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Editorial Information

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South Asia: Growing Global Engagement

The past few months saw a number of high-level international visits to South Asia. These included the visits by United States President George W. Bush to India and Pakistan; Russian Prime Minister Mikhail Fradkov, French President Jacques Chirac and Chinese Commerce Minister Bo Xilai to India; Canadian Prime Minister Stephen Harper and Japanese Foreign Minister Taro Aso to Pakistan; and Dutch Development Minister Agnes van Ardenne to Bangladesh.

The visit with important ramifications was that by President Bush to India. It resulted in an agreement to restart the flow of technology and supplies for India's civilian nuclear programme. However, the other visits were not of lesser significance. They showed the growing importance of South Asia in the global community. Such engagements are important to ensure that the South Asian countries emerge to become significant players in international affairs.

Within the continent, there were also important initiatives by the countries to forge closer ties amongst themselves. India moved to bury six decades of animosity with Pakistan when Prime Minister Dr Manmohan Singh made an offer of a "treaty of peace, security and friendship" in March 2006, one which was welcomed by Pakistan. Bangladesh's Prime Minister Begum Khaleda Zia's trip to India in the same month saw the two sides agreeing to counter terrorism and correct trade imbalances. This issue of the newsletter contains a piece on the significance of the border issues on Indo-Bangladesh relations. Prime Minister Zia also visited Pakistan a month earlier while Sri Lanka's President Mahindra Rajapaksa visited Pakistan in March 2006.

The Institute published, jointly with six other organisations, the Guide on the Comprehensive Economic Cooperation Agreement in February 2006. It serves as a practical and easy-to-use reference on the benefits of the Agreement. The Institute has also continued to produce its regular series of working papers and background briefs.

This issue also contains articles on the rise of political Islam in the Maldives, political crisis in Nepal and the Special Economic Zones in India. At the same time, it has 'snippets' on recent happenings in Sri Lanka, Pakistan and Bhutan.

We hope that the newsletter keeps you up to date with recent developments in South Asia. We look forward to your continued support in our enterprise.

Assoc Prof Tan Tai Yong
Acting Director

The Special Economic Zones: How Special Are They?

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Singapore and India have enjoyed a special economic relationship since the early 1990s. This relationship was formalised in the Comprehensive Economic Cooperation Agreement (CECA) between the two countries on 29 June 2005. This was the first comprehensive bilateral free trade agreement signed by India with another country. The CECA was followed by a flurry of high level official visits on both sides. India's Prime Minister Dr Manmohan Singh urged Singapore's Senior Minister Goh Chok Tong, during his visit in January 2006, to give serious consideration to the Indian Special Economic Zones (SEZs), as these are to play an important role in India's export-oriented economic growth. It is believed that Singapore can gain from investing in a rapidly growing Indian economy in search of investment and expertise. In addition, Singapore's expertise in the planning of industrial townships and attracting businesses can contribute handsomely to the success of Indian SEZs.

The SEZ Act of 2005 and the procedures announced in February 2006 are significant milestones in India's trade policy. An Indian SEZ, which is treated as being separate from a domestic tax area, offers substantial tax concessions for developers and commercial units residing within it. India's Ministry of Finance needed much convincing before it acquiesced to the tax concessions pushed by the Ministry of Commerce and Industry (MOCI). Second, the Act seeks to give substantial governance powers to developers who will build the basic infrastructure within an SEZ. The developers provide amenities such as roads, power,

telecommunications, water, sanitation, schools and hospitals. They will also invite commercial units to their SEZ. The government expects that these tax concessions and regulatory powers will attract the attention of developers and commercial units. In return for the tax concessions, the commercial units residing within an SEZ need to export one dollar greater than their domestic sales during every five-year commercial period of operations. An SEZ could vary in size from a large 1,000 hectare multi-product SEZ to a small 10 hectare information technology SEZ.

The administrative architecture of the SEZ Act tries to secure substantial powers for the central government. MOCI enjoys wide-ranging powers relating to the approval and governance of SEZs in India. The Board of Approval, an eighteen-member inter-ministerial committee, headed by an additional secretary (or higher officer) from MOCI, grants approvals to developers. The Development Commissioner, a representative of MOCI, monitors the activities of developers and commercial units. The Office of the Development Commissioner is supposed to ensure speedy regulatory clearances through the mechanism of a "single window clearance". The hectic pace of SEZ activity in India is evident from the fact that MOCI has approved over a hundred SEZ proposals since February 2006.

An evaluation of state-level SEZ legislations and history of governance should be a critical consideration for any investor. Issues such as



labour regulations, land acquisition, environmental clearance, water supply, power generation, taxation and local transport are either partly or substantially governed by state governments in India. These state-level powers are an artefact of Indian federalism. An investor who enjoys MOCI's confidence will need to explore what different states can offer to an investor. For example, Maharashtra, Tamil Nadu and Haryana have a liberal tax policy for investors. Maharashtra provides substantial governance powers to the developer. Tamil Nadu is famous for working out special tax concessions for large multinationals interested in setting up manufacturing units. As for Haryana, land acquisition and state-level governance issues are managed efficiently.

State-level variation on governance issues of concern could work to the advantage of prospective investors.

This is because there is competition among states for attracting investment. For turning state-level variation into investment advantage, an investor would need to know which commercial activity it wishes to pursue and which states could offer the best possibilities. This would require detailed knowledge of state-level governance and business potentials. For example, South Korea's Posco took the risk of setting up its steel plants in the backward state of Orissa because of the captive mining rights that the mineral rich state could offer. Hyundai, on the other hand, set up an automotive plant in Tamil Nadu because of the tax concessions, as well as the presence of physical and human infrastructure conducive for the auto industry.

