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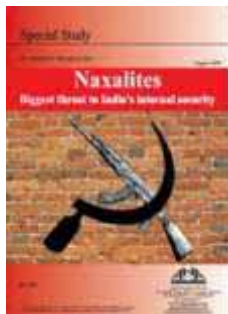
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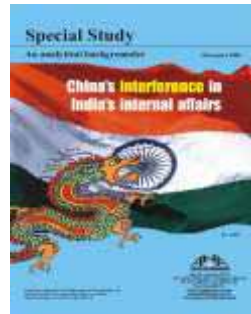
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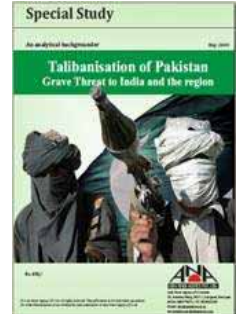
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CONGRESS: LACKING DIRECTION, SOWING CONFUSION

Few serious observers of the political scene will accept Sonia Gandhi's explanation that factionalism is responsible for the Congress's poor showing in the recent elections. If this is true, then the phenomenon denotes a failure of leadership on Sonia's part, for, evidently, she had not been able to eradicate this threat to the party's prospects apparently because no one listened to her.

That, in turn, denotes that she lacks the force of personality to root out groupism. Since the Nehru-Gandhi dynasty has been compared with a zamindari household, the squabbling lower down the line suggests that the feudal dominance is weakening.

The truth, however, is that factionalism is not the "single most important reason", as Sonia said, for the party's failures. For a start, such internal rifts have long been a part of the Congress's DNA. From the clashes between the "extremist" Balgangadhar Tilak and the "moderate" Gopal Krishna Gokhale in 1907 to the confrontation between Mahatma Gandhi and Subhas Chandra Bose in the 1940s to the tussle between Indira Gandhi and the so-called "syndicate" comprising, among others, the so-called reactionary old guard, infighting has always been a feature of the party's functioning.

In fact, during her heyday, Indira Gandhi was credited with encouraging factionalism in the state units so that no one leader could acquire enough importance to challenge her. The weakness of the present crop of Congress chief ministers has been seen as a legacy of Indira's devious tactics.

It isn't factionalism, therefore, which can be seriously blamed for the party's electoral setbacks. Instead, some of the more potent causes are self-evident – organizational

weakness, especially in U.P., allegations of corruption in Goa, and an arrogant local leadership in Punjab.

But, these are also not the main reasons. The main cause is that the Congress has lost its élan, its sense of mission, its inspirational edge. And, this has been compounded by the dynasty's fading charisma. Neither Sonia nor Rahul has the popular appeal or the vision of even Indira and Rajiv, not to mention Jawaharlal Nehru. Indira was described as Goddess Durga by Atal Behari Vajpayee after India helped Bangladesh win its liberation in 1972, and Rajiv's promise of taking the country into the 21st century enabled the Congress to secure a two-thirds majority in the Lok Sabha – 415 out of 543 seats in 1984. In contrast, Sonia and Rahul have not been able to forcefully articulate their ideological outlook.

What is worse, Sonia has sowed an element of confusion about the economic direction by favouring Soviet-style state paternalism via essentially profligate measures like the rural employment scheme, which creates no permanent assets, or the proposed food security bill which aims at feeding more than 60 per cent of India's one billion people with subsidized grains. While the effect of such benevolence on the exchequer will be disastrous, the mammoth task of procuring, storing and transporting such huge amounts of food will be an administrative nightmare.

While Sonia does not seem to have any idea of the fiscal and administrative problems which her utopian schemes will create, the fact that her socialistic approach runs counter to the government's pro-market outlook is largely responsible for the present policy paralysis. The resultant impression of a

dysfunctional government has not only led to a fall in investment, it has also disillusioned the electorate, which no longer feels that the Congress is a party worth supporting.

This wasn't so in 2009 when a surge of support took the Congress's tally of Lok Sabha seats beyond 200 and demoralized the BJP. Behind the gains was the belief that the government will at last be able to implement big ticket reforms since the Left has been routed and some of the allies, like the DMK, which earlier opposed disinvestment, have been weakened. It was the belief that the country was now set on a new course of economic development, which boosted the Congress.

But, if the brakes on reforms were earlier being applied by the Left, they were now being pressed by the Sonia-led National Advisory Council with its left-oriented members. As the NAC floated populist ideas, of which the food security bill is one, and seemingly inspired ministers like Jairam Ramesh to block development projects in the name of protecting the environment, the reforms process stalled.

The fallout is obvious. The economic growth curve has slowed down and the party is unable to move either in the direction of market-driven policies or return to the old ideas of a controlled economy. It is the clouded outlook which has disheartened the voters. As the Delhi municipal results showed, the BJP was able to retain its position despite a fall in its numbers of seats and a rise in the Congress's because the voters could not vote wholeheartedly for the latter despite the good work done by Sheila Dikshit's Delhi government to bring about vast improvements in the national capital. Its finally perception that counts. ■ ■ ■

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STATE OF THE CONGRESS

With the Congress having suffered in the recent assembly polls on account of bitter infighting and wrong policies, its president Sonia Gandhi this week sent a stern message to party cadres to present a “united face” as they prepare for the next round of elections over the next two years ahead of the 2014 general election.

Addressing Congress MPs for the first time after the party’s dismal performance in the recent state polls, Sonia admitted that the results in Punjab and Goa were “very disappointing”. She urged partymen to draw lessons from these elections.

Making a pointed reference to the internal strife in the party, she underlined, “We must shed all manner of factional behaviour and fight as one disciplined team at all levels. This will be the single most important factor to decide whether we win or lose.”

The party, Sonia stated, has to show commitment and unity to convert people’s sentiments into electoral victories.

Her remarks come a few days after a three-member committee, headed by Defence Minister A.K.Antony, submitted a report to her on the party’s poor showing in the recent polls which emphasised the need for instilling “discipline and compliance” among the cadres.

While expressing her disappointment with the results in Punjab and Goa, the Congress president put a gloss on the Uttar Pradesh poll verdict, which was viewed as a personal defeat for AICC general secretary and Gandhi scion Rahul Gandhi who led a high-voltage campaign in this electorally crucial state.

Agreeing that the party did not perform as well as it had hoped in Uttar Pradesh,



Congress President Sonia Gandhi

Sonia remarked, “We increased our vote share quite considerably and were seen as a serious player for the first time in 22 years.”

As demoralisation in the party ranks runs high and the UPA government comes under increasing criticism for policy paralysis, the Congress president attempted to boost the morale of workers and prepare them for the next round of electoral battles.

Stating that it had become fashionable to criticise the UPA government, Sonia asked the rank and file to project its accomplishments and expose the Opposition’s “doublespeak.”

Having been at the receiving end on the twin issues of corruption and mis-governance, the Congress president urged the workers to go on the offensive and pin down the opposition-ruled states on the same issues.

But the media was not enamoured of her address. The Indian Express, that once used

to support the government, was sharp in its critique.

“Not one hard question, not one signal to ensure accountability, no indication of a reshuffle, no message of a beleaguered government. Its hard for political parties to face up to truth after poll defeats, particularly in public, and there is little to be expected by way of thoughtful or actionable introspection. But even by these standards, Sonia Gandhi, in her attempt to deny the mistakes, missed an opportunity.

It said a high-powered committee, headed by Union Defence Minister A K Antony, a Sonia loyalist, that went into the causes of the poll debacle had submitted its report to the Congress president.

“But if the Congress president’s speech is any indication, that report is unlikely to seriously looking within,” the paper said sceptically.

“As the party stumbles from from one

setback to another, she should have been the one asking the tough questions, instead of taking refuge in cliché," the paper added.

'CHIDAMBARAM IS BIGGEST MURDERER OF DEMOCRACY'

Saying the government has "done nothing" to address the rights of poor tribals, noted social activist and former peace negotiator Swami Agnivesh blames Home Minister P. Chidambaram, whom he calls the "biggest murderer of democracy", for the spurt in violence and abductions by Maoists.

"The government has done nothing to address the issues of rights of poor tribals peacefully and lawfully. I feel disappointed. I doubt Chidambaram's intentions, if he is really serious in ending the problem as he claims," Agnivesh told IANS in an interview.

The saffron-clad activist, who in 2010 was appointed by the government as an interlocutor for the now-broken down peace talks with Maoists, said the recent spurt in abductions and violent incidents was "only due to the government's non-seriousness" in resolving the issue.

Left-wing extremists in Odisha kidnapped two Italians in March, released one after 11 days and the second almost a month later. Another Maoist group abducted March 24 Odisha's ruling BijuJanata Dal (BJD) legislator who was also released later.

Alex Paul Menon, the 32-year-old collector of Chhattisgarh's Sukma district, was taken into captivity from the Manjhipara area. He was also released later after Chief Minister Raman Singh agreed to appoint a high-power committee to look into Maoist demands.

Insurgents had demanded release of their cadres from jails but none was set free with the government claiming that they were looking into the demand.

Agnivesh doesn't call it the defeat of Maoists. "They never intended to kill them. It is for you to decide if it is their defeat or greatness."

Asked if he was justifying abduction or killing people by Maoists, the activist said nobody endorses violence. "I condemn every incident of violence, be it killing or kidnapping. But you should also look at what is happening to impoverished tribals. Some 1,700 of them are in jails without any charges."

Agnivesh expressed his "utter disgust" over the widespread "military operations" in Maoist-infested areas in the name of security.

"This operation Green Hunt... it is a military operation, but the real intent is to grab the natural resources and distribute them to a few corporate houses," he said, alleging that Chidambaram was in "cohort"

with business people who want to "loot the resources from mineral-rich parts of east and central India".

"Chidambaram is more violent than Maoists. He is the biggest murderer of democracy," said Agnivesh, recalling how top Maoist leader CherukuriRajkumar alias Azad was "killed in a cold-blooded murder".

Agnivesh had started talks with Azad in May 2010 and had sought his consent to initiate a dialogue with the government. But just when the process was to kick off Azad was gunned down in a shootout with Andhra Pradesh police that was alleged to be staged. But the government denies this.

"He was shot at in point-blank range. Encounters don't happen at such a short distance," Agnivesh said.

His petition for an independent judicial probe was rejected by the Supreme Court recently but the activist has not given up.

"We will travel through the country and tell the people the truth. We will mobilize youth and expose this government of corrupt people who serve interests of none but business houses."



60 YEARS OF INDIAN PARLIAMENT

Has the quality of debates in the Indian Parliament declined over the decades and is politics no longer a mission to serve the people? Are parliamentarians adequately fulfilling their role in the highest forum of country's democracy?

Has the functioning of the Indian parliament been able to foster democratic values and strengthen participatory institutions down the line or has it been a failed experiment? This is the question being asked as this Westminster-modelled parliamentary democratic system celebrates its 60th anniversary.

Analysts and lawmakers say the atmosphere in parliament has become more fractitious over the years, with issues concerning states and sectional interests rather than broad legislative issues often driving its agenda.

Parliament will Sunday observe the 60th anniversary of the first sittings of the



Home Minister P. Chidambaram.jpg

Lok Sabha and the Rajya Sabha, the lower and upper houses. Senior politicians reminisce about days when disruptions were infrequent and ruckus, sloganeering and rancour were almost unheard of.

Union Minister of Micro, Small and Medium Enterprises Virbhadr Singh said that disruptions in parliament are much more frequent now than in the past.

“Disruptions on small issues never happened earlier. They (the members) strongly expressed their differences of opinion but there was hardly an occasion when parliament was disrupted. Now this is the rule rather than the exception,” Virbhadr Singh said.

A five-time chief minister of Himachal Pradesh and a five-time MP, Virbhadr Singh said that parliament had many stalwarts when he became an MP for the first time in 1962, an aspect missing now.

He termed 60th anniversary of the first sitting of the two houses as “a very proud moment.”

“There have been ups and downs but by and large the parliamentary system has come to stay and has consolidated in the last 60 years,” he said.

Bharatiya Janata Party (BJP) MP Sumitra Mahajan said that members in earlier decades reflected a national perspective in their thinking.

“A national perspective was expected of members and they had a pan-India approach to issues. Now, the state perspective has become more pronounced,” Mahajan said.

Mahajan, who is into her seventh term as a Lok Sabha MP, said there was respect for senior leaders in the past and if any of them stood up to speak, members would listen without creating a disturbance.

“There used to be silence if (former prime ministers) Chandershekharji or Atalji (A. B. Vajpayee) stood up to speak. In later days, even Atalji had to face disturbances,” she said.

Mahajan said a positive aspect of present-day politics was that more youths were being elected to parliament.

Senior journalist and political analyst S. Nihal Singh said the standard of debates in the earlier decades of parliament was very high.

“There is much less real debate now, much more of noise and disturbance... rarely is there a good speech now,” he said.

Nihal Singh said there is less respect for parliamentary democracy though everybody swears by it, adding that the frequent disruptions lead to wastage of public money.

“Earlier, there was much more tolerance of other viewpoints. Now, the atmosphere is much more fractitious,” he said.

Nihal Singh said one reason for regional issues coming to the forefront in a much bigger way than in the past was that no single party was dominating the country, adding that regional parties have their own issues and agenda.

Former Lok Sabha secretary general Subash C. Kashyap said that the composition of parliament was also a reflection of the moorings of society.

“They (MPs) are representatives of people that we are... Of our weaknesses, of our culture, of sense of values, of our indiscipline... If there is indiscipline in society, it is bound to be reflected,” he said.

He said that in the earlier years, lawyers formed the largest group of Lok Sabha members.

“For some time now, the largest group is of agriculturists. In that sense, there is a fundamental shift,” he said.

Kashyap said people earlier came to politics on the back of sacrifice. “Now, it has become a profession. People want to be rich... People look for returns on their investment.”

“There are still good people but people with a background of sacrifice are getting fewer and fewer... There is more self-interest, family interest and group interest,” Kashyap said.

