

# SOUTH ASIA

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# A Word from the Director



In this issue, we provide brief analyses of a number of important recent developments in South Asia.

As India, like the rest of the world, grapples with rising prices, we look at its policies in tackling inflation and how they are likely to impact Indian politics as the general elections loom. Will inflation and the economic difficulties that follow derail India (and the other South Asian countries) from achieving its Millennium Development Goals?

We also look at the domestic politics of Pakistan in the wake of President Pervez Musharraf's resignation. As the partners of the uneasy coalition government position themselves in the ensuing political gambit, what roles are there for non-political actors, the civil society movement, to secure a more significant space in the uncertain political landscape of Pakistan?

The region's engagement with East Asia and Southeast Asia are also covered in this issue through two analyses on sustainable China-India trade amidst conflicts, as well as India's involvement in the ASEAN Regional Forum.

I am pleased to report that research at the Institute of South Asian Studies (ISAS) has kept abreast of major developments in the South Asian region, and our briefs, insights and working papers, the list of which is included in this newsletter, have given due attention to the key issues that have emerged as events unfolded in the region in recent months.

In addition to these publications, which can be accessed on our website at [www.isas.nus.edu.sg](http://www.isas.nus.edu.sg), our research findings, as well as views and insights by scholars and policy-makers, have been presented through several seminars, workshops and public events, including two public lectures on Pakistan-United States relations and politico-economic developments in Sri Lanka.

I hope ISAS has been able to provide, through its events and publications, useful knowledge and helpful analyses of developments in South Asia. We have a busy schedule of writing and events ahead, and I look forward to sharing with you our ongoing work on South Asia.

I hope you enjoy this issue of the newsletter.

Professor Tan Tai Yong  
Director

# High Inflation in India: Origins, Policy Responses and Options

*Dr Amitendu Palit*  
*Visiting Research Fellow, ISAS*



India's inflation, as measured by the Wholesale Price Index (WPI), stood at 12.63 percent on 9 August 2008. This is the highest annual rate of inflation that India has experienced in the last 13 years. The sharp rise in prices has become the most serious concern for economic policy. At their current level, the prices are a major downside risk to India's growth outlook for the current year.

India last witnessed a double-digit inflation in 1994-95. During that year, the WPI recorded a growth of 12.6 percent. If inflation during the current year increases further, then 2008-09 might acquire the rather dubious distinction of seeing the highest rise in prices since the onset of India's economic reforms in the

early 1990s. Indeed, from now, the WPI figures will be compared against 1991-92, when it rose to as high as 13.7 percent.

What are the reasons for the rise in domestic prices? High energy prices are a known factor. International crude oil prices have been practically galloping. The global average price of crude oil (simple arithmetic average of WPI, Brent and Dubai varieties) nearly doubled from US\$41.30 per barrel in 2004-05 to US\$80.70 per barrel in 2007-08. In March 2008, the average price was US\$101.80 per barrel, and it shot up to US\$131.80 per barrel in June 2008. Keeping pace with global prices, the price of India's crude oil basket increased from US\$99.40 per barrel in March 2008 to US\$129.80 per barrel in June 2008. The escalation in crude oil prices induced a fairly sharp revision in domestic prices of refined petroleum products as the subsidy burden became unbearably high. The revision, however unavoidable, contributed significantly to overall inflation.

Unfortunately, oil is not the only commodity whose prices are rising fast. The world is passing through a phase of rapid acceleration in the prices of multiple commodities. Food prices (for example, rice, wheat, milk and edible oil) are rising along with the prices of raw materials for textiles, minerals, chemicals and metals. India, like most other emerging market economies, is facing difficulties due to these spiraling world prices. During the first quarter of 2008-09 (April-June), prices of iron ore, inorganic chemicals, and iron and steel in India increased by 52.4 percent, 38.7 percent and 35.1 percent respectively. Raw cotton and oilseed prices rose by 31.5 percent and 19 percent respectively. Rice and milk prices hardened by 8.2 percent and 7.6 percent respectively. These higher commodity prices have contributed to a higher overall WPI by inflating all the sub-indices. Primary product price index has increased as a result of higher food (for example, rice and milk) and non-food (for example, oilseeds and raw cotton) prices. The fuel price index has gone up due to higher prices of petrol, diesel, cooking gas, aviation turbine fuel and mineral oils. Finally, manufactured product price index, the third sub-index of WPI, has gone up, as a result of the higher prices of food products (for example, edible oil and oilcakes), metals, chemicals, iron and steel, and machinery.

The pattern of price rise leaves little doubt about the broad-based nature of India's inflation. It also underlines the linkages that India has developed with global markets. These linkages offer commercial



opportunities but are also sources of vulnerabilities. The current price spirals highlight vulnerabilities that import-dependent countries such as India are exposed to in the face of high global prices of mineral and vegetable oils. World supply imbalances will accentuate further as commodity production profiles change in response to demand for alternate energy sources. Price rises following such imbalances are inevitable.

India's policy response to rising prices has comprised both fiscal and monetary measures. Fiscal measures include steps taken to augment supplies of essential commodities with the hope that higher supplies will have a sobering effect on prices. Since early 2007, import duties have been reduced on several items at different stages. These include key food articles like pulses, wheat, rice, maize, milk and edible oils. Customs duties on imports of rice, pulses, wheat and maize have been slashed to zero. The cut for rice was particularly sharp, with the duty on semi-milled rice being brought down from 70 percent to zero in March 2008. Customs duties on skimmed milk powder and butter oil have been slashed from fifteen percent to five percent and from 40 percent to 30 percent respectively. In a major restructuring of the duty structure for edible oils, custom tariffs on palm and other edible oils were cut between five and ten percentage points last year. This year, such duties on crude and edible oils have been reduced further.

Other products on which import duties have been slashed include cement, iron and steel, cotton, crude oil and refined petroleum products. Import of portland cement (other than white cement) has been exempt



from countervailing duty (CVD). The customs duty on pig iron and mild steel products (for example, sponge iron, ingots and hot-rolled coils) has been reduced. TMT bars and structurals have been waived from CVD, while customs duty on metallurgical coke, ferro alloys and zinc have been reduced to zero. Finally, the customs duty on crude oil has been reduced to zero, while those on diesel and petrol have been slashed substantially. In a move to reduce the burden of high petroleum prices on domestic consumers, excise duties on petrol and diesel have also been reduced.

While India seeks to augment domestic supply by encouraging imports through lower customs duties, it also aims to achieve the same goal by discouraging exports. The export of non-basmati rice, wheat, pulses and edible oils have been banned until April 2009. Maize exports are banned until October 2008. Exports of onions and basmati rice have been discouraged by increasing the minimum-administered prices of such exports. Different rates of export duties have been imposed on primary and semi-finished steel, rolled products and galvanised steel. Drawback benefits available to exporters of raw cotton in the form of a refund of local taxes have been withdrawn.

Apart from measures aiming to influence domestic supplies, inflation-reducing measures have been implanted through monetary policies as well. The monetary policy stance of the Reserve Bank of India (RBI) has become progressively tighter. The tightening has manifested in the hardening of domestic interest rates. The benchmark policy rate of the RBI is the repo rate. This rate, which was at six percent until October 2005, increased to seven percent in July 2006 and further to eight percent in June 2008. Thereafter, in a span of only five weeks, it increased to 8.5 percent. The latest increase in quick bursts was the RBI's response to inflation that reached double-digit levels from June 2008. Along with the repo rate, the RBI has also been tightening the cash reserve ratio (CRR) for reducing liquidity. The CRR is currently at 8.75 percent. It increased rapidly from five percent at the end of October 2006. Like the repo rate, between 26 April and 19 July 2008, the CRR increased by one full percentage point from 7.75 percent to 8.75 percent.