The SEZ Act has set in motion a process which is still in evolution. The legislation has not sorted out all the regulatory bottlenecks. New procedures are evolving as new situations arise, which cannot be dealt within the existing regulations. Guidance on these issues can be provided by two foundational principles of the SEZ Act. These are namely: (a) the promotion of robust commercial activities; and (b) the net foreign exchange earning requirement over every five-year commercial period. Developers committed to infrastructure development for attracting viable commercial units and commercial units that are genuinely trying to fulfil their net foreign exchange requirement are unlikely to receive a negative assessment from the Development Commissioner. The ambiguities in the SEZ Act could redound to the advantage of a serious Singapore investor. Given the excellent government-to-government relations between India and Singapore, the Indian government retains the discretion of special consideration on a variety of issues.

In addition to the SEZs, the Indian government is pushing for Special Investment Regions (SIRs), inspired by success stories such as the Pudong New Area near Shanghai. The attempt is to build mother industries such as steel and petrochemicals with downstream industries in a larger area of about 250 to 350 square kilometres. An investment region could include a couple of SEZs and industrial parks. The central government will play an active role in the provisioning of public goods such as roads, ports, railways and air connectivity which are essential for attracting large investments. Victor Menezes, the Indian-born Chief Executive Officer of Citibank, is working with the government to give concrete shape to these ideas. A task force on petrochemicals, headed by the Prime Minister's Principal



Secretary and an empowered group of ministers, are discussing the design of future SIRs in India.

Investing in India has been profitable for those who have learnt the art of doing business in India. India's story of economic growth, unlike China's, has thus far been largely propelled by the Indian industry because it can take advantage of mature capital markets, evolved entrepreneurial skills and favourable regulations. Policies like the SEZ Act and new investment opportunities in the telecommunications sector signal India's willingness to invite foreign investment and competition. Singapore would enjoy the special consideration deserving of a privileged economic partner. Investing in India would require a sophisticated understanding of central- and state-level governance issues and knowledge of the business potentials of different regions in India. ■

MOU with LUMS

The Institute of South Asian Studies signed a Memorandum of Understanding (MOU) with the Lahore University of Management Sciences (LUMS), Pakistan, on 6 February 2006.

Mr Gopinath Pillai, Chairman of the Institute, and Dr Syed Zahoor Hassan, Vice-Chancellor of LUMS, signed the agreement.

The MOU provides an excellent opportunity for the Institute and the University to forge a strong partnership through collaborating in the exchange of academic information; identifying opportunities for exchange, cooperation, and/or joint research in disciplines of mutual interest; and organising and participating in joint academic activities such as seminars and conferences. ■

Emergence of Political Islam in the Maldives

Fathulla Jameel
Former Foreign Minister of the Maldives

The people of the Maldives are descendants of the Arian congregate, who practiced Buddhism, and were forced to migrate to Sarandib (Ceylon) from India during the sixth century B.C. Unlike Sarandib, there were no settlers in the Maldives prior to the arrival of these Sinhala drifters. The small population of the Maldives lived in isolation without any known political structure or a religious order. The banishment of a prince by the name of Koimala from Sarandib, together with his wife from an oppressed caste, was to change it all. The Maldivians found a leader in the noble status of the prince. He spoke a language akin to their tongue, and practiced their religion. They implored him to stay and to become their king. He ascended the throne in 1140, and took residence in Male.

About the same time, the flow of Arab voyages in the Indian Ocean began and the tiny Maldives gradually became a thriving centre of activities, not only of trade but also of Muslim missionary work. Koimala ruled the Maldives for 12 years as a Buddhist king but under the influence of a strong new culture, he embraced Islam and his people followed him. Since the dramatic conversion of the entire Maldives to Islam on 6 July 1153, the language of Islam has played a fundamental role in the life of its people. Koimala and his successors ruled the country passionately in accordance with Islamic Shari'a, guided by the counsel of their trusted Chief Judges. The authority of the Chief Judges was submissively accepted by the Sultans and the people. When there were no truthful men to fill this pivotal position, talent was imported from a place they knew. And some of these Chief Judges also ruled the country, succeeding a deceased or deposed Sultan.

The Maldivians began to assemble in the environs of their rulers on the basis of the faithfulness and obedience called for by their new religion. They were also proud to discover a new identity which was different from others including the Arab merchants. In confronting an enemy, the people stood together and struggled under the banner of Islam. The Maldivians themselves gained seafaring and trading skills and began to travel to distant lands and interact with other communities in the region.

Until the Portuguese occupation in May 1558, a total of 63 Sultans ruled the country. Mohamed Thakurufaan, the illustrious national hero, waged a struggle for 15 years to liberate the nation in July 1573. His great effort was clearly a war projecting the national aspirations of the Maldivian people and the language of Islam spoken



forcefully in opposition to the occupying power. Since the defeat of the Portuguese and until mid-19th century, the Maldives had succeeded in defending its national independence. Yet, it had to seek assistance occasionally from foreign sources to deal with invaders and to settle internal disputes. Such interaction demonstrated flexibility in relations with the outside world.

By the 17th century, the Indian Ocean came to be dominated by western maritime powers. While these powers extended their colonial influences and stepped up trade activities across the region, they gave no or little attention to the Maldives. The Maldives, in a way, benefited from the policy of non-interference adopted by the colonial powers, leaving its Muslim population to enjoy self-rule and to live on with its own traditions.

In the 19th century, the British encouraged the Muslim Vohra traders based in Ceylon to conduct business in the Maldives. Despite the fact that the Vohras belonged to the Shiite sect and the people of the Maldives were Sunnis, their relations remained cordial and neither side attempted to influence the other. Around the same time, with the downfall of the Muslim Ottoman Empire, new voices for freedom were heard. The vibrations of the struggle against imperialism reached the Maldives as well. A new nationalist breeze in the Maldives, which embodied the aspiration for a modern, fully independent Islamic state, began to blow in late 1940s, giving rise to the leadership

of Mohamed Amin Didi. After Amin Didi, and almost for three decades, the government did not have a distinguished policy on religious affairs. During the rule of Ibrahim Nasir, the post of Chief Justice was abolished, and a department for religious affairs was created mainly to look after the mosques and supervise the Friday sermons. When the country was declared a Republic in 1968, the new Constitution stipulated that proper application of Islam in the country was a responsibility of the President. The Maldivians remained Sunnis. In receiving Islamic knowledge, they relied consciously on education provided by Al Azhar University of Egypt which was and still is the most authentic source of Islamic knowledge in the world.