Kashyap said there was more discussion on international affairs when Jawaharlal Nehru was prime minister.

“Now local issues and regional issues which should be taken up in state legislatures, sometimes fit to be taken up in panchayats, are taken up in parliament,” he said.

Congress Rajya Sabha MP Mohsina Kidwai said that there was more dignity, decorum and discipline in Parliament in the earlier decades. Rules were

followed and question hour was rarely suspended.

She said members used to speak as representatives of the entire country, but state issues were increasingly being raised now.

Former Rajya Sabha chairperson Najma Heptullah said there were fewer disruptions of the two houses in the earlier years, adding that adjournments were being noticed more due to the advent of TV news.

Heptullah, who is into her sixth term as a Rajya Sabha MP, said many of the parliamentarians in the first few years after independence were freedom fighters and values and issues had changed over the years.

“From the panchayats, nagarnigams to the assemblies and the two houses of the parliament you only have rabble rousers, playing to the galleries. One does no longer hear enlightened debates interspersed with wit and sarcasm, as was the case till the 1977 Janata Party experiment,” says political commentator Paras Nath Choudhary.

During the 1960s and 1970s, the performance of parliamentarians was generally of a high order and the media relished the quotable quotes. Ramji Lal Suman, former deputy minister in Chandra Shekhar government, says: “In 1977 there were so many heavyweights, each an institution in himself. Today’s parliament is no match. One finds pathetic lack of ideological commitment today, especially the younger elements in the houses. They hardly go to the library and prepare notes. Shocking qualitative degeneration in the democratic institutions at all levels.”

In sharp contrast to the composition of the two houses in the 1960s or the 1970s, the present house is dominated by amateurs who are better fighters than debaters. Many make public speeches rather than try debating a point.

“If we have a parliament we must also have able parliamentarians who not only expose the scams but also contribute to the policy making and enliven the proceedings through literary quotes and witticisms. Giving speeches like one was addressing a street corner gathering, is easy but to hit the headlines in the next day’s newspapers or making valuable contribution to debates requires a lot of mid-night oil-burning and a professional approach,” says social activist

Shravan Kumar Singh.

Clearly, the functioning of the parliament in the past decade particularly has been affected by the quality of people that have been elected. Many are believed to have criminal background, if reports released by various pressure groups are to be relied upon. Those who thought introduction of TV cameras to cover the proceedings would usher in desirable changes in performance feel cheated.



POLITICAL NOTES

PUNJAB: MINISTERS TAKE HIGH 'MORAL GROUND' AFTER CONVICTION

This could be termed the height of irony, even in the strange world of Indian politics. Two ministers in Punjab's Parkash Singh Badal-led government, convicted in separate cases and even handed down prison sentences, have resigned on high "moral grounds".

Cabinet minister JagirKaur, who was handling the rural water supply and sanitation and defence services portfolio, was found guilty on counts of forcible abortion of her daughter HarpreetKaur as well as wrongful confinement, abduction and criminal conspiracy. And agriculture minister Tota Singh was convicted of misuse of official machinery.

Interestingly, both ministers claimed to hold the high "moral ground" while finally resigning from their plum posts.

JagirKaur was forced to resign March this year after a Central Bureau of Investigation (CBI) special court in Patiala convicted and also sentenced her to five years' rigorous imprisonment. The lone woman minister in the Badal government, she was, however, cleared by the court of the charge of murder of her 19-year-old daughter HarpreetKaur.

Harpreet had angered her mother and other family members by secretly marrying a youth, Kamaljit Singh, who belonged to a lower caste. She had died under mysterious circumstances April 2000.

The latest 'fall' guy in the Badal cabinet is Tota Singh. He was forced to resign after a vigilance court in Mohali town, 10 km from

here, convicted him of misuse of official machinery last Saturday.

Tota Singh was held guilty of forging the log book of an official car belonging to the Punjab School Education Board (PSEB) while he was Punjab's education minister (1997-2002).

Though the court spared Tota Singh on the more serious charges of assets disproportionate to his known sources of income and forgery, he was sentenced to one year's imprisonment. He was allowed bail by the court immediately.

In fact, Tota Singh waited for over three full days before finally handing over his resignation.

"He had offered to resign after the court verdict. However, I had asked him to wait," Chief Minister Badal told reporters in Mohali Tuesday.

But not everyone is buying the high "moral grounds" stand of the ex-ministers.

"What moral ground are they talking about? They have been convicted by courts after following the due process of law. The simple truth is that they have been convicted and are like any other convicted criminals. They should have been, instead, sacked from their posts by the chief minister," a former minister in the Congress government said.

JagirKaur, who is lodged in the modern Kapurthala Jail, which is in her home district of Kapurthala, and has been enjoying VIP status right from the moment she was arrested, has now moved the Punjab and Haryana high court against her conviction.

Tota Singh too is moving the high court against his conviction.

With the exit of these two ministers, both considered close to the chief minister, the strength of the Badal government has been reduced to 16 from 18. The chief minister has not indicated whether he will induct two new ministers or wait for the verdict of the higher court on the appeals of both ex-ministers against their conviction.

There are murmurs within the ruling ShiromaniAkali Dal that the chief minister should uphold the "political moral ground" and get in new replacements.

HIMACHAL PRADESH: DEVOTED TO ATAL

Senior BharatiyaJanata Party (BJP) leader

AtalBihari Vajpayee may have been out of active politics for almost eight years, but that has not dented Himachal Pradesh Chief Minister Prem Kumar Dhumal's devotion. Such is the kind of idol worship and sycophancy that goes on Indian politics, irrespective of parties involved.

Regardless of Vajpayee's waning political importance (he is reported to be suffering from Alzheimer's), Dhumal is still 'signing' in praise of his 'idol' by naming scheme after scheme after him.

In over four years at the helm, he has dedicated about a dozen schemes and projects to Vajpayee, the latest being the Atal School Uniform Scheme that provides free school uniforms twice a year to all students from Class 1 to 10 in state-run schools.

At the launch of the school uniform scheme in Nahan town May 9, where BJP chief NitinGadkari was also present, Dhumal said: "Shradhey (respected) Atalji has special love for the people of the state. We have launched various schemes in his honour."

He said his government had earlier launched the AtalBijliBachatYojna under which four CFLs (compact fluorescent lamps) were provided to 1.65 million domestic electricity consumers free of cost with the provision that the defective bulbs would be replaced within 18 months.

CONGRESS CHALLENGES US JURISDICTION IN 1984 ANTI-SIKH RIOTS

India's Congress party has challenged the jurisdiction of a US court to hear a case filed against it by a Sikh advocacy group for its alleged role in the November 1984 anti-Sikh riots.

During oral arguments in the US federal court here last week, Judge Robert Sweet noted that the Congress had only challenged the court's jurisdiction to hear the case and not filed any defence on the merits of the allegations against it. Sikhs for Justice (SFJ) had filed a complaint against the Congress in March 2011 under Alien Tort Claims Act (ATCA) and Torture Victim Protection Act (TVPA).

According to SFJ, attorneys for the Congress argued that service of summons on the Congress through Hague Convention is flawed as the party's headquarters in New Delhi did not receive the summons and the

complaint. Congress party lawyers also argued that it cannot be sued as per a recent appellate court decision (Kiobel v. Royal Dutch Petroleum), that a "corporation" cannot be sued under Alien Tort Claims Act for human rights violations by its members.

As the Congress is taking the defence that a political party cannot be sued under Alien Tort Claims Act, SFJ will amend its complaint to include the names of Congress President Sonia Gandhi and the party's national leadership, SFJ legal advisor Gurpatwant Singh Pannun said.

CLINTON CALLS MAMATA MEETING 'REMARKABLE'

US Secretary of State Hillary Clinton recalled two "remarkable experiences" in India including a meeting with West Bengal Chief Minister Mamata Banerjee to focus on efforts for the upliftment and empowerment of women.

"I try, whenever possible, to find time to meet with women who are trying to do, often under very difficult circumstances, what we celebrate here today," she said Thursday as she received the Century Award at the New York Women's Foundation breakfast in New York City.

During her visit to West Bengal last week, Clinton recalled she "had two remarkable experiences - meeting the newly elected chief minister, a woman who, on her own, started a new political party and built that political party over many years."

Banerjee, she noted, had "just successfully ousted the incumbent Communist Party that had been in office for 30, 34 years or so, and who is trying now to govern a state with 90 million people in it."

"And then I met with a group of women - mostly Indian, some American - who, along with some of the men who were running organizations to rescue girls from having been trafficked into prostitution."

GOA CHIEF MINISTER TO PEN 'HILARIOUS, BESTSELLING' MEMOIR

Chief Minister Manohar Parrikar, who single-handedly scripted the Bharatiya Janata Party's (BJP) victory in the recently held Goa polls, may soon be 'scripting' yet another

success story.

He is planning to pen down a memoir on his political life and the 56-year-old claims he has enough fodder to make it to the bestseller list.

"I am now thinking of writing a book and I am sure it will be a bestseller because I have had access to so much 'comedy' when I was in politics and in government," Parrikar announced.

The tough-talking IIT-Mumbai alumnus is seen by some as a silver lining on Goa's jaded political canvas, populated by either ageing, overtly corrupt and petty machinating leaders or power-hungry local satraps who mushroom in one election and disappear in the next.

While Parrikar over the last two decades has been the only acceptable, educated and engaging face within the state BJP who cuts ice across regions and communities in Goa, his failings have perhaps been his ability to put his foot in the mouth coupled with a touch of arrogance.

The chief minister claims that his book, when published, would have its readers in splits because the stories about Goa's dynamic power corridors are hilariously comic.

"When you read that book you will keep laughing. The things I have seen in the government are so comic!" Parrikar said.

Perhaps one such tragic-comic moment in the recent past for Parrikar was when, as one of the top contenders for the post of BJP national president in 2009, he likened then party president L.K. Advani to rancid pickle.

Parrikar's comment triggered a furore in the party ranks and he lost out in the presidential race to the less cavalier Nitin Gadkari.

NORTH EAST: ULFA CONFIRMS MORAL SUPPORT TO MAOISTS

A day after the security forces killed four Maoist cadres in Assam, the anti-talk faction of the Ulfa said that the 'red > rebels' has the moral support of the outfit.

"Everyone has the right to protest and it is the circumstances that decides on whether the protest would be armed one or unarmed. The failure of the so called democracy in India to fulfill the aspirations

of the people has given birth to Maoism and it is gradually expanding," said Commander-in-Chief of the anti-talk faction of the outfit Paresh Baruah in an email statement on Thursday.

"Although there are some ideological differences with the Maoists, they have our moral support in their struggle," said the statement.

"While the government had been compromising with the Maoists rebels and releasing their leaders in other parts of the country like Orissa and

Chattishgarh, in Assam the believers of the same ideology are being killed by the government," he said and said that this also indicates the hatred of 'Indian rulers' towards the people of Assam.

MUSLIM YOUTH IN INDIA DISSOCIATE FROM TERROR: SUFI CLERIC

The realisation that jihadis are using Islam to create an environment of terror is leading Muslim youth in India to dissociate themselves from violence and radicalism, says a leading Islamic scholar and cleric.

"The followers of Islam have no link with the minions of terror," said Hazrat Maulana Syed Mohammed Ashraf Sahab Kichhouhawi, general secretary of the All-India Ulama and Mashaik Board.

Addressing a gathering on "Sufism and Indian Islam" at the Vivekananda International Foundation late Monday, he said, "The Wahabis (ultra-orthodox Muslim) were using biased literature to propagate their theorised monotheism which has currently become the reservoir of terrorism the world over."

Kichhouhawi said "his organisation is carrying the message of peace to Muslims in the grassroots".

He said they were visiting places "to tell people that they cannot act against the country or people. Terrorists cannot disrupt Hindu-Muslim amity because they are not our people. We have told them to hand terrorists to police," the cleric said.

He said "altogether 20 lakh people in places like Moradabad, Bareilly in Uttar Pradesh and in Bhagalpur in Bihar had responded positively to this appeal for non-violence".



GURMEET
KANWAL



Siachen Glacier

IT'S TIME TO MELT FROST IN SIACHEN

The death of about 140 Pakistani army personnel in an avalanche at the battalion HQ at Gyari in the Siachen conflict zone has again brought to the fore the dangers of prolonged deployment on both sides of the actual ground position line, despite the fact that an informal ceasefire has been holding up quite well since November 25, 2003. In mid-March 2007, too, five Pakistani soldiers had perished in an avalanche.

Even at the peak of fighting in the 1980s and 1990s, maximum casualties on both the sides occurred because of the treacherous terrain, the super-high altitude - which affects the human body adversely, and the extreme weather. The lack of oxygen at heights between 18,000 and 20,000 feet and prolonged periods of isolation are a lethal combination and result in pulmonary oedema, frostbite and other serious complications. Besides, prolonged deployment at such heights takes a heavy psychological toll. While these casualties are now better managed due to early evacuation, improvements in medical science and the establishment of forward medical facilities, they can never be completely eliminated.

The economic cost of maintaining an infantry brigade group at Siachen to guard the desolate mountain passes and approaches leading to them from the western slopes of the Saltoro Ridge has been estimated to range between Rs 3-3.5 crore per day - Rs 1,000-1,200 crore annually. The costs are high because the logistics tail is long, the only road ends at the base camp close to the snout of Nubra River where the almost 80-km glacier ends. A large number of infantry posts can

be maintained only by helicopters that air-drop supplies with attendant losses, as recoveries are often less than 50%. The frequent turnover of troops adds to the costs as a battalion can be stationed at the Saltoro Ridge for a maximum of six months.

Stephen Cohen, a well-known and respected Washington-based South Asia analyst, has described the Siachen conflict as a fight between two bald men over a comb. In his view, "Siachen... is not militarily important... They (Indian and Pakistani armies) are there for purely psychological reasons, testing each other's 'will'."

