake-driven losses had inspired the Jihad Council to call a temporary truce immediately after the earthquake.

The Delhi bomb blasts in late October 2005, on the eve of Diwali and Eid, killed about 70 innocent civilians, most of whom had gone out shopping. It was a setback to the peace process. This act of violence had been preceded by sustained militant activity in Kashmir. India restrained from customary Pakistan bashing and General Musharraf promised help. Even though General Musharraf condemned the act and pledged all support to help find the perpetrators, there seemed little possibility of collaboration. In a BBC interview, General Musharraf demanded proof from the Indian side before he could provide any help and alluded to the fact that terrorism in India was related to the problem in Kashmir.

The earthquake has had a marginal impact on Kashmir conundrum. The peace process had begun before the earthquake and was nourished by greater people-to-people contact across the line of control. India is not keen to take on Pakistan's suggestion to demilitarise Kashmir on the grounds of the terrorist threat. It wishes to keep Kashmir, albeit by improving the quality of democracy and autonomy, within the framework of the Indian constitution. The unresolved questions that remain despite the earthquake are will this satisfy Pakistan? and most pertinently, what will the Kashmiris settle for?



India's Vote Against Iran: A Fundamental Shift in Indian Foreign Policy?

Mr Sinderpal Singh
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On 24 September 2005, India shocked most observers by voting with the United States and the EU-3 countries (Britain, France and Germany) at the meeting of the Board of Governors (BoG) of the International Atomic Energy Agency (IAEA) in favour of a resolution finding Iran in "non-compliance" with its safeguards obligations under the Non-Proliferation Treaty and expressing "the absence of confidence that Iran's nuclear programme is entirely for peaceful purposes". The vote was especially surprising on two counts. The first was India's long history of close bilateral ties with Iran on various areas, ranging from security to energy issues. The second was that it broke ranks with the Non-Aligned Movement group of countries and other Third World countries on the issue of the vote. The finding was under two Articles, XII and III, of the IAEA Statute, both of which mandate referral of the matter to the United Nations Security Council (UNSC). In what was seen as a major compromise however, the timing of this referral was left to a future BoG meeting, which was held on 24 November 2005. At this meeting, India was not called upon to vote as the United States and EU-3 countries agreed not to push for immediate referral of the matter to the UNSC but instead to allow a Russian plan to resolve the impasse to be put in place. The Indian government had worked hard behind the scenes to push for the acceptance of the Russian plan and thus defer the need for an immediate vote on Iran's nuclear status.

Many observers saw the Iran issue as a sign of India moving closer, in strategic and political terms, to the United States government. It was seen as a major departure from the basic tenets of Indian foreign policy. The leading Indian daily, *The Hindu*, for example, had a editorial on the 26 September 2005 entitled "India's shameful vote against Iran", in which it lamented on "the Manmohan Singh government's shameful willingness to abandon the independence of Indian foreign policy for the sake of strengthening its 'strategic partnership' with the United States". In what was seen as a continuation of the 'historic' July 2005 deal between the United States and India on civilian nuclear co-operation, many see India's vote on the Iran issue as confirmation of India wanting to assume the role of being the United States' long-term strategic partner.



Before such an analytical leap is attempted, there is a need, however to rethink the above proposition. Is the present Indian government necessarily ready to discard the basic tenets of Indian foreign policy in pursuit of playing the role of United States' strategic partner? The answer, I believe, is more complex than it has been made out to be. A good starting point in understanding the Indian government's perceptions of the Iranian nuclear issue is examining how the present government perceives its vital national interests vis-à-vis Iran.

With regards to Iran, the Indian government is not as convinced as the United States and the EU-3 about Iran working to develop nuclear weapon capability. This will explain the Indian government's decision to lobby behind the scenes in trying to put off the vote on the November IAEA meeting and for the Russian compromise solution to be accepted instead. This however does not mean that the Indian government does not have its misgivings about the manner in which the Iranian government has sought to acquire enriched uranium and its possible role in the proliferation of weapon-grade nuclear material. In this regard, the possible role of A.Q. Khan and the Pakistani state in helping Iran acquire uranium enrichment technology is particularly disturbing for the Indian government. In wanting to project itself as a responsible nuclear-weapons power, on the basis of which it hopes to gain official recognition as a



legitimate nuclear weapon state itself, the Indian government has had to tailor its response to the Iranian nuclear issue accordingly. On this count, it has been necessary for the Indian government to be critical of the possible Pakistan-Iranian nexus as far as proliferation of nuclear technology and material are concerned. On the other hand, the Indian government has had to temper somewhat these considerations against two major factors. Firstly, Iranian-Indian ties have been relatively close especially due to the fact that Iran's relations with the Pakistani state went through a troubled period when the Taliban regime was in control in Afghanistan. On this count, having Iran as a close and cordial friend has been important to Indian national interests vis-à-vis Pakistan. Secondly, there is the issue of India's need for increased energy supplies and the role of Iran in helping to meet these energy needs. In this respect, the June 2005 deal signed between the two countries for the supply of liquefied natural gas from Iran to India and the possible building of a gas pipeline between the two countries through Pakistan are particularly salient.

