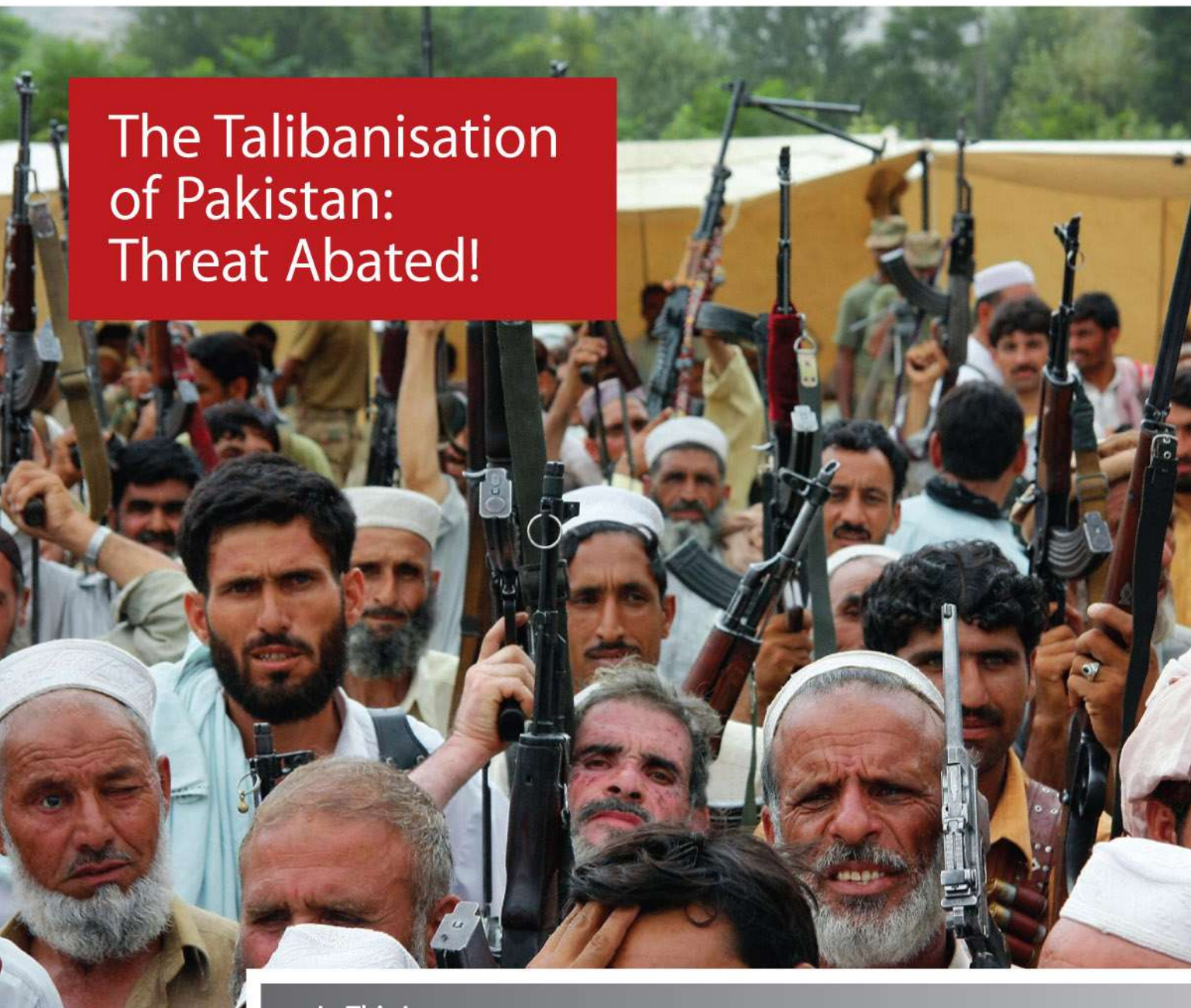


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The Talibanisation of Pakistan: Threat Abated!



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India and the Global Financial Crisis: Impact and Responses

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Editorial Information

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Director's Message



The global financial crisis resulted in most countries in the South Asian region showing acute signs of vulnerability as they experienced sharp decelerations in their export growth, following declining demands for their products from the West. In this issue, we look at the measures taken by India – its openness to the international economy, efficient banking system and initiatives by the Reserve Bank of India and the government – to cushion the impact of the economic downturn on the country.

The international financial crisis, which started in the United States and spread rapidly to many parts of the world, showed the high level of inter-connectedness among the global community. However, South Asia still remains one of the least integrated regions in the world. The reasons for the lack of South Asian integration and prospects for greater economic cooperation, particularly in intra-regional trade within the region, are explored in this issue.

Another global phenomenon that has had a significant impact on South Asia is global warming and climate change. Bangladesh is confronting its own vulnerabilities towards this worldwide climate variability. This issue highlights the need for Bangladesh to deal with these environmental threats. The Copenhagen Climate Change Conference, which will take place in December this year, will discuss a new global climate change deal. This will, in turn, determine the progress of Bangladesh's climate change action plan.

In India, the United Progressive Alliance (UPA), led by the Congress Party, convincingly won the 15th Lok Sabha elections in May 2009. Dr Manmohan Singh was re-elected for a second consecutive term in office. Since winning the election, the UPA government has been gradually but successfully leading India out of the economic recession. However, it still faces several key challenges. We examine some of these challenges for Dr Singh's government in its second term in office.

Across the border, Pakistan continues its struggles with the Taliban, even with the death of one of their key figures, Baitullah Mehsud, in early August 2009. In this issue, we trace the rise of the Taliban menace in Pakistan and highlight the need for the Pakistani military, politicians and civil society to work together to resist the Taliban's ideology of extreme Islamisation in the country.

Apart from producing a regular stream of research papers, the Institute of South Asian Studies (ISAS) has also been organising important events to highlight the key developments in South Asia. More recently, these have included the ISAS-FICCI Public Lecture by HE Mr Kamal Nath, India's Minister of Road Transport and Highways, on "The New Government in India: Vision for the Next Five Years", and a panel discussion on "Sri Lanka: What Next?". We also recently published the books *Pakistan in Regional and Global Politics* and *South Asia in 2008: A Review*.

In keeping with the dynamism of the South Asian region vis-à-vis the rest of the world, ISAS continually reviews its research agenda. Following its most recent exercise, ISAS has developed five research clusters, namely, *Economic and Trade Policy*; *Politics and Governance*; *Security*; *South Asia and Economic Change*; and *Multilateral and International Linkages*. Led by senior researchers, these clusters will allow ISAS to focus more intensely on key current political, economic and strategic issues in the region whilst projecting the primary developments in the Indian subcontinent in the medium- to long-term.

We will keep you posted on developments in South Asia and ISAS through our newsletter, which now has a new look. We hope you like the refreshing presentation and that you enjoy reading this issue of the newsletter.

Professor Tan Tai Yong



The Talibanisation of Pakistan: Threat Abated!

Professor Ishtiaq Ahmed
Visiting Research Professor
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It is a political adage that the modern state is a juridical-territorial entity that does not tolerate competing centres of power and authority because to do that would mean a detraction from its exclusive claim to the legitimate use of force over its territory. Another adage is that dividing sovereignty would destroy it.

It is within the domestic sphere that states are normally able to assert their sovereignty,

petty local power-holders a vexatious problem. With the change from colonial to independent entities, the post-colonial states find the old arrangements generally obsolete. Agreeing to a new relationship is not always easy. Powerful non-state actors can challenge the authority of the state if their interests clash with that of the central authority. In a case where the post-colonial state itself has played some role in bolstering their strength, the clash of interest can become a serious challenge to its sovereignty.

Examined in this context, Pakistan's travails with the Taliban constitute a syndrome of contested sovereignties generated by policies the state adopted during the Afghanistan civil war. A reign of terror prevailed in Afghanistan after the United States abandoned the former once the Soviet Union had been expelled from its territories. Alliances of warlords polarised into a Northern Alliance comprising mainly Uzbeks, Tajiks and Hazaras and, on the other end, the predominantly Pushtun leaders of southern Afghanistan. The Taliban (literally students of religious schools known as madrassas), led by Mulla Omar, joined the gory contest much later, but surprisingly routed all others and captured the capital, Kabul, in 1996. Pakistan rejoiced over the victory of the Taliban because the vanquished Northern Alliance was backed by its archrival, India. Consequently, close relations were forged between the Taliban and the Pakistan military and the chief spy agency, the Inter-Services Intelligence (ISI).