Both governments have been finding it difficult to overcome deeply entrenched mindsets and are unable to look for innovative and creative approaches. India insists that the present forward positions of both the armies on the Saltoro Range along the AGPL should be demarcated after a joint survey so that there is a reference point in case a dispute arises in future. Pakistan's position is that by suddenly occupying the Saltoro Range west of the Siachen glacier, India violated the 1972 Shimla agreement and must, therefore, undo its "aggression" without insisting on legitimising its illegal occupation through the demarcation of present positions.

After Pakistan's intrusions into Kargil in 1999, the Indian Army's advice to the government that the AGPL must be jointly verified and demarcated before demilitarisation begins, is operationally sound and pragmatic military advice. However, if Pakistan's military capacity to grab and hold on to vacated Indian positions after the demilitarisation agreement comes

into effect is carefully analysed, it will be found that Pakistan is in no position to occupy any of the posts vacated by India.

At a recent India-Pak Track 2 meeting at Bangkok, organised by Ottawa University jointly with the Atlantic Council and the National Defence University, Washington, it was agreed by both sides that the present military positions should be "jointly recorded and the records exchanged" as a prelude to the disengagement and demilitarisation process. While this falls short of the Indian demand for demarcation, it should be politically acceptable.

However, India should insist on building a clause into the demilitarisation agreement that in case the agreement is violated, both sides reserve the right to take whatever action they deem fit, including offensive military measures. Simultaneously with the withdrawal of its troops from the glacial heights, India should create and maintain suitably structured reserves for counter-action across the LoC at a point of its choosing. These reserves would also be handy for intervention on the Line of Actual Control (LAC) with China should it ever become necessary.

The demilitarisation of Siachen will act as a confidence building measure of immense importance. For India, it is a low-risk option to test Pakistan's long-term intentions. It is, therefore, an idea whose time has come. Indian and Pakistani leaders need to find the political will necessary to accept ground realities. It is time the Indian government began the process of building a national consensus around this important confidence-building measure. ■ ■ ■

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STRATEGY

DEFENCE PREPAREDNESS: ACTION NEEDED TO END CRITICAL DEFICIENCIES

Gurmeet Kanwal

The Army Chief's leaked letter to the Prime Minister and the CAG's recent report have revealed that the state of defence preparedness is a cause for serious concern. The Chief's letter has brought into the public domain what has been known for long to army officers in service and those who have retired.

What has happened will certainly have an adverse impact on national security as it has given undue advantage to India's military adversaries by publicly disclosing sensitive information about the deficiencies in weapon systems, ammunition and equipment in service in the Army. Now that these facts are in the public domain, surely these will help to focus the nation's attention on the need to speedily make up the shortages and give the Army the wherewithal that it needs to fight and win future wars.

General V. K. Singh is not the first COAS to have apprised the Prime Minister about the poor state of preparedness; his predecessors had done so as well. Gen K. M. Cariappa had gone to Pandit Nehru to ask for additional funds for military modernisation and was reported to have been told, "India does not need an army; it needs a police force." Well, the ignominy of 1962 followed.

The late Gen Bipin Joshi had written to Prime Minister Narsimha Rao to urge him to help the Army to make up for the long-standing large-scale shortage of ammunition. While the shortage was worth over Rs 10,000 crore, Army HQ had reportedly identified a "bottom line" figure without which the COAS said the Army would remain



Prime Minister Mahmoohan Singh

unprepared for war.

Perhaps the country's precarious financial condition in the early 1990s did not allow Narsimha Rao to provide the necessary funds to immediately handle the shortage. A few years later the Kargil conflict took place and the whole nation heard the COAS, Gen V.P. Malik, make the chilling statement on the national TV, "We will fight with what we have."

It is well known that India had to scramble to import 50,000 rounds of 155 mm ammunition for its Bofors guns, besides other weapons and equipment. Stocks of tank ammunition and that for other artillery and air defence guns were also low, and it was just as well that the fighting remained limited to the Kargil sector and did not spill over to the rest of the LoC or the plains.

Approximately, 250,000 rounds of artillery ammunition were fired in that 50-day war. The government has authorised the stocking of sufficient ammunition to fight a large-scale war for 50 to 60 days. This is

known as the "war reserve". As the Army Chief's letter and the CAG report bring out, not enough new stocks were apparently procured to make up for even the ammunition expended during the Kargil conflict. Stocks of several critical varieties of ammunition for tanks and artillery guns have fallen to as low as less than 10 days' war reserves. Also, ammunition has a shelf life of about 12 to 15 years, at the end of which it is no longer usable for combat but can still be used for training. Hence, the shortages continue to increase every year if action is not taken to constantly remove the deficiency.

The other major issue highlighted in the letter written by the COAS pertains to the continuation in service of obsolescent weapons and equipment and the stagnation in the process of military modernisation aimed at upgrading the Army's war-fighting capabilities to prepare it to fight and win on the battlefields of the 21st century. While the COAS has pointed out several operational deficiencies, the most critical ones include the complete lack of artillery modernisation since

the Bofors 155mm Howitzer was purchased in the mid-1980s, “night blindness” of the Army’s infantry battalions and mechanised forces, and the fact that the air defence guns and missile systems are 97 per cent obsolescent. The inadequacy of the intelligence, surveillance and reconnaissance systems, with an adverse impact on command and control during war, adds to the Army’s difficulties.

This sorry state of affairs has come about because of the flawed defence planning and defence acquisition processes in existence, a grossly inadequate defence budget and the inability to fully spend even the meagre funds that are allotted. Funds are surrendered quite often due to bureaucratic red tape — civilian as well as military, scams in defence procurement and the frequent blacklisting of defence firms accused of adopting unfair means to win contracts.

Long-term defence planning is the charter of the apex body of the National Security Council which meets very rarely due to the preoccupation of the Prime Minister and other members of the Cabinet Committee on Security (CCS) with day-to-day crisis management. As such, the 15-year Long-Term Integrated Perspective Plan (LTIPP) and the five-year Defence Plan do not receive the attention that these merit.

The 11th Defence Plan, which terminated on March 31, 2012, was not formally approved by the government and hence did not receive committed budgetary support that would have enabled the three Services to plan their acquisitions of weapons and equipment systematically, rather than being left to the vagaries of annual defence budgets.

Consequent to the leakage of the Army Chief’s letter and the major uproar in Parliament that resulted, the Defence Minister is reported to have approved the 12th Defence Plan 2012-17. While this is undoubtedly commendable, it remains to be seen whether the Finance Ministry and, subsequently, the CCS will also show the same alacrity in according the approvals necessary to give practical effect to these plans.

The defence budget has dipped below 2 per cent of the country’s GDP despite the fact that the Service Chiefs and Parliament’s Standing Committee on Defence have repeatedly recommended that it should be raised to at least 3 per cent of the GDP if

India is to build the defence capabilities that it will need to face the emerging threats and challenges and discharge its growing responsibilities as a regional power in South Asia. The government will do well to appoint a National Security Commission to take stock of the lack of preparedness of the country’s armed forces and to make pragmatic recommendations to redress the visible inadequacies that might lead to yet another military debacle.



COUNTER TERRORISM CENTRE FAILS TO CONVINCE DISSENTING CMS ON NCTC

The Indian government Saturday failed to convince dissenting state chief ministers, including some of the United Progressive Alliance (UPA), on its proposed anti-terror hub despite the over two-month effort to explain its contours, raising doubts over the agency’s operationalisation any time soon.

At a day-long meeting here this week, Prime Minister Manmohan Singh and Home Minister Chidambaram heard in silence as the chief ministers - including Congress ally Mamata Banerjee - fired volleys at the National Counter Terrorism Centre (NCTC), saying it undermined the states’ powers.

Chidambaram came under vicious attack from Tamil Nadu Chief Minister J. Jayalalithaa, who accused the home ministry of treating her government with contempt.

The chorus against the NCTC grew louder as the meeting progressed. Within hours it became clear that the chief ministers’ fears on NCTC had not been allayed.

The chief ministers, who had opposed NCTC notification in February this year, stood their ground on two key issues - not having the agency under the Intelligence Bureau (IB) and against providing it overarching powers to operate in the states.

Of the 24 chief ministers and three states’ ministers, the NCTC invited “outright rejection” from three, “qualified support” from many and “strong support” from many others, a disappointed and tired-sounding Chidambaram told the media at the end of the deliberations.

But the speech copies of chief ministers,

distributed to the media at the venue, told an altogether different story with many of them asking for the immediate withdrawal of the NCTC notification.

However, the government assured them that it was open to the new ideas and would sincerely consider them. Chidambaram also indicated the government will now go back to the drawing board before arriving at a final decision.

This effectively means the government will maintain the status quo on NCTC, keeping its operationalisation in abeyance.

Earlier, Manmohan Singh, who was the second speaker after the home minister, denied there was any attempt to disturb the policing domain of states or the country’s federal structure. “It is not our intention in any way to affect the distribution of powers between states and the union that our constitution provides,” he said on the formation of NCTC, a pet project of Chidambaram.

Manmohan Singh said the NCTC “is not a state versus centre issue” because its main purpose was to “coordinate counter-terrorism efforts throughout this vast country”.

Chidambaram also put up a strong defence and said the NCTC would be an important pillar of the security infrastructure to thwart terror threats from outside India and in cyber space. Banerjee and non-Congress chief ministers were not convinced.

Jayalalithaa accused the home ministry of trying to “belittle” the state governments and treating them as “pawns on a chess board” instead of addressing “gaps and deficiencies” in counter terrorism capabilities.

She said the move to accumulate the counter-terrorism powers with the central agency “is preposterous and reveals total lack of understanding of ground realities”.

Gujarat’s Narendra Modi too made a strong plea for a rollback of NCTC, but expressed happiness that the central government acceded to have the chief ministers’ meeting on the issue.

“The NCTC makes state units totally subservient and kills local initiative. It will create a draconian covert agency with police powers,” he said. He accused the central government of behaving like “viceroys of yore”, saying the constitution of agency was a “conscious strategy” casting “the central government in the role of omnipresent,

omniscient ruler with the states portrayed like dependent vassals.”

Banerjee, whose Trinamool Congress is the second biggest constituent of the Congress-led UPA, also spoke against NCTC. She said policing should remain with states. “I would, therefore, strongly urge the union government to withdraw the order for setting up the NCTC.”

Jammu and Kashmir Chief Minister Omar Abdullah, an ally of the ruling UPA, too was against “mandating” the NCTC with raiding and arresting powers.

Akhilesh Yadav of Uttar Pradesh, whose Samajwadi Party also supports the central government from outside, said the agency was unacceptable in its “present form” because “misuse of clauses (in NCTC) cannot be ruled out”. Other chief ministers who spoke against NCTC included Naveen Patnaik (Odisha), Raman Singh (Chhattisgarh) and Parkash Singh Badal (Punjab).



NCTC: A VANITY PROJECT OR A NECESSITY TO FIGHT TERROR?

The rejection of the National Counter Terrorism Centre (NCTC) by the state governments on the grounds that it goes against the country’s federal principles has evoked mixed response. While a former home secretary said there should not be any politics over terror, a former IB official said giving police powers to the proposed agency was like creating an Indian version of the KGB.

Former Intelligence Bureau chief Arun Bhagat is of the opinion that the NCTC doesn’t need police powers because it was designed as a single agency to coordinate counter-terrorism operations across the country,

“Democratic nations don’t give police powers to intelligence agencies. Only oligarchies or monarchical governments do that. It reminds you of the organisations like KGB,” Bhagat said.

He said the purpose of the NCTC was to collate and analyse intelligence inputs with experts from all disciplines, including diplomatic, financial, investigative, judicial and police.

“They were to examine leads because our

intelligence agencies were not getting the broader picture that complicated the situation.

“But I don’t know what situation prompted (the government) to come up with the idea to give police powers to search, seize and arrest to the NCTC. You know even the IB doesn’t have the police powers.”

The former Delhi Police commissioner, who also had a stint with the Central Bureau of Investigation (CBI), stated that “lack of consultation” with state governments had complicated the matter that ultimately led to a deadlock over the NCTC.

The anti-terror organisation could not be formed despite a government order issued in February 2012 because many non-Congress ruled states feared its perceived misuse and that their policing powers would be clipped.

Comodore (ret) Uday Bhaskar, a noted security expert, said the state governments “had a reason to worry” even as he called the stalling of the NCTC as a “worrisome development” given the nature of threats to the nation’s internal security. “Their (state government’s) argument is not devoid of reason, especially the states that have had tricky relations with the central government,” he said.

Ajay Sahni, an author and expert on counter-terrorism, questioned the logic to have the NCTC at all, arguing that not having it would “mean nothing for the country’s security”.

“It was a vanity project that would have undermined the existing capabilities,” feels Sahni. Asked about the existing gaps in India’s anti-terror capacity as pointed out time and again by Chidambaram, Sahni argues that “generalisations cannot be arguments”. “New structures cannot work. Existing system should be given the capacity to fight terror. Can NCTC do that?”

Sahni, executive director of the Institute for Conflict Management that focuses on internal security research in India, pointed out that the Intelligence Bureau, India’s premier intelligence agency and nodal counter terrorism body, has less than 5,000 field agents to gather ground information from a population of 1.2 billion.

“Can NCTC do anything about that? In fact the NCTC will draw these field officers for its desk work and further complicate the things. What is the problem with the IB? Why

cannot IB do what that you want the NCTC do?”

Sahni said there were already some 20 big and small central intelligence and security agencies - including the Intelligence Bureau (IB), the Central Bureau of Investigation (CBI) and the National Investigation Agency (NIA) - apart from state police intelligence wings. “There are gaps that need to be filled. Work on the existing system. Modernise police forces, improve their intelligence gathering, link police stations with centralised intelligence database and improve your police public ratio,” he said.

But former home secretary G.K. Pillai, who is considered to be one of the main architects of the NCTC, is disappointed over the proposed one-stop anti-terror intelligence hub getting stalled.