The point here is that it is important to understand the various interests impinging on the Indian government's view on the Iranian nuclear issue. India's vote is thus not just a by-product of its perceived view of relations with the United States. This is not to say that the Indian government did not give any consideration at all of how its relations with the United States could be affected by its stand on the Iranian issue. The point is that the Iranian issue itself presented the Indian government with several countervailing pressures that in the end led to its somewhat mixed response – voting against Iran on the earlier vote and working towards getting the Russian plan accepted at the second meeting. It is thus important to look at the Indian government's stand on the Iranian nuclear vote issue by looking at its perceptions of its relations with Iran and its perceptions of Iran's behaviour itself.

Having made the specific point about the Iranian nuclear vote issue above, a larger point about this present Indian government can be made. The present Indian government shows certain continuities and certain discontinuities as compared to the earlier Bharatiya

Janata Party-led government in terms of the perception of India's role in world affairs. Like its predecessor, this government wants global, and specifically the United States', acceptance of India's status as a nuclear weapons state. Similarly, this government has gone about trying to gain such recognition in two complementary ways. The first is to assure the world community, and the United States, in particular, that the Indian state was never and will never be part of any form of nuclear weapon technology or material proliferation. In a sense, it attempts to take on the responsibilities of a recognised nuclear power in order for it to be accepted as one. Secondly, it has attempted to ensure that its relations with the United States never descent into a pattern of mutual bitterness that was characteristic of certain parts of the Nehru and Indira administrations. Building a strong and

cordial relationship with the United States is seen as important in this regard. The larger goal of this government, like that of its predecessor, is the recognition of India as a major global, and not just regional, power in world affairs. It would like to be consulted on major global issues and problems by the United States rather than snubbed as a problematic and stubborn regional power, as it was once viewed by the United States. This is probably where the continuities between the present and the predecessor governments end. Unlike its predecessor, the current Congress-led government is less willing to sacrifice its foreign policy independence and its



relationship with countries like Iran and China in order to improve its relationship with the United States. The vote against Iran should not thus be seen as a sign of the Indian government moving to embrace the United States as a strategic ally but rather the result of having to balance its various interests vis-à-vis both Iran and the United States. This particular Indian government thus strives to balance its various relationships, as precarious poised against each other as they may seem sometimes, rather than sacrificing one set of bilateral relations for another. Thus the proclamation that India is "firmly in the United States camp" is somewhat premature. This Indian government is firm on only one thing - it wants to place its relationship with the United States on an equal keel with its other traditionally important relationships. ■

The 13th SAARC Summit: A Step in the Right Direction

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Following two recent cancellations – the first due to the tsunami in December 2004 and secondly as a result of India's reluctance to participate due to political development in Nepal and security concerns in Dhaka – the heads of the seven states in South Asia met in Dhaka from 11-13 November 2005 for the 13th South Asian Association for Regional Cooperation (SAARC) Summit. The Summit was important for several reasons. Firstly, this was the last summit before the South Asian Free Trade Agreement (SAFTA)

came into being and a number of important issues pertaining to the agreement were discussed. The process to implement SAFTA has been sluggish because of the issue of Rules of Origin, a sensitive list of products and the compensation mechanism. The South Asian countries signed the agreement in January 2004 and it came into effect in January 2006. Secondly, three major agreements were signed during the Summit, namely, the avoidance of double taxation, liberalisation of the member countries' visa regimes and the creation of a SAARC Arbitration Council. These agreements aim to promote intra-regional trade and investment and movement of people across the border. Thirdly, Afghanistan was recognised as a member of SAARC while Japan and China were given observer status. This could possibly be seen as a step to further integrate the Asian region.

The South Asian region has recently been a victim of natural calamities such as the tsunami and the earthquake. The member states took cognizance of this situation and emphasised on the need for strengthening disaster management activities by streamlining early warning systems and post disaster relief and rehabilitation. The setting up of a Disaster Preparedness Centre in the New Delhi was also endorsed at the Summit.

An important aspect of the current Summit was the giving away of the first SAARC Award posthumously to its Founder Shaheed President Ziaur Rahman. Pakistan's Prime Minister Shaukat Aziz, SAARC's immediate past chairperson, presented the award to Ziaur's eldest son, Tareq Rahman. The leaders recalled the 1980 letter written by Ziaur to the heads of state or government of the six other countries calling for the need to form the regional group, and eulogised him for his vision which is now a reality.



The Summit's opening saw India offer a slew of concrete proposals to strengthen SAARC, including the facility of daily air services by designated airlines on reciprocal basis, provision of transit facilities, setting up of a South Asian university and establishment of Regional Food Bank, SAARC High Economic Council and SAARC Museum of Textiles and Handicrafts. It also announced the offer of granting Fifth Freedom Rights to all designated carriers of SAARC nations, under which these airlines could pick up passengers from Indian cities and fly off to third countries.

Pakistan's Prime Minister Shaukat Aziz rightly pointed out the need for the South Asian nations to assess the adverse impact of conflict on the region and find a solution to overcome the roadblocks. The leaders pledged to fight terrorism jointly and take bold steps to promote regional cooperation. The Summit, in accordance with a Bangladesh proposal, declared the period between 2006 and 2015 as the SAARC Decade of Poverty Alleviation and decided to establish the SAARC Poverty Alleviation Fund with contributions from member nations. South Asia is home to 40 percent of the world's poor. The Fund is thus important and timely. The South Asian countries need to work together to improve the condition of the poor in the region.