When President Qayyoom took the office of presidency, he was determined to strengthen religious education in the country. He encouraged the opening of religious schools and extended the teaching of Arabic language in the government schools. Later, the government established the Institute (now College) for Islamic Studies, which followed the curriculum of Al Azhar and was staffed with foreign teachers. President Qayyoom continued to deliver his religious lessons to the public, promoting the moderation of Islam. He reinstated the post of the Chief Justice and established a Supreme Council for Islamic Affairs. However, the trends of fundamentalism, preached by some of the foreign teachers on one hand, and imported by students who studied in madrasahs in Pakistan on the other hand, seem to dominate the religious life in the country.

While the trend is taking root in the community, the language of religion is spoken louder than any time before, taking the advantage of the opportunities offered by the newly-introduced multi-party political system. There are now political parties which promote manifestos based on Islamic justice. The political parties have created religious "committees", and it is feared that these religious bodies functioning under the political parties may begin to clash with each other, polarising public opinion over religious issues. While observing this new trend in the Maldives, one should objectively recognise the fact that the language of religion is now playing a greater role than ever before in the politics of nations. We are increasingly witnessing a trend calling for integration of religion and religiously-rooted morality into politics rather than separating them from each other.

In a country where the entire population is Muslim, it may not be feasible for anyone to raise non-religious slogans. Similarly, the issue of an out-and-out freedom of religion will also remain a very sensitive issue. If the idea of pluralism is stimulated, the focus will move towards the direction of factions within Islam. In other words,

the demand would be to diversify the traditions, allowing specifically in that process, the setting up of Shiite religious assemblies, or to return to conservative Salafi traditions, as it is the case in some other Islamic nations.

In any case, the language of Islam in the Maldives has not yet reached a level as loud as it is elsewhere. Until now, it has remained simple and plain and expressed only within a perspective of a physically far-away place. The limited access to information and the lack of

direct contact in the past had also disallowed the Maldivians from reacting spontaneously to events in the Muslim world. Even with broader access to media in recent times, they have reacted mildly in solidarity or protest and refrained from developing attitudes of hatred towards non-Muslims as it has happened in some other places. However, with increasing international focus being placed on the Muslim communities around the world, how the Maldivians react remain to be seen? Will they continue to adopt their non-participatory stance or will they react spontaneously and with greater fervour to these developments? Only time will tell. ■

Study on Political Islam in South Asia

The Institute of South Asian Studies has commissioned a research project on "Development of Political Islam in South Asia and its Regional and Global Impact". The project is undertaken by Mr Fathulla Jameel, the former Foreign Minister of the Maldives.

The four-month study will examine the emergence, shape and nature of political Islam in South Asia. It will also look at developments that have influenced this phenomenon and the measures taken by the South Asian governments to deal with these developments. At the same time, the study will examine the likely future trends and policy analysis of the situation relating to political Islam in South Asia.

The research study is expected to be completed in September 2006. ■

Developing Indo-Bangladesh Ties: The Border Issues

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The recent visit by Bangladesh's Prime Minister Begum Khaleda Zia to India in March 2006 was her first official visit to New Delhi since assuming power in October 2001. The prime objectives of this visit were to discuss ways to reduce the trade imbalances with New Delhi; the contentious border issues relating to security, illegal migration and terrorism; transit facilities to expand its trade with the landlocked countries of Nepal and Bhutan; and to develop a common approach to the sharing of river water.

During the visit, India and Bangladesh signed two agreements, namely, the Revised Trade Agreement and the Agreement for Mutual Co-operation for preventing Illicit Trafficking in Narcotics Drugs and Psychotropic Substances and Related Matters.

In 1974, India and Bangladesh signed the Land Boundary Agreement which is also known as the Indira Gandhi-Sheikh Mujib Ur Rehman Treaty. It states that no defence works can be carried out within 150 metres of the no man's land between the two nations. India shares a 4,096km border with Bangladesh and comprises the boundaries of West Bengal, Assam, Manipur, Meghalaya and Tripura. It is guarded by about 45,000 Border Security Force troops. In its effort to enhance security, India decided to fence the border. However, Bangladesh objected to it, stating that it is a violation of the 1974 treaty. India counter argued that it does not violate the treaty and has maintained the clause of constructing the barbed fence at 150 metres away from the zero line.

Apart from the border fencing, the issue of enclaves has been a bone of contention between India and Bangladesh. It seems there are around 110 enclaves on the Bangladesh side and 55 enclaves on Indian soil. At some places, the border is divided by rivers and fertile agricultural land which are sources of livelihood for local inhabitants along the border. The Teen Bigha Corridor is another thorny issue between the two nations, despite the matter being discussed and resolved by the apex court of India. It would



be difficult for the two sides to reach a common consensus on the enclaves and the Corridor unless there is an assurance from both sides that there would be no violation of law and order and that they are committed to enhancing friendship and co-operation.

Cross-border terrorism has also hurt ties between India and Bangladesh. India has asserted that the madrasahs and mosques in Bangladesh, bordering West Bengal and the north-east region of India (Tripura and Meghalaya), promote Islamic fundamentalism. This has been refuted by Bangladesh which has stated that it is committed to working with India to address the issue of terrorism and fundamentalism. During her trip, Begum Zia reiterated Bangladesh's position in this regard.

Trade between India and Bangladesh accounts for more than 70 per cent of the latter's total trade. However, Bangladesh has expressed concern about its trade deficit with India, which stands at around US\$2 billion. It has called for duty-free access for its goods into Indian markets. In response, P. Chidambaram, India's Finance Minister, expressed some interest in creating a Free Trade Area between the two countries to allow free access

to certain Bangladeshi goods into Indian markets. This overture bodes well for both sides in their efforts to further strengthen economic ties.