“You are waiting for another terror attack like the Mumbai 2008 then you will agree that we need the NCTC,” Pillai said.

He said state governments were playing politics over terror. “There should not be any politics when it comes to fighting terror,” he stressed. Pillai rejected the contention of its being misused. “Anything can be misused. Tell me which law cannot be misused. But that doesn’t mean we should do nothing.”



ACQUISITIONS

INDIA CLEARS \$600-MN DEAL FOR AIR FORCE TRAINERS

The Indian government has given its nod to the Indian Air Force to buy 75 basic trainer planes from a Swiss firm under a long due deal worth \$640 million (Rs.2,900 crore), an official said.

The Cabinet Committee on Security, the country’s highest defence and security decision-making body, gave the clearance for the Indian Air Force (IAF) to sign the deal with Swiss manufacturer Pilatus for its PC-7 turbo trainer plane, the official said here.

The defence ministry had cleared the plane as the winner of the contract late last year following a rigorous flight trials.

Pilatus’ PC-7 beat Korean Aerospace KT-1 and American Hawker-Beechcraft T-6C Texan-II planes in the contest to win the deal.

The Pilatus planes are to replace IAF’s fleet

of 125 Hindustan Piston Trainer-32 (HPT-32) planes, along known as Deepak, from the Hindustan Aeronautics limited stable.

India had grounded the fleet of HPT-32 in 2009 following a series of crashes. The plane had persistent fuel supply system problem that could not be sorted out, resulting in 108 engine cuts, claiming the lives of 23 pilots.

INDIA CLEARS \$660 MN DEAL FOR ARTILLERY GUNS

The Indian Army got a shot in the arm with the defence ministry this week clearing its long-pending \$660 million (Rs.3,000crore) proposal to buy 145 ultra-light howitzer guns to add teeth to its ageing inventory.

This is the first time the army is buying artillery guns in 27 years, since the Bofors guns payoff scandal broke out in the late 1980s, defence ministry sources said here.

The Defence Acquisition Council (DAC), headed by Defence Minister A.K. Antony, cleared the deal for the M777 BAE Systems guns that will be bought through the Foreign Military Sales (FMS) route of the US government.

The purchase comes in the wake of Indian Army chief Gen. V.K. Singh writing to Prime Minister Manmohan Singh in March highlighting the gaps in its preparedness.

Being light in weight, the 155mm 39-calibre guns can be easily airlifted and will be deployed in the high altitude mountainous areas in the northeast and in the Ladakh region of Jammu and Kashmir bordering China.

A couple of weeks ago the defence ministry had approved infrastructure development projects in the northeast, including strategic roads and rail lines that will enable easy and quick mobilisation of troops.

The DAC cleared the M777 gun following a favourable report by a committee headed by Defence Research and Development Organisation (DRDO) chief V.K. Saraswat that studied the suitability of the weapon system.

The army had recommended the gun following a series of rigorous trials.

DEFENCE PRODUCTION 'REVISED DEFENCE OFFSETS POLICY WILL ENCOURAGE INDIAN SME SECTOR'

A major portion of the defence offsets opportunity for Indian companies is in the areas of engineering outsourcing, maintenance, repair and overhaul, with the revised policy encouraging development of small and medium enterprises, consultancy firm Frost and Sullivan said this week.

"Majority of the offset opportunity in India lies in engineering service outsourcing (ESO), maintenance, repair and overhaul (MRO), enterprise resource planning (ERP), information technology, control systems, research and development," said Frost and Sullivan in a statement.

Under the defence offsets policy, 30 percent of all military hardware deals have to be ploughed back into India's defence, aerospace or homeland security sectors.

Referring to the revised defence offset policy announced by the government last month, Frost and Sullivan said the changes will encourage development of the Indian private, small and medium enterprises in procurement of defence equipment and will help these firms accelerate their specific business units.

According to the consultancy firm, over the last five years, India's defence ministry has been spending aggressively towards upgrading and modernising its assets with more technologically advanced alternatives.

"However, 70 percent of India's procurement needs are still met by foreign imports rather than by domestic production. The easing offset norms may help in reversing this ratio and promote the growth of Indian domestic players," predicts the firm.

The revised offset norms are expected to create a win-win situation for all the major stakeholders in the offsets programme, that is, the government, original equipment manufacturers (OEM) and local industry, Frost and Sullivan said.

The revised offset guidelines provide an incentive to SMEs by allowing foreign vendors to select micro, small and medium enterprises (MSMEs) as their offset partners by introducing a multiplier of 1.5 for all offsets discharged through them.

This implies that by sourcing \$1 million

work from Indian MSMEs, a foreign vendor will be able to discharge offset liabilities worth \$1.5 million, Frost and Sullivan added.



NAVY INDIA NATURAL LEADER OF INDIAN OCEAN REGION: ANTONY

India has positioned itself as a natural leader of the Indian Ocean region in view of its strategic location and operational capability, even as its navy was asked to be prepared to meet eventualities in view of the complex emerging security matrix in the region.

"India's strategic location in the Indian Ocean and the professional capability of our navy bestows upon us a natural ability to play a leading role in ensuring peace and stability in the Indian Ocean region," Defence Minister A.K. Antony told the conference of Indian Navy commanders here this week.

"We have a well-established material and training assistance programme with Indian Ocean region countries for their capacity-building and enhancement," he noted.

Indian Navy chief Admiral Nirmal Verma and other top naval commanders were present at the conference. Describing the emerging security matrix in the Indian Ocean region as "really complex", with "some political developments" and "worrisome factors", Antony also asked the navy top brass to maintain high levels of preparedness at all times.

"Today, the security situation in our immediate neighbourhood has become really complex. Considering the challenges in the Indian Ocean region, it is essential to maintain high levels of operational preparedness at all times," he said.

"On the one hand, there are some political developments, and on the other hand, a number of other factors are a cause for worry and need to be factored into our preparations, both in the short-term and long-term," he added. Stressing the importance of security of maritime activity through the sea-lanes in the Indian Ocean for economic prosperity of India and that of the world, the defence minister said free movement of trade and energy supplies and various economic activities such as fishing and extraction of



mineral resources is equally crucial for economic security. On the navy's modernization programme, Antony said the induction of the nuclear powered submarine, INS Chakra, last month had ushered in a new era of submarine operations for India.

"It has placed us in a select group of navies that operate such a platform. We must ensure that INS Chakra is utilised effectively to harness its real potential and also evolve operational concepts for future platforms," he said. Antony said the navy is on course to acquire potent platforms to add to its blue water capability.

"The induction of INS Vikramaditya in the near future, the potent MiG-29K combat planes as well as P8-I long-range maritime reconnaissance aircraft would strengthen the navy further. Recently, the Light Combat Aircraft (LCA) for the navy made its successful maiden flight," he said.

Commending the navy's commitment to indigenisation, Antony said, "this is amply borne by the fact that 44 out of 48 ships and submarines, presently on order, are being constructed in India."

The public sector shipyards, he said, must speed up construction of warships and submarines and further modernise the infrastructure and technology of ship-production. Stressing on self-reliance in critical technologies, Antony said the navy and the Defence Research and Development Organisation (DRDO) needed to put in more efforts to meet time lines.

"This requires a synergy and active cooperation between the navy and all other concerned agencies. Such synergy is imperative for achieving self-reliance and ultimately reducing our dependence on foreign suppliers, particularly in areas of advanced technology," he said.



ENERGY SECURITY US STRATEGIC THINKING IN AN ERA OF ENERGY SELF SUFFICIENCY

R. S. Kalha

According to well placed oil industry sources, the arrival of new technology and innovative methods of drilling are opening up new vistas hitherto thought impossible. Natural gas and oil stored deep underground

in fine-grained sedimentary rocks can be extracted using a process known as hydraulic fracturing—or 'fracking'—which involves drilling long horizontal wells in shale rocks more than a kilometre below the surface. Massive quantities of water, sand and chemicals are pumped into the wells at high pressure. This opens up fissures in the shale rock formations, which are then held open by the sand, enabling the trapped gas and oil to escape to the surface for collection. President Obama has strongly endorsed the new production technology as a boon to the US economy and energy security. Last month, Obama ordered the creation of an inter-agency task force to streamline federal regulation of natural gas drilling and the Environmental Protection Agency issued revised air quality rules for oil and gas wells that gave drillers extra time to comply and lowered their costs. The US government also agreed to allow companies to reveal the contents of drilling fluids only after the operation had been completed. US industry officials praised both moves.

Geologists in the United States have long known that shale basins across the United States, like the Bakken field in North Dakota, Eagle Ford and Barnett in Texas, and the Marcellus in the northeast, held tremendous oil and gas reserves. But energy companies had no economic way to collect them until new technology recently changed all that. The results have been impressive. Production from the Bakken region alone has gone from negligible quantities to 500,000 barrels of oil a day in the last few years. Similarly, oil production at Eagle Ford had been negligible; it was estimated at just about 787 barrels in 2004. Last year, however, its production reached 30.5 million barrels according to local state regulators, and it is still growing. Natural gas production there went from nothing to 243 billion cubic feet in just three years. Some experts are even more bullish and have forecast that North American oil production could reach an astounding 27 million barrels a day by 2020, almost twice the rate of production of 15 million barrels a day at the end of 2011. Production from the United States could grow to 15.6 million barrels a day by 2020, up from nine million barrels a day in 2011.

As it stands today, the United States is already in a position to reduce the demand for oil imported from abroad to fulfil its domestic needs. Presently, the United States consumes nearly 25 per cent of the total world

oil production. Imports by the United States fell from 65 per cent of total domestic demand, or 13.5 million barrels a day, their peak in 2005, to 9.8 million barrels a day in 2011, or 52 per cent of demand. Oil industry experts predict that US imports would keep falling, reaching 4.5 million barrels a day—or just a quarter of domestic oil demand—by 2015. By 2020, they forecast, the United States would not need to import foreign oil anymore. This very welcome situation has also developed due to better performance and less guzzling of 'gas' [Petrol/Diesel] by new model automobiles/trucks manufactured in the United States. Further, with the advent of the internet, there is considerably less urge among Americans to travel.

If such forecasts come true, there will undoubtedly be a huge impact on American strategic thinking, particularly in the political and economic spheres. For one, a United States not dependent on foreign imported oil would mean that there would be very little incentive for it to undertake foreign military adventures of the type witnessed in the Middle East, particularly in Iraq. As it is, of the top five countries that export oil to the United States, only one is in the Middle East, namely, Saudi Arabia. It is for this reason also that the United States can put pressure on other countries such as India and China to drastically cut their imports of oil from Iran. Clearly, the United States is not as vulnerable as other countries are and therefore can afford to take a much tougher attitude. Hitherto, successive US administrations have made it clear that any disruption in the flow of oil from the Middle East would be considered a strategic challenge and would be met with full force, if necessary. All that might change in the future. Countries such as India, Japan, South Korea and to some extent China that had relied on the security umbrella of the United States Navy to ensure the free flow of oil from the Gulf region, that is so vital to their economic wellbeing, might now have to think afresh.

Thus, during Secretary of State Hillary Clinton's ongoing visit to India, the issue of the oil embargo on Iran and the general instability of states west of India, particularly Afghanistan and Pakistan, would be contentious issues for discussion. For India, the choice is rather stark given that the West Asian region is in its close proximity. India cannot afford poor relations with Iran. Dubai

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GURMEET
KANWALARMY:
BATTLE FOR
CHANGE*General V K Singh*

General V K Singh, the Chief of the Army Staff (COAS) said on Army Day on January 15, 2012, that his task is to transform the 1.13 million strong army into an “agile, lethal and networked force.”

During an earlier interview, while speaking about modernisation of the army, he had said, “The primary areas that are being addressed are aimed at greater battlefield transparency, increasing the lethality and precision of firepower capabilities, overcoming night blindness and achieving network centricity.” All of this is in the context of preparing to fight and win across the full spectrum of conflict

– from sub-conventional to conventional state-on-state warfare under a nuclear overhang – in positional, attritional, manoeuvre, asymmetric and virtual warfare.

The armed forces across the world readily accepted Admiral William Owens’ concept of following a “system of systems” approach (Lifting the Fog of War, 1995). This led to the Revolution in Military Affairs (RMA), which is nothing but the application of information technology to warfare to increase the prospects of eliminating the “fog and friction of war” – a concept made famous by Carl von Clausewitz. Admiral Owens had written: “In a future conflict,” says Owens, “an

Army corps commander in his field headquarters will have instant access to a live, three-dimensional image of the entire battlefield displayed on a computer screen, an image generated by a network of sensors, unmanned aerial vehicles, reconnaissance aircraft, and special operations soldiers on the ground. The commander will know the precise location and activity of enemy units—even those attempting to cloak their movements by operating at night, in poor weather, or hiding behind mountains or under trees.”

The RMA’s real significance in modern warfare emerged when, on November 5, 2002, a missile launched from a Predator

drone killed several terrorists in a moving vehicle in Yemen. The operation was controlled from the US Central Command HQ in Florida, satellite and UAV imagery was used to track a moving vehicle in real time after ground operatives had tipped off the CIA about the presence of terrorists in it, and a precision strike air-to-surface missile was used to successfully destroy the target without causing collateral damage. The technologies proven in the RMA led to a 'transformation' in force structures, doctrines, training methodology and the management of human resources.

Recent wars fought by American and other Western armed forces have shown time and again that information superiority leads to enhanced combat effectiveness. Network Centric Warfare (NCW) is a concept enabled by information superiority that synergises combat power by the real-time networking of sensors, decision-makers and shooters to achieve shared situational awareness, enhanced quality of decision making, faster tempo of operations, focused application of fire and increased survivability. All of this leads to enhanced mission effectiveness. NCW exploits information superiority and transforms it into combat power by effectively linking all decision makers and firepower entities in the battle space. By making it possible to generate precise war fighting effects at high tempo simultaneously across the full battle space, it blurs the distinction between the operational and the tactical levels of war. NCW acts as an enabler that focuses on the speedy attainment of operational level aims, thus leading to the early achievement of strategic objectives.