Fiscal and monetary policies over the last couple of years have tried to serve the dual purpose of maintaining supplies and keeping demand in check for controlling prices. However, inflation has continued to surge. This underlines the limited influence that policies have had on prices, not because they have been wrongly framed, but because they have tried to address issues beyond their control. There is little that India can do to control global oil and commodity prices. A flare-up from these segments will continue to affect domestic prices. Fortunately, high prices have forced the initiation of some structural measures that were long overdue. The alignment of domestic petroleum prices with international ones is one such step. The continuation of such measures will ensure that any future flare-up in global oil prices impose fewer hardships on consumers. However, the possibility of cutting subsidies further appears remote with elections less than a year away. As of now, the government will be hoping that good monsoons and the new crop will wash away troubles by bringing down prices. The government will also be hoping that the current softening in global oil prices prevails and prolongs. ■



## Public Lecture on Political and Economic Developments in Sri Lanka



On 18 July 2008, Professor G. L. Peiris, Sri Lanka's Minister of Export Development and International Trade, spoke on "Political and Economic Developments in Sri Lanka: Challenges and Opportunities" at a public lecture organised by the Institute of South Asian Studies. Dr Balaji Sadasivan, Senior Minister of State for Foreign Affairs, Singapore, chaired the lecture.

On the political front, Professor Peiris stated that successive governments have tried to find a negotiated solution to the ongoing ethnic conflict in Sri Lanka. After four years of relative peace, the Sri Lankan government engaged, once again, in a military conflict

with the Liberation Tigers of Tamil Elam (LTTE). He added that there is some disconnect between the government and the ordinary citizen on the issue of power sharing as an option to end the ethnic conflict. With the LTTE declaring itself the sole representative of the Tamils, there is no political space for other ethnic groups in the north-east provinces of the country.

On the economic front, Professor Peiris stated that Sri Lanka has achieved seven percent economic growth in the last three years. He opined that his government needed to allocate more resources to the military; concentrate on macro-economic and infrastructure management; continue with welfare measures such as subsidies; and work on the alleviation of poverty.

The discussion that followed the address focused on the ethnic conflict; peace dividends for Sri Lanka; the political consensus on continuing with economic policies; and relationship between Sri Lanka and India, China and Japan.



# The Civil Society Movement in Pakistan: Scope and Limitation

*Professor Ishtiaq Ahmed  
Visiting Senior Research Fellow, ISAS*



In the transition from an increasingly authoritarian regime headed by President Pervez Musharraf to an elected coalition government headed by Mr Yousaf Raza Gilani of the Pakistan Peoples Party (PPP), the civil society in Pakistan has been acclaimed as the spearhead that wrought such transformation.

Popular movements against dictatorship naturally gain momentum when large sections of the society join them, but normally, oppositional political parties and their leaders lead them. In Pakistan, however, the anti-Musharraf movement developed spontaneously among the lawyers in early March 2007 and, gradually, human and women rights' non-government organisations (NGOs) joined it, while the main political parties remained aloof until sometime in late October 2007.

In this brief review, we shall try to solve the puzzle of why civil society actors, and not the political parties, assumed the role of the democratic movement in Pakistan. In this regard, we shall address the following questions: What is a civil society? What is its connection to democracy? What did the Pakistan civil society do to bring about the change from authoritarianism to democracy?

What is the scope and limitations of the civil society movement that has evolved in Pakistan?

In a broad sense, a modern polity is constituted by three components – one, the state and its institutions; two, the political society comprising political parties and their affiliates; and three, a civil society which comprises autonomous and voluntary organisations that are distinct from state institutions and political organisations. One can include, among them, independent newspapers, television and radio channels, trade unions, chambers of commerce, various interest groups, religious organisations, NGOs and charitable institutions, among others. The assumption is that, if all three function according to the rules of the game, they complement each other and, therefore,

establish a democratic dispensation where power is not concentrated massively with only one component.

However, in totalitarian and authoritarian regimes, the political opposition is usually repressed and, therefore, challenges to the power of the state have to emanate in a civil society. Classically, in the absence of any meaningful oppositional political party, the Roman Catholic Church and the anti-communist trade union leaders at Gdansk became the leaders of the movement for democracy in Poland against the dictatorship of the ruling Communist Party. Equally, because of the ruthless suppression of the political opposition in Iran, only the Shia clergy could mobilise mass opposition to the Shah of Iran. In this latter case, instead of the civil society establishing democracy, a theocratic dictatorship was installed. Therefore, there is no direct one-to-one relationship between a civil society-led movement against dictatorship and the triumph of democracy. It can even result in a much worse type of autocratic rule.

In light of such theoretical considerations, if we now examine the Pakistan situation, we find that Mr Musharraf's government was



generally considered an authoritarian regime as he had come to power by overthrowing the elected government of Mr Nawaz Sharif in October 1999. Mr Musharraf tried to promote his regime as a progressive one in opposition to the Islamists, claiming that he wanted to introduce a moderate and democratic version of Islam. However, he began to face mounting opposition, including terrorist attacks and assassination attempts by extremist Muslims, after he decided that Pakistan should join the United States-led “war on terror” in the aftermath of the 9/11 terrorist attacks.

During that period, some left-leaning parties and civil society actors such as liberal newspapers, and human and women rights’ NGOs tended to support Mr Musharraf because they considered him a counterweight to militant and violent Islamism. Over time, however, they became less and less convinced that he wanted seriously to promote a moderate version of Islam consistent with democracy and human rights. Instead, he was seen as an opportunist who could not take a clear stand against the Islamists.

It was in these circumstances that when, on 9 March 2007, Mr Musharraf, in a most clumsy and arrogant manner, declared Chief Justice Iftikhar Mohammad Chaudhry of the Pakistan Supreme Court non-functional (a novel term meaning practically removed from his office) on allegations of misuse of office, it was received with dismay by many sections of the Pakistani society. It was widely believed that Justice Chaudhry had told Mr Musharraf that he could not contest elections while remaining in uniform, and that the election as president had to be carried out before the end of 2007. Moreover, he took up several habeas corpus cases of Pakistani citizens, mainly critical journalists and political activists, abducted by the security forces, ordering

that the detained individuals should be produced in court. Justice Chaudhry refused to accept Mr Musharraf’s arbitrary verdict because the relevant due process for removing sitting judges had not been followed. When he tried to enter the premises of the Supreme Court, he was manhandled by security and intelligence officials. This was seen on television channels. Not surprisingly, the Pakistani people were shocked and dismayed.

It was also not surprising that the lawyers were the first who took to the streets to protest the public humiliation meted out to the most senior member of the legal fraternity. Pakistani newspapers and television channels also became involved in ventilating condemnation of the high-handed behaviour of the Musharraf regime. Over the months, demonstrations and protest actions continued in the premises of the courts despite violent assaults by the police and security agencies. Mr Aitizaz Ahsan, a leading lawyer and a stalwart of the PPP of Ms Benazir Bhutto, and some other leading lawyers became the leaders of that movement.

The two main opposition political parties, the PPP and the Pakistan Muslim League-Nawaz (PML-N) of Mr Sharif were initially hesitant to take part in that movement and it was the lawyers who continued their protests. Both Ms Bhutto and Mr Sharif were, at that time, living in exile and it seemed they were not sure what benefit could be drawn by jumping head-on into such a movement. Both followed a highly personal type of leadership model and, therefore, were wary of a mass movement bringing forth new leaders.

In any event, Justice Chaudhry was re-instated on 10 July 2008 by a Supreme Court bench. However, that did not mean that the standoff between Mr Musharraf and him ended. Rather, Justice Chaudhry embarked upon judicial activism that clearly sought confrontation with Mr Musharraf. Meanwhile, calls for Mr Musharraf to step down and for a caretaker government to hold free and fair elections were being made by many people and the mass media. The crisis deepened dramatically when Ms Bhutto (18 October 2007) and Mr Sharif (27 November 2007) returned to Pakistan. Mr Musharraf had been under intense pressure from the United States to allow Ms Bhutto to return, and from Saudi Arabia for Mr Sharif to return. Their arrival set in motion not only popular rallies but also bomb blasts.