The other South Asian leaders also put forward a range of proposals. These included the establishment of a SAARC Human Rights Centre by Maldives President Maumoon Abdul Gayoom; and the SAARC Environment Plan of Action to address transnational issues of security and scourge of HIV and AIDS and the SAARC Centres of Excellence by Bhutanese Prime Minister Lyonpo Sangay Ngedup. It is important to reflect on the

bilateral talks held during the Summit for these indicate the extent to which the member states were willing to sit down and discuss issues. The bilateral talks between India and its neighbours were successful. India's Prime Minister Dr Manmohan Singh met Bangladesh's Prime Minister Khaleda Zia and discussed the importance of Bangladesh for India. Dr Singh's meeting with President Chandrika Kumaratunga of Sri Lanka was also successful. She had earlier, in her opening speech, pointed out that Sri Lanka has benefited significantly from the bilateral trade agreement with India. The Indian Prime Minister's meetings with his counterparts from Maldives and Bhutan also went off well. His meeting with Nepal's King Gyanendra focused on the need to restore multi-party democracy in the Himalayan kingdom at the earliest.

Keeping in line with the changing nature on Indo-Pakistan relations, Dr Singh and Mr Aziz talked about the opening of the five points along the line of control. The former welcomed the fact that the third point was opened and the remaining ones would be opened in the subsequent days. Dr Singh also expressed the view that, in taking the peace process forward, in addressing what Pakistan describes as the 'trust deficit' between the two nations, it was very important that the two countries were not deflected by the kind of violent events that continue to take place.

The Dhaka Declaration made at the end of the Summit covered among others issues of poverty alleviation, environmental challenges and natural disasters, social challenges, funding mechanisms and combating terrorism. The Heads of State or Government decided to establish a SAARC Poverty Alleviation Fund with contributions, both voluntary and/or assessed, as may

be agreed. They called upon the Finance Ministers to formulate recommendations on the operational modalities of the Fund, taking into consideration the outcome of the Meeting of the Financial Experts. They also endorsed the SAARC Development Goals, as recommended by the Commission, and called for follow-up and implementation of the Plan of Action on Poverty Alleviation, adopted at the 12th SAARC Summit.

The nations also reiterated the need to strengthen transportation and communication links across the region for accelerated and balanced economic growth. They directed further measures aimed at trade liberalisation, as provided for in the SAFTA Agreement. They noted with satisfaction the ongoing SAARC Regional Multimodal Transport Study to enhance transport connectivity among the member states.



The Dhaka Summit marked the 20th anniversary of SAARC. The next Summit will be held in New Delhi in 2007. This Dhaka Summit has presented some hope that the South Asian nations are trying to work together on a common platform. Also, the offers made by India will hopefully quell the fear that the smaller countries in the region have about India's dominance. There

have been roadblocks but the successful completion of this Summit reinstates the spirit of SAARC. The implementation of SAFTA in January 2006 provides the impetus a further strengthening of trade, economic and political relations between the South Asian countries.

With the success of the SAARC Summit and the Dhaka Declaration, the region can usher the New Year with renewed hope and belief that the coming decades will make up for all the time lost during the past two decades. ■

Study on Growth Opportunities in Selected Indian States

Following the launch of ISAS' book on *Growth Opportunities in Indian States: Issues of Governance and Economic Development* in November 2005, the Institute will conduct in-depth research, in the next nine months, on interrelationships between economic development, governance and business climate at the state level.

These states will include Maharashtra, Kerala, Karnataka, Tamil Nadu, Pondicherry, West Bengal, Rajasthan, Andhra Pradesh, Gujarat, Delhi, Goa, Himachal Pradesh and Uttaranchal.

The Institute will publish these state studies in several stages, with the study on the first three states due in April 2006.

East Asian Summit - An Appraisal

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The East Asian Summit (EAS) held at Kuala Lumpur on 14 December 2005 after a 15-year gestation period was an important event in the evolution of Asian relations. The former Malaysian Premier Dr Mahathir first mooted the idea in 1990. Sixteen world leaders from ASEAN, China, Japan, South Korea, India, Australia and New Zealand, representing half the world's population attended the summit. The Russian President Vladimir Putin also addressed the summit after attending the first ASEAN-Russia meeting. Russia has been keen on becoming a part of the EAS.

The summit leaders in their Kuala Lumpur Declaration of 14 December 2005 pledged themselves to work towards realising the dream of building the Asian Community. This will be done through a "broad based dialogue on strategic, political and economic issues of common interests". In this dialogue process, the significance of issues like "financial stability, energy security, economic integration, growth, and trade and investment expansion, narrowing down of the developmental gap and eradication of poverty, and good governance" were highlighted.

The persisting differences among the participants, particularly China, Japan and South Korea were set aside for the duration of the conference, as the participants were well aware that the EAS countries account for a fifth of the global trade and is expected to be the growth engine of the future global economy. With the significant economic growth registered by the Asian giants, China and India, the revival and reforms in the Japanese economy and the economic dynamism being displayed by ASEAN, the EAS looks certain to emerge as the growth centre of Asian and world economies. The economic thrust of the region has also given it a considerable political clout, which was articulated by the Filipino leader Ms Gloria Arroyo when she said "together, the political clout of this grouping is considerable".