THE INDIA NCW STORY

As usual, India has been slow to catch up with the latest developments in NCW technologies and concepts. It was brought out during the Centre for Land Warfare Studies (CLAWS) seminar on NCW in April 2011 that the "Information Technology (IT) vision of the Indian Army includes transformation into a dynamic network centric force, achieving information superiority through effective management of information technology. The Indian Army has made some progress

in acquiring Geo Information System (GIS) capability, which provides the spatial orientation and context to the Operational Information System (OIS) and the Management Information System (MIS) system. It forms the base over which the other functionalities and applications ride. The modern GIS system includes features of network analysis, 3D visualisation, fly-through & simulation. A few of them also possess image processing and change detection capabilities. Army Strategic Operational Information Dissemination System (ASTROIDS) is a secure information dissemination system which connects Army Headquarters with Command and Corps Headquarters for exchange of terrain, operations intelligence and logistics information."

Maj Gen D V Kalra, former ADG Information Systems at Army HQ, said during the CLAWS seminar: "The Command Information and Decision Support System (CIDSS) is the hub centre of tactical C3I which connects Corps headquarters down to infantry battalions. It has computer nodes linked through suitable communication media and provides processed information to commanders and staff on terrain, operational, intelligence and logistics functions for decision making. Battlefield Surveillance System (BSS) has been developed to provide an automated data fusion of surveillance devices and operational information system to commanders at field force level so as to facilitate decision making in battle in near real-time. Artillery Combat Command and Control System (ACCCS) and Air Defence Control and Reporting System (ADC&RS) are in an advanced stage of development. The Indian Army is making conscientious efforts to overcome various challenges thrown up by the fielding of new systems." Except for the ACCCS artillery fire control system that is being fielded quite extensively, the others are at various stages of development.

Noble intentions do not necessarily translate into concrete achievements as immediate operational considerations invariably override long-term capability development while allocating budgetary priorities, the defence acquisition decision

making process is laborious and the proverbial red tape is difficult to throw off. The key elements in a NCW environment are intelligence, surveillance and reconnaissance (ISR) in real-time; a fully integrated and seamless automated decision making system based on a responsive and flexible, multi-channel communications system with high band width for data transfer; and, firepower assets that provide adequate precision strike capability.

Seamlessly integrated ISR systems for target acquisition and tracking and powerful weapons platforms with precision strike capability are necessary for military domination and deterrence and development in these has been sluggish. The armed forces still do not have the military satellites that they need for continuous surveillance and UAVs are few in number. The stocks of precision strike weapons held in the air-to-ground and artillery arsenals are low in numbers and need to be increased by several orders of magnitude. However, supremacy in the battles of the 21st century will hinge on sophisticated command, control and communications systems that link the 'shooters' and 'sensors' together to achieve synergy through network centricity and effects-based operations. It is in this field that modernisation has been grossly inadequate, particularly in the Indian Army.

According to Lt Gen Noble Thamburaj (Retd), former VCOAS, the modernisation focus in the 11th Defence Plan, which ends on March 31, 2012, is on "precision fire power, air defence, aviation, Future Infantry Soldier as a System (F-INSAS), infrastructure development, network centricity and achieving battlefield transparency through improved surveillance, night vision and target acquisition... Considering the receding span of technological cycle (sic), the right balance has to be maintained between state-of-art, current and obsolescent technologies." Despite this clear realisation about achieving the right balance, the army's communications systems are still based mostly on obsolescent technologies. Software-based radios and cognitive radios are not even being seriously considered.

Though some modern frequency

hopping radio sets with integral encryption devices have been introduced into service in recent years, networked communications, which form the “backbone” of an effective command and control system, need substantial upgradation. The Plan AREN system that is designed to “roll forward” and keep pace with offensive operations in the plains, has been in service for almost three decades and is based on outdated and bulky technologies. It is based on outmoded second generation radio relay hubs and has little capacity for data transmission. Requests for Information (RFI) were floated for a Tactical Communication System (TCS) for offensive operations and a Battlefield Management System (BMS) for communication at the tactical level in defensive operations a few years ago, but since then the acquisition process has meandered along and this has resulted in prolonged delays in introducing both these systems into service.

The new optical fibre network being laid as an alternative to the 3G spectrum surrendered by the armed forces will go a long way in providing modern land-line communications. However, future communication systems will need to provide wide-band data capabilities to facilitate the real time transmission of images and battlefield video while on the move.

The BMS will be integrated with the Army Static Communications (ASCON) system, which is the backbone communication network of the army. ASCON provides voice and data links between static headquarters and those in peace-time locations. It is of modular design and can be upgraded.

The TCS is a system that is meant for offensive operations – a mobile system that can ‘leapfrog’ forward as the operation progresses into enemy territory. The offensive operations echelons of the ‘pivot’ or ‘holding’ Corps deployed on the international boundary and the three Strike Corps will be equipped with TCS. The TCS programme has been delayed by more than ten years – the project was originally to have been started in the year 2000 and was hence called TCS 2000; now it is 2012

and yet the programme has not seen the light of day.

The Battlefield Management System (BMS) is meant for communications from the battalion headquarters forward to the companies and platoons. It will enable the Commanding Officer to enhance his situational awareness and command his battalion through a secure communications network with built-in redundancy. BMS involves big numbers and will be fielded both in the plains and the mountains. The number of infantry battalions alone is about 350. To this can be added 60 Rashtriya Rifles and 45 Assam Rifles battalions. When armoured, artillery, engineers and signal corps regiments, as also aviation squadrons and the logistics battalions are added, the numbers are really huge.

Both TCS and BMS have been categorised as ‘make’ programmes by the Defence Acquisition Council headed by the Defence Minister. This implies that the two systems must be designed and developed in India. The leading contenders are Bharat Electronics Limited, Tata Advanced Systems and WIPRO, among others. Indian companies need to invest in developing the required technology and the ability to design and implement robust tactical communications systems.

About 70 per cent of the required technology will have to be acquired from abroad and overseas companies will play a significant role. MNCs with suitable technologies and the right experience to help as system integrators include General Dynamics, Thales and EADS, among others. Indian companies planning to bid for these contracts must carefully evaluate the technological capabilities of these MNCs and how their systems have fared during recent combat operations, the type of experience they have in integrating tactical communications systems and whether they are likely to bring a long term commitment to the Indian projects.

The BMS communications system must also be compatible with the Future Infantry Soldier as a System programme. The F-INSAS project focuses on enhancing the lethality and survivability of soldiers. It seeks to transform soldiers into fully

networked, mobile warriors with a high degree of situational awareness and the ability to operate in all weather conditions in all types of terrain. The programme envisages equipping infantrymen with light-weight integrated helmets with a ‘head up’ display that has a built in communication system and night vision goggles, hand-held computer display, Global Positioning System (GPS) receiver and lethal fire power, including Laser-guided weapon systems at appropriate levels. The design and development responsibilities for both these programmes need to be clearly defined in order to avoid turf wars between the Infantry Directorate and the Information Systems Directorate in the Army.

TRI-SERVICE INTEGRATION ISSUES

Little progress has been made towards addressing inter-Service interoperability challenges in the communications field. A tri-Service Defence Communications Network (DCN) is now under development and the proposals which have been received are being evaluated. Cyber security and offensive cyber warfare are other areas that do not appear to have received the attention that they deserve. With China moving rapidly towards creating “one million laptop warriors”, neglecting this field will prove to be very costly in the long term.

According to Brig Arun Sahgal (Retd), “The Indian Army is following what can be termed as a “bottom up” approach for developing NCW capability, rather than an evolutionary model adopted by both the Americans and more recently the Chinese... In the absence of integrated and synergistic oversight that could only happen if there is a Chief of Defence Staff or Permanent Chairman Chiefs of Staff Committee, there is little tri-service integration with each service evolving its own path... Lack of top down evolutionary approach has serious ramifications.” Lt Gen PC Katoch (Retd), former DG Information Systems, gives the example of the Defence Communications Network (DCN), “While this is being developed, virtually nothing is happening on how to achieve the Services hand-shake that would ride the DCN.” ■ ■ ■

VIVEKKAPUR



PRECISION WEAPONS IN AERIAL WARFARE

Precision in warfare has been a much sought after capability that was realised when modern technology matured adequately. Precision has changed the very nature of aerial warfare in particular. Today modern air forces have the ability to put a bomb through a chosen window with confidence. However, trends indicate that in future precision weaponry could migrate towards directed energy weapons that have the potential to deliver a degree of precision that lies in the realm of science fiction today. It is important for all aspirants towards viable military power to work towards operationalising these energy weapons in the near future.

INTRODUCTION

Precision in aerial warfare came into prominence and entered the common man's mind-space during and after the First Gulf War of 1991 when the electronic media brought live images of modern precision targeting into our homes through coverage of the US led air-campaign against Iraq. However, precision has remained a central desire in war fighting since times immemorial. In ancient times the wielder of a sword and spear required to apply the business end of his weapon at specific parts of the opponent's body for the desired effect. If the application was precise enough, too much force would not be required to

achieve the desired end of incapacitating or killing the enemy combatant. With advancements in the technology of war fighting, longer range weapons such as the bow and arrow came into use. The bow and arrow likewise required the projectile, the arrow, to impact the intended target at very specific parts for maximum effect. Still later, advancements in the technology of war required weapons to defeat body armour worn by combatants through impacting on the known or presumed weak points of the armour.

In the naval arena ships initially fought primarily through launching projectiles at each other. In the early era of muzzle loading

cannon when technology did not allow the path of the projectile to be accurately predicted ships resorted to “shot gun” style attacks. Cannons were arrayed in large numbers along the side of warships. Through turning the side of their ship towards the enemy the cannons were fired in full side firing together salvos, using the “shotgun” principle, with the aim that out of a full broadside of cannons fired an adequate number of cannonballs may hit the opponent and cause catastrophic damage. In later years, when the trajectories of shells fired from more modern ship cannons became more predictable, broadsides were dispensed with and guns were now fired for the impact of individual shells on the enemy vessel. This led to the path towards precision in weapon delivery at sea, finally progressing towards guided ship-to-ship missiles.

The discussion above makes clear that far from being a new military desire, precision in weapon delivery has always been a human endeavour. What was different in earlier times was that the technology then available did not allow the degree of precision available to modern military forces.

PRECISION IN THE AIR

Precision in Air-to-Air Engagements: Soon after the induction of aircraft for war fighting, military commanders saw the utility in being able to use the third dimension to gain intelligence on enemy dispositions and movement while denying the enemy similar information. Aircraft proved so effective that denying the enemy the use of his aircraft soon became a military necessity. The arming of aircraft to shoot down other aircraft commenced during World War-I with pilots carrying personal firearms aloft and using these to shoot at opposing aircraft. This, predictably, gave fairly poor results as the pilot had to fly at the same time as using his handheld firearm. The next step was the fitting of guns and machine guns to the aircraft itself. The development of interrupter gears enabled these guns to fire forwards through the propeller disk without causing catastrophic self damage. In the years between the two World Wars, advances in sighting techniques led to the development of basic

“ring and bead” sights for aircraft guns along with the theory of deflection shooting. During the Second World War “reflector” gun sights were developed as were basic gyro gun sights. Both these new devices made the firing of aircraft guns more accurate. The results obtained however were greatly dependent upon the pilot’s skills. A few gifted pilots were able to put the bulk of their bullets fired from a moving platform into the small manoeuvring targets. The majority, however, found this an unachievable task. Technology finally came to the rescue with the development of air-to-air guided weapons. The first of these was the Luftwaffe’s X-4 wire guided air-to-air missile, developed and inducted in the last few months of World War-II.1

The wire guided German X-4 was found impractical beyond fairly short ranges due to wire length (just four miles) limitations. An alternate means of guidance was sought in the 1950s and 1960s. This alternate guidance method was achieved through the use of radar. This guidance system required the guided missile carrying aircraft to illuminate the intended target with its airborne radar. The missile incorporated a radar receiver tuned to the same frequency. On picking up radar energy reflected from the target a relatively simple electromechanical autopilot onboard the missile controlled its control surface deflections to guide the missile on an interception path towards the target. Such missiles required launch aircraft support throughout their flight path as guidance depended upon the launch aircraft continuously illuminating the target on radar, for getting the required radar reflections, till missile impact. This guidance was dubbed Semi-Active radar homing (SARH) and the first US missile of this type to enter service was the Air Intercept Missile (AIM)-7 “Sparrow”, more advanced variants of which can still be found in the inventories of a few air forces.

An alternate technology utilised infra red (IR) emissions from target aircraft engines. In this technique the missile carried a suitable IR seeker that detected and locked onto the enemy aircraft’s IR emissions and then guided the missile through the generation of control surface deflections to impact the target. This guidance system had

the advantage of requiring no launch aircraft support post missile launch and swiftly became very popular. The first such missile to enter service was the AIM-9A/B “Sidewinder” of which the AIM-9L and later variants continue in front line service today. Advances in sensor and guidance technology have made the more modern variants of such missiles extremely accurate and difficult to evade. Radar guidance has evolved towards active radar homing missiles. These missiles carry their own radar transmitter and receiver and after approaching within their onboard radar’s range from the target are totally independent much like IR guided passive missiles are.

Traditionally IR guided missiles were close combat or Within Visual Range (WVR) weapons while radar guided missiles were Beyond Visual Range (BVR) weapons. However, a few modern IR missiles such as the Israeli Python5 and Russian R-73E IR missiles boast maximum launch ranges tending towards BVR. The initial missiles exemplified by the US IR WVR AIM-9A and B Sidewinder variants and BVR radar semi-active AIM-7 Sparrow had limited capabilities and quite poor “in use” results. More recent missiles such as the AIM-9L and AIM-9X, Russian R-73, Israeli Python-4 and 5 in WVR and US AIM-120 Advanced Medium Range Air-to-Air Missile (AMRAAM), French Missile d’Interception et de Combat Aérien (MICA), Russian R-77, Israeli Derby in the BVR radar guided category field much better capabilities. The trend is towards the increasing ability of these modern missiles to operate in a dense Electronic Warfare (EW) environment, and to increase their engagement envelopes. The trend towards higher precision in air-to-air warfare continues still.