Initially, the Taliban regime was successful in establishing "law and order", but soon afterwards, it began to impose an Islamic order that, by its extreme severity and brutality, outdid, by a wide margin, the repressive fundamentalist regimes of Iran and Saudi Arabia. Educated women became their favourite target – teachers, doctors and nurses were sent home. Female education was declared un-Islamic and no woman could step out of the four walls without a male escort. The Taliban fell from

In some statements by the power elite, the threat from the Taliban was described as more serious than that posed by India. Frightened citizens began to discuss the Taliban scourge in their private circles.

power after Al-Qaeda, consisting mainly of Arab and other foreign veterans of the Afghan jihad, masterminded terrorist attacks in the United States on 11 September 2001. The United States attacked the Taliban regime. By November 2001, the Taliban had been

but capability varies considerably from state to state. Ethnically and religiously diverse post-colonial states find inherited ambiguous political arrangements between the former paramount colonial order and non-state actors such as native rulers, tribal chiefs and other

expelled from Kabul. They dispersed, seeking sanctuary in the tribal belt along the Afghanistan-Pakistan border. For some years, they maintained a low profile.

From 2005 onwards, they began to flex their muscle in areas under their control. At that time, a right-wing religious alliance, the Muthidda Majlis-Amal, (MMA), was in power in the North-West Frontier Province (NWFP), where the tribal areas are located. The MMA imposed strict Sharia law and the Taliban provided the shock troopers to the Hasba force that was set up to extract compliance from the people to their medieval edicts. Typically, young girls were told to have male escorts when going to school. The Hasba goons raided the NWFP capital, Peshawar, several times, targeting shops selling entertainment materials such as music and film discs. Barbers were told not to shave the beards of their customers.

By and large, Pakistani politicians and civil society rejected such extremism and, ultimately, the Pakistan military also came out forcefully against it. As long as such a consensus exists in Pakistan, the Talibanisation of the state and society is not possible.

The Pakistani government had joined the war on terror immediately after the 9/11 attacks and helped the Americans apprehend Al-Qaeda operatives. However, with regards to the activities of the MMA and its Taliban allies, Pakistan's President Pervez Musharraf only expressed verbal condemnation. That only emboldened the Taliban to expand their activities. They began to help their counterparts in Afghanistan launch attacks on the United States-led forces. The Americans demanded action against them from Pakistan, and General Musharraf had to order security and military forces to go after the Taliban. The Americans also took part in those operations



by firing missiles at Taliban enclaves in the tribal areas. In some of the attacks, non-combatants were also killed. It created considerable anger among the local people. Pakistani troops as well as the Taliban suffered hundreds of fatalities.

From 2007 onwards, Taliban leader, Baitullah Mehsud, intensified the campaign by despatching suicide bombers to other parts of Pakistan. Suicide bombings became an almost daily occurrence and the national capital, Islamabad, the biggest city in the dominant Punjab province, Lahore, and important military towns such as Sargodha were visited by waves of suicide bombings. Pakistan's former Prime Minister Benazir Bhutto was reportedly killed by Mehsud's men on 27 December 2007. During 2005-08, 7,997 fatalities and 9,670 injuries took place in Pakistan due to terrorism. The government succeeded in arresting 4,113 suspected terrorists. It was becoming increasingly evident that the Taliban were aiming to capture power in Pakistan and would especially draw full capital out of terrorism as the means to that end.

By 2007, the long arm of the Taliban reached Lahore. A number of attacks on the police, security and intelligence personnel and offices took place. Dozens of deaths and injuries were inflicted as a result. Traders and shopkeepers dealing with music and film compact discs and digital versatile discs were warned to get rid of their un-Islamic merchandise. An attack on the Sri Lankan cricket team in the spring of 2009 increasingly exposed Pakistan's vulnerability.

Such deadly activities could not have been sustained without the Taliban receiving some help and assistance from rogue elements within the state apparatuses. Pakistan's existence as a polity upholding even nominal norms of civilised behaviour was being gravely undermined. Rumours were apace that the Taliban had established their presence in Punjab. Already extremist organisations such as *Lashkar-e-Tayyaba* and *Jaish-e-Muhammad*, formally banned but not dismantled, were in Punjab. The security establishment began to dread an escalation of terrorism they may not be able to control.

Stakes continued to rise sharply as the Taliban declared, in late 2008, the establishment of Islamic rule in the Swat Valley. More than 200 girl schools were blasted with bombs. In future, girls could at most attend school up to the 5th grade. Public amputations, floggings and stoning were carried out. In another part of NWFP, the Orakzai Agency, the Taliban demanded the Sikh minority to pay the poll-tax, *jizya*, or flee. Other minorities were issued similar threats. A reign of terror was unleashed. Hundreds of thousands of terrified and traumatised people headed for safe havens outside Swat. The media began to remind that the Taliban were less than 100 kilometres from Islamabad. The threat to Pakistan's existence became palpable.

Since coming into power in March 2008, President Asif Ali Zardari and Prime Minister Yousaf Raza Gilani have been issuing warnings that terrorism would not be tolerated. The Chief of Army Staff, General Ashfaq Parvez



Taliban scourge in their private circles.

intelligence agencies. The threat of Talibanisation had been averted. However, it is by no means over.

Finally in the second week of May 2009, the military embarked upon an operation that declared the expulsion of the Taliban from Swat as its immediate objective but its extermination as the ultimate goal. In a few weeks, the Taliban were dislodged from the main towns of Swat Valley. The

As argued earlier, no state can tolerate rival centres of power and authority within its territory. The Taliban wanted to capture the state machinery and, from that vantage point, subjugate the larger society to their barbaric, totalitarian ideology. In one sense, the Taliban wanted to complete the Islamisation of Pakistan that General Zia-ul-Haq had adopted in the late 1970s. However, it was never fully implemented. By and large, Pakistani politicians and civil society rejected such extremism and, ultimately, the Pakistan military also came out forcefully against it. As long as such a consensus exists in Pakistan, the Talibanisation of the state and society is not possible. ■

Kayani, had already been issuing similar statements after he took office in November 2007. In some statements by the power elite, the threat from the Taliban was described as more serious than that posed by India. Frightened citizens began to discuss the

Pakistani military pursued them into their strongholds of South Waziristan. On 5 August 2009, Baitullah Mehsud was slain in a United States drone attack, which had been possible through intelligence-sharing between the United States and the Pakistani military and

Official Visit to ISAS

Mr Goh Chok Tong, Senior Minister, Singapore

The Institute of South Asian Studies (ISAS) played host to its patron, Senior Minister Goh Chok Tong, on 3 July 2009.

During the visit, ISAS' Director Professor Tan Tai Yong updated Senior Minister Goh on ISAS' research programmes, staff recruitment, and planned initiatives and activities. Senior Minister Goh then held discussions with ISAS' senior researchers.

Senior Minister Goh was extremely pleased with ISAS' significant progress since its inception. He stated that ISAS has an impressive group of researchers with deep knowledge of South Asian affairs. He added that ISAS has done well in stimulating interest in South Asia through its activities and research output. He called on ISAS to also focus its research on South Asia's foreign relations vis-à-vis China, the United States and the Middle East.

Senior Minister Goh also acknowledged the significant outreach efforts by ISAS. He added that this is important for ISAS to develop into a premier research institute on South Asia.

The visit also provided an opportunity for Senior Minister Goh to meet with ISAS' research and administrative staff.



Left to right: ISAS' Chairman, Ambassador Gopinath Pillai; Senior Minister Goh; and ISAS' Director, Professor Tan Tai Yong.



Left to right: ISAS' Research Associates Mr Sasidaran Gopalan, Mr Tridivish Singh Maini and Mr Iftikhar Lodhi; and Senior Minister Goh.