The key to the success of the EAS therefore lies in "togetherness". The deep differences that were visible during the summit, as China and South Korea separately refused to have bilateral interaction with Japan, will have to be either harmonised for or isolated from the regional priorities. There is a natural balance of forces emerging in the region and the challenge before the EAS leaders is to make

this balance constructive and conducive to the interests of the larger community. The signing of the summit declaration after resolving divergent view points, underlines the fact that the EAS leadership has the necessary foresight and resilience to meet this challenge now as well as in future.

The key to constructive engagement in the region lies with ASEAN, which is set to form the core of the emerging community and

drive the EAS in desired direction. China may want to join this core to play a leading role in shaping the regional dynamics as it has repeatedly laid the thrust of "ASEAN + 3" formation (China is a part of +3). Chinese Premier Wen Jiabao's comments that "the East Asia summit should respect the desires of the East Asian countries and should be led by East Asian countries" reflected China's aspirations. China also has the material strength of its extensive economic engagement with the region and growing military capabilities to buttress its claims to do so, but a Chinese insistence in this respect, beyond a limit will arouse hidden apprehensions about China's possible desire to dominate the region. This may result in a certain level of unease among the other member countries, which could have an impact on the EAS movement. The EAS, accordingly should avoid the so called "class differences" between "ASEAN+3" and "ASEAN+1". Malaysian Prime Minister and the host of the summit did well to reiterate that "the East Asia Summit together with the ASEAN+3 and the ASEAN+1 process could play a significant role in community building in the region." The essence of unity lies in aggregating interests and aspirations and not in asserting them. The Summit

Declaration, therefore, rightly emphasised the "principles of equality, partnership, consultation and consensus". The Declaration also made it clear that the ASEAN remains the "driving force" of the EAS and the community building endeavour will be "consistent with and reinforce the realisation of the ASEAN community".



Yet another challenge before the EAS is to work faster for bridging economic differences in the region. The EAS was a gathering of rich as well as poor countries, of the faster developing and slow growth economies. The economic divide within the ASEAN, which the former Singapore Prime Minister Goh termed as the "digital divide" between the old ASEAN 6 and the new ASEAN 4, namely Cambodia, Myanmar, Laos and Vietnam, is wide and striking. There are also questions of political order (democracy) and human rights that insert divergence in the emerging community. These questions will have to be addressed within the parameters of sovereignty and freedom of internal affairs. Here again ASEAN has evolving mechanisms, which can be improved and implemented in the interests of the whole community.

India looks at the EAS as a firm move in the direction of realising its long cherished dream of building Asian community. India strongly supports ASEAN as core of the EAS as it has been supporting the ASEAN Regional Forum to remain ASEAN driven. India's Prime Minister Dr Manmohan Singh made this clear on the eve of his departure to Kuala Lumpur on 13 December 2005 when he described ASEAN as the "experienced driver". He also emphasised the growing co-operation with the other Asian giant, China, rejecting the speculation that India is interested in containing or balancing China in the region. The emphasis on constructive engagement with China was evident during his meeting in Kuala Lumpur with his Chinese counterpart. India sees the EAS as an Asian arc of advantage. To concretise this perspective, India has committed itself to contribute to the stability and prosperity of the region. To fulfil its prevailing and future commitments, India has to reform its economy faster so as to prepare itself for active participation in the Pan-Asian Free Trade Agreement that found echo during the summit. It has also pledged all possible support, ranging from credit lines to building human resource and technological capabilities, to the weaker members of the region. India will welcome the opportunity, as and when it comes, to join the APEC in reinforcing its commitment to the whole region. In playing its positive role in the region, India will be guided by its legitimate interests in conformity with "peace, stability and prosperity of the region" as a whole, and not by old animosities or new affinities.

The EAS is the first step in the direction of a vision of the Asian people. Through bilateral and multilateral interactions and dialogue on "broad strategic, political and economic issues of common interests and concerns", the members would "strive to strengthen global norms and universally recognised values". India's participation in the EAS is a real opportunity to broaden and deepen its engagement with the emerging Asia. ■

Study on Special Economic Zones in India

ISAS will carry out a study on *"Infrastructure Strategies for Export Oriented Manufacturing and Service Zones in India"*.

The Indian government announced a Special Economic Zone (SEZ) scheme in April 2000 with a view to providing an internationally competitive environment for exports. With the signing of the Comprehensive Economic Cooperation Agreement between Singapore and India, there are increased potentials for greater Singapore investment into India.

The study will look at the design of the SEZs from logistics and supply chain management viewpoints as well as the benefits and challenges of setting up businesses and investments in the SEZs. It will also highlight Singapore's experiences and competencies in industrial parks and townships. Equally importantly, it will identify potentials for Singapore companies and investors in setting up businesses in the SEZs, in particular, in infrastructure development and logistics support.

The study is scheduled to be completed in June 2006.

Sri Lanka's Presidential Election and the LTTE Issue

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In normal course, elections for the most powerful Executive President of Sri Lanka should have taken place in 2006. But owing to the technical flaw in the second-term oath taking process of the former President Chandrika Kumaratunga, the Supreme Court pre-poned them by one year.