The change in the recent past has been that while in earlier years earlier precision lay in the skills of individual aircrew, today this has been transferred to the equipment itself. Even a relatively inexperienced and unskilled pilot firing a modern air-to-air missile has a very good chance of hitting his target very precisely. This transfer of precision from man to machine makes precision much more ubiquitous in the battle-space. Great strides have been made

in air-to-air precision weapons. These are broadly classified in terms of their ranges (BVR) and (WVR) and also by the kind of guidance utilised, Infra Red (IR) homing, active Radar homing or SARH. The Astra missile being developed indigenously by DRDO is an active radar homing BVR missile.

PRECISION IN GROUND-TO-AIR WEAPON DELIVERY

As aircraft became more effective in shaping the battlefield their destruction by ground forces became more sought after. Initially simple guns already in use in land battles were adapted for this task. Shortcomings led to multiple barrel guns for higher rates of fire etc. Despite this, in World War-II it required hundreds of rounds to be fired for each aircraft kill.² Radar guided guns were developed to increase the success rates, but, this development coincided with rapid increases in aircraft speeds brought about by the jet engine and the round to hits ratio stayed stagnant and even at times worsened in the 1950s and 1960s. Further searches for an effective solution led to the development of surface to air guided weapons (SAGW). Early models of these also suffered from low success rates. In Vietnam dozens of Soviet Surface to Air Missile (SAM)-2s had to be fired per aircraft kill.³ More modern missiles such as the KBP 2K22/2K22M/M1 Tunguska SA-19 "Grison", S-300 PMU1/2 SA-10 "Grumble", Akash, Osa AK SA-8 "Gecko", Patriot PAC-3, reportedly have much better success rates and have become so lethal⁴ that most air forces have been forced to add a new mission, that of Suppression of Enemy Air Defence (SEAD), as an essential component of all air attacks against targets known to be defended by SAMs.

PRECISION IN AIR-TO-GROUND WEAPON DELIVERY

The development of attack on ground forces from aircraft followed a similar story to that of air-to-air. The first air-to-ground air attack took the form of four 4.5 pound (lb) grenades dropped manually by Italian pilot Lt. Giulio Gavotti on Turkish ground forces on 01 November 1911.⁵ Later bombs were fixed on the aircraft and dropped through the utilisation of

rudimentary sighting devices leading progressively to better sighting techniques, which all shared the characteristic of the individual pilots' handling of the sighting system having a major effect on weapon delivery accuracy. A few gifted pilots achieved surprisingly accurate results which evaded the bulk of pilots. Once again precision vested in individuals and so was not easily replicable or widespread.

Precision weapon delivery has had a much greater impact in the air-to-ground domain. During World War-II, bombers carried a specialist bombardier tasked to operate intricate bombsights designed to achieve accurate delivery of the weapon load on target. Despite this the technology then available did not give particularly encouraging results. For instance, in 1944, 47 US B-29 bombers raided the Japanese Yawata steelworks and only one aircraft hit the target with just one of its 500 lb bombs and that too in a relatively less important part of the target; this single bomb hit represented just 0.25 per cent of all bombs dropped on that mission.⁶ In World War-II, to hit a 60 foot by 100 foot target with a 90 per cent probability of success with dumb (unguided) bombs required 9070 bombs carried on 3024 aircraft. These figures reduced to 1100 bombs from 550 aircraft in Korea and further reduced to 176 bombs from 44 aircraft in Vietnam⁷ illustrating not only the advances in sighting systems, but also bringing out the immense effort needed to hit small targets from the air.⁸ These figures highlight the very heavy effort required to destroy a ground target through aerial attack using unguided bombs.

Technology was pursued to give viable solutions to this problem. Once again, the Germans showed great innovation in developing the world's first air-to-surface precision weapon in form of the Fritz-X or PC-1400X. This was a 3450-lb glide bomb intended for use against ships and was designed with the ability to penetrate up to 28 inches of armour. The bomb featured a flare on its tail through visual sighting of which the operator on the bomb's launch aircraft sent radio commands to the bomb to make relatively minor corrections to its trajectory towards the intended target. This precision guided bomb was used on 9 September 1943 to sink the Italian

battleship Roma off Sardinia to prevent its surrender to the Allies.⁹ The first in-service modern air-to-ground precision weapon was the US Air to Ground Munition (AGM)-12 "Bullpup". This weapon used radio command guidance wherein the launch aircraft crew tracked the weapon through sighting a flare on its rear and through small joystick generated radio command signals to make the weapon manoeuvre towards its target.¹⁰ Other guidance means included the AGM-62 "Walleye"'s optical guidance using a camera in the bomb's nose to pick up the target and lock it on to self guidance towards the subject in the centre of the camera screen. The Guided Bomb Unit (GBU)-8 had a similar guidance principle as the Walleye. The first laser guided bomb was the Texas Instruments developed Bomb, Laser, and Terminal Guidance (BOLT) -117, later re-designated as GBU-111. Here the launch aircraft illuminated the target with a laser beam. The bomb incorporated a laser energy receiver that picked up laser energy reflected by the target and homed onto it. Its successors are today's Paveway-I, II, III and IV laser guided bombs.¹² The later Paveway variants also incorporate a GPS receiver to supplement the laser guidance, which is especially useful in conditions of low atmospheric transparency caused by dust, smoke or moisture.

While, as is evident, several different guidance methods have been tried out in the electromagnetic spectrum, the most popular remain electro-optical, laser, and IR for their benefits of desired accuracy combined with ease of use in acquiring and engaging targets especially from single seat aircraft where the pilot has other pressing tasks to perform as well.

AN ASSESSMENT

Precision weapons especially in air-to-ground delivery derive several benefits that are pertinent to look at especially as there is often an acrimonious debate about the high cost of such weapons and thus the question of their affordability. It is true that precision weapons cost a great deal. A single US Paveway-II GBU-10 weapon reportedly costs US \$23,700 in a large production batch. But this weapon gives a circular error probable (CEP)¹³ of just nine meters.¹⁴

Bombers are expected to be challenged by the enemy's air defence fighters as well as ground based anti-aircraft defences. In such a situation, a few bomber aircraft are likely to be lost to enemy action. It is reasonable to expect that the more bombers one sends across the border the more aircraft may potentially be lost. We have seen that historically a very large number of aircraft were required to get even a small number of unguided bombs close to the target. With precision weapons, even a single aircraft carrying just one bomb may be able to destroy the target, thus removing the need to send large numbers of aircraft. Given that even with high precision weapon costs of upwards of \$23,000 modern fighter-bombers cost more than \$50-60 million, precision weapons actually work out much more cost effective.¹⁵ This is without considering the human factor, of loss of highly trained aircrew killed or captured, which consideration would tilt the balance even more in favour of the widespread use of precision weapons.

Precision weapons have shifted the assessment of military action from counting the number of bombs or tonnage delivered in earlier years to assessments of the politico-military effect or result achieved. This has led to offshoots in military thought such as Effect Based Operations (EBO) etc.

FUTURE TRENDS

Given the great change that precision weapons have brought to aerial warfare, it is projected that efforts will continue towards the development of even more effective precision weapons in future. Considerable research effort is now being directed towards the development of directed energy weapons (DEW).¹⁶ These weapons comprise means of directing energy precisely towards a target. As these weapons direct electromagnetic (EM) energy of different wavelengths towards targets, they have characteristics of very fast impact on target as EM radiation travels at the speed of light and can be focussed into very narrow beams (read precision). Lasers, microwave radiation, particle beams etc. are part of this category.¹⁷ The US and Russia lead in these new weapons technologies.¹⁸ China is believed to be putting in an appreciable research and development effort into this field as well. It behoves any nation

aspiring to field modern military power in the 21st century to carry out focussed research and development into DEW, as these are likely to cause a change in the character of warfare as major as that brought about by gunpowder. DEW have the potential to be very precise as they mainly comprise very tightly focussed beams of electromagnetic energy, thus bringing a new level of high precision in aerial and other warfare.

IMPACT OF DEW ON AERIAL WARFARE

DEW developments are likely to have a great affect on the conduct of aerial warfare. Currently aircraft are limited in their effectiveness by the weapon load carried on board. Developments aimed towards producing more compact DEW could lead to incorporation of these on board aircraft. DEW armed aircraft would be limited only by the ability to generate the power required for multiple firings of their DEWs. As aircraft engines develop considerable power and also drive on-board alternating current and direct current electricity generators, the firepower carried on aircraft could see an exponential increase. DEW have the potential to be employed against multiple types of targets unlike today's specialisation of weapons into air-to-air and air-to-ground categories. For instance, a MiG-29 could today carry two air-to-ground 250 kg bombs and four air-to-air missiles. Thus, its weapons load is split between air-to-air and air-to-ground use. If it encounters targets in a particular domain exceeding its weapons carriage tailored towards that domain, it would be forced to forego engaging it. With DEW on board, this limitation is unlikely to exist as, for instance, a microwave- or laser-based DEW is likely to be as effective against an aircraft as against a tank or against a ship. Thus, the incorporation of DEW is likely to make aerial warfare more lethal and aircraft more capable against multiple target types.

PRECISION BY CYBER MEANS

It bears considering that cyber warfare can also offer great precision if utilised properly. Against an opponent who has a very information-enabled war fighting structure, a carefully executed cyber attack can be devastating as it could potentially cut

the higher command organisation off from the fighting forces while at the same time denying the field forces information required for their effective action. If utilised against a highly networked Air Force like that of the US, cyber attacks could potentially sever the communication links between higher command and fighting forces. The latter would be ineffective in the absence of inputs on the commander's plans and task inputs. Likewise, the field forces could be deprived of intelligence and situational awareness inputs through cyber attacks on their data networks. Such deprivation could make these aircraft very vulnerable to enemy action. The fact that most modern air forces including the Indian Air Force (IAF) and the People's Liberation Army Air Force (PLAAF) are moving towards becoming network-enabled in a big way makes addition of this aspect to the study of precision in aerial warfare vital. The earlier requirement was to target the enemy's command and control structure through delivery of bombs on their physical locations. Through intelligent use of cyber warfare, these physical attacks could be replaced with a very precise cyber weapon that is inserted into the enemy's cyber network where it effectively disables the enemy's higher command and control. Aircraft could form the carrier of such cyber weapons as the enemy's cyber network; however protected it may be on the ground through physical protection, encryption and use of buried and secure fibre-optic cables, it would still require operating in wireless modes for networking with the airborne elements. This wireless part of the adversary's cyber network could be penetrated by cyber weapons carried on friendly fighters that fly within the footprint of the enemy's wireless cyber transmission and reception space. The cyber weapons could be inserted into the enemy's computer network through his wireless network where and when required.

The potential of cyber weapons as precision weapons in aerial warfare is probably at the heart of the US Air Force forming and running the Cyber warfare Command. In view of the PLAAF's rapid "informationalisation", it is prudent for the IAF as well to seriously examine the potential of cyber warfare techniques in aerial warfare.



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 is nearer to Mumbai than it is to Cairo or even Amman. Muscat is only 967 miles away from Mumbai. Access to and the ability to import oil unhindered from this region is an important facet of national security. As the Indian Commerce Minister remarked in 2006, 'the Gulf region is a part and parcel of India's economic neighbourhood'. About 3.5 million Indians live and work in the Gulf region and are the largest expatriate community there. Indians remit about US \$12 billion annually to India. The Gulf region is the third largest destination for Indian exports behind only North America and the EU and accounts for nearly 16 per cent of India's total exports. The test for Indian diplomacy is at hand.

Apart from a general disinterest in the affairs of the Gulf Region, public opinion in the US is likely to sharply veer towards isolationism. This under-current of isolationism is never far from American thinking and the penchant for 'fortress America' may just gain further adherents. Nevertheless, the United States is also deeply conscious that the scourge of terrorism and support by some states to non-state actors has to be effectively met. It cannot be done on the basis of isolationism or by individual states, for the malaise is deep-rooted and requires collective action by like minded states. Similarly, the spread of nuclear technology for weaponisation whether done surreptitiously or otherwise also requires collective action and therefore the US may opt for further strengthening of international institutions.

At the economic level as well, there could be significant changes within the United States. Cheaper energy costs—particularly for natural gas—would benefit a variety of domestic industries, like chemicals, pharmaceuticals and fertilizers. The rise in natural gas production has already led many utility companies to shift their electricity production away from coal. Some economists feel that with ample gas supplies available resurgence in American manufacturing might just be in the offing.

There is no doubt that with the United States possibly becoming self-sufficient in oil and natural gas, a profound change in its strategic thinking is bound to take place. We in India should be aware of the possibilities and should undertake serious studies to assess the impact of any such changes. What

happens in the United States has an impact that is world-wide.



AFGHANISTAN THE US-AFGHAN STRATEGIC PARTNERSHIP AGREEMENT: NOTHING MORE THAN SYMBOLIC

AryamanBhatnagar

Barack Obama's recent surprise visit to Kabul was marked by the signing of the Strategic Partnership Agreement (SPA) between the US and Afghanistan. The pact commits the US to provide long-term assistance – military and financial – to Afghanistan, even after the bulk of the coalition forces withdraw from the country in 2014.

Shaida M Abdali, the Deputy National Security Advisor to President Hamid Karzai, in an article for Foreign Policy, claimed that Afghanistan could now realistically expect to achieve stability in the region based on 'credible, long-term international commitments'. However, the optimism surrounding the pact may be slightly premature as a number of crucial details have either not been finalized or been kept out of the purview of the pact.