In desperation, Mr Musharraf imposed a state of emergency on 3 November 2007. Mass arrests were ordered and not only Justice Chaudhry, but also other judges of the Supreme Court that he believed were planning to unseat him as president were removed and handpicked judges were placed in their stead. General elections were due on 8 January 2008, but on 27 December 2007, Ms Bhutto was assassinated after she had addressed a public meeting. That brought forth countrywide protests, which, in some cases, turned violent. For a while, it seemed that a civil war could start. The Pakistan Election Commission postponed the elections to 18 February 2008. On 22 January 2008, some unusual members of the civil society,

100 ex-servicemen, including the highest level officers from the army, navy and air force, issued a statement demanding that Mr Musharraf should step down and democracy be restored in Pakistan. It was clear that Mr Musharraf's popularity had plummeted drastically and his support base was fast eroding. Yet, he persisted in remaining president.

The 18 February 2008 general elections proved to be a massive protest vote against authoritarianism. The PPP and the PML-N emerged as the main winners. On 22 March 2008, Mr Gilani was nominated as the PPP candidate for prime minister. He was elected prime minister on 24 March 2008. Initially, both the PPP and PML-N and other smaller parties formed a coalition government. However, later, the PML-N withdrew because both parties could not agree on how to deal with the problem of the deposed judges and the future position of Mr Musharraf who continued to be the president of Pakistan.

Thus, while an elected government had come into being, the main demand of the lawyers that the deposed Chief Justice and other judges should be restituted was not achieved. Under the circumstance, the lawyers decided to continue agitating until they had achieved their objective. Consequently, a long march took place when lawyers from

all parts of Pakistan converged in Islamabad on 11 June 2008. Although the PPP-led government allowed the protestors to carry out their protest, the deadlock between the PPP and the PML-N over how to resolve the issue of restoration of judges and the constitutional role of then-President Musharraf remained. In fact, Mr Ahsan had to face considerable criticism for calling off the agitation without getting the deposed judges restored to their jobs.

We can, thus, see that the Pakistan civil society, more specifically the lawyers, played an effective role in setting in motion a popular struggle against authoritarianism, but after an elected government came to power, its ability to compel it to follow its agenda of restoring the deposed judges weakened. The reason for this is that, if political parties with mass followings, especially those in power, as the PPP is in Pakistan, do not support civil society democratic initiatives, then the civil society alone cannot achieve such goals. Thus, ironically, during periods of dictatorship, the scope for the civil society to take up political initiatives expands if political parties are suppressed, but contracts if a democratic government enjoying mass support is in power and the political parties are not willing to throw their full support behind the demands of civil society actors for specific issues such as the restoration of the judges. ■

## Workshop on Developments in Selected Indian States

More than 60 participants attended the workshop on "Developments in Selected Indian States" on 18 September 2008.

The workshop was the culmination of a study commissioned by the Institute of South Asian Studies (ISAS) on Indian states that are of business relevance to Singapore. These are Andhra Pradesh, Karnataka, Gujarat, Haryana, Maharashtra, Punjab, Tamil Nadu and West Bengal.

During the workshop, field experts and scholars provided their insights on the political structure of the states' government and the key leaders; the main opposition parties, their leaders and ideologies; the likely scenario during and after the next elections; the economic performance and policies of the different parties; the track record of reforms and growth; the likely economic policies to be followed by the election winners; and the impact on business, investment, taxation and repatriation of profits.

ISAS will publish the papers presented at the workshop.





# Sustainable Trade between China and India: Conflicts and Coordination

*Dr Huang Liming  
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China and India officially resumed trade in 1978. Both countries signed a trade agreement (Most Favoured Nation Agreement) in 1984. Border trade resumed in July 1992 after a hiatus of more than 30 years and diplomatic consulates reopened in Shanghai and Mumbai in December 1992. Bilateral trade between China and India has grown rapidly and continuously from US\$338.54 million in 1992 to US\$39 billion in 2007. China has become India's number one trading partner and India among China's top 10 trading partners. Some observers optimistically estimate that, even if the growth rate in India-China trade slows down to 25 percent annually from the current rate of over 50 percent, bilateral trade between China and India will be almost US\$225 billion in 2015, as large as China-United States trade just four years ago.

As China-India trade grows, trade conflicts resulting from this growth are inevitable. From a strategic and long-term

perspective, therefore, China and India still face the challenge of ensuring that the growth momentum of their two-way trade remains sustainable, notwithstanding the fact that their target of bilateral trade of US\$20 billion by 2008 was achieved well ahead of time and the next target of US\$60 billion trade by 2010 is likely to be easily achieved. In order to ensure sustainable long-term growth in Sino-Indian trade, it is crucial for both countries to manage the conflicts arising from their bilateral trade.

## Growing Trade Imbalance

As Sino-Indian trade reaches unprecedented levels, India's trade deficit with China has also increased substantially. In 2004, the balance of trade was in India's favour to the tune of US\$1.7 billion. However, by 2006, this had turned to a deficit of US\$4.12 billion. By 2007, the deficit had risen to US\$10 billion. Since the beginning of this year, China's exports to India have continued to grow significantly. According to data from China's customs website, during January-February 2008, China's exports to India increased 45.3 percent over the same period a year earlier. As such, India's trade deficit with China is likely to continue to grow even further.

This imbalance has emerged as a trade conflict between China and India. It has resulted in concern, not only among Indian officials, but also among their Chinese counterparts. Both sides realise that the widening trade imbalance will threaten long-term growth in China-India trade. In order to try and resolve this trade conflict, China and India are actively seeking to identify the key factors for the growing trade imbalance, as well as solutions to reduce India's trade deficit with China. However, the issues are rather complicated. From India's point of view, two main factors are responsible for its growing trade deficit with China. The first is the unequal trade structure. India exports mainly low-valued, primary products (ores, steel, plastics and cotton) and imports manufactured and value-added products (electronic goods, mineral fuels and silk). The second is that the Chinese industry has an unfair advantage over its Indian counterpart, due to factors such as across-the-board state support for domestic companies, an array of tax exemptions and artificially undervalued Chinese currency. However, the Chinese argue that 95 percent of the commodities in China are regulated by market forces





without any intervention by the government. As such, Chinese enterprises are responsible for their own gains and losses, and do not receive financial support from the government.

Although there still are some disparities on the causes of bilateral trade imbalance, the two countries recognise that, in order to enhance bilateral trade, efforts are needed to expand the scope and diversification of the products suitable for the two markets. China has assured India that it would take steps to increase imports from the latter, including sending frequent buying missions, so as to bridge the growing trade deficit.

#### Miniscule Bilateral Investments

Trade and investment are inextricably linked. From a policy perspective, open trade regimes favour foreign direct investment (FDI) inflows with high level of technology, while open investment policies in a country usually keep its markets competitive.

While Sino-Indian bilateral trade has been increasing substantially, two-way investment remains small. Chinese investment in India is US\$47 million, with fewer than 50 Chinese companies known to have set up offices. Indian investment in China, until March 2007, was a mere US\$178 million. An estimated 150 Indian companies are currently doing business in China.

China stated that it would like to increase its investment in India but it claims there appears to be some resistance from the Indian side in this regard. While India has been aggressively seeking closer economic ties with China, it remains wary of Chinese investment in many areas, including ports, telecommunications and even some manufacturing sectors. India has national security guidelines in place for screening FDI proposals and for a number of proposed investments from China. Moreover, the Indian government requires four bureaucratic levels of approval for Chinese FDI proposals, instead of only the Reserve Bank of India's clearance for others.