Following assumption of power in 2001, Begum Zia expressed a keenness to promote economic ties with India and thought of examining the potential of its natural gas for export. The Tata Investment Plan was put forward, with the investment proposal being increased from US\$2.6 billion to US\$3 billion. This would give a boost to the Bangladeshi economy while extracting and exporting its resources like coal and gas. The Tatas also expressed an interest in investing US\$700 million in a power plant and another US\$700 million in a steel plant in Bangladesh. At this point in time, a decision has not been reached on these investments.

The US\$2.5 billion Myanmar-Bangladesh-India pipeline project is yet another contentious border issue between India and Bangladesh. Bangladesh has requested for facilities through India for hydroelectric power from Nepal and Bhutan to Bangladesh, a corridor for trade between Bangladesh and the two landlocked kingdoms. India feels that these issues could be resolved bilaterally across the table. No concrete decisions were made on this issue during the visit.

During Begum Zia's visit, the two sides made some positive movement in linking the most backward regions of both countries. This included the operationalisation of railway links between Sealda (West Bengal) and Joydebpur (Bangladesh). The two countries had started bus services from Kolkata and Dhaka in June 1999 and from Agartala to Dhaka in September 2003. Agartala is the capital of Tripura, a landlocked state in north-east India surrounded by Bangladesh from three sides.

The two sides also explored the possibility of a direct bus service between Kolkata to Agartala via Dhaka or cutting across the Bangladesh territory. However, at the point of preparing this paper, nothing concrete had materialised. It is left to be



seen whether the two sides would reciprocate, with Bangladesh allowing its territory to be used by India as a transit route, while India allowing Bangladesh to expand its trade with Nepal and Bhutan.

Most of the issues discussed by Begum Zia related to the revival of trade relations and transit routes for trade expansion. There are possibilities that India may open up its territory in West Bengal to facilitate transit routes for Bangladesh to trade with Nepal and Bhutan, as well as allow the transfer of hydrological and natural resources from these two Himalayan kingdoms to Bangladesh. However, in return, India would expect a transit land route through Bangladesh for its surface communication from West Bengal to the north-eastern states.

The visit by Begum Zia indeed was important in confidence building. It is necessary for India and Bangladesh to continue their peaceful dialogues and ensure law and order along the border. It is only through such visits and discussions that India and Bangladesh would be able to arrive closer to finding solutions to their sensitive and somewhat contentious borders issues and, in doing so, further strengthen ties. ■



The Tiny Kingdom and its Himalayan Challenge

Indu Rayadurgam
Research Associate, ISAS

Nepal is in the midst of a political transition which promises to be a prolonged struggle with many actors grappling for change. King Gyanendra abdicated his direct rule, paving the way for the formation of a multi-party government. The protracted efforts by the King to hold on to power led to a bloody battle. The protests shook the very base of the monarchy and threatened to uproot it from the country's political structure. The King's stepping down has paved the way for 'political transition' in the kingdom.

The long standing Maoist demand for an elected constituent assembly was agreed upon by the seven-party alliance in 2005. It was predicted that the King would end direct rule and meet the demands for a constituent assembly with pre-negotiated guarantees to at least preserve a ceremonial monarchy. Instead, a bloody and violent battle prevailed with civil society rising to the occasion with ample support from the political parties. But the King was not prepared to compromise until the situation went out of hand. The people's movement prevailed over the use of force by the Nepal Police, the Armed Police Force and the Royal Nepalese Army (RNA) which led to the death of 10 protestors and injuring almost 100 people.



On 2 May 2006, a new government was sworn in, led by veteran politician Girija Prasad Koirala and a seven-member cabinet. Promises to give representations to all political parties in the ministry have been made by the Prime Minister. The government has also reciprocated the Maoists' offer of ceasefire and indefinite truce. A statement from the head of the Maoist insurgent movement,

Prachanda, called the indefinite truce a "positive step". The rebels announced their own three-month ceasefire in May 2006. Talks between the rebels and the government failed in 2001 and 2003. The Maoists have been demanding the reconstitution of Nepal as a 'communist republic'. The rebels control large parts of rural Nepal. The government has decided to conduct elections for drafting a new constitution to decide the fate of the monarchy, which according to the rebels, has to be abolished. In a BBC television interview, Prachanda declared firmly that the King has only two options - abdicate or face execution. The Maoists movement has been solely based on the inequalities in the society, the wide divide between the rich and the poor and the unjust land reforms.

The recent events in Nepal have brought to the fore many important aspects of international relations and power politics. Firstly, the geo-strategic importance of Nepal has been revealed in the foreign policy of India, China and the United States. India and the United States have been the highest military donors to Nepal till the February 2005 coup. India, with Naxalites active in six states, has always felt that a successful Maoist movement in Nepal would be detrimental to its internal security. The United States and the United Kingdom support India's stance to control the growing influence of China in the region. main objective is to disarm and control the Maoist movement.

However, the current situation in Nepal raises the important issue of opportunities for regional and global players to alter the situation in the small nation. It is clearly evident that Nepal's economy and three-quarters of its population are highly dependent on agriculture. Tourism, an important source of foreign exchange, has been affected by the Maoists activities. It seems that the Maoists and the civil society may be unable to charter Nepal's future course independently, considering the position of the country's economy in the international system and its geographical location. There is thus a high potential for influence from external actors.

Also, Nepal's location has severely restrained its foreign policy and trade options. It is heavily dependent on India for its imports, as a main market for its exports and for sea access through the Kolkata port. In order to control the undue economic influence of India, Kathmandu has played the China card to reflect its independent foreign policy initiative. Beijing reciprocated with economic aid of about US\$10 million a year and has pledged its support in the anti-Maoist movement (based on the views that it



denounces the misuse of Mao's ideas). It also provides communication equipment for RNA's operations in the mountainous regions.

The United States was the first aid donor to Nepal and has contributed more than US\$1.4 billion since 1951. It has assisted Nepal against the Maoists insurgency in the form of military support which, however, has remained suspended since February 2006. Estimates reveal that non-military American assistance to Nepal has been substantial. Reports over the years have suggested that American interests in Nepal are for the establishment of military bases but the United States has strongly refuted these reports. Another point of view is that Nepal acts as a strategic balance to restrict Chinese influence in the South Asian region.