For starters, the 'commitment' of the US has not been specified. The pact requires the US to provide assistance in developing the Afghan economy and public institutions for another decade without committing to specific funding levels. But, at the same time, it would be wrong to assume that the US is capable of maintaining high levels of financial assistance to Afghanistan for another decade. The increasing unpopularity of the war in the US – as indicated by recent surveys – and the growing financial crisis may not hinder American resolve to stay on in Afghanistan, but it is likely to undermine the magnitude of support that the US can provide to Afghanistan. Moreover, the fact that the US Congress is required to annually authorize the funding, it essentially holds funding hostage to public opinion and domestic politics as opposed to need and strategic necessity.

Evidence of substantial curtailment of US spending in Afghanistan in the long-run – for both development and security – is already noticeable. For instance, the budget for the development agency USAid has already been

slashed by half as compared to its budget in 2010 and is likely to face further tightening by Congress. Similarly, the NATO budget for funding Afghan security forces has also been reduced by about two thirds. From a budget of USD 11.2 billion for 2012, it was recently announced that post-2014, the US and its allies would be able to pay only USD 4.1 billion annually.

Such budgetary constraints are likely to have an impact on the plans to develop both civil society and governmental capacities to fill the vacuum post-2014 and ultimately enable Afghanistan to achieve self-sufficiency. Similarly, it would also impact the quality and quantity of military training the US is required to provide. It may end up imposing significant quantitative and qualitative restrictions on the size and equipment of Afghan National Security Forces (ANSF) while saddling them with vastly greater responsibilities.

Apart from problems with the financial clauses, the pact does not commit the US to any specific troop levels either. More importantly, aside from providing training to the ANSF, the role US troops would play in counter-insurgency operations post-2014 has been kept out of the purview of the pact. This is to be decided at a later date through separate agreements. However, it is unlikely that US troops would play a significant role in counter-insurgency operations. They have already ceded operational command of night raids – considered an extremely effective counter-insurgency tool by the US – and the Bagram prison to the ANSF. These were significant concessions by the US against the backdrop of rising anti-Americanism, which had tilted the balance at the negotiating table in favour of Karzai. It is thus possible that the US may be forced to make further concessions, which along with the shortcomings of the ANSF and their inability to manage on their own, may undermine the tactical integrity of future counter-insurgency efforts.

The SPA's significance, for now, lies more in its symbolic value. It can dispel the concerns of Afghans who feared abandonment from the US come 2014, and restore their faith in the endurance of US-Afghan relations. However, the pact, at present, is even more important for President Obama. Given the accusations of lack of clarity and direction in his Afghan policy, Obama would want to head into the US Presidential elections in November having quelled the notion that he is bungling America's future role in Afghanistan. The

timing of the pact certainly seems to indicate that this was a significant motivating factor. Signed just days before the kick-off his re-election campaign and on the eve of the first death anniversary of Osama bin Laden, President Obama would like to send out a strong message as to how the West is 'winning' the war on terror.



INDIA - US

INDIA, US SEND STRONG SIGNALS TO PAKISTAN, IRAN

India and the US have signalled common intent and purpose, asking Pakistan to take stronger action against terror, advising Iran to desist from its nuclear weapons programme and pledging support to Afghanistan's peace and prosperity.

Visiting US Secretary of State Hillary Clinton and Indian External Affairs Minister S.M. Krishna were critical of Pakistan on its handling of terror groups operating from its soil and asked it to take "strong and more concerted" action against these outfits that threaten peace and security of the US, India and the world at large. The two leaders had their bilateral meeting here over a breakfast of idlis and vadas at the Taj Palace Hotel.

They also affirmed that they were on the same page on preventing Iran from acquiring nuclear weapons, though Tehran remains a key supplier of oil to meet New Delhi's energy needs. On Afghanistan, the two nations committed to assist Kabul in handling its security, development and governance on its own, without interference from outside, even after the International Security Assistance Force moves out of the embattled nation in 2014.

At a joint press conference after their meeting, Clinton said the \$10-million bounty on 26/11 Mumbai attack mastermind Hafiz Saeed was an unmistakable sign of US "solidarity" with India on bringing the perpetrators of the audacious attack to justice.

Clinton said the US had every reason to believe Saeed was the "principal architect" of the Mumbai terror strikes that claimed 166 people, including six Americans.

"Combating violence and extremism is one we all agree on and we need to do more. And we look to the government of Pakistan to do more. It needs to make sure its territory

is not used as launching terrorist attacks anywhere, including inside Pakistan,". Krishna noted that the recent violent strikes by Taliban on diplomatic missions in and around Kabul had once again highlighted the need for elimination of terrorist sanctuaries in the neighbourhood and "for stronger action from Pakistan" on terrorism, including bringing to justice the perpetrators of the Mumbai attack.

Clinton noted that terrorism was obviously "incredibly important question" on the minds of both the US and India.

"We both know the tragedies and losses that come with terrorism on our soil. So we have increased our cooperation between India and the US. We are going to continue to do everything we can, not only to prevent terrorists from doing evil acts of violence, but also try to convince people not to get recruited into terrorism," she said. Asked about the terror groups, like the Haqqani network, operating out of Pakistan, the US and the international community was committed "to going after those who pose a direct threat to the US, Afghanistan and to our allies".

"We are also cooperating closely with India regarding the threats that emanate against them," she said. On the sanctions against Iran over its nuclear weapons programme, Clinton said the US and India "share the same goal" of preventing Tehran from acquiring nuclear weapons.

"India is a strong partner in urging Iran to adhere to its international obligations," Clinton said. Krishna, noting that he discussed the importance of a peaceful settlement of the Iranian nuclear issue, said it must be based on the position that Iran has its rights as a member of the nuclear Non-Proliferation Treaty (NPT).

"But it must also abide by its obligations as a non-nuclear weapon state under the NPT," he said, asserting that "this issue, however, is not a source of discord" between India and the US. The best way to achieve a diplomatic solution that the international community seeks was to keep up the pressure that brought Iran to the negotiating table.

On Afghanistan, the two leaders said their respective strategic partnership agreements will pave the way for "stability and security" in the region. Clinton said US consultations with India on Afghanistan was "very substantive and useful" and that the international community will remain engaged with Kabul on its future.

The critical issue of forwarding economic ties was discussed too. Krishna said India was committed to providing a "level playing field" for US companies in nuclear commerce and expressed the hope that the talks between US and Indian companies will soon result in contracts. Krishna also pointed out the difficulties faced by Indian IT companies in the US. Clinton returned to the US later in the day after her swing through China, Bangladesh and India where she visited Kolkata and New Delhi.



DEFENCE NOTES

INDIA CONCERNED AT CHINA-PHILIPPINES STAND-OFF

With Chinese government-controlled media warning of a war against the Philippines over disputes in the South China Sea, India has expressed its "concern" over the emerging situation over differing territorial claims in the region and urged both nations to exercise restraint.

"India (is) following with concern recent developments involving China and the Philippines in the South China Sea," external affairs ministry spokesperson Syed Akbaruddin posted on his official Twitter account. "India urges both countries to exercise restraint and resolve issue diplomatically according to principles of international law," he said in the tweet.

"Maintenance of peace and security in the region is of vital interest to the international community," Akbaruddin added.

The China-Philippines territorial dispute over the Scarborough Shoal, small islands in the South China Sea that both nations claim as their own, has generated over the last month.

A China Daily editorial echoed warnings in the state-run media that China was ready to use military might to crush the Philippines' claim over the shoal. Since April 8, the two countries have anchored their non-military ships at the shoal as a means to assert their right and sovereignty. China claims almost the entire South China Sea as its territorial waters.

India has always maintained that territorial disputes in the South China Sea have to be resolved by the nations in the region diplomatically, though it has asserted that international shipping and navigation rights in the region should be upheld. ■ ■ ■

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INDIA-PAK ECONOMIC COOPERATION MEET

A two-day second Indo-Pak Economic Conference, meeting of Indian and Pakistani business leaders under the aegis of *Aman Ki Asha* (Craving for Peace), a joint initiative of Times of India and Jang newspapers group of Pakistan was held in Lahore to discuss opening of more doors for business and trade.

The *Aman ki Asha* initiative has seen industrialists of both the countries working together in a number of areas of mutual interest and benefit, in particular information, technology, textiles, healthcare, among others. It also saw the presence of Pakistan Commerce Minister, Makhdoom Amin Faheem and Foreign Minister Hina Rabbani Khar.

The Indian delegation included India's leading lights – Rahul Bajaj, chairman of Bajaj Auto, Sunil Kant Munjal, chairman of Hero Corporate Services, Rakesh Bharti Mittal, vice chairman of Bharti Enterprise and Hari Bharia, CMD of Jubilant Life Sciences, Dr. Naresh Trehan, CMD of Medanta Medicity and Charanjit Banerjee, director general of CII and others.

The first meeting was held in New Delhi in 2010. The Lahore conference was inaugurated by Pakistan Prime Minister, Yousuf Raza Gilani and addressed, among others, by Opposition leaders Nawaz Sharif and Imran Khan. The 45-member Indian delegation, led by Confederation of Indian Industry [CII] President and Godrej chairman, Adi Godrej, besides attending the meeting, held talks with Pakistani businessmen, ministers and officials. The Indian CEOs had one-on-one meetings with Pakistan Prime Minister Gilani, Foreign and Finance Ministers as well as opposition leaders like Imran Khan. The Confederation of Indian Industry [CII] believes that the present trade flows between the two



neighbours, at \$2.76 billion in 20-10, are a fraction of their potential and can touch \$10 billion by 2015 with the right steps.

Observers at the conference called the two-day event a great leap forward in easing tensions between the two countries. In the past, several efforts have been made to sort out differences and strike out on the path of peace. But, this time, it was different. Unlike in the past, none of the participants touched

upon any of the sensitive chords. Speakers at the conference highlighted the fact that improved economic relations between India and Pakistan would lead to peace and prosperity. But, a few delegates said, they were worried that offering the Most Favoured Nation [MFN] status to India in Pakistan might result in highly skewed trade relations with the balance tilting in favour of India and the Indian FDI damaging Pakistani industry.

KRISHNA DEMANDS PROTECTION FOR HINDU MINORITY

India has urged Pakistan to protect the constitutional rights of its minorities by ensuring their safety, security and well-being. Replying to questions raised by BJP leader, Murli Manohar Joshi in the Lok Sabha on May 8, Mr. Krishna hoped that Islamabad would discharge its constitutional duties towards its minority communities. Mr. Joshi had alleged ill-treatment of Hindus – particularly women – in Pakistan many of whom were abducted and forced to marry Muslims against their wishes. He said, based on the reports of persecution of minority groups in Pakistan, India has taken up the matter with Pakistan in the past.

Recently, in separate incidents, three Hindu girls in the Sindh province had reportedly been abducted and married against their will to Muslim men after being forcefully converted to Islam, the Minister said and referred to a Pakistan Government press release which had stated that the Pakistan President had taken serious note of these reports.

VIEWS FROM PAKISTAN

These worries were addressed by Pakistani business leaders like Mian Muhammed Mansha, chairman, MCB Bank. They were unequivocal in saying that more trade would only benefit the Pakistani people. Industry would benefit from greater competition in the long run. Seeking to allay fears of Indian investments [FDI] would harm the interests of the Pakistani industry, a member of the Indian business delegation said, strengthening of economic ties would be a win-win situation for both countries. Pakistani industry will continue to be protected through the sensitive list maintained under the South Asia Free Trade Agreement [SAFTA] after the negative list regime for trade with India is eliminated by the end of this year, the Pakistani Commerce Ministry has assured in a letter to automobile manufacturers, assemblers and vendors who had expressed concern over free trade with India.

In his keynote address while inaugurating the two-day *Aman Ki Asha* conference on May 7, Prime Minister Yusuf Raza Gilani hoped, the meeting will boost the peace process. He said, poverty, disease and ignorance should not become the fate of the region. "Our people have suffered because of the policies of the past. They deserve better. No more time should be wasted", he said. He described Industry captains at the conference as the "best ambassadors of peace" for both countries. "The world is marching on and it is time for us to shed the baggage of the past and grab the opportunity at hand and act with urgency to build relations of mutual interest", he said. He said, in sectors like information technology, education, health engineering, there is huge scope for cooperation. He said, improved relations with India are important for Pakistan as it offers a billion-plus market to the Pakistani exporters. Stating that a liberal trade regime ensures flow of cheaper imports for both countries due to their geographical proximity and resultant lower freight costs, he said, just as Pakistani textiles had a huge market across the border, similarly, India could get buyers for its chemicals, pharmaceutical items and engineering goods and cement, among many other commodities.

The Prime Minister said, over the past 12 months, the two countries had moved fast not just to normalize relations but remove

those irritants which hamper trade and economic relations. He recalled, it was in April 2011 when the two countries announced their intention to normalize bilateral trade relations. And by April 2012, they had made huge strides in this direction. Pakistan decided to scrap the positive list regime for imports from India and replace it with a negative list and the Wagah-Attari Trade Gate, which opened recently, will go a long way in boosting the volume of trade, he said.

Suggesting that Indo-Pak disputes should be settled through dialogue, the Pakistan Prime Minister warned that "non-State actors from both sides of the border are determined to harm relations." "Such forces are present on both sides of the border and we have to remain vigilant that they are not able to derail our hard-earned gains", he said.

The warning was reiterated in the evening by Foreign Minister, Hina Rabbani Khar, who also urged both countries to introspect whether the way the two had dealt with each other over the past 64 years had yielded any dividend. Calling it a relationship of lost opportunities, she made out a case for exchanging course.