#### Frequent Anti-dumping Investigations

In recent years, India has imposed frequent anti-dumping measures on China to prevent its inexpensive products from entering India's domestic market. India initiated 98 anti-dumping investigation cases against Chinese imports between January 1995 and June 2007. The current anti-dumping cases filed by India against China amount to about five percent of China's annual exports to India. Of the total anti-dumping cases filed by the Indian government, roughly 80 percent have been against China. On its part, China, for the first time in late 2006, imposed duties on Indian chemical dyes.

In order to coordinate this conflict so as to sustain the trade between two countries, China and India need to establish regular communication channels and strive to reduce such cases through bilateral consultations.

China and India should neither exaggerate their existing trade conflicts nor ignore them altogether. They need to settle these issues in a realistic manner. Bilateral trade between China and India should be established on the basis of win-win, long-term and stable cooperation. While trade conflicts between countries are unavoidable, China and India should together work to identify and develop relevant mechanisms to manage and coordinate the bilateral economic relationship to minimise major trade conflicts and maximise mutual self-interest. ■

### Forthcoming Event

## Fourth International Conference on South Asia

The Institute of South Asian Studies (ISAS) will organise its fourth International Conference on South Asia themed "Challenges of Economic Growth, Inequality and Conflict in South Asia" on 24 November 2008 at Orchard Hotel Singapore.

Mr Tharman Shanmugaratnam, Singapore's Minister for Finance, will deliver the keynote address for the conference. It will also bring together specialists and experts from Singapore and around the world to discuss socio-economic and political issues in South Asia, including infrastructure development, social service delivery, poverty alleviation, managing inflation, trade and investment, and issues of migration.

The conference is open to the business community, government agencies, the diplomatic corp, research institutes and think-tanks, the expatriate community, and the academia.

Do look out for further details on the conference on ISAS' website at [www.isas.nus.edu.sg](http://www.isas.nus.edu.sg).

# India and the ASEAN Regional Forum: Partnership of Relevance

*Mr Malminderjit Singh  
Research Associate, ISAS*



with Pakistan and China. Even when India was finally given membership of the ARF, it was generally understood that it would play a low-key role.

From India's perspective, security relations with the region began to mature during the second phase of the "Look East" policy after a successful period of economic relations. The thrust of India's new and deeper security cooperation with the ASEAN states is its persistent naval diplomacy that reduced regional suspicions of its naval expansion as well as establishing a niche role for itself in helping to protect the sea-lanes of the region. This has translated

The renowned historian K. M. Panikkar argued that it would require a "free and stable" India that is "capable of playing its part in Southeast Asia" as an "essential prerequisite" for an effective regional security system. At present, a democratic India, with an annual economic growth rate of nine percent and a rapidly modernising military, has certainly enhanced its credibility as a leading member of the security architecture in the region. It has been 12 years now that India has been a member of the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF), Asia's main regional security mechanism, making it timely to examine the underlying currents of this unfolding relationship with the aim of understanding future prospects.

As India sought to renew meaningful linkages with Southeast Asia through the "Look East" policy after the Cold War, there was considerable skepticism within the region to engage New Delhi on a security platform. This sentiment manifested when the ASEAN leaders clearly informed India against pressing for membership of the ARF when it was formed and eventually rejected New Delhi's attempts to join this security forum. The ASEAN leaders were concerned that India's membership would bring along with it excess baggage of its tumultuous relations

to multilateral and bilateral naval and military partnerships involving India and the countries within the region. Within the ARF, India's role also began to take a more significant shape as it led and participated in initiatives to address issues in maritime security, piracy and terrorism, and to train other member countries' military personnel. For India, an active role in the ARF in recent years has helped it to achieve vital confidence-building measures with member countries with whom it also looks to intensify bilateral security partnerships. With India expanding its security profile in the region, what function would the ARF play in New Delhi's security diplomacy and what role would it then play in the ARF framework?

As the 15<sup>th</sup> ARF convened in Singapore on 23 July 2008, doubts lingered over the long-term relevance of the security forum. The basis for such miscalculations arises from the widely-perceived limitations of the main security forum in Asia. One of the major criticisms of the ARF is that it is, in essence, just a 'talk-shop' without being able to solve specific security issues in Asia Pacific. This claim can be attributed to the structural limitations of the ARF. With Sri Lanka being the 27<sup>th</sup> and newest addition to the Forum in 2007, its sheer size impedes any swift attainment of common ground and results in its

conclaves having to deal with a plethora of issues instead of focusing on a specific few. A forum of such width inevitably comprises members with diverse backgrounds and contrasting security relations, thus hindering the ARF from carrying out intensive and rapid measures on more pressing concerns.

Primarily, the ARF has been engaged in confidence-building measures and consultations with members on cooperative exercises. The desire to progress to a higher level of preventive diplomacy has been sluggish, particularly due to the reluctance of certain members who, given their own domestic preoccupations, are more inclined towards maintaining the status quo. This gradual approach by the ARF is very much a product of its core group – the ASEAN group. The “ASEAN Way” of consultation and consensus has been imprinted onto the ARF, as has the adoption of its guiding principles of sovereignty and non-interference. A continuing approach of this nature suggests that the possibility of progression to a conflict resolution mechanism may be an unlikely scenario. Owing to a significant degree to this factor, major powers like the United States have been accused over the years of not taking the ARF as seriously as is expected of them. The Six Party Talks (SPT) forum, comprising China, Japan, South Korea, the United States, Russia and North Korea, established for the disarmament of the North Korean nuclear arsenal, was a preferred alternative to the ARF in fulfilling this function – a role the SPT has carried out rather effectively. This has prompted the United States, along with other member countries, to push for the SPT to be converted into a permanent Northeast Asian security forum. Such an initiative will surely sideline the ARF and push India, along with ASEAN, into the backbenches of the regional security architecture. Unless India manages to secure entry into the SPT with respect to negotiations with Iran for disarmament, New Delhi will find it necessary to contribute further to the ARF in an effort to bolster the relevance of this Forum.

There are many reasons why India will find it useful to continue to play a leading role in the ARF security mechanism. Despite all its criticisms, the ARF can be applauded for its efforts in promoting cooperation. The main objective of the establishment of the ARF was to promote security cooperation and confidence building. It has certainly been effective in pursuing both of these aims and will continue to pursue a cooperative security



framework in the region. As the security architecture in Asia evolves and remains uncertain, the ARF's continued pursuit of security cooperation is favourable to India. Since India is likely to favour an emergent cooperative security order rather than being drawn into any opposing alliance system, particularly one between the United States and China, New Delhi, thus, has a vested interest in keeping the ARF and its agenda relevant to the security stakeholders of Asia-Pacific. There have been increasing calls recently for newer security forums to be established in the region such as those proposed by Australian Prime Minister, Mr Kevin Rudd, in July 2008 and by India's Foreign Minister, Mr Pranab Mukherjee, in a speech at Peking University in early June 2008. While the realisation of such visions may be uncertain at the moment, it would not be wrong to assume that it would be built upon the existing multilateral arrangements in Asia. The increasing relevance of the ARF will, thus, allow it to be the bedrock of any future regional security forum and so India's intensive contribution to the ARF would increase its involvement in future multilateral forums that arise out of it.