India and the Global Financial Crisis: Impact and Responses

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Introduction

As the United States' subprime crisis morphed into a full-blown financial and economic crisis of historical proportions in the United States and much of the Western world, it was only a matter of time before the export-dependent emerging market economies such as Singapore and Malaysia were adversely impacted. Larger economies such as China, which also depended heavily on export growth to fuel economic growth, were also expected to be hit. However, most observers anticipated that India would remain insulated from this crisis. The bases for this belief were that (a) India's growth story was predominantly driven by domestic demand rather than external demand; and (b) the Indian financial system was fairly well-managed and capitalised with limited exposure to the 'toxic' assets and securities in the United States. To be sure, while it was anticipated that there would be a slight slow-

down in remittance inflows as well as exports, overall growth in India was expected to remain robust, if not as buoyant as the past few years, driven largely by domestic demand. However, grossly insufficient attention was paid to the impact on India via the international capital markets.

Financial Market Spillovers to India

The initial shock that the Indian markets witnessed was triggered by a precipitous fall in portfolio investments, predominantly due to massive outflows of foreign institutional investments (FIIs) from the Indian equity market. Massive FII infusions in the previous few years had propelled India's Bombay Stock Exchange (BSE) to a high of almost 20,000 points in end 2007 when it was less than 14,000 points a year earlier (January 2007). While net FII inflows were just over US\$20 billion in 2007-08 (April-March), there was a net withdrawal of over US\$11 billion between January and October 2008. This, in turn, pushed down the BSE index sharply to just below 14,000 points by October 2008, effectively giving back all the gains since January 2007. Limited foreign currency intervention by the Reserve Bank of India (RBI) also meant that the capital withdrawals caused a sharp depreciation of the rupee from about Rs39 to US\$1 in January 2008 to Rs48-49 to US\$1 by October 2008. During this period, there



was not much of a counter-cyclical response by the government or the RBI to tackle the downturn. This was because the expectation by Indian policymakers appeared to have been that the crisis was restricted to the asset markets – which in any case had experienced a sharp run-up in prices – and the RBI, in particular, was still concerned about commodity-driven inflation.

While this initial selling pressure was intense, much worse was to come for India and other emerging economies following the bankruptcy of the investment bank, Lehman Brothers, in mid-September 2008. The rather disorderly deleveraging associated with the bankruptcy led to a generalised rise in global risk aversion resulting in a spike in emerging market spreads and freezing of global credit markets as counterparty risk perceptions skyrocketed. Many Indian corporates had, in the last few years, availed themselves of “cheap” funding in the wholesale funding markets overseas to finance their rapid expansion. When credit markets froze, these institutions scrambled for funds in the domestic market, both from banks as well as non-banks (such as mutual fund withdrawals). These desperate efforts at refinancing led to a massive squeezing of credit in the domestic market, resulting in the call money rate in India peaking to almost 20 percent on 10 October 2008. The Indian equity market went into a freefall, with the BSE falling below 9,000 points by March 2009.

The financial contagion also inevitably had trade implications by curtailing both the final demand for, as well as potential supply of, goods produced in India and elsewhere as there was a sharp decline in trade financing in Asia and other parts of the world. The wealth destruction in India and globally due to sharp asset price declines as well as the increased cost of credit inevitably caused the country’s industrial production to decelerate and exports to collapse in October–November 2008. Overall real gross domestic product (GDP) growth slowed to 6.7 percent

As the gravity of the situation became apparent, Indian policymakers responded aggressively with a judicious mix of fiscal and monetary policy initiatives to cushion the impact of the global recession. A host of fiscal stimulus measures was adopted between December 2008 and February 2009 to buffer domestic demand.

in fiscal year 2008-09 from about nine percent in fiscal year 2007-08.

Policy Responses

As the gravity of the situation became apparent, Indian policymakers responded aggressively with a judicious mix of fiscal and monetary policy initiatives to cushion the impact of the global recession. A host of fiscal stimulus measures was adopted between December 2008 and February 2009 to buffer domestic demand. In a nutshell, these measures included a significant increase in planned expenditures, a reduction in indirect taxes, announcement of sector specific relief packages (textiles, housing, infrastructure and automobiles), and encouraging financial institutions to raise capital to fund infrastructure projects. The fiscal stimulus packages amounted to around three percent of the GDP.

In addition to the fiscal initiatives, the RBI intervened quite aggressively with a set of monetary initiatives to ease the liquidity crunch in both the rupee and the foreign exchange markets. With regards to domestic liquidity, the RBI reduced the key policy rates (the repo which is the rate at which RBI injects rupee liquidity in the banking system, and the reverse repo rate which is the rate at which RBI sucks excess rupee liquidity from the market), while the cash reserve requirement (CRR) [the minimum reserves each bank must hold to customer deposits and notes] and the statutory liquidity ratio (the ratio of total demand and time liabilities that a bank has to maintain in the form of cash, gold or other approved securities with the RBI) were aggressively brought down. The CRR, in particular, was reduced from nine percent in September 2008 to five percent by early January 2009, all of which helped to inject a significant amount of liquidity into the system. In addition to the macro-liquidity measures, the RBI took some targeted steps to ease the liquidity pressures on certain entities that were particularly hard-hit (such as micro, small and medium enterprises, real estate and export sectors). The RBI also tried to facilitate foreign exchange liquidity by loosening the restrictions on external commercial borrowings and short-term trade credits, while interest rate ceilings on non-resident deposits were raised in order to attract more foreign funds into the country.

Conclusion

The extent of India's de facto openness to the global economy was under-appreciated by many observers who paid attention almost solely to trade and tended to ignore the financial sector. Over the last few years, India has become extremely integrated with the Asian and global economies. While such integration has been a boon in helping India grow rapidly with the rest of the world, it also faced the downside of openness in terms of not being spared from the spillovers coming from the financial and economic crisis in the United States and the Western world. However, a strong and well-capitalised banking system and proactive efforts not only by the RBI in particular, but also the fiscal authority (that is, the government) have helped minimise the negative fallout of the global

turmoil on the real economy. After the sharp downturn in the latter part of 2008 and early 2009, the global and Asian economies appear to have stabilised.

As the global risk appetite has improved substantially, larger countries such as India which were impacted primarily due to the sudden stop in and reversals of international capital flows, as opposed to high dependence on export markets, have recovered much faster



than smaller export-dependent economies such as Singapore, where recovery is likely to be more tepid. ■

Recent Event

ISAS-FICCI Public Lecture HE Mr Kamal Nath Minister of Road Transport and Highways, India



The Institute of South Asian Studies (ISAS) and the Federation of Indian Chambers of Commerce and Industry (FICCI) organised a public lecture by HE Mr Kamal Nath, Minister of Road Transport and Highways, India, on "The New Government in India: Vision for the Next Five Years" on 17 July 2009.

Focusing on the 2009 Indian elections, the Minister elaborated on the policy directions for the Congress Party in its second term in office. He stated that the Congress' re-election with a strong mandate was a public testimony of the confidence in and success of its policies. Nevertheless, the mandate places significant responsibilities on the government to sustain and manage the economic growth of the last five years. Therefore, the agenda for the government in the next five years is to continue on the

path of reforms while ensuring an all-inclusive growth which would help to eradicate poverty. He alluded to the 2009-10 budget which has a stimulus package of US\$10 billion, loan waiver for farmers, and public employment schemes. These measures are to ensure that the poor are brought into the overall process of economic growth.

Mr Nath added that infrastructure development remains the top priority to the government's goal. For his ministry, the target is to lay 20 kilometres of roads everyday and modernise Indian airports and seaports. He said that the government was accelerating the pace of governance reforms which would eliminate bottlenecks faced by foreign investors. He invited Singaporean companies to participate in construction projects, as there is a huge potential for collaboration in India's infrastructure development.



Left to right: ISAS' Chairman, Ambassador Gopinath Pillai; HE Mr Kamal Nath; and Dr Amit Mitra, Secretary-General, FICCI.

The UPA Government's 2nd Innings: Challenges and Priorities

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The United Progressive Alliance (UPA), led by the Congress Party, was re-elected to the Indian Parliament with a clear majority in the 15th general elections held in April-May 2009. The re-election of the UPA under the leadership of Dr Manmohan Singh was perceived as a popular endorsement of the policies and programmes pursued by his government to address the needs of the common man. Dr Singh's new council of ministers, therefore, assumed responsibility at the end of May 2009, with considerable goodwill backing its entry into office.