The elections were keenly contested by 13 candidates. However, the main contest was between Mahinda Rajapaksa of the Sri Lanka Freedom Party and Ranil Wickremesinghe of the United National Party (UNP). The basic electoral issue was the peace process and the resolution of ethnic conflict, with Rajapaksa insisting on a solution within the unitary framework of Sri Lanka and Wickremesinghe preferring a liberal approach to accommodate the Tamil interest with federal elements introduced in the polity. There were questions of ceasefire violations, role of Norway as a facilitator and the Liberation of Tamil Tigers of Eelam's (LTTE) sincerity linked to this basic issue. Economic hardships and lack of relief work in the tsunami affected areas also figured in the electoral debate.

The stances of the candidates were defined by the constituencies they were targeting. Rajapaksa, having aligned himself with the extremist forces like the Janatha Vimukthi Peramuna (JVP) and the Jatiya Hella Urumaya (Monks Party) had to appeal to the Sinhala hardcore constituencies. His rival, Wickremesinghe, was instead banking on liberal Sinhalese, Tamil and other minorities' votes. On the economic front, Rajapaksa campaigned against liberalisation and market economy assuring his hard-pressed voters of subsidies state intervention in economy. Wickremesinghe's appeal, as usual, was for the corporate and well-to-do class to create conditions for faster economic growth. Both the ethnic and the economic issues sharply polarised the electorate and intensified the campaign on a scale never evident earlier in Sri Lanka. The evidence of a vigorous campaign was clearly reflected in massive mobilisation of 73.74% of the total electorate exercising their franchise.

The outcome was a close call, with Rajapaksa winning the elections by less than 2% votes. If we look at the total votes secured by Rajapaksa, his victory appears to be even narrower; by barely 28,000 plus votes more than 50% required for election. In fact his rival called for a re-poll arguing that Rajapaksa's



votes do not give him legitimacy as he has secured only a minority vote in the overall context of Sri Lankan electorate; particularly so because the Tamils in areas under the LTTE's control 'could not' not freely participate in the elections.

This election polarised the Sri Lankan society along ethnic lines in a manner that never happened earlier; with the Sinhalese and economically hard-pressed sections overwhelmingly on Rajapaksa's side and the minorities sympathising with Wickremesinghe. The former received most of his votes from the Sinhala southern countryside and Wickremesinghe from minorities and urbanised, well-to-do Sinhalese; though both secured support from equal number of electoral districts, eleven each. The problem for Wickremesinghe was that the Tamils in

the LTTE-dominated areas did not vote under LTTE's dictat. A notable aspect of the election was that in many years, this turned out to be a very peaceful election, for which the outgoing President Chandrika Kumaratunga can claim a deserving credit.

The most decisive factor in the election was the role of the LTTE. During the early stages of the elections, there were signs that the LTTE sympathised with Wickremesinghe, as he would be more accommodative. As the campaigns picked up momentum and towards the crucial last days, the LTTE did not let the Tamil voters exercise their franchise in the areas it controlled. During the campaign, some of Wickremesinghe's electoral managers claimed credit for the split in the LTTE and for propping up of the "Karuna rebellion". Colonel Karuna, an eastern LTTE leader, broke away from the main organisation and has been waging and internecine war against the LTTE since early 2003. This has been a major sore point for the LTTE. But more than this, the LTTE leadership seems to have assessed that victory for Wickremesinghe would not help them in the long run. The UNP has never been really accommodative of the Tamils legitimate demands and even Wickremesinghe had brought in the concept of "international safety net" under which international community has been mobilised to put constraint on the LTTE's political and military moves. As against this, the LTTE wanted to see



Rajapaksa win the elections so that battle lines are clearly drawn in view of Rajapaksa's alliance with the Sinhala extremist parties. This has been admitted by senior LTTE leaders like Pottu Aman, Balasingham and Prabhakaran.

The LTTE has warned the new President that if "some time" by 2006 he did not come up with a "reasonable political framework...that will satisfy the aspirations of the Tamil people"; it will be forced to "intensify the struggle for "self determination". This suggests that the LTTE is asking for a substantial price to continue with the ceasefire, in the form either control of the "Karuna factor", or acceptance of their "Interim Self Governing Authority" proposal for the north-east. If this is not done, the LTTE might escalate violence, without formally, so as to provoke the Sri Lankan forces to retaliate. If that happens, the LTTE could start a war and put the blame on Colombo. The LTTE would delay an open war as long as it does not feel confident and ready, having fully recouped from the damage inflicted by Karuna's revolt and tsunami disaster on the sea tigers. But this delay may not be too long. The signs of the LTTE's new post-election strategy are already visible in the spate of killing of Sri Lankan soldiers by suspected LTTE cadres.

Things would have been a bit easier for the new President if he had carried forward Kumaratunga's legacy of pursuing the ethnic issue within the federal framework without depending too heavily on the Sinhala extremist constituencies. The voting pattern suggests that if he had substituted this dependence with an enthusiastic support from Kumaratunga, he would have won the election. The outcome has vastly enhanced the prospects of renewed hostilities in Sri Lanka. The new president's pre-and post-election declarations of the desire to remove Norway from the role of a facilitator of the peace process and to revise the ceasefire agreement have further added to anxiety in this respect. The international community and India are extremely concerned about these prospects and are trying their best to deter the LTTE from escalating violence. The coming months will show if these efforts will succeed. ■

State Level Study on Cold Chain Management

In its earlier project, ISAS reviewed the status of the food supply chain in India and outlined several opportunities for Singapore companies in the retail, cold chain, food processing sectors.