The ARF provides India with a valuable opportunity to strengthen its rising position in several ways. For one, the Forum allows India a voice in regional security matters and further develops its bilateral relations with other member countries. In this year's summit for instance, India had planned to meet many of the ARF countries, which are also members of the Nuclear Suppliers Group to garner support for the India-United States civilian nuclear deal. India's presence within a cooperative framework with regional and extra-regional powers not only provides it with a chance to influence the wider Asia-Pacific security canvas, but also facilitates the naturalisation of its position on certain contentious issues. This was best observed when India conducted its Pokhran-II nuclear tests in



1998, incurring widespread condemnation from the international community. Although India initially received criticism from the ARF, it was able to leverage upon its membership of the Forum to convince the ARF, particularly the ASEAN states, to release a statement that “deplored” the nuclear tests and not condemn them. While many question the relevance of having an ASEAN-centric regional security forum, this structural characteristic of the ARF suits India’s strategic needs. Since Southeast Asia and ASEAN are the focal point of India’s “Look East” policy, India can use this opportunity to develop closer ties with ASEAN by supporting its core status in the ARF. Besides engagement with ASEAN, the ARF is an invaluable platform for India to participate in vital confidence-building measures with China, as well as to facilitate South Asian cooperative security with Pakistan, Bangladesh and Sri Lanka.

In addition to the existing benefits India could derive from being a leading contributor to the ARF, it should continue to explore newer areas in which it may strengthen its significance to the Forum. At the 14<sup>th</sup> ARF meeting in Manila, Foreign Minister Mukherjee announced India’s plans to reinforce the maritime security efforts in the region by conducting training courses and exercises for other member states. In doing so, India has created a niche area for itself in the maritime security force in the region, thus adding to its indispensability as a security partner in Asia Pacific.

Through the consultative and cooperative nature of the ARF, India would be able to identify and be involved in further security concerns in the region, consequently allowing it to acquire greater regional significance. The current security



dynamics of the region reflect a strong trend towards multilateral cooperative security as the emergent order and, as long as the ARF remains as the main forum to propagate and achieve this, India will continue to play a leading role as it seeks to attain regional power status. ■

## Workshop on South Asia and Southeast Asia Relations

The Institute of South Asian Studies (ISAS) organised a workshop on “Inter-Regional Relations: South Asia and Southeast Asia” on 9 September 2008.

Mr Ong Keng Yong, Ambassador-at-Large, Ministry of Foreign Affairs, Singapore, delivered the keynote address for the workshop. Mr Ong stated that there is immense potential for South Asia and Southeast Asia to develop stronger and healthier social, economic and cultural ties. He also highlighted the need for countries representing both the regions to engage in more comprehensive bilateral economic cooperation agreements in order to accelerate the flow of regional trade and investment.



The workshop had two plenary sessions involving paper presentations by research scholars and senior diplomats from Bangladesh, India, Pakistan and Sri Lanka. The research papers threw insights on the dynamics and complexities of the existing regional linkages between South Asia and Southeast Asia.

ISAS plans to publish the papers presented at the workshop.

# Health System in South Asia: Constraints in Achieving Millennium Development Goals

*Dr Maathai Mathiyazhagan  
Research Fellow, ISAS*

In September 2000, the United Nations Millennium Development was signed by 189 countries, and translated into eight Millennium Development Goals (MDGs) for development and poverty eradication. Three out of eight MDGs are directly related to health (reducing child mortality; improving maternal health; and combating HIV/AIDS, malaria and other diseases). The remaining five MDGs (eradicating poverty and hunger; achieving universal primary education; promoting gender equality and empowering women; ensuring environmental sustainability; and developing global partnership for development) also have a significant indirect relationship with health. Quantitative targets were set for each goal and these are to be achieved by 2015 from the benchmarked year of 1990.



In the case of the MDG for the reduction of child mortality by two-thirds, the South Asia region has done well, with a reduction of nearly 29.2 percent between 1990 and 2003, as compared to the developing countries average of 15.5 percent. In contrast, Latin America (37 percent), the Middle East (31.2 percent) and East Asia (30.5 percent) have made the most rapid progress towards meeting the target. India's under-5 years child mortality (U5CM) rate for per 1,000 live births was around 91 in 1990. It reduced to 34 in 2006. Among all the South Asian countries, only Sri Lanka has been able to keep the U5CM at a low level – it reduced from 32 per 1,000 live births in 1990 to 13 per 1,000 live births in 2006. Pakistan's U5CM rate was around 97 per 1,000 live births in 2006, which was higher than Nepal, Bangladesh and India in the same period. Efforts to reduce child death in South Asia will be slow because there have been inadequate efforts to address related issues such as malnutrition and to achieve protection against illnesses such as diarrhea, pneumonia, vaccine-preventable diseases and malaria.

The target for the MDG for maternal health is to reduce maternal mortality ratio (MMR) by three-quarters between 1990 and 2015. This is equivalent to an annual reduction of 5.4 percent for developing countries. The MMR, which is a measure of obstetric risk associated

with each pregnancy, is estimated to be 551 per 100,000 live births in South Asia, as compared to the world average of 431 per 100,000 live births in 2005. However, the MMR has varied significantly in the South Asian countries and ranges from 830 per 100,000 live births in Nepal to a low of 58 per 100,000 live births in Sri Lanka in 2005. Though the MMR in India is lower than the average for South Asia, it has not been able to reduce the MMR significantly, despite spending more money on woman and child health programmes, as compared to countries such as Sri Lanka, Pakistan and Bangladesh. India is still struggling to come out of the systemic problem in the healthcare delivery system. The trends in the MMR show that the total reduction in the region is significant. The reduction ranges from the highest at 58 percent in Sri Lanka for the period between 1999 and 2005 to the lowest at five percent in Pakistan. However, such uneven achievements across South Asia may prevent it from achieving the MDG target for MMR by 2015.

In the case of combating the HIV/AIDS, malaria and other diseases, the target is not only to halt but to also reverse the spread of these diseases by 2015. Looking at the progress made in combating the disease, the number of people suffering from HIV continues to rise but it is lower

than previously estimated. In 2007, 33.2 million were suffering from HIV in the world. In the same year, there were nearly four million people who were HIV-infected in South and Southeast Asia – this was lower than the 22.5 million infected people in the sub-Saharan Africa region. In South Asia, India had a prevalent rate of 0.3 percent in 2007.

It is the highest among the South Asian countries. Pakistan and Bangladesh currently face concentrated epidemic in some key populations and regions. For example in Dhaka, the prevalent rate rose from 1.7 percent in 1999 to seven percent in 2006, making it the first concentrated epidemic among any high-risked group in Bangladesh. There are several socio-economic conditions which could further contribute to the spread of HIV in South Asian countries. These include poverty, low levels of education and high unemployment.

Malaria mortality in human populations varies greatly under different circumstances. In South Asia, low malaria inoculation rates, coupled with the occasional outbreak of malaria epidemics, contribute to malaria-related mortality. Furthermore, each year, there are eight million new cases of tuberculosis in South Asia and East Asia. The incidence of tuberculosis in India has increased from around 124 per 100,000 people in 1990 to 139 per 100,000 live births in 2006. Poorly managed tuberculosis programmes allow drug-resistant strains to spread. A positive diagnosis, effective treatment and follow-up care can help to achieve a high cure rate. Sadly, many cases go undetected in South Asia.

The MDGs are designed to tackle poverty in all its dimensions. They go beyond simple income measures of poverty to encompass nutrition and health status, education levels, participation of women in the economy and society, the natural environment and many other factors that impact a person's ability to rise above poverty. Despite population growth, the number of absolute poor (those living on less than US\$1 a day) has fallen by about 300 million people in South Asia in the last 15 years. The high economic growth in South Asia has helped to reduce the percentage of people living on less than US\$1 per day from 41 percent in 1990 to 32 percent in 2007. The region is on track to halve income poverty by 2015 although it means that about 273 million people will still be living on less than US\$1 per day in 2015.