The elections were conducted against the backdrop of serious economic difficulties. The country was encountering a sharp downslide in economic activity after five years of robust growth. It was imperative for the government to address concerns arising from steep declines in industrial output and exports. Other immediate priorities of the government included decisive action on threats to internal security, particularly the heightened Maoist influence in eastern India. The memories of the terrorist attack in Mum-

bai in November 2008 were still fresh when the elections ended. The government was expected to address counter-terrorism initiatives with utmost urgency. The neighbourhood also demanded foreign policy attention, with Sri Lanka entering a new phase of post-conflict rebuilding and bilateral ties with Pakistan and China experiencing occasional friction.

In the period that the UPA government has been in office, the economy has shown distinct signs of recovery. The year 2008-09 ended with a gross domestic product growth of 6.7 percent. This was much better than what most agencies and analysts had expected. During the first quarter of 2009-10, industrial output grew at a positive rate of 3.7 percent. Exports, however, continued to grow at negative rates. Nonetheless, the signs of a turnaround in critical sectors such as cement, steel and electricity point to a recovery of overall economic activity. The capital market has regained much of the ground it lost since September 2008, with foreign institutional investors resuming in-

vestments in Indian companies. The outlook for investment and growth in the economy has considerably brightened on account of favourable perceptions on political stability and positive impact of the economic stimulus packages.

The biggest challenge for the Indian government on the economic front has been the monsoon. The Indian Meteorological Department has estimated rainfall during the current season (ending on 19 August 2009) at 26 percent less than the long period average. Insufficient rains have led to the outbreak of drought, with 246 out of 642 administrative districts in the country being declared drought-affected. Though buffer stocks of rice and wheat are adequate, the government may encourage the import of grains if agricultural output suffers a serious setback. The management of drought and orderly distribution of food supplies are top priorities for the government since aberrations in this regard can adversely affect economic prospects by reducing overall growth and increasing prices of essential commodities. The outbreak of H1N1 has been another major



The re-election of the UPA under the leadership of Dr Manmohan Singh was perceived as a popular endorsement of the policies and programmes pursued by his government to address the needs of the common man.

challenge for the government. The death toll from the pandemic has reached 60, with the country reporting 2,772 confirmed cases till the end of the third week of August 2009. Mumbai, Pune, Goa and Bangalore figure among the most affected cities. The pandemic has created two major administrative challenges for the government. The first is with respect to the capacity of the public health system insofar as preparedness and prevention are concerned. The second is in ensuring effective coordination between the centre and state governments in managing the epidemic. Addressing both challenges have become complicated due to the growing incidence of panic among common people.

The government has moved reasonably fast on certain critical economic aspects. These include introducing a new draft direct taxes code, kicking off the long-stalled public sector disinvestment agenda through public offer for the sale of shares in the National Hydro-electric Power Corporation and taking steps on aligning domestic petroleum product prices with international ones. The manifestation of drought has prevented precipitate action on the proposed legislation aiming to provide

food security to all. On the other hand, in efforts aiming to revive external trade, India has signed trade pacts with the Association of Southeast Asian Nations and South Korea, and is also playing an active role in the resumption of multilateral trade talks.

In a significant move having far-reaching implications for the management of internal security, the government has begun the process of issuing unique identification numbers for all Indian residents above the age of 18 years. The successful completion of the project will be a major administrative challenge, given its enormous scale and scope. The Union Budget has allocated US\$20.6 million for this exercise in the financial year 2009-10. The total roll-out of identity numbers, however, is expected to eventually cost around US\$30 billion. Once completed, the unique identity cards will significantly reduce illegal immigration and fraudulent practices. They will also facilitate a better distribution of essential commodities through the correct targeting of intended beneficiaries.

Soon after assuming office, the UPA government declared the Maoist insurgents a 'terrorist' group. The declaration was followed by coordinated police action against the Maoists in key bastions in the eastern state of West Bengal. While the insurgents may have been immobilised for the present, the

failure to accelerate development, particularly in the tribal areas of eastern India, might facilitate the regrouping of the Maoists. Effective coordination with the state governments on the maintenance of law and order and implementation of development programmes assume critical importance in this respect.

A joint statement issued by India and Pakistan on 15 July 2009 at the Non-Aligned Movement Summit held at Sharm-el-Shaikh in Egypt generated some unexpected controversies. The government and the Prime Minister, in particular, had to face considerable criticism over the reference to Balochistan in the statement. In addition, India's reported agreement on delinking the composite dialogue process with Pakistan from the progress achieved on curbing cross-border terrorism also invited sharp criticism.

The initial controversy over the statement, as reflected in the media conveyed the impression that the Congress Party was distancing itself from the declaration. Later, however, the Congress Party and the government put up a united stand on the subject. The lack of administrative and inter-ministerial coordination on the subject has, nonetheless, caused some embarrassment for the government.

Unlike its earlier tenure when the UPA had a tough time managing frictions within the coalition, it has been more smooth-sailing this time around. Coalition partners, till now, have been careful not to disturb the harmonious functioning of the UPA. Such attitudes, however, may change as assembly elections in the key states of Tamil Nadu and West Bengal draw close. Retaining and gaining political command in these two state assemblies are the main objectives of the Dravida Munnetra Kazhagam and the Trinamool Congress, the two main partners of the Congress Party in the UPA. As the state election year, 2011, draws closer, the two parties may start demanding more populist actions from the government. Managing such demands without sacrificing long-term priorities will be a key challenge. For the present, however, the Indian government's main focus continues to remain on reviving economic growth and strengthening internal security. ■



The Climate Crisis and Bangladesh



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Overwhelming scientific evidence shows that the global climate has changed markedly in recent decades. It is predicted that greenhouse gas (GHG) emissions, the key perpetrator of global warming, would warm the planet incessantly. The consequent adverse impact could change the climate profoundly even if the degree of emissions goes back to the pre-industrial revolution level. This is supported by the fact that the top 11 warmest years recorded have all been in the last 15 years, the average global sea-level has increased by 0.1 to 0.2 metres over the last 100 years, and snow cover in the Northern Hemisphere has receded since the late 1960s by around 10 percent. This shows that climate change is already happening and it poses one of the gravest environmental threats facing the planet.

Scientists believe that this anthropogenic warming is set to take its toll both in the North and South. However, developing countries are the least equipped to adapt to the adverse impact of climatic change, owing to their possessions of comparatively less resources and technical know-how.

With 10 percent of Bangladesh's area barely one metre above the mean sea-level and

one-third of its landscape under tidal excursions, along with very flat and low topography, the country is highly vulnerable to the global climate variability. It is estimated that a one-metre sea-level rise (the most conservative prediction) could submerge 17.5 percent of Bangladesh's land-mass and as many as 30 million Bangladeshis could become climate refugees. Apart from its geographic location, high population density, higher incidence of poverty and heavy dependence on agriculture, fisheries and other climate-sensitive

Indeed the sign of climate change is already visible in Bangladesh. St. Martin's Island, the country's solitary coral reef, has been gradually reduced to a size of eight square kilometres now from 12 square kilometres 20 years ago.

Nevertheless, the country has had a long history of natural disasters. Located at the interface of two contrasting settings, with the Bay of Bengal and the North Indian Ocean to the south and the Himalayas to the north, Bangladesh is known as Mother

Being a relatively lower GHG emitter, Bangladesh, more often than not, can offer little to mitigate the impact of climate change. However, a couple of issues pertaining to mitigation strategies – energy conservation and carbon emissions trading – could possibly substantially benefit the country.

sectors are the other major worries for the country. It is predicted that Bangladesh will observe a high frequency of floods, erratic monsoons, devastating cyclones and storm surges, and a higher degree of salinity, scarcity of fresh water, and incidence of drought owing to climate change.

Nature's punching bag. This peculiar geography provides not only life-giving monsoons but also causes catastrophic natural disasters.

The key concern is Bangladesh's ability to deal with climate change-induced vulner-



possibly substantially benefit the country. First, energy conservation may be achieved through efficient use of energy – a technology-intensive process that requires less energy to produce a similar economic output. Like many South Asian economies, Bangladesh is one of the least efficient energy users in the world.