Secondly, the ineffectiveness of the South Asian Association for Regional Cooperation as a forum to discuss and prevent volatile situations in the region and the uncertain foreign policy of the member countries have been highlighted. The growth of the Maoists power in the region can be due to the fact that South Asia is between the Golden Triangle and the Golden Crescent, two of the world's largest drug producing regions in the world. Very clear links have been established between arms and drug trafficking. An effective regional mechanism could have controlled the proliferation of arms amongst the Maoists and other insurgent groups in the region.

Referring to Nepal as a 'failed state' in 1999, Devendra Raj Pandey called it a nation that stands at the base, solely dependent on foreign aid for its existence. He attributes much of the development failure to such factors as systemic corruption, absence of participatory democracy and civil society capable of bringing institutional revolutions. The recent developments will stand to test the will of the political parties to establish a government independent of the monarchy and accommodating the Maoists and the determination of the civil society to carry forward its protests and build a country with stable and sustainable economic and institutional structure. Only the establishment of a firm foreign policy will enable the small nation to accommodate the interests of all the big powers and simultaneously carry forward its developmental process.

With such high dependence on economic and military aid from external actors, will the internal actors in the Nepal power play be able to establish an independent foreign policy action? It can be empirically proven that any drastic changes to the framework of a state can prove to be costly whether it is the establishment of democracy or the abolition of monarchy. Concerted prolonged efforts will lead to a sustainable system. Michael Mcfaul in his arguments on the third wave of democratisation said, "In countries with asymmetrical balances of power, the regime to emerge depends on the ideological orientation of the most powerful, else it will usually be a protracted confrontation between balanced powers." The latter condition is applicable to Nepal as none of the actors are dominant enough to determine the future course of action. Dankwart Rustow listed four propositions that determine a state's transition to democracy. They are the forging of a sense of national unity, the existence of

entrenched conflict, the conscious adoption of democratic rules and the 'habituation' of the electorate and leadership towards democratic norms and practices. It is heartening to note that Nepal satisfies all the four conditions to varying degrees. However, it is too early to predict the future. It is understood that the political transition is going to be a long one but there is always light at the end of a tunnel. ■





HE Mr Kamal Nath Delivers 3rd Global Business Leaders Lecture

More than 400 members of the Singapore and Indian business communities turned up to hear the views of HE Mr Kamal Nath, India's Minister for Commerce and Industry, on "India's Economic Emergence: Opportunities for Singapore" on 12 April 2006.

Speaking at the 3rd Global Business Leaders Lecture on 12 April 2006, a joint initiative of the Singapore Indian Chamber of Commerce & Industry (SICCI) and the Institute of South Asian Studies (ISAS), Mr Nath stressed on the strong ties between India and Singapore and expressed optimism that these will grow further. He also elaborated on the key achievements made by India in the last decade, pointing to the impressive growth figures in the various sectors of the economy. He concluded by highlighting the potentials India offers to those interested in investing and doing business with it.



The 3rd Global Business Lecture was organised under the auspices of the 'Connecting India' Asia Pacific Business Summit 2006.

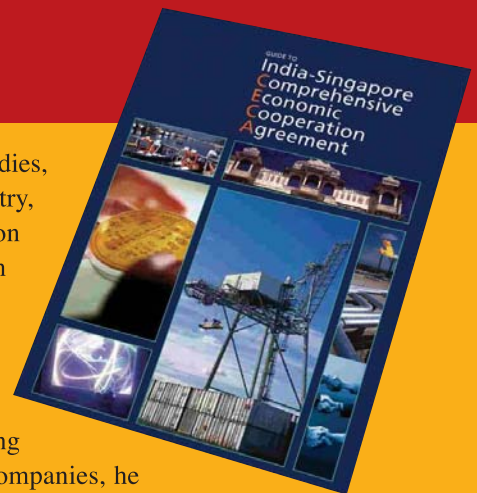
Under the SICCI-ISAS Global Business Leaders Lecture, distinguished visitors such as senior members of Governments and prominent business leaders from South Asia are invited to deliver keynote addresses on political, economic and social issues in the region. The inaugural lecture was delivered by HE Mr P. Chidambaram, India's Finance Minister, in March 2005, while HE Mr Buddhadeb Bhattacharya, West Bengal's Chief Minister, delivered the second lecture in August 2005. ■

CECA Guide Launched

Following several months of intense preparations, the Institute of South Asian Studies, Singapore Indian Chamber of Commerce & Industry, Ministry of Trade and Industry, IE Singapore, Rajah & Tann, Network India and Singapore Business Federation launched the Guide on the India-Singapore Comprehensive Economic Cooperation Agreement (CECA) on 9 February 2006.

Speaking at the launch ceremony, Mr Zainul Abidin Rasheed, Minister of State for Foreign Affairs, stated that, "The production of this guidebook is timely. It comes at a time when global interest in India is rapidly increasing." While stating that the CECA will give Singapore companies a head-start over other foreign companies, he added that it is imperative for the companies to provide feedback so as to make the agreement better and improve its implementation. He concluded by commending the partner organisations, "This guidebook is an excellent example of collaboration between the private sector, academia and government to produce a resource for our companies. The agencies behind the guidebook are useful partners for companies looking to enter India or to expand their operations in India." He called on them to continue to support Singapore companies with their knowledge as these companies venture into India.

The Guide traces the origins of the Agreement and summarises its various provisions. It serves as a practical, handy and easy-to-use reference for Singapore companies looking to tap on the benefits of the Agreement. ■



Snippets on South Asia

Sinderpal Singh
Research Associate, ISAS

Déjà Vu or Real Hope?: The Peace Process in Sri Lanka

After a three year break, the Sri Lankan government and the Liberation of the Tamil Tiger of Eelam (LTTE) resumed negotiations on 22 February 2006 in Geneva. The Norwegian peace broker was cautiously optimistic of the peace talks after the meeting was begun with a handshake between the heads of both the delegations. After two days of negotiations, which were described by the Sri Lankan government as "successful", both sides agreed to meet again in April 2006 for a second round of talks to discuss the Ceasefire Agreement.