As a follow-up to the project, the Institute will conduct a study on the food supply chain and cold chain management in two Indian states, namely, Maharashtra and West Bengal, which are key players in this sector.

The study, to be completed in August 2006, will examine the state of and issues relating to cold chain management in these states. It will also look at the existing government policies and controls on cold chain management. At the same time, it will identify potentials in cold chain management in these states. And lastly, it will list possible opportunities for Singapore investors in this sector in the two states.

Snippets on South Asia

Ms Indu Rayadurgam
Research Associate, ISAS

Nepal faces Political and Economic Challenges

Nepal's opposition parties have criticised the recent reshuffle in the royal cabinet and said it had failed to address the country's problems. The parties have warned of a fresh protest against the government for restoration of democracy in Nepal. King Gyanendra reshuffled his cabinet for the third time since seizing direct power in February 2005. The King has been at odds with the opposition and has been unable to end a Maoist rebellion. King Gyanendra dropped several key ministers, including those in charge of interior and finance, and named 18 new members. No reason was given for the changes. Maoists extended their ceasefire till January 2006 which was dismissed by the Nepalese army. General Pyar Jung Thapa said the rebels were still carrying out abuses such as recruiting children and threatening families of security personnel.

Though the emergency imposed on Nepal after Deuba government's dismissal in February 2005 has been lifted, King Gyanendra continues to use authoritarian methods to keep political activists behind bars and stifle dissent. Considering that an unstable Nepal could pose geo-political problems for India, the Indian government in May 2005 partially lifted the arms embargo imposed on the country. In the sidelines of the South Asian Association for Regional Cooperation Summit, India's Prime Minister Manmohan Singh told the monarch that it was time he took "concrete steps" to restore multi-party democracy in Nepal.

In the meantime, the government passed a new media law in October 2005, which curbs the freedom of media sources in Nepal. The Supreme Court refused to stay the ordinance, which was met by protests from various media groups and non-government organisations. The journalists requested the international community, including the United Nations, to help stop the imminent threats faced by the Nepalese media community.

Forming a formidable alliance, Nepal's Maoist rebels and a coalition of seven opposition parties have agreed on a programme to end direct rule by King Gyanendra. They have agreed to a 12-point agenda to establish full-fledged democracy. The opposition political parties are not demanding an end to the monarchy but to limit its powers. The Maoists appear to be willing to place themselves under the supervision of the United Nations or another credible international organisation ahead of elections to a constituent assembly.

On the economic front, the Nepali cabinet has adopted a high-level task force to report on developing Nepal as a transit corridor for Sino-India trade and has asked all ministries to develop their respective action plans to facilitate its enforcement. The National Planning Commission said that the government would now come up with a concrete plan on infrastructure development, trade facilitation system, identification of cost effective routes, besides initiating necessary dialogue with concerned stakeholders.

Sweeping Reforms Expected in Maldives

The Maldives cabinet recently recommended to the President to establish a public company to invest in the tourism sector since it is a major source of income in the country. The proposals include leasing more islands for development as tourist resorts. As per the recommendations, 35 islands would be leased out for development of tourist resorts and 15 of them would be allocated to the public company.

Maldives is also in the midst of a constitutional reform process. President Gayoom said that the constitutional amendment will take more than a year. In an effective measure to restore a balance of power status in the Maldivian political landscape, the Maldivian Democratic Party (MDP) held its provincial committee elections. This is considered to be a good reminder to the Dhivehi Rayyithunge Party that the MDP's presence on the political landscape is not transient but permanent.

Bhutan on the Line of Controlled Democracy

Bhutan's King Jigme Singye Wangchuck has offered to step down as ruler in 2008 and hold the country's first national elections for a parliamentary democracy. He will be succeeded by his son. "Bhutan will remain strong and glorious and our country will achieve greater prosperity with the sun of peace and happiness shining on our people," the King said.

The King has been circulating a draft constitution for months that would end almost 100 years of monarchical rule in the Buddhist nation. This will lead the nation to the path of controlled democracy with power jointly controlled by democratic forces and the monarch. The draft constitution suggests two houses of parliament – a 75-member National Assembly and a 25-member National Council. The King would remain head of the state but the parliament would have the power to impeach him on two-thirds vote. It also envisages power being handed to a council of ministers and subjecting the monarchy to a confidence vote.

This change from absolute monarchy to a constitutional form of government is expected to be a very gradual process. There are many challenges to be addressed by the King, predominant of which is the restoration of Bhutanese refugees of Nepali origin. Most of these refugees, who started leaving Bhutan in 1989 after a crackdown on "non-nationals", are sheltered in seven camps in eastern Nepal's Jhapa and Morang districts run by the United Nations High Commissioner for Refugees, among others. The issue of citizenship for these refugees has translated into a wider movement of democracy and has culminated in the formation of political parties like the Druk National Congress in New Delhi and the Bhutan National Democratic Party.