Second, carbon emissions trading could bring a huge economic opportunity for Bangladesh. It is an administrative approach

used to control pollution by providing economic incentives in order to achieve reductions in the emissions of pollutants. As Bangladesh is not a highly industrialised economy, its emission quota remains underutilised and could be traded with highly industrial countries that need to burn more carbons to keep their industrial output expanding. The total value of the global carbon market was US\$126 billion in 2008, according to the World Bank. Being a signatory of the Kyoto Protocol that allows carbon emissions trading, Bangladesh could reap benefits from the global carbon market provided it develops the required institutions.

Another strategy to cope with climate change is adaptation. An Intergovernmental Panel on Climate Change Assessment Report on Climate Change shows that the ability of human systems to adapt to and cope with climate change depends on such factors as wealth, technology, education, information, skills, infrastructure, access to resources and management capabilities. Being a natural disaster-prone country, Bangladesh has acquired a global reputation for managing calamities, particularly in recent years, thanks to support from its donors. Such adaptation measures have been largely reactive.

abilities. Climate change is nothing short of a 'public good' problem where externality and free riding problems often cause market failures. Indeed this man-made climate change is the greatest market failure the world has ever seen, according to some noted economists. Bangladesh, for instance, is one of the lowest emitters of GHGs. Its emissions as a percentage of global carbon dioxide are merely 0.1 per cent whereas its share to the global population is 2.5 percent. Yet, the nation is set to pay a hefty price for climate change. Thus, this cross-border issue has to be addressed both locally and globally.

There are two approaches – mitigation and adaptation – generally prescribed as ways tion involves developing ways to protect people and places by reducing their vulnerability to climate impacts. Scientists and economists advocate a range of strategies for the mitigation of global warming that include development of renewable energy; initiation of carbon offsets mechanism; adoption of energy conservation technologies; participation in global carbon market; introduction of carbon taxes; control of population; and development of carbon capture and storage mechanism, *inter alia*. However, the mitigation mechanism is a long-term process and it would take a few decades, if not centuries, for some GHGs to disappear from the atmosphere.

Being a relatively lower GHG emitter, Bangladesh, more often than not, can offer little to mitigate the impact of climate change. However, a couple of issues pertaining to mitigation strategies – energy conservation and carbon emissions trading – could

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that could possibly minimise the economic costs and environmental damages induced by global warming. Mitigation involves attempts to slow the process of global climate variability by lowering the level of GHGs in the atmosphere, whereas adapta-

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climatic change that is being forecasted but not yet observed profoundly.

Against this backdrop, Bangladesh adopted a climate change action plan in 2008, emphasising six issues – food security; social protection and health; comprehensive disaster management; infrastructure; research and knowledge management; mitigation and low carbon development; and capacity building and institutional-strengthening programmes. In the past, Bangladesh invested over US\$10 billion to make the country more climate-resilient and less vulnerable to natural disasters. Its climate change action plan estimated that the programmes commencing in the first five years could cost a total of US\$5 billion. The Bangladesh government has established a National Climate Change Fund, with local and global contributions expected.

Apart from local responses, a few global developments hold the key to the progress of Bangladesh's climate change action plan. The United Nations framework convention on climate change remains the key external stakeholder in Bangladesh's fight against climate change. The global response to climate change in the post-Kyoto era will largely define the success of Bangladesh's climate action plan. As the Kyoto Protocol expires in 2012, the world needs to have a new deal on climate. In this regard the Copenhagen meeting in December 2009 is crucial. There is also a need for regional responses under the aegis of South Asian Association for Regional Cooperation (SAARC), as water sharing and some other cross-border climate-induced issues could arise largely due to glacier melting in the Himalayas. The SAARC Action Plan and Dhaka Declaration on Climate Change acknowledge the importance of these issues but more concrete action is required to minimise climate-induced, non-traditional security problems in the region.

Climate change is the single most significant threat Bangladesh faces in the medium- to long-term. It needs a holistic approach to address this problem. While adaptation policies of climate change require financial resources and technical know-how, Bangladesh stands to benefit from some of the global mitigation strategies, notably from the global carbon market, if the required institutions are put in place. ■



Forthcoming Event

Fifth International Conference on South Asia

The Institute of South Asian Studies (ISAS) will organise its Fifth International Conference on South Asia themed "South Asia: Beyond the Global Financial Crisis" on 4 November 2009 at Grand Hyatt Singapore.

Mr K. Shanmugam, Minister for Law, Singapore, will deliver the keynote address for the conference. It will also bring together specialists and experts from Singapore and around the world, including Mr Mani Shankar Aiyar, India's former Union Cabinet Minister for Petroleum and Natural Gas; Mr Sartaj Aziz, Pakistan's former Federal Minister for Finance, Planning and Economic Affairs, and Foreign Affairs; Dr Dayan Jayatilaka, Sri Lanka's former Permanent Representative to the United Nations; and Professor T. V. Paul, James McGill Professor of International Relations, McGill University, Canada.

During the one-day event, the speakers will discuss socio-economic and political issues in South Asia, including the role of financial institutions; economic integration; cooperation and competition with extra-regional economies; governance, education and environmental challenges; conflict resolution; extremism and terrorism; and the major powers and conflicts in South Asia.

Registration details on the conference are available on the ISAS website at www.isas.nus.edu.sg. For enquiries, please call (65) 6516 4239.

Economic Integration in South Asia: The Case for a 'Two-Track' Approach

Dr Pradumna B. Rana
Senior Research Fellow
Institute of South Asian Studies



Several years ago, India's Prime Minister, Dr Manmohan Singh, unveiled his vision for an integrated South Asia as one where one could have "breakfast in Amritsar, lunch in Lahore, and dinner in Kabul." He added that, "That is how my forefathers lived. That is how I want our grandchildren to live." Indeed, before the Second World War, South Asia was a relatively well integrated region of the British Empire. Now, the region is one of the least integrated in the world. If the present situation continues and a new approach is not adopted, Prime Minister Singh's vision will probably not be realised.

The World Bank has estimated that the volume of trade among the South Asian countries before the partition of India and Pakistan in 1947 was around 20 percent of their total trade. This fell to about four percent by the 1950s and to two percent in 1967, mainly because of mutual mistrust and political conflicts in the region. Also, for four

decades after independence, the South Asian countries adopted inward-looking development strategies with high barriers to trade and investment. The two landlocked countries, Nepal and Bhutan, maintained close trade links with India but not with the other South Asian countries and the rest of the world.

This trend of declining intra-regional trade in South Asia reversed only in the late 1980s and 1990s when South Asia started to

abandon import-substituting policies and began to adopt market-oriented reforms, including trade liberalisation. Nevertheless, the level of intra-regional trade presently stands at only a dismal five percent of the region's total trade. The comparative figures for East Asia are about 25 percent in the case of the Association of Southeast Asian Nations (ASEAN) and 55 percent in the case of ASEAN+3. The lacklustre performance of South Asian integration can be explained by several factors. First, the deep mistrust and

South Asia should also link itself with the production networks in East Asia and promote trade with its major trading partners including East Asia (with which its trade has been surging at over 50 percent per annum in recent years) so that demand for South Asian intra-regional trade remains strong.



political conflicts of the past continue. Second, the presence of India as a large country arouses the fear of hegemony and economic dominance among the smaller neighbouring countries. Third, complementarities that existed in the 1940s may have lessened considerably as countries have developed similar types of industries.

In 1995, the South Asian Association for Regional Cooperation (SAARC) initiated the South Asian Preferential Trading Arrangement (SAPTA) with the view of promoting intra-regional trade. However, the SAPTA's progress was painstakingly slow because of the product-by-product approach to tariff concessions, low product coverage, and stringent rules of origin. One study found that many trade restrictions maintained by the South Asian countries were designed not to restrict imports from outside the region but to keep out exports of neighbouring countries, particularly from India.

In a sense, the South Asian Free Trade Area (SAFTA), initiated in 2004, was a leap forward. Unfortunately, the SAFTA also had its own weaknesses. Among others, the services trade, which is emerging as a major export item from South Asia, especially India, was excluded. So was the issue of non-tariff barriers.