The first sign of impending trouble for the peace process came when the LTTE said a few days after the conclusion of the first round of talks in Geneva that it would give the Sri Lankan government two months to "prove their promises" failing which hostilities could result. Things took a turn for the worse when on 11 April 2006, it was reported that the LTTE blew up a Sri Lanka navy bus, killing 12 sailors and injuring many others including three British nationals.

The escalating violence brought condemnation from the Sri Lankan government who accused the LTTE of blatantly violating the Ceasefire Agreement. From abroad, it invited condemnation from the United States government and an expression of grave concern by the United Nations Secretary-General.

The LTTE responded by saying that it was pulling out of the second round of peace talks scheduled to take place from 19 - 21 April 2006. It made its participation in this second round of talks on two conditions - firstly, it be allowed to use its own sea vessels or Sri Lankan government military helicopters to transport LTTE eastern commanders to the north to meet with LTTE leaders prior to any talks with the Sri Lankan government; and secondly, an end to "escalating violence in Tamil-majority areas" against Tamils perpetrated by paramilitary units. According to the LTTE, the first condition was made to ensure the safety of the LTTE eastern commanders from any attack from paramilitary groups that might target the latter. The

second condition is part of an ongoing claim by the LTTE that the Sri Lankan government, usually by not reining in on paramilitary groups who target Tamil civilians, are culpable in the 'genocide' of Sri Lanka's Tamils, especially in the north-eastern areas.

Although the government and Tamil Tiger rebels in Sri Lanka state that a ceasefire signed in February 2002 is still holding, a war-like situation holds on the ground. In late April 2006, the government offered sea planes for the eastern Tamil Tiger leadership. In return, the rebels have now said that, in principle, they are prepared to go to Geneva for another round of peace talks with the government. However, things took a turn for the worse once again with a suicide attack in Colombo, apparently aimed at killing the country's army chief. The government blamed the LTTE for the attack and responded by carrying out air strikes on suspected LTTE camps in Sri Lanka's north-eastern Trincomalee district. This was followed by the sea battle between the Tamil Tigers and the Sri Lankan Navy in early May 2006, with the Sri Lankan government and officials of the Sri Lankan Monitoring Mission condemning the actions of the LTTE. The LTTE defended its actions by asserting that it was simply defending its maritime territorial space. Notwithstanding these developments, the general truce, though highly precarious, still holds. However, observers are sceptical of the peace process moving in any positive direction in the near future.

The LTTE received a further setback when it became known that the British government and the European Union were considering a ban on the LTTE in their respective jurisdictions if the violence in Sri Lanka did not show any sign of abating.

On the economic front, there was a growth of six percent in the first quarter of 2006 compared to the same period the year before. Overall, Sri Lanka's tourism industry also experienced a marked growth in the wake of progress made in tsunami reconstruction in the country.

A Tale of Various Cities: Pakistan's Internal Challenges

Pakistan's troubled southern province of Balochistan once again made the news in February 2006 when tribesmen blew up a gas pipeline. They also fired more than 200 rockets at a major base belonging to the Pakistani security forces in the area. This forced President Musharraf to proclaim that private local militia in the province should disarm and stop hampering the development of the province. Musharraf's government has had to deal with a decade old problem in this province with Baloch nationalists perennially critical of the central government in Islamabad, accusing it of depriving the province its due. They claim that the government took away income from natural gas and other resources while spending only a trivial amount on the province. Balochistan is seen as the richest province in terms of mineral resources and is a major supplier of natural gas to the country.

President Musharraf has expressed his government's desire to adopt a political solution to grievances aired by local leaders but added that this could only take place if they gave up arms and desisted from sabotaging oil and gas exploration activities in the province. President Musharraf has often labelled the different tribal chiefs who lead and orchestrate such attacks as 'anti-development' and believes that they oppose his projects because they will bring prosperity to the area and will end the archaic tribal system which preserves their power.

The fallout from the publication of cartoons satirising the Prophet Muhammad in Denmark continued with police using

batons and tear gas to disperse protesters rallying against the publication, resulting in the death of two people in Lahore, the provincial capital of Punjab.

Commenting on reconstruction efforts in areas devastated by the October 2005 earthquake, President Musharraf said they would be done along modern lines. The government, he said, aim to build homes and other infrastructure that are better than before.

A suicide bomb attack in Karachi killed 57 people. The attack took place during a special Eid Miladun Nabi congregation. Top leaders of the Sunni Tehreek were among those killed. The attack led to shops being shut down in response to a strike called to protest against the killing of four Sunni Muslim leaders. Karachi has a history of religious and ethnic violence, especially between the majority Sunni and minority Shiite communities and the blast has been described as one of the worse incidents of suicide bombings against Pakistan's majority Sunni Muslim community.

On the economic front, encouraged by low tax rates on the import of crude palm oil, Pakistan's leading edible oil buyers are planning to establish four new palm oil refineries in the country. Pakistan is the world's fourth largest consumer of vegetable oils with a domestic demand of 2.5 million tones, 90 percent of which is covered by imports, mostly of Malaysian RDB palm oil.

Passages to Bhutan: Growing Ties with its Neighbours

India's Sashastra Suraksha Bal, a paramilitary force, has decided to station more battalions along its border with Bhutan as part of a wider move to control the increasing terrorist activities on its border areas. According to a source, 21 male battalions and one female battalion will be deployed. The source also said that the security personnel deployed along India's borders with Nepal and Bhutan have arrested 994 smugglers and seized goods worth Rs 40 million during the period between January 2005 and January 2006. India shares a 700 km border with Bhutan. The kingdom's foreign policy is guided by India, which contributes substantially to the kingdom's development budget.