Another issue brewing in the political landscape of the tiny kingdom is the issue of territorial encroachment by China. Bhutan has charged China with territorial encroachment after a number of roads being constructed adjacent to Bhutan's north eastern border reportedly strayed across the demarcation point. The two parties signed an agreement in 1998, in which China agreed to respect Bhutan's territorial integrity - a document that Bhutan is now invoking in its defence. The views and concerns of the royal government were also sent in writing to the leader of the Chinese delegation. The Chinese response was that the roads were being legitimately constructed for the economic development of the western part of China, including Tibet. However, work was supposedly stopped in view of Bhutan's concerns and the friendly relations between the two countries.

ISAS New Research Staff



Dr Rajshree Jetly
Research Fellow

Dr Rajshree Jetly was a Postdoctoral Fellow at the South Asian Studies Programme, National University of Singapore from 2001 to 2003. She holds a PhD in Political Science and International Relations from the Australian National University, Canberra. Her earlier qualifications include an MPhil in International Relations from the Jawaharlal Nehru University, New Delhi, and Bachelor's and Master's degrees in History from Delhi University.

Her main areas of interest include ethnicity and separatism in South Asia; and regional security, conflict management and confidence building in South and Southeast Asia. Some of her research has been published in the *Pacific Review*, *Asian Ethnicity* and *Contemporary South Asia*.



Mr Sinderpal Singh
Research Associate

Mr Sinderpal Singh completed his BA degree, with a major in Political Science at the National University of Singapore in 1997. He then completed his Master of Arts (International Relations) at the Australian National University in 2000. He worked as an Associate Research Fellow at the Institute of Defence and Strategic Studies (IDSS) at the Nanyang Technological University, Singapore, from January 2000 till August 2002.

Mr Sinderpal is currently in the final stages of submitting his PhD in International Relations, at the Department of International Politics, University of Wales, Aberystwyth. He was awarded the E.H. Carr Scholarship and the Overseas Postgraduate Research Scholarship to undertake the PhD. The thesis is tentatively titled "Constructing India's Regional Policy: The Domestic/Foreign Policy Nexus".

Mr Sinderpal's research interests include Indian foreign policy, the link between Indian domestic politics and foreign policy and the international relations of South Asia. More broadly, he has an interest in the study of regionalism within the discipline of International Relations and International Relations theory.

He has published a working paper and a book chapter with IDSS and Institute of Strategic and International Studies, Malaysia, respectively. He has also presented papers at the International Studies Association's annual convention in March 2003 in Portland, Oregon, and the inaugural Oceanic Conference on International Studies in July 2004 in Canberra, Australia.



Ms Alka Chadha
Research Associate

Ms Alka Chadha completed her BA (Hons) Economics at St. Stephen's College, Delhi, and MA (Economics) at the Delhi School of Economics, Delhi. She enrolled in the National University of Singapore in 2002 for the PhD programme in Economics. She submitted her thesis in November 2005.

Ms Chadha previously worked as a Research Assistant at a Delhi-based think-tank, Research and Information Systems.

Her research areas include issues related to the World Trade Organisation, health, pharmaceuticals, and trade and development, with particular reference to developing countries.



Ms Indu Rayadurgam
Research Associate

Ms Indu Rayadurgam completed her second Master in International Studies at the National University of Singapore (NUS) in July 2005 and her first Master in the same discipline at Stella Maris College, Chennai, India, in April 2004.

After completion of Master from NUS, she worked for a brief period at the Lee Kuan Yew School of Public Policy before joining the Institute of South Asian Studies.

Ms Rayadurgam's Master research project was on "The Impact of Globalisation on India's Status in the International System". She has also done extensive research on Sino-Indian relations. She plans to pursue her doctorate on Sino-Indian relations, with specific focus on energy relations. She hopes to contribute to the growing research on South Asia (an Asian perspective).

ISAS Signs MOU With Indian University

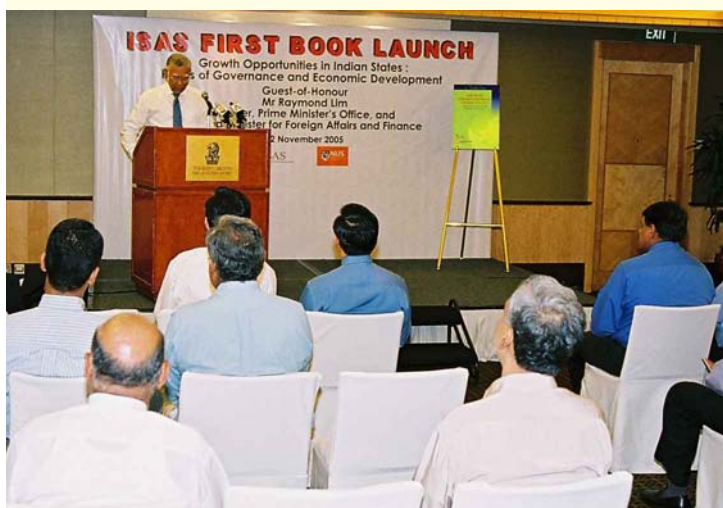
The Institute of South Asian Studies (ISAS) signed its first Memorandum of Understanding (MOU) with an academic institution, the Peace Study Group, Department of History, University of Calcutta, on 26 November 2005. Associate Professor Tan Tai Yong, Acting Director of ISAS, and Professor Suranjan Das, Pro-Vice-Chancellor for Academic Affairs, University of Calcutta, signed the agreement.