On money and finance, the SAARCFINANCE, which is a network of central bank governors and finance secretaries, has achieved some success in forging closer cooperation on

macroeconomic policies. The SAARC has also decided to hold regular meetings of the South Asian Finance Ministers, modelled after the ASEAN and ASEAN+3 Finance Ministers' meetings. The more recently announced goal of attaining a South Asian Economic Union and the expressed desire of a common currency will, however, have to wait for some time in the future as they can be feasible only in the longer term as economic convergence is achieved in the region.

In the area of cross-border infrastructure development, the South Asia Subregional Economic Cooperation (SASEC) programme, initiated by four members of the SAARC (Bangladesh, Bhutan, India and Nepal), has made notable progress in identifying projects in the six priority sectors (transport, energy and power, tourism, environment, trade and investment, and private sector cooperation). However, then again, the implementation of the SASEC initiatives has been modest.

More recently, there have been signs which suggest that the region's mindset on the regional integration agenda is perhaps starting to change a little. India, in particular, appears to have adopted a more positive stance on South Asia befitting its rapid emergence in the global economy. The Asian Development Bank sees a 9.5 percent growth per annum for India over the next 30 years. By that time, India will be the second largest economy in the world, second only to China, surpassing the United States. A prosperous South Asia would be beneficial for all. Last

year, India announced that it would provide free market access to imports from its least developed neighbours and signed a free trade agreement (FTA) with Sri Lanka. It also made commitments to reduce its negative list and promote regional connectivity.

Such positive signs are not confined to India alone. Despite the terrorist attacks, India-Pakistan relations appear to have thawed a little. Pakistan has also increased the list of items in its positive list resulting in rapid growth of its imports from India. The new regime in Nepal has made progress in advancing discussions on a number of hydroelectric projects.

In this changing context and based on East Asia's successful experience with regional integration, South Asia could consider adopting a 'Two-Track' approach to promoting regional integration.

This trend of declining intra-regional trade in South Asia reversed only in the late 1980s and the 1990s when South Asia started to abandon import-substituting policies and began to adopt market-oriented reforms, including trade liberalisation. Nevertheless, the level of intra-regional trade presently stands at only a dismal five percent of the region's total trade.

The first track would be to take advantage of the recent positive signs and promote integration within South Asia by giving primacy to economic issues and not allowing political differences to stand in the way of regional integration efforts. The East Asian countries have had their share of political conflicts. Despite these problems, however, the East Asian leaders have pressed ahead and agreed to keep their political differences aside on the regional



country to its neighbours as well. The successful implementation of "open regionalism" in East Asia has contributed to the establishment of regional production networks and increased intra-regional trade without trade being diverted from the rest of the world. In fact, East Asia's trade with its three main partner groups (the European Union, the United States and the rest of the world) has increased. This,

for South Asian intra-regional trade remains strong.

India's recent engagement with East Asia, including its membership at the East Asia Summit, is welcome. China has become the top trading partner of India. The India-ASEAN FTA was signed just recently. The other South Asian countries need to "Look East" a lot more vigorously. The observer status given in the SAARC to several East Asian countries (China and Japan) is a step in the right direction. India and the East Asian members of the G20 (China, Japan, Indonesia and Korea) could coordinate and come up with Asian views and perspectives on the reform of the international financial and trade architecture.

cooperation agenda. It is now time for South Asia's leaders to also follow suit and implement ongoing integration schemes effectively and deepen them further.

in turn, has had favourable spillover effects on East Asian intra-regional trade and investment.

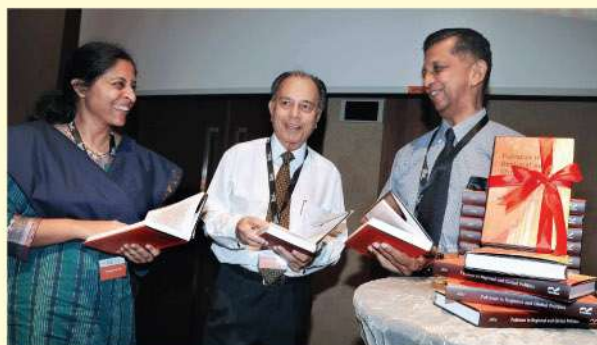
The second track is for the South Asian leaders to adopt the East Asian concept of "open regionalism" rather than the failed concept of "closed regionalism". This means extending any preferences granted by a

South Asia should also link itself with the production networks in East Asia and promote trade with its major trading partners including East Asia (with which its trade has been surging at over 50 percent per annum in recent years) so that demand

The successful adoption of the 'Two-Track' approach would certainly revitalise South Asian integration. Whether South Asian integration can reach the high level that prevailed in the 1940s is, however, a different matter, as high trade barriers could have resulted in changes in patterns of comparative advantage and reduced economic complementarities in the region. ■

Recent Event

Book Launch-cum-Panel Discussion Pakistan in Regional and Global Politics



Left to right: Dr Jetly, Mr Abdul Aziz and Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS.

The Institute of South Asian Studies (ISAS) launched the book *Pakistan in Regional and Global Politics* on 11 June 2009. The Guest-of-Honour, Mr Abdul Aziz Mahmud, Singapore's Former Non-Resident Ambassador to Pakistan, stated that the publication of book was a timely addition to the knowledge on Pakistan and would further enhance ISAS' reputation as an important centre of research on South Asia.

Based on a conference organised earlier by ISAS, the volume, edited by Dr Rajshree Jetly, Research Fellow at ISAS, has contributions by 11 other scholars with renowned expertise on Pakistan. The publication examines the political developments during the critical period between 11 September 2001 and the return of the country to democratic elections in February 2008, and offers critical insights and

perspectives on Pakistan's political identity, foreign policy, international security and economic development in the post-9/11 period. It argues that Pakistan's future lies in arresting Islamic fundamentalism and ethnic conflict; removing the military from the centre stage of politics and governance; and restoring democracy through viable political structures and effective leaders.

The book launch was followed by a panel discussion on Pakistan. Mr Shahid Javed Burki, then-Visiting Senior Research Fellow, ISAS, and Professor Ishtiaq Ahmed, Visiting Research Professor, ISAS, spoke about the economic developments in Pakistan and its foreign policy respectively. Dr Jetly examined Pakistan's internal challenges whilst Mr Shakti Sinha, then-Research Fellow, ISAS, explored the prospects for Pakistan-Afghanistan relations.

To purchase a copy of the book, please contact Ms Brenda Foo (Taylor & Francis) at (65) 6741 5166 or info@tandf.com.sg.

An Eye on South Asia

Ms Syeda Sana Rahman
Research Associate
Institute of South Asian Studies

Afghanistan: Still Not Out Of The Woods?

In August 2009, the Afghans went to the polls in the third election since the 2001 United States-led invasion displaced the authoritarian Taliban regime. The elections, according to the United States-based Human Rights Watch, were accompanied by "one of the highest number of violent incidents in one day since the fall of the Taliban". Indeed, international observers from Europe and the United States were unable to operate in certain regions, like the Taliban strongholds in the south and southeast of the country.

The elections were also marred by reports of intimidation, low voter turnout (especially amongst women), underage voting, selling of registration cards and ballot stuffing. The Elections Complaint Commission is now investigating around 225 cases of alleged fraud, which could affect the election results. The sheer volume of the complaints may well push back the official announcement of the presidential elections, further destabilising the region. While it appears that the incumbent President Hamid Karzai will be able to achieve over 50 percent of the vote, the electoral controversy makes any stabilisation of the political situation unlikely.

At the same time, the military situation does not seem to be improving. According to the Chairman of the United States Joint Chiefs of Staff, Admiral Mike Mullen, the situation in the region has deteriorated and the Taliban have been gaining strength. According to reports, 289 American and North Atlantic Treaty Organization soldiers have been killed this year alone, up from 59 in 2004, when Karzai was first elected President of Afghanistan.

Bhutan: Forging Ahead

The Bhutanese Education Ministry declared 2009 Bhutan's 'Year of Science and Technology' in July 2009 to demonstrate the relevance of scientific advancement to modern Bhutan. In keeping with this, the same month saw the launch of the Royal Thimphu College, the first private college in the country, which offers bachelor degrees in English, Dzongkha (the national language), environmental science, sociology, political science and economics.