Pakistan's Ambassador to Bhutan, Mr Alamgir Bhasir Khan Babar, presented his credentials to His Majesty the King of Bhutan on 27 January 2006 and he hopes to work towards taking the warm and friendly bilateral relations between Bhutan and Pakistan to greater heights. The Pakistani Ambassador, who also met senior government officials,

said that while Pakistan was already providing technical assistance to Bhutan in the fields of medicine and engineering, support could also be extended in other areas. The Ambassador said that visits by Bhutanese students, academics, parliamentarians and the media would be arranged in future to promote a greater people-to-people exchanges between the two countries.

Bhutan and its second largest trading partner, Bangladesh, are exploring ways to expand trade. The four-day Bangladesh Single Country Trade Fair in Thimpu showcased a wide range of products and sought to encourage Bhutanese traders to diversify imports beyond just garments and melamine products. Trade between the two countries has grown steadily since the signing of the trade and transit agreement in 1980. Bhutan's main exports to Bangladesh are apples, oranges and minerals such as limestone, dolomite, talc and gypsum while its imports include ready-made garments, tableware, melamine, car batteries, cooking oil and confectionaries.

ISAS Management Board



New Member

The Institute of South Asian Studies welcomes Mr Chiang Chie Foo, Permanent Secretary, Prime Minister's Office, as a member of the Management Board.

ISAS Administrative Staff



Hernaikh Singh Head, Administration and Corporate Communications

Hernaikh started his career as a Trade Officer with the Trade Information Service and External Trade Relations and Policy Division of the then Trade Development Board (now IE Singapore). He then joined the Singapore International Foundation before coming on board at the Institute.

Hernaikh holds a MA (Southeast Asian Studies) from the National University of Singapore. For his outstanding academic achievements and for being the top student during his Master programme, Hernaikh was awarded Dr Benjamin Batson's Gold Medal. He also received a BA (Honours) degree from the same university.



Puspa Thangavelu Programme Officer

Puspa joined the Institute in October 2004. She handles human resource and finance, as well as assists in events organisation.

Puspa brings with her more than 10 years of experience in administrative work and human resource management. She has worked in the Singapore International Foundation and the Republic of Singapore Yacht Club. She has an Executive Secretarial Diploma and a Diploma in Human Resource Management from PSB Academy.



Asha Choolani Senior Executive

Asha joined the Institute in November 2005. Her key responsibilities are human resource and finance, events management and website development. She also provides editorial support for the Institute's publications.

She brings with her almost 10 years experience in general administration and managerial fields such as events, finance, human resource and project management, as well as marketing and public relations. She has an MBA from Imperial College London and a BSc (Economics), specialising in Information Systems and Management Studies, from the University of London.

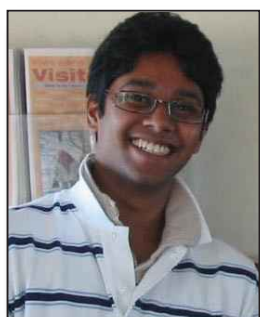


Irma Jaya Binte Indra Eddy Programme Officer

Irma joined the Institute in April 2006. She is the personal secretary to the Chairman and Acting Director of the Institute. She also handles purchases and data management, and assists in events organisation.

Irma has more than 12 years of administrative, accounting, customer service, database management, event management, corporate relations, and sales and marketing experience in the government and non-government sectors.

ISAS Internship Team



Anand Gopalan
Economics and Government
Liberal Arts, Wesleyan University

Anand Gopalan is currently pursuing a BA degree in Liberal Arts at Wesleyan University, Connecticut, United States, on a full scholarship as part of the Freeman Asian Scholars Programme. Anand intends to major

in Economics and Government with a concentration in International Politics and a Certificate in International Relations. Anand is the Co-Chair of the International Students Society and the Finance Committee of the Freeman Asian Scholars' Association.

Prior to attending Wesleyan University, Anand completed his International Baccalaureate Diploma in 2002 at the Armand Hammer United World College of the American West, New Mexico, United States, as a recipient of the United World College Singapore Scholarship in 2000.

His research interests include microfinance and its role in the development of agrarian communities in South Asia, the influences of the homeland on diasporic communities worldwide and the constructive engagement of conflict in the world.



Hema Kiruppallini
Economics and Government
Faculty of Arts and Social Sciences
National University of Singapore

Ms Hema Kiruppallini is majoring in History at the National University of Singapore (NUS). She has read a wide array of modules that has enabled her to gain a multi-

dimensional perspective of the South Asian region. Her interests are in gender studies, ethnic conflicts and socio-economic developments in countries such as India, Nepal and Sri Lanka.

Apart from academic priorities, she has been involved in extra-curricular activities organised by NUS clubs and societies. She participated in a three-week long community service project to a village in West Bengal, organised by the History Society under the aegis of the Singapore International Foundation. During her term as President of the NUS History Society, she was actively involved in organising various events.

With roots hailing from the civil war stricken Jaffna, combined with her academic background of South Asia, Hema has a relentless quest to deepen her knowledge of the region.

The Institute of South Asian Studies launched the ISAS internship programme in May 2006. Opened to undergraduates or postgraduates who have an interest in the South Asian region, the three-month programme will see the interns involved in research, networking activities and study committees at the Institute. Opportunities will also be provided for the interns to spend some time in South Asia.



Benjamin Mui
Economics and Political Science
School of Economics
and Social Sciences
Singapore Management University

Benjamin Mui is an undergraduate at the Singapore Management University, pursuing a Bachelor's degree in Economics, with a second

major in Political Science. He is scheduled to complete the course in May 2008, following which he aims to pursue post-graduate studies in Political Science.

His research interests are related to the international political economy, with a focus on developing countries and human development. In the course of this internship programme, he hopes to gather valuable experience from the experts in this field as a springboard to developing his research capabilities.

His long term career goal is to work in the area of development, either in an international organisation such as the World Bank or in academia as a researcher.



Falak Sufi
Political Science
Faculty of Arts and Social Sciences
National University of Singapore

Falak Sufi is currently pursuing a Bachelor of Social Sciences (Honours) in the Department of Political Science at the National University of Singapore (NUS).