Given the MDG stakes, international evidence indicates that low-cost, effective interventions do exist but countries in South Asia have failed to scale-up these interventions to address the pressing issues of these diseases. This failure is also the result of a fragile health system capacity, the lack of political commitment and a weak public health capacity, which are considered to be the main reasons for the slow progress in the MDGs in South Asia. While stronger health systems appear to be a prerequisite to achieving the MDGs in the health-related areas, there is currently little direct focus on strengthening the systems. The drive to produce results for the MDGs has led many stakeholders to focus their priority on the disease, which is an implicit assumption that, through the implementation of specific interventions, the system will be strengthened. Experience in South Asia, to date, however, suggests that the health systems lack capabilities in

key areas such as the health workforce, drug supply, health financing and information systems. As such, they have not been able to respond adequately to achieving the MDGs in health-related areas. The Commission on Macroeconomics and Health has estimated the cost of essential health services to be US\$30-US\$40 per capita per year for developing countries, including South Asia. This means that the annual domestic budgetary resources need to be increased by US\$40 billion by 2015. In short, the South Asian countries need to increase their annual public expenditure on health of two percent of their gross national income by 2015.

It appears that health is not a priority in the overall development and economic policies in most of the South Asian countries. Mortality is influenced by social determinants of health such as poverty; food security; social exclusion and discrimination; housing; early childhood conditions; and occupational status, as well as the risk factors which lie outside the health system, such as conflict and education. There is a need to look at the broader health system and to focus on strengthening this system, which would bring improvement to the health sector.

Most of the countries in South Asia do not have a universal health insurance scheme or protection, and this is the major health system constraint. About 75 to 85 percent of the payment for health-related services are borne by the people in South Asia. This heavy reliance on self-financing healthcare in South Asia keeps most of the poor people away from healthcare services. There is a need for a universal health insurance scheme so as to achieve significant improvements in the health sector.

Interventions such as private-public mix in health development and in the community, as well as social insurance do exist for critical health problems in the South Asian countries. However, these need to be prioritised. On the whole, the progress on agreed MDGs in health-related areas remains slow. There is increasing consensus that a stronger health system is key to achieving improved health outcomes. Part of the challenge is to put into practice existing and emerging knowledge on more effective strategies in the health systems in South Asia. ■





# Snippets on South Asia

*Mr Sasidaran Gopalan*  
Research Associate, ISAS

## Bangladesh – Focus on Polls

The Election Commission in Bangladesh has tentatively decided to hold the Upazila (Sub-District) elections on 23 October 2008, amidst stiff opposition from the major parties, including the Awami League (AL) and the Bangladesh Nationalist Party (BNP), which want the national elections to be held first. The now-stalled ninth parliamentary elections are supposed to be held during the third week of December 2008. Though it is still unclear as to how many Upazilas will go to the polls on the proposed date, the political parties are afraid that the Upazila elections, if held before the parliamentary polls, might be at the cost of the latter.

In a test run for the proposed national elections, the first round of mayoral and municipal elections (except in two major cities – Dhaka and Chittagong) were held recently – the first time any elections were held since the army installed a caretaker government and declared a state of emergency in January 2007. It is worth noting that there was a ban on direct involvement of registered political parties in the polls,

but it is known that most independents who contested them had the backing of one party or another. Almost all the seats were won by the followers of former Prime Minister Sheikh Hasina of the AL, while her arch rival, the leader of the BNP, Begum Khaleda Zia, did not even endorse the participation of her party in the local polls because of some strong differences with the caretaker government on a variety of issues.

The mayoral and municipal elections gave the hope among many that the national elections would follow. But it looks like the interim government has chosen to conduct one more round of local body polls, the Upazila. The ban on the involvement of registered parties has been lifted for the Upazila polls. All the same, observers believe that a civilian rule is more likely to return if the national elections go on as planned. It is not known which way the caretaker government will go on the issue. A return to democracy seems to be a painstaking journey for Bangladesh.

## Nepal – A Government at Last

After nearly four months of political stalemate following the abolition of the 240-year-old monarchy in Nepal, Pushpa Kamal Dahal, also known as Prachanda, the Chairman of the Communist Party of Nepal-Maoist, was sworn in as the first Prime Minister of the Federal Democratic Republic of Nepal on 15 August 2008. In the election for the Prime Minister in the Constituent Assembly, Prachanda won 464 votes against his arch rival, Sher Bahadur Deuba of the Nepali Congress (who received only 113 votes), primarily due to the backing of the other two major parties in Nepal – the Communist Party of Nepal-Unified-Marxist-Leninist and the Madhesi Janadhikar Forum. It is to be noted that his Maoist party had secured the most number of seats, though falling short of a majority, in the Assembly elections in April 2008.

The swearing in of Prachanda makes him the most powerful politician in the Himalayan country and also marks his transition from a militant rebel leader, who emerged from the underground just two years ago, to a constitutional politician today. This election has also facilitated the establishment of a democratically-elected government in

Nepal, which is to be regarded as a milestone in resolving the decade-long civil war that ended with a peace accord in 2006. The new government, headed by the Prime Minister, along with the ceremonial president Ram Baran Yadav, who was elected last month, is expected to draft the constitution soon.

As the Maoists gear up to take the reins of the nation, pressing social and economic challenges await them. Nepal is trying to grapple with growing social unrest in the form of escalating crime and violence, on the one hand, and severe economic uncertainties resulting from soaring food and fuel prices, on the other. Soon after winning the assembly elections in April, the Maoists promised to transform Nepal into the “Switzerland of Asia” and have vowed to bring about a radical transformation of the society, paving the way for a more equitable social order. It is only for time to tell whether Prachanda’s oath that he will “remain faithful to the nation and the people of Nepal” would be fulfilled. It will also be interesting to see how the dynamics of Nepal’s political relations with India vis-à-vis China shape in the near future.

## Maldives – Democratic Changes

After years of autocratic rule, the people of Maldives are set to enjoy a whiff of democratic air with the President of Maldives, Maumoon Abdul Gayoom, ratifying a new Constitution recently. This ratification is expected to bring about key democratic changes to the political system in Maldives by paving the way for its first multi-party presidential election. This move, in a way, marks the start of a new era in the history of Maldives.

It is also to be noted that the new Constitution, developed over the past four years, enshrines, for the first time, independent bodies for human rights; judiciary; police; defence; elections; civil service; prosecutor general; and corruption investigations.

President Gayoom is Asia's longest-serving leader, having held power since 1978. Despite the fact that his 30-year rule has

transformed Maldives into the richest nation in South Asia, which boasts of a per capita income of US\$3,200, primarily riding on its tourism sector for revenue generation, problems of extreme economic inequalities and political dissent have surfaced time and again. The democratic space that is opening up in Maldives now could provide the hitherto suppressed political groups an opportunity to challenge the status quo and bring about a change that could potentially dent economic inequalities.

The government has committed itself to holding the presidential election in October 2008. It should be an interesting experience for President Gayoom, who had, thus far, been railroading his way into presidency to contest against candidates from the opposition political parties for the first time since 1978. A free and fair election could be an acid test of democracy he has been promising the people of Maldives and the international community for sometime now.

## Bhutan – Growing in Stature

Bhutan sprung a surprise at the recently concluded 15<sup>th</sup> South Asian Association for Regional Cooperation (SAARC) Summit in Colombo, Sri Lanka, by offering tax concessions to host the planned SAARC Development Fund. The Fund, which is to have US\$300 million as the initial capital, will be used to finance several developmental projects in the South Asian region.

During the inauguration of the SAARC Summit, Bhutan's first democratically-elected Prime Minister, Lyonchhen Jigmy Y. Thinley, said that his country was willing to give 'operational, tax and legal flexibility' for a permanent secretariat for the Fund to be located in Bhutan. He also hoped that this institution would serve 'as a means to engender meaningful cooperation amongst the South Asian countries in many important areas and that this Fund would evolve into a viable and effective SAARC mechanism in future.' Bhutan also reemphasised at the Summit the need to operationalise the South Asian Free

Trade Agreement which could prove beneficial for this landlocked country by establishing better transport links to other parts of the region.