The MOU is aimed at identifying opportunities for exchange, cooperation, joint research and development activities, and in organising and participating in joint activities such as seminars and conferences. Associate Professor Tan stated that "through active and regular collaboration and cooperation, the two institutions can contribute to a reconstruction of Singapore-India historical connections, and identification of potentials of cooperation between India, Singapore and Southeast Asia. The end goal is really to further strengthen the linkages between our two countries."

Professor Das expressed the belief that the "MOU will hopefully herald a new chapter in the increasing interface between India and Singapore in the realm of academic collaboration. The common denominator in the research agenda of the two institutions is their interest in the resurgence and increasing vibrancy of South Asia. They can jointly address such South Asian issues as regional relations and cooperation, good governance, public health and education, business history, management, and globalisation."

The Institute also has MOUs with the Confederation of Indian Industries and the Federation of Indian Chambers of Commerce and Industry.



ISAS Launches First Book

Mr Raymond Lim, Minister, Prime Minister's Office and Second Minister of Foreign Affairs and Finance, launched the ISAS' first book on 22 November 2005. The book, titled *'Growth Opportunities in Indian States: Issues of Governance and Economic Development'*, is written by Dr S. Narayan, a Visiting Senior Research Fellow at the Institute, and Former Economic Advisor to the Prime Minister of India.

In his speech, Mr Lim mentioned that, with the two giants, China and India growing at "above 7 percent over the last 15 years", the "global landscape is being transformed." He also stated that India is "propelled by its large, educated and English-speaking workforce, a fast growing middle class with high purchasing power, and a thriving private sector that has produced world-class companies like Wipro, Infosys and Tata." He added that the country has fostered a culture of creativity and innovation, especially in its thriving IT-led industry and knowledge-based economy. India has also set itself as the "global hub for business process outsourcing."

Referring to the book, Mr Lim stated that "publications such as Dr Narayan's will further enhance ISAS' reputation as an important centre of research on South Asia. Research along these lines will also contribute to the corpus of knowledge that institutes such as ISAS are building on India and the South Asian region." He added that "while Singaporeans know much about the Indian economy at the macro-level, much less is known about the investment opportunities in individual states and cities. With the launch of Dr Narayan's book, the gaps that exist in our knowledge of the subcontinent will be plugged."

ISAS Recent Events

Launch ISAS Publication on “*Growth Opportunities in Indian States: Issues of Governance and Economic Development*”, by Dr S Narayan, Visiting Senior Research Fellow, ISAS, 22 November 2005.

Signing of Memorandum of Understanding with the Peace Study Group, Department of History, University of Calcutta, 26 November 2005.

Public Lecture by ISAS, Network India and Singapore Indian Chamber of Commerce and Industry, on “*Alignment of Political Parties and its Implications on the Future of India*”, by HE Mr Chandababu Naidu, 25th Lee Kuan Yew Exchange Fellow, 6 January 2006.

Breakfast session with the Confederation of Indian Industries (CII) Core Group (Mr Y. C. Deveshwar, President, CII and Chairman, ITC Limited; Mr N. Kumar, Past President, CII and Vice Chairman, Sanmar Group; Mr Jamshyd Godrej, Past President, CII and Chairman and Managing Director, Godrej and Boyce Manufacturing Company Ltd; Mr Analjit Singh, Member CII National Council and Chairman, Max (India) Ltd; Mr Tarun Das, Chief Mentor, CII; Mr Sunil Mittal, Member CII National Council and Chairman and Group Managing Director, Bharti Enterprises; and Mr N. Srinivasan, Director General, CII), 14 January 2006.

ISAS Recent Publications

Book

Growth Opportunities in Indian States: Issues of Governance and Economic Development, Dr S. Narayan, ISAS, November 2005.

ISAS Insights

Economic Impact of Terrorism on the Southeast Asian Region, Dr S. Narayan, ISAS, October 2005.

India's Next Economic Wave: Animation and Interactive Media Industry, Dr Jayan Jose Thomas and Indu Rayadurgam, ISAS, November 2005.

Significance of Bihar Elections Results on India's Power Play, Dr S. Narayan, ISAS, November 2005.

East Asia Summit - An Appraisal, Mr D.S. Rajan and Ms Raakhee Suryaprakash, Observer Research Foundation, India, December 2005.

India's Energy Policy: Requirements, Supply and Challenges, Dr S. Narayan, ISAS, January 2006.

Informational Development in Rural Areas: Some Evidence from Andhra Pradesh and Kerala, Dr Jayan Jose Thomas, January 2006.

Trade-off between Government Deficit and Expenditure on Social Structure, Dr S. Narayan, January 2006.

ISAS Working Papers

Impact of Foreign Direct Investment on Indian Economy: A Sectoral Level Analysis, Dr Maathai K. Mathiyazhagan, ISAS, November 2005.

Economic Transition in a Plural Polity, Dr Rahul Mukherji, ISAS, November 2005.

Cost Efficiency of Public and Private Hospitals: Evidence from Karnataka State in India, Dr Maathai K. Mathiyazhagan, ISAS, January 2006.

Regulatory Evolution in Indian Telecommunications, Dr Rahul Mukherji, ISAS, January 2006.

Joint Paper

An Empirical Analysis of Exchange Rate and Trade Balance and the Balance of Payment Adjustment in India, Purna Chandra Parida and Dr Maathai K. Mathiyazhagan, November 2005.