Throughout her undergraduate studies, she has regularly participated in the coordination of university events, conferences and reading circles. Under the NUS Student Exchange Programme, Falak was selected to pursue an academic semester at the University of California, Los Angeles.

Falak's research interests include South Asian politics, with specific focus on identity, post-colonialism and evolution. Falak hopes to pursue her postgraduate studies in the same areas to further her understanding of the region.

ISAS Lecture Touches on Economic Reforms in Pakistan

HE Mr Humayun Akhtar Khan, Pakistan's Commerce Minister, delivered a public lecture on "Pakistan's Economic Transition: Strategies, Challenges and Prospects", to more than 100 guests on 23 May 2006.

Mr Khan spoke about Pakistan's economic development strategy and emphasised the positive steps that the country has taken to improve its trade and investment profile in recent years. These included tax reforms, privatisation and increasing competitiveness. He added that Pakistan is on a high growth strategy and wishes to be considered as a modern and competitive state.

Mr Khan further stated that Pakistan welcomes investment from Singapore and his government would extend its best services in facilitating such investments. ■



ISAS Publications Project

The Institute of South Asian Studies has commissioned Dr Kripa Sridharan, Senior Lecturer, NUS, and ISAS Associate, to work on two publications.

India-United States Engagement and Asian Security

A dramatic transformation has occurred in India-United States relations in the last decade. The interactions between the two democracies have expanded enormously and their impact is beginning to be felt beyond the bilateral realm. This evolving partnership holds the potential to shape not only the regional politics of South Asia but the international relations of the wider Asia-Pacific region. Some analysts project an even grander vision, claiming that this relationship may play a decisive role in determining the future global order.

Taking these projections as a point of departure, and recognising the impressive strides that have been made in Indo-United States ties, this publication will focus on the strategies, outputs and consequences of this foreign policy engagement. Its impact on Asian stability in the context of a rising China will be analysed. This publication will also study the dynamics between the three major Asian powers - India, China and Japan - whose bilateral equations with the United States are divergent and therefore of concern to the smaller powers of the region. How these major powers relate to one another and whether their mutual interactions can be autonomous are some of the questions that this research will explore while charting the course of Indo-United States relations.

This book will be published in September 2007.

South Asian States' Interactions with Southeast Asia: A Comparative Profile

The South Asian countries generally share an upbeat and positive view of the achievements of their Southeast Asian neighbours. Desirous of emulating the progress made by some of the regional states, the South Asian countries have been trying to further their interactions with Southeast Asia, both at the bilateral and regional levels. Their efforts have met with some success but not all of them have been able to translate hope into reality. The interest displayed by the Southeast Asian countries towards them also varies a great deal.

This publication seeks to compare the perceptions and policies of selected South Asian countries towards their neighbouring region and to identify the areas of potential cooperation that could benefit both the regions.

This book will be published in December 2008. ■

ISAS Recent Events

ISAS-SCAPE Seminar by Prof Partha Sen and Dr S. Narayan, *"India's Economy: Examining Growth Potentials"*, 7 February 2006.

"Official Launch of the Guide on the India-Singapore Comprehensive Economic Cooperation Agreement", Mr Zainul Abidin Rasheed, Minister of State for Foreign Affairs, 9 February 2006 - Joint project by ISAS, SICCI, SBF, IE Singapore, MTI, Rajah & Tann and Network India.

Public Lecture by Mr M. Damodaran, Chairman, Securities and Exchange Board of India, *"Developments in India's Capital Markets and their Impact on Foreign Investment"*, 13 February 2006.

ISAS-SICCI Public Lecture by HE Senator Dr Abdul Hafeez Shaikh, Federal Minister for Privatisation & Investment, Pakistan, *"Pakistan's Privatisation and Investment Initiatives: Challenges and Opportunities"*, 14 February 2006.

ISAS-SCAPE Seminar by Mr Sumanasiri Liyanage, Head of the Economics Department, University of Peradeniya, Sri Lanka, *"Sri Lankan Peace Process: New Challenges"*, 16 February 2006.

Seminar by Dr Pankaj Kumar Jha, Associate Fellow, Institute of Defence Studies and Analyses, *"India's Internal Security Challenges: New Frontiers"*, 6 March 2006.

ISAS-Japanese Association of South Asian Studies Roundtable Discussion, *"The View of India from East Asia"*, 13 March 2006.

Third SICCI-ISAS Global Business Leaders Lecture by HE Mr Kamal Nath, Minister for Commerce and Industry, Republic of India, *"India's Economic Emergence: Opportunities for Singapore"*, 12 April 2006.

Public Lecture by HE Mr Humayun Akhtar Khan, Federal Minister for Commerce, Pakistan, *"Pakistan's Economic Transition: Strategies, Challenges and Prospects"*, 23 May 2006.

ISAS Recent Publications

Books

"Guide on the India-Singapore Comprehensive Economic Cooperation Agreement", a joint publication by ISAS, SICCI, SBF, IE Singapore, MTI, Rajah & Tann and Network India, February 2006.

"Cold Chain Management: India-Singapore Initiative", Professor N. Viswanadham, ISAS Associate, February 2006.

ISAS Background Brief

"Capital Account Convertibility for India - Current Concerns", Dr S. Narayan, Visiting Senior Research Fellow and Head of Research, ISAS, April 2006.

ISAS Insights

"Significance of President George W. Bush's Visit to India", Dr Kripa Sridharan, Senior Lecturer, NUS, and ISAS Associate, March 2006.

ISAS Working Papers

"CECA Implementation: A First Look", Ms Alka Chadha, Research Associate, ISAS, February 2006.

"Appraising The Legacy Of Bandung: A View From India", Dr Rahul Mukherji, Visiting Research Fellow, ISAS, May 2006. The paper was presented at the Conference on "Bandung Revisited: A Critical Appraisal of a Conference's Legacy" organised by the Institute of Defence and Strategic Studies.

"Promoting Foreign Investment in India's Telecommunications Sector", Dr Rahul Mukherji, Visiting Research Fellow, ISAS, May 2006.