The government has been equally assertive in moving forward projects to modernise the Kingdom. In July 2009, the Bhutanese and Indian governments moved to accelerate work on 10 hydropower projects and held the second meeting of the Empowered Joint Group (formed after the two governments signed the Protocol to the 2006 Agreement on Cooperation in Hydropower) in August 2009. The projects are slated to produce 10,000 megawatts of electricity by 2020. The government also restarted its biggest cement project, the Dungsam Cement Plant, in July 2009. The project, which receives monetary assistance from the Indian government, is over two decades old and had stalled due to security concerns caused by militant groups from northeast India which clandestinely used Bhutan as a base for their insurgent activities. The plant, which is now expected to start production at the end of 2012, will have an annual capacity of 0.5 million tonnes.

According to the Bhutanese Prime Minister, Jigme Yoser Thinley, the country is also keen to attract Indian investment in areas such as information technology (IT), infrastructure and hydropower, and has relaxed its foreign direct investment laws and sectoral caps accordingly. The Kingdom has also solicited Indian help to develop its IT and e-governance projects.

Maldives: Strengthening Bilateral Ties

Maldives has strengthened its bilateral military ties with India following high-level talks between Indian Defence Minister A. K. Anthony, and Maldivian President Mohamed Nasheed and Defence Minister Ameen Faisal during Mr Anthony's three-day visit to the archipelagic state in August 2009. According to a joint statement issued by Maldives' National Defence Force (MNDF) and the Indian High Commission in Maldives, India has agreed to provide a helicopter and a 25-bed military hospital in Malé to the MNDF. The two South Asian neighbours have also agreed to carry out joint surveillance and patrols in the Indian Ocean region to guard against piracy, drug-trafficking, potential terrorist attacks and to protect their Exclusive Economic Zones. It has also been reported that India has offered the Maldives a more comprehensive maritime surveillance plan, which would include the installation of a network of ground radars linking Maldives to the Indian Coastal Command.

An Eye on South Asia (cont'd)

These moves by India may be motivated by Maldives' growing ties with China, which has been actively establishing strategic relations with India's neighbours, including Pakistan, Bangladesh and Myanmar. In this respect, it is apparent that Maldives officially opened its embassy in Beijing just a year earlier. Maldives has also established closer ties with another Indian neighbour, Pakistan. In July 2009, Maldives received a high-level trade and investment delegation, led by the Trade Development Authority of Pakistan. Whilst in Maldives, the delegation called on the Maldivian President, Vice-President, Minister for Foreign Affairs, Minister for Economic Development and the Minister for Tourism, Arts and Culture. The delegation also discussed the possibility of trade with Maldives' National Chamber of Commerce and Industry. Moreover, in August 2009, Maldives and Pakistan also agreed to set up a 'Friendship Caucus'. The caucus, comprising members of parliament from both states, will cooperate on matters of foreign affairs, economy and industry, science and technology, internal affairs, socio-cultural issues and security, and is meant to help build and strengthen the recently-established Maldivian Parliament.

Nepal: Sliding Down a Slippery Slope?

The situation in Nepal has deteriorated since the resignation of Pushpa Kamal Dahal (also known as Prachanda) as Prime Minister on 4 May 2009. The Maoist leader and erstwhile Prime Minister had resigned when the Nepalese President overturned the former's decision to sack the Nepalese army chief. While a 22-party coalition government has been formed under the premiership of Mahadev Kumar Nepal of the Communist Party Nepal (United Marxist-Leninist), Nepal is now in a state of disquiet. Not surprisingly, the coalition excludes the biggest party in the assembly, the Maoists.

In August 2009, the Maoists declared they would launch nationwide protests if their demands for 'civilian supremacy' and action on the President's 'unconstitutional' decision regarding the army chief were not addressed within a month. However, the Maoists also vowed to keep the movement peaceful. These developments are likely to retard the Nepalese democratic transition as these disagreements will delay the formation of a political consensus on the body of the constitution, which has yet to be drafted. Indeed, due to the political tussle, the post of chairman in the Constitutional Committee lies vacant since the committee's previous chair, Mahadev Nepal, was appointed as Prime Minister on 23 May 2009.

At the same time, the government is also struggling to rehabilitate fighters from the People's Liberation Army, who have, thus far, been confined to United Nations-monitored camps around Nepal as part of the 2006 peace agreement. According to reports, around 4,000 ex-soldiers, including around 3,000 child soldiers, have been discharged since July 2009. A rehabilitation programme for discharged soldiers has also been established. However, a United Nations report noted that the Special Committee, which had been set up to supervise, integrate and rehabilitate the Maoist soldiers, remains largely ineffective and has made limited progress.

Sri Lanka: Refugee Situation Stagnant

Sri Lanka's three-decade-long civil war, which ended in May 2009 with the decisive military defeat of the Liberation Tigers of Tamil Eelam (LTTE), resulted in the displacement of an estimated 300,000 people. Over 280,000 of these internally displaced ethnic Tamils continue to languish in military-run camps across northern Sri Lanka. While the government has pledged to resettle at least 80 percent of these refugees by the end of this year, many aid workers say that the plan seems unfeasible. Government officials have also said that this plan seems untenable as many of the landmines in northern Sri Lanka have not been cleared.

Government restrictions on humanitarian agencies have made resettlement even more difficult. Aid workers complain that they are given very limited access to information about the camps. The government has also barred humanitarian workers from taking pictures inside the camp, citing security reasons. Journalists, political leaders and human rights investigators have also been denied access to the camps. The government holds that remnants of the LTTE are hiding amongst the refugees, making these refugees a security risk. Consequently, the ethnic Tamils in these camps have been virtually interned in what the Sri Lankan government calls 'welfare villages'.

The decimation of the LTTE has brought with it the opportunity for reconciliation and peace. However, the longer ethnic Tamils are held in these camps with little access to aid and the outside world, the less likely reconciliation and political resolution will appear. Whether Sri Lanka will take this opportunity to address the concerns of the Tamil minorities and thus build a more peaceful future or squander it and slide back into conflict remains to be seen.

New Research Staff



Dr Pradumna B. Rana
Senior Research Fellow
(July 2009 – July 2011)

Dr Pradumna B. Rana is an International Economist, with expertise in the areas of international macroeconomics, trade and development economics focusing on Asia. He was a Senior Director at the Asian Development Bank's (ADB) Office of Regional Economic Integration which spearheaded the ADB's support for regional cooperation and integration in Asia. He joined the ADB in 1983 and held senior positions at the research and various operational departments. Prior to joining the ADB, he was a Lecturer at the National University of Singapore and the Tribhuvan University (Nepal), a researcher at the Institute of Southeast Asian Studies in Singapore, and a consultant to the World Bank in Washington D. C. During 2007-2009, he was a Senior Fellow at the Nanyang Technological University in Singapore. He obtained his PhD from Vanderbilt University, where he was a Fulbright Scholar, and a Masters in Economics from Michigan State University and Tribhuvan University where he was a gold medallist.

Dr Rana has published widely in the areas of Asian economic development and integration, and various macroeconomic issues such as business cycle co-movements and financial crises. These include 14 books and many articles in international scholarly journals, including *Review of Economics and Statistics*, *Journal of International Economics*, *Journal of Development Economics*, *Journal of Asian Economics*, *World Development*, *Developing Economies* and *Singapore Economic Review*. Recently, he co-authored a book on *South Asia: Rising to the Challenge of Globalization* (World Scientific Publishers) and co-edited a book on *Pan-Asian Integration: Linking East and South Asia* (Palgrave Macmillan). He is presently co-editing a book on *National Strategies for Regional Integration* (forthcoming 2009 Anthem Press, United Kingdom).



Dr Sinderpal Singh
Research Fellow
(July 2009 – January 2011)

Dr Sinderpal Singh has a PhD in International Politics from the University of Wales, Aberystwyth. He was awarded both the E. H. Carr Scholarship and the Overseas Post-Graduate Research Scholarship to undertake his PhD. He obtained his MA in International Relations from the Australian National University. He received his undergraduate degree, with a major in Political Science, from the National University of Singapore (NUS).