It is worth noting that Bhutan, especially after its transformation into a democratic nation, has been actively engaged in efforts to strengthen political and economic links with its neighbours. For instance, Bhutan's trade relations with Bangladesh have received a boost, with the latter opening up a new route for trade of goods between the two countries, along with the inclusion of new list of items for mutual exports.

Bhutan's relations with India also seem to be headed in the right direction with the Indian government agreeing to increase the extent of developmental assistance extended to Bhutan when its Prime Minister visited India recently. Its democratic experiment seems to be on the right track thus far.

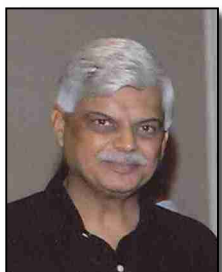
## Sri Lanka – Ruling Party Gains Currency

Sri Lanka's ruling coalition, the United Peoples' Freedom Alliance, led by President Mahinda Rajapaksa of the Sri Lanka Freedom Party, has won the provincial polls that were touted by the government as a referendum on its military offensive against the Liberation Tigers of Tamil Eelam (LTTE). This verdict has placed the ruling administration in a strong position to go for elections in the remaining councils and also increases the likelihood of a snap general election.

The long drawn "ethnic" battle between the LTTE and the Sri Lankan army continues relentlessly to this day, with no

amicable solution in sight, at least for the moment. The clashes have escalated in the recent past, displacing and killing so many innocent civilians. Recent claims by the Sri Lankan army that it has closed in on Kilinochchi, the political capital and the administrative hub of the LTTE, have compounded the gravity of the situation. The provincial poll verdict has emerged as a shot in the arm for the Sri Lankan government which says it is determined to wipe out the LTTE by the end of this year. Whether it can achieve such an objective or not is a different story, but certainly the peace prospects in this island are growing ever dimmer.

# ISAS New Research Staff



**Professor Sanjaya Baru**  
Visiting Senior Research Fellow  
(August 2008 – July 2010)

Professor Sanjaya Baru comes to Institute of South Asian Studies after four years at the office of the Prime Minister of India, where he was designated Media Advisor to Prime Minister. He was also the Prime Minister's spokesperson and principle speechwriter.

He has a diverse professional background that began at the University of Hyderabad, Andhra Pradesh, India, where he was on the Faculty of Economics. After a decade in teaching that included a year at the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi, and another year at the School of Economics and Development Studies, University of East Anglia, United Kingdom, Professor Baru moved to the media as Associate Editor of *The Economic Times*, India. He was Editor in-charge of the New Delhi edition of *The Economic Times*, one of the world's largest selling business newspapers during the fateful months of India's balance of payments crisis in 1991 and through 1992-93 when India launched on a new phase of economic reform and liberalisation. He was the Editorial Page Editor of *The Times of India* between 1995 and 1997 and moved to a stint in academia in 1998, first as a Professor at the Research and Information System for Non-Aligned & Developing Countries and then at the Indian Council for Research in International Economic Relations (ICRIER). At ICRIER, Professor Baru wrote a paper entitled "Towards A Bay of Bengal Community" that unveiled the idea of what has come to be called the Bay of Bengal Initiative for Multi Sectoral Technical and Economic Cooperation. He also wrote a paper on India-ASEAN relations and was in-charge of the India-ASEAN Distinguished Persons Lecture Series. In 2000, Professor Baru returned to the media as Chief Editor of *The Financial Express* and, in 2004, joined the Prime Minister's Office.

Professor Baru's research work has spanned a wide range of areas, including Indian industrial, fiscal and trade policies and regional aspects of Indian development, with a focus on the emergence of first generation business enterprise. Given his interest in international trade and national security he was nominated to India's National Security Advisory Board in 1998-2001. He drafted the chapter on 'Economic Security' of India's first-ever Strategic Defence Review. His research in this area finds expression in the book, *Strategic Consequences of India's Economic Performance*, Routledge, 2006. His other publications include *The Political Economy of Indian Sugar*, Oxford University Press, 1990, and several essays in journals and newspapers in India and abroad.

Professor Baru is a member of the Board of the Centre for Policy Research, New Delhi, and of the Committee on Economic Security, Confederation of Indian Industries (CII). He is also a member of the CII-Aspen Strategy Group Dialogue on India-United States Relations, and has been a participant in 'Track Two Dialogues' between India and China, Russia, Japan, the European Union and Singapore.

Professor Baru obtained his PhD and Masters in Economics from the Jawaharlal Nehru University. He is a graduate of Osmania University, Hyderabad. His wife, Rama, teaches public health at Jawaharlal Nehru University and is on the board of the Public Health Foundation of India. Their daughter, Tanvika, is a student of BA (Honours) in Communication and Graphics Design at Lasalle College of the Arts, Singapore.



**Mr Sasidaran Gopalan**  
Research Associate  
(August 2008 – August 2009)

Mr Sasidaran Gopalan obtained his Masters in Economics from the Madras School of Economics (MSE), Chennai, India, in April 2007 and his Bachelor degree in the same discipline from Loyola College, Chennai, in April 2005.

Prior to joining the Institute of South Asian Studies, Mr Gopalan worked as a Research Assistant to Dr Rupa Chanda at the Indian Institute of Management Bangalore from June 2007 to June 2008. His research interests concern World Trade Organization-related issues, empirical international trade and applied econometrics. His Masters' dissertation at MSE focused on the implications of phasing out the Multi-Fiber Agreement in the Indian textile industry.

Mr Gopalan intends to pursue his doctoral research in economics, specialising in international trade.



# ISAS New Administrative Staff



**Ms Lee Lin Ein**  
Executive

Ms Lee Lin Ein has a Bachelor of Arts, with majors in English Language and Japanese Studies, from the National University of Singapore, and a Diploma in Public Relations and Mass Communications from the Institute of Public Relations, Singapore.

At the Institute of South Asian Studies, Lin Ein's key responsibilities are corporate communications and public relations. She has three years of communications experience and no less than six years of writing a variety of publicity and marketing materials. She has also handled the full spectrum of public relations' duties in her previous appointments.

Having previously worked in several not-for profit organisations, Lin Ein still volunteers occasionally with a past employer.



**Ms Angeline Pereira**  
Programme Officer

Ms Angeline Pereira joined the Institute of South Asian Studies (ISAS) on 29 September 2008. Her key responsibilities are to provide secretarial support to ISAS' Chairman and Director. At the same time, she will handle general administrative matters, including database maintenance and purchases, as well as event organisation.

Angeline's background is in marketing and administration. She has previously held jobs in publishing and has worked for a charitable organisation. She holds a Bachelor's degree in Business Administration, specialising in Marketing, from San Francisco State University, United States.

## Lecture on Pakistan-United States Relations



The Institute of South Asian Studies organised a public lecture on "Pakistan and the United States: A New Relationship in the Making?" by Mr Zamir Akram, Additional Secretary, Foreign Service, Prime Minister's Secretariat, Pakistan, on 30 July 2008. The lecture focused on the current tensions in Pakistan-United States relations and the future prospects of the relationship, considering the evolving situation in the "war on terror", democratic transition in Pakistan, and the forthcoming United States presidential elections.

Whilst expressing optimism on the future of Pakistan-United States relations, Mr Akram emphasised the need for the United States to address the root causes of terrorism,

which were frustration and alienation in the Muslim world. He contended that the use of force alone would not eliminate insurgency in Afghanistan and Iraq and the real challenge was to win the hearts and minds of the people. He also pointed out that the India-United States nuclear deal and defence cooperation could unleash an arms race in the region. He said that both Pakistan and the United States needed to cultivate economic, institutional, and people-to-people contacts for a stable long-term partnership.