Dr Singh has worked as an Associate Research Fellow at the Institute of Defence and Strategic Studies, Nanyang Technological University, Singapore, from 2000 to 2002. During the writing up stage of his PhD, he was a Research Associate at the Institute of South Asian Studies for six months in 2005-2006. Prior to taking up his current appointment, Dr Singh was a Post-Doctoral Research Fellow at the South Asian Studies Programme (SASP) at NUS. This involved, besides research work, conducting undergraduate instruction in several modules offered by the SASP.



Ms Lynn Seah
Research Associate
(July 2009 – December 2010)

Majoring in Development Studies and Japanese Studies, Ms Lynn Seah graduated from the University of Melbourne, Australia, in August 2007 with First Class Honours in Japanese Studies.

Prior to joining the Institute of South Asian Studies, Ms Seah was a Research Assistant at the Faculty of Arts and Social Sciences (FASS), at National University of Singapore. In 2008, she assisted Professor Tan Tai Yong, Dean of FASS, in the publication of his book, *Creating "Greater Malaysia": Decolonization and the Politics of Merger*. Apart from editing, she has conducted research on South Asia, Southeast Asia and Singapore on topics such as the Cold War in Southeast Asia; the evolution of India-Southeast Asian relations; civil-military relations in Singapore; and transport and communications in Singapore.

Ms Seah currently holds a Level 3 certificate in the Japanese Language Proficiency Test and will be seating for the Level 2 certificate in December this year.

The ISAS Internship Experience



Mr Navjote Singh

Fourth Internship Programme
(March - June 2009)

The three-month internship at the Institute of South Asian Studies (ISAS) from March to June 2009 was one of the most rewarding experiences for me. From working on my research paper and taking a field trip to attending the many seminars, every minute presented an opportunity to learn about the Indian subcontinent.

The major part of my internship was dedicated to working on my research paper where I looked at the importance of employment in addressing inequality issues in Punjab. A historically prosperous state, Punjab is now facing multiple socio-economic problems. It is a unique state in India and one that is full of potential, as Singapore's Senior Minister Goh Chok Tong recognised during his visit to India in 2008.

The internship experience was enhanced by an eye-opening field trip to the area of study. The trip gave me an opportunity to speak to and learn first-hand from academics and senior civil servants in India about the real ground issues that affect the country. I also benefitted from their opinions on how these issues should be addressed.

My ISAS experience has been defined by the daily interactions with a group of outstanding academics at ISAS. I learnt considerably from the researchers, not just about South Asia, but also important life lessons from their many experiences. I believe the internship represented the start of my lifelong love for the South Asian region.

Recent Event

ISAS-SICCI-KPMG Seminar India Budget 2009

The Institute of South Asian Studies (ISAS), Singapore Indian Chamber of Commerce & Industry, and KPMG jointly organised a seminar on 'India Budget 2009: An Overview and its Impact on Foreign Businesses and Investors', on 7 July 2009.



Left to right: Dr Chaudhuri, Dr Narayan and Mr Shah.

The aim of the event was to discuss the likely impact of the budget on the Indian economy and its implications for domestic and international businesses. The discussions also focused on the possible capitalisation of opportunities by Singapore companies arising from the budget announcements.

Following the opening remarks by Dr S. Jaishankar, then-India's High Commissioner to Singapore, Dr Saumitra Chaudhuri, Member of the Planning Commission of India, provided a detailed analysis of the backdrop, context and main features of the budget. He also outlined the challenges

faced by India following the global financial crisis and the domestic economic downturn, and the manner in which the budget has tried to address these. His speech was followed by presentations by Mr Keyur Shah, Partner, BSR and Associates, India, and Mr Naresh Makhijani, Executive Director, KPMG India.

Following the presentations, there was a panel discussion with Dr Chaudhuri, Mr Makhijani, Mr Shah and Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS. More than 120 participants from the local business community, government agencies and academia attended the seminar.

Latest Book



South Asia in 2008: A Review

Edited by Mr Hernaikh Singh and Mr Tridivesh Singh Maini, ISAS, August 2009

Published by Manohar India

South Asia in 2008: A Review is a collection of papers written by researchers at the Institute of South Asian Studies in 2008. Focusing on significant developments in South Asia, this publication highlights the key issues that dominated the news in the subcontinent in 2008. It examines positive developments in the South Asian region such as the return of democracy in several of the countries, economic growth and cooperation. These papers also cover some of the fundamental challenges facing the region, including terrorism, the economic slowdown and obstacles to socio-economic development among countries in the region. Attention is also given to South Asia's relationship with its principal partners such as China, Russia, the United States and Southeast Asia.

This publication is intended as a comprehensive and current reference to the complex issues that shape the political, economic and social landscape of South Asia.

To purchase a copy of the book, please contact Mr Ramesh Jain at sales@manoharbooks.com.

Official Visit to ISAS

Mr George Yeo, Foreign Minister, Singapore



Group photo: ISAS' staff with Minister Yeo.

Singapore's Minister for Foreign Affairs, Mr George Yeo, visited the Institute of South Asian Studies (ISAS) on 2 September 2009.

During the visit, ISAS' Director, Professor Tan Tai Yong, presented on ISAS' research programmes and activities. Mr Yeo stated that he was pleased with the progress made by ISAS since its inception. He finds ISAS' research output useful and relevant.

Mr Yeo also had an engaging session with ISAS' senior researchers. The discussions touched on the issue of Tibet in Indo-Chinese relations; the defeat of the Liberation Tigers of Tamil Eelam and the path forward for Sri Lanka; the situation in Pakistan and Afghanistan; and the impact of the Japanese elections on Asia.

The visit also provided an opportunity for Mr Yeo to meet with ISAS' research and administrative staff.



Left to right: Minister Yeo and ISAS' Chairman, Ambassador Gopinath Pillai.

Recent Publications

ISAS Briefs

The Global Financial Crisis and Cross-border Mergers and Acquisitions in Developing Asia, Associate Professor Ramkishan S. Rajan, Visiting Senior Research Fellow, ISAS, and Mr Rabin Hattari, World Bank, 11 June 2009.

Foreign Bank Entry Reconsidered, Associate Professor Ramkishan S. Rajan, Visiting Senior Research Fellow, ISAS, and Mr Sasidaran Gopalan, Research Associate, ISAS, 15 June 2009.

America's New Approach towards Pakistan, Mr Shahid Javed Burki, Visiting Senior Research Fellow, ISAS, 1 July 2009.

Booms and Busts in Private Capital Flows to Emerging Asia since the 1990s, Associate Professor Ramkishan S. Rajan, Visiting Senior Research Fellow, ISAS, 1 July 2009.

Pakistan's Taliban Crisis – Savaging or Salvaging the State?, Dr Rajshree Jetly, Research Fellow, ISAS, 2 July 2009.

Indian Budget 2009-10: Carefully Crafted but Not Without Risks, Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS, 8 July 2009.

The Indian Budget 2009-10: Opportunities for Singapore Investments, Dr S. Narayan, Head of Research and Visiting Senior Research Fellow, ISAS, 9 July 2009.

The Indian Budget: A Failure to Confront the Challenges, Mr Shahid Javed Burki, Visiting Senior Research Fellow, ISAS, 10 July 2009.

Can one still do Business in Nepal?, Mr Binod K. Chaudhary, Member of the Constituent Assembly (Parliament) in Nepal, and President & Managing Director of the Chaudhary Group, Nepal, 15 July 2009.

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- ISAS Panel Discussion on "Sri Lanka: What Next?", Mr Ravi Velloor, India/South Asia Bureau Chief, The Straits Times, Professor S. D. Muni, Visiting Senior Research Fellow, ISAS, and Dr Darini Rajasingham Senanayake, Visiting Research Fellow, ISAS, 16 June 2009.
- Seminar by Mr Didier Chaudet, Lecturer, Institute of Political Studies Paris, France, "The Jihadist Security Issue and Pakistan: The Problem and its Causes", 17 June 2009.
- Energy Security Seminar Series – Seminar by Dr Suparna Karmakar, Visiting Research Fellow, ISAS, "Political Economy of Energy Governance in South Asia", 30 June 2009.
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