The lecture attracted more than 50 people from the financial institutions, the academia and research institutes, the government, foreign missions, the media and the general public.

# ISAS Recent Publications

## ISAS Briefs

“Modifications of the External Commercial Borrowings Policy: Implications for Overseas Investments”, Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS, 5 June 2008.

“Karnataka State Assembly Elections: Implications for the UPA Government”, Dr E. Sridharan, Visiting Senior Research Fellow, ISAS, 10 June 2008.

“The Third Oil Shock: The Path Forward for Bangladesh”, Mr Mohammad Shahidul Islam, Research Associate, ISAS, 10 June 2008.

“India’s Trade Deficit: Increasing Fast but Still Manageable”, Dr Amitendu Palit, Visiting Research Fellow, ISAS, 7 July 2008.

“The Walkout in India: No Longer ‘Left’ in the Lurch”, Professor Bibek Debroy, Visiting Senior Research Fellow, ISAS, 9 July 2008.

“Recent Bomb Blasts in South Asia: Are the Terrorists on a Killing Spree Again?”, Professor Ishtiaq Ahmed, Visiting Senior Research Fellow, ISAS, 11 July 2008.

“Attack on Indian Embassy in Kabul: Time to Sober Up”, Mr Iftikhar A. Lodhi, Research Associate, ISAS, 15 July 2008.

“Brief Conceptual Note: Development of the Delhi-Mumbai Industrial Corridor”, Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS, 16 July 2008.

“Will the UPA Victory in the Trust Vote Result in Faster Economic Reforms?”, Dr Amitendu Palit, Visiting Research Fellow, ISAS, 29 July 2008.

“Pakistan’s New Trade Policy Initiatives: Implications for India and Pakistan”, Mr Iftikhar A. Lodhi, Research Associate, ISAS, 30 July 2008.

“Musharraf’s Resignation – A Cause for Celebration and Concern for Pakistan”, Dr Rajshree Jetly, Research Fellow, ISAS, 25 August 2008.

“Elections in Pakistan – New President, Same Old Story”, Dr Rajshree Jetly, Research Fellow, ISAS, 11 September 2008.

“It is Getting More Difficult to do Business in South Asia”, Dr Amitendu Palit, Visiting Research Fellow, ISAS, 15 September 2008.

“Crisis in the United States Markets and Consequences for the Indian Markets”, Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS, 16 September 2008.

“Crisis in the United States Markets and Consequences for the Indian Markets – An Update”, Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS, 17 September 2008.

“Return of the Two Begums: A ‘Hobson’s Choice’ for Bangladesh?”, Mr Mohammad Shahidul Islam, Research Associate, ISAS, 17 September 2008.

## ISAS Insights

“India’s Nuclear Dilemma: To Drop the Deal or to Drop the Left”, Professor S. D. Muni, Visiting Senior Research Fellow, ISAS, 30 June 2008.

“The First Budget by the New Coalition Government in Pakistan: Economic Situation and Policy Directions”, Mr Iftikhar A. Lodhi, Research Associate, ISAS, 9 July 2008.

“India’s Employment Exchanges – Should they be Revamped or Scrapped Altogether?”, Professor Bibek Debroy, Visiting Senior Research Fellow, ISAS, 10 July 2008.

“The Pakistan Inter-Services Intelligence: A Profile”, Professor Ishtiaq Ahmed, Visiting Senior Research Fellow, ISAS, 15 August 2008.

“Bangladesh-China-Northeast India: Opportunities and Anxieties”, Mr M. Shahidul Islam, Research Associate, ISAS, 8 September 2008.

“Inter-Regionalism and its Possibilities”, HE Mr Ong Keng Yong, Ambassador-at-Large, Ministry of Foreign Affairs, Singapore, 19 September 2008.

## ISAS Working Papers

“India-Singapore Trade Relations”, Dr Amitendu Palit, Visiting Research Fellow, ISAS, 16 June 2008.

“Justice Delivery in India – A Snapshot of Problems and Reforms”, Professor Bibek Debroy, Visiting Senior Research Fellow, ISAS, 30 July 2008.

“Understanding India’s Regional Initiatives within Asia”, Professor Rupa Chanda, Professor of Economics, Indian Institute of Management, Bangalore, India, and Mr Sasidaran G., Research Associate, ISAS, 15 August 2008.

“The Political Economy of the Middle Classes in Liberalising India”, Dr E. Sridharan, Academic Director of the University of Pennsylvania Institute for the Advanced Study of India, 22 September 2008.

“Coalition Politics in India: Types, Duration, Theory and Comparison”, Dr E. Sridharan, Academic Director of the University of Pennsylvania Institute for the Advanced Study of India, 23 September 2008.

# ISAS Recent Events

Seminar by Professor William Maley, Director, Asia-Pacific College of Diplomacy, Australian National University, “Challenges of Political Development in Post-Taliban Afghanistan”, 2 June 2008.

Roundtable Discussion with H.E. General (R) Jehangir Karamat, Former Chief of Staff, Pakistan Army, and Former Pakistan’s Ambassador to the United States, “Changing South Asian Security Landscape: Implications for the Region and the World”, 3 June 2008.

Seminar by Dr K. V. Ramaswamy, Visiting Senior Research Fellow, ISAS, “Wage Inequality in Indian Manufacturing: Trade vs Technology”, 18 June 2008.

Seminar by Dr E. Sridharan, Visiting Senior Research Fellow, ISAS, “Coalition Politics in India: Theory and Comparison”, 10 July 2008.

Seminar by Professor Bibek Debroy, Visiting Senior Research Fellow, ISAS, “The State of Indian States”, 8 July 2008.

Public Lecture by H. E. Professor G. L. Peiris, Minister of Export Development and International Trade, Sri Lanka, “Political and Economic Developments in Sri Lanka – Challenges and Opportunities”, 18 July 2008.

Seminar by Brigadier Gurmeet Kanwal (Retd.), Director, Centre for Land Warfare Studies, India, “India-China Security Relationship: Little Progress in Resolving the Territorial Dispute”, 23 July 2008.

Public Lecture by Mr Zamir Akram, Additional Secretary, Foreign Service, Prime Minister’s Secretariat, Pakistan, “Pakistan and the United States: A New Relationship in the Making?”, 30 July 2008.

Seminar by Dr Darini Rajasingham Senanayake, Anthropologist and Senior Fellow, Social Scientists’ Association, Sri Lanka, “Aid, Peace Building and Conflict in Sri Lanka and Aceh, Indonesia: A Comparative Analysis”, 11 August 2008.

Seminar by Dr Suparna Karmakar, Senior Fellow, Indian Council for Research on International Economic Relations, New Delhi, India, “Liberalisation in Services Trade: Domestic Regulation vs Market Access”, 28 August 2008.

Seminar by Mr Paranjay Guha Thakurta, Journalist and Founder of “School of Convergence”, India, “Why Is India Going Through an Era of Coalition Politics?”, 2 September 2008.

Closed-Door Session with Vice Admiral Suresh Bangara (Retd.), Pune, India, 3 September 2008.

Workshop on “Inter-Regional Relations: South Asian and Southeast Asia”, 9 September 2008.

Seminar by Dr Ramesh Thakur, Distinguished Fellow, Centre for International Governance Innovation, Canada, “Rising India – A False Dawn?”, 15 September 2008.

Workshop on “Developments in Selected Indian States”, 18 September 2008.

SAARC Seminar Series – Seminar by Professor S. D. Muni and Dr Rajshree Jetly, “The Changing Dimensions of SAARC”, 22 September 2008.

Joint Seminar with the EU Centre by Professor Rajendra K Jain, Centre for European Studies, Jawaharlal Nehru University, New Delhi, India, “The European Union and the Rise of China and India”, 29 September 2008.