Former Prime Minister and PML[N] leader Nawaz Sharif said that Pakistan should unilaterally abolish the visa regime with India as people-to-people contacts can accelerate the bilateral peace process. He urged the government to "take the initiative" even if India is hesitant, believing that India will be forced to follow suit. His brother and Punjab Chief Minister, Shahbaz Sharif said, "We have fought wars, seen destruction, there is growing realization that war between the two nuclear-armed neighbours is not an option. We need to engage in mutual trade and investment and to utilize our resources for

LIBERALISED VISA: BOOST TO TRADE

Later this month, Indian and Pakistani Home Secretaries are expected to sign off an agreement that will liberalize the business visa regime. In the works are multiple entry visas, abolishing police check-posts and multi-city visas. These measures are expected to give a fillip to Indo-Pak trade which today is languishing at below \$3 billion. Indian Commerce Ministry believes that trade between the two countries can touch \$12 billion in the next five years.

HILLARY'S ADVICE TO PAK ON TERRORISM

In remarks that India will welcome, visiting US Secretary of State, Hillary Clinton affirmed that Pakistan has not done as much as the US and India would like it to do to fight terrorism. She said this after talks with Prime Minister Manmohan Singh and External Affairs Minister S.M. Krishna in New Delhi on May 8. She said, the JuD chief and LeT founder, Hafiz Saeed was one of the "principle architects" of Mumbai terror attacks and that the \$10 million bounty on him was an "unmistakable message" of solidarity with India. "We wanted to raise the visibility and make it very clear that the United States has reason to believe that Hafiz Saeed had been one of the principal architects of the attack against Mumbai", she said, referring to the reward for any information leading to his arrest.

the betterment of our nations."

Cricketer-turned-politician, Imran Khan, leader of Tehrik-e-Insaaf, who is seen as a strong candidate for Prime Minister in next elections, envisaged a US-Canada style trade ties between India and Pakistan, but at the same time said, his top priority would be not trade but to start dialogue to resolve the Kashmir issue. Imran Khan, who was a star speaker on the second and final day of the conference on May 8, said, "We need strong leadership in Pakistan to resolve the Kashmir issue." He added there should be intense rivalry between India and Pakistan to see who reduces poverty fastest. Entirely supportive of enhanced trade relations, Mr. Khan said, "The new generation of Indians and Pakistanis want new relations. They want to change the way we look at each other. Seventy per cent of Pakistanis are less than 30 and they want a new way of governance." He said, with a combined population of 1.6 billion, it is such a huge market.

Leader of the Indian delegation and CII President, Adi Godrej, head of the Godrej Group, said the two largest economies of South Asia should work together to ensure that bilateral trade touches \$10 billion in the near term. Textile, agriculture, engineering, IT, education and health care are sectors which can see immediate traction, he said.

The Indian High Commissioner to Pakistan, Sharat Sabharwal, told the conference, India is willing to look at opening

more land border crossings with Pakistan, for instance, at places like Munnabao in Rajasthan.

Incidentally, India is developing nearly a dozen more international-standard Integrated Check Posts along its borders with Bangladesh, Myanmar and Nepal on the lines of the one which opened last month at the Attari border with Pakistan for boosting trade and economy apart from facilitating trans-border passenger traffic.



PAK FOR SIACHEN TALKS BEFORE SIR CREEK

Pakistan, keen on resolving the Siachen issue first after having lost 139 soldiers who were buried alive in an avalanche in the Glacier early last month, has called off talks on Sir Creek which were scheduled for June 11. Instead, it has suggested, the talks be held on June 22. Although the official reason from Pakistan is the non-availability of a key negotiator, Indian officials are not buying this argument. The assessment in New Delhi is that the message from Rawalpindi must have been to sequence the talks in such a way that Pakistan does not end up showing flexibility on Sir Creek without an assurance from India on Siachen. Sources said, Pakistan may be thinking they can leverage the Sir Creek resolution for an Indian concession on Siachen. A resolution on Sir Creek is believed to be "doable" and can be used by Prime Minister Manmohan Singh to justify a visit to Pakistan later this year.

The Pak move to rescheduled the Sir Creek Talks, sources say, is intended to put pressure on Siachen. With Siachen talks scheduled to be held on June 11-12, the postponement is being seen as trying to pressure India to concede ground on Siachen. Twice since the Pakistani army lost over a hundred of its men in an avalanche in Siachen on the 7th of April, the Pakistan army chief has accused India of hardening its stand on the issue. Talking to newsmen on May 3 after his third visit to the Gayari sector where 139 men of the 6 Northern Light Infantry went missing, Gen. Kayani said, referred to the peaceful resolution of the issue but pointed out that there had been a regression in the talks after India shifted its goalpost. He said, India had asked for demarcation of the Line of Control [LoC] during the last Defence

Secretary-level talks on Siachen which are held as part of the composite dialogue process. This, according to him, was a shift in the New Delhi's position, as earlier the term being used was "authentication of the ground position in the area north of NJ 9842" – the north-most point of the LoC.

The Defence Minister, Mr. A.K. Antony, has told Parliament that there is no change in India's stand on Siachen. According to Mr. Antony, during his meeting with Prime Minister Manmohan Singh in New Delhi on May 8, a day after an avalanche killed more than 100 Pakistan army personnel, Pakistan President Zardari realised the issue and appealed for demilitarizing the Siachen glacier.

India made it clear at the last Defence Secretary-level meeting, the Indian side made it clear that withdrawal of troops could be disused only after the Line of Control had been demarcated by both sides. Pakistan felt that India had toughened its stand because in the past it had agreed to authentication of existing troop positions as sufficient to implement a withdrawal plan. However, Pakistan found that unacceptable too as it did not want to sign on any document that accorded India's current troop positions.

Army sources reiterated that India could not risk withdrawing from Siachen until Pakistan agreed to demarcation of LoC or at least authenticated troops positions.

Indian troops have stood sentinel on the 21,000 foot glacier, described as world's highest battle ground, since April 13, 1984. There are now 3000 of them. The guns have been silent since a November 2003 ceasefire. But, the harsh weather has proved a more lethal killer. India lost 26 soldiers in the last one year. Soldiers have to trek almost 28 days over 128 km to reach some of the farthest pickets. The daily cost of holding on to the glacier is around \$5 billion. Yet, strategic experts say the battlefield is crucial as its occupation stops the Pakistan army from linking up with the Chinese and posing a threat to Ladakh.

The Army is believed to be opposed to withdrawal from Siachen and has warned the Government that if the Pakistani army occupied the positions it is now holding in case of demilitarization, it would be an impossible task even at the cost of a great human life. The Army is scheduled to make a presentation to the security establishment and the Prime Minister's Office this week to set down once again the real dangers in demilitarizing the Saltoro ridge, a feature that Indian troops occupied as part of Operation Meghdoot 28 years ago. Sources say, there is genuine nervousness within the army about the government's intentions. To begin with, the army puts down in no uncertain terms that any thought of demilitarization from Siachen-Saltoro requires a modicum of trust. "Pakistan has done nothing recently or over

KASHMIRI MILITANTS SURRENDER

For the first time, a large group of about 40 persons, including former militants and their families, fled PoK together and surrendered before Indian authorities last month for amnesty under the Jammu and Kashmir Government's rehabilitation policy. In a well-planned coordinated escape from the PoK, along with their wives and children they first flew to Dubai, from there to Kathmandu where they destroyed their passports, travelled to the Indian border from where they hired a bus to go to Kashmir. However, they were detained at the Sunauli border checkpost. All members of the group claimed amnesty under the Jammu and Kashmir Government's rehabilitation policy which does provide for waiving any charges.

After reading about their change of heart, five more men who received terror training in Pakistan gave themselves up to the Maharashtra Anti-Terrorism Squad last month.

However, the Indian intelligence agencies goofed up on another case. A Pakistani newspaper reported on May 10 that three of the five Pakistanis alleged to be terrorists by the Intelligence Bureau who were said to have entered Mumbai for a terror attack, were actually Pakistani mobile retailers. These three Pakistani youth who have mobile shops in a complex in Lahore approached police there for protection after an alert, along with their pictures was issued by the central intelligence agencies in New Delhi on May 6. The alert came from RAW and it was issued to the agencies concerned by the Multi Agency Centre, part of the IB. After the Pakistani newspaper report emerged, RAW is believed to have been asked to explain.

the years to enjoy the level of trust required for any disengagement from the currently held Indian positions”, the assessment says. “Such trust would be based not only on record, but on tangible assurances and an authentication of India’s actual ground positions.” The army’s documented assessment also points to certainty that a pullout from Siachen would facilitate a much deeper level of engagement between Pakistan and China in the Gilgit-Baltistan, Shaksgam areas. Perhaps most alarmingly, the army has suggested that disengaging from the Saltoro ridge would open the Zaskar and Ladakh ranges to infiltration and terrorism and place Leh within attacking distance of the army.



BANGLADESH FOREIGN MINISTER'S VISIT: LOAN WRITTEN OFF BUT TEESTA TANGLE REMAINS

There was little progress on the Teesta water sharing accord which Dhaka is keen to sign, when the Bangladesh Foreign Minister, Ms Dipu Moni, came to New Delhi to co-chair the first meeting of the Indo-Bangla Joint Consultative Committee on May 7, although the Finance Minister, Mr. Pranab Mukherjee, while on a day’s visit on May 6 announced India writing off \$200 million out of \$1 billion line of credit to Bangladesh.

The two sides reviewed the accords signed during Prime Minister Sheikh Hasina’s historic visit to New Delhi in 2010 and Manmohan Singh’s reciprocal visit to Bangladesh in September last year when the two Foreign Ministers met in New Delhi. But, on the Teesta river treaty issue, it proceeded on expected lines with hardly any forward movement. Mr. Krishna told her that the Centre was trying to reach a “political consensus” on the agreement which it was committed to sign. He sought to explain the delay by saying that in keeping with the “tradition of consensual decision-making in India’s democratic polity, internal consultations are on among stakeholders”. Indirectly referring to the opposition of Bangladesh Chief Minister Mamata Banerjee’s opposition to Teesta accord, he told newsmen, “We are trying to develop a political consensus in India”, adding that it is important that views of all those who are dependent on its waters are taken into account and the burden is shared equitably”.

In an a newspaper interview with an Indian English daily, dr. Moni warned, Indo-Bangladesh relations will take a huge hit if India failed to deliver on the Teesta agreement. “In Bangladesh, there are people and groups who do not wish to see South Asia come together or our relations flourish. We should not arm them by withholding Teesta”, she said.

The Teesta treaty has been a source of tension between India and Bangladesh for quite some time now. An agreement was on the cards and was expected to be signed during visit of Prime Minister Manmohan Singh to Dhaka last September. But, opposition from West Bengal Chief Minister Mamata Banerjee who dropped out of Prime Minister’s visit of Bangladesh, led to the treaty not being signed at the last minute, causing India a fair amount of embarrassment.

Mr. Krishna told newsmen at a joint press conference with Dr. Moni that the Teesta accord is being discussed since 2009 and that there is no change in the ground situation, though the two sides have shared data during a technical meeting held in Kolkata in February.

On Manipur’s Tipaimukh hydel power project, it has been agreed that a sub-group under the Joint Rivers Commission would be constituted to look into all aspects, including dr. Singh’s proposal for joint participation.

On another issue, sources say, Mr. Krishna raised the extradition treaty with Bangladesh in the context of Indian insurgent groups operating out of there. Dr. Moni during the press conference said, the Indian side has reassured her that there will be no unilateral undertaking of linking the Himalayan rivers without consultations with Bangladesh.

The two sides, during their meeting also reviewed the 24-hour unfettered access to Bangladeshi nationals at Angaram and Angarporta through the Tin Bigha corridor, the signing of the bilateral boundary strip maps under which a few areas are still to be covered, and the coordinated border management plan to reduce illegal and criminal activities.

In the power sector, the two sides reviewed the progress on the inter-grid connectivity. Mr. Krishna hoped that the 500 MW power would flow from India to Bangladesh during the summer of 2013.

India and Bangladesh are also moving ahead with the setting up of the 1320 MW coal-based joint venture power plant which is expected to be commissioned in 2016.

LOAN TO BE WRITTEN OFF

Meanwhile, India has announced that it will write off \$200 million of the \$1 billion line of credit offered to Bangladesh and promised to implement all bilateral agreements including those that have witnessed delay. India had announced in 2010 a \$1 billion line of credit to Bangladesh, the largest it has offered to any country. Finance Minister Pranab Mukherjee, who had gone to Dhaka on a day’s visit on May 6 to attend the concluding session of the celebration of the 150 birth anniversary of poet Rabindranath Tagore, announced at a press conference before returning to New Delhi that India will treat the amount as grant, not credit. He said, this amount will be used for projects that Bangladesh prioritized. The rest \$800 million will bear a one per cent interest instead of previously announced 1.75 per cent, he announced.

Mr. Mukherjee also cited the “ground realities” of coalition politics as the reason for India’s failure to seal the Teesta water sharing deal during Prime Minister Singh’s visit to Bangladesh last year.

Earlier, during his meeting with Bangladesh Prime Minister Sheikh Hasina, he vowed to implement all agreements signed with the country during dr. Manmohan Singh’s visit last year.

There have been allegations on delays in delivering on the promised projects. Mr. Mukherjee defended the work done so far and pointed out that five contracts worth \$834 million had already been signed.

ENGAGING DHAKA

Referring to the UPA Government falling to the blackmailing tactics of Mamata Banerjee on the Teesta issue, political observers warn, if the Manmohan Singh Government does not act decisively, it will inflict lasting damage to one of India’s most important bilateral relationships. Reviving Delhi’s political credibility in Dhaka could take decades if the Prime Minister allows the narrow political calculations of the Congress Party to override consideration of India’s national interests.

More than two years ago, Singh and his Bangladesh counterpart, Sheikh Hasina,

boldly agreed to resolve all outstanding bilateral problems and lay the foundation for a new partnership. The hard work that followed was to culminate Singh's visit to Dhaka last September. Before the celebrations could begin, West Bengal Chief Minister Mamata Banerjee decided to play party-pooper. She opposed the Teesta water agreement, which was to be one of the main outcomes from Singh's visit. By failing to keep his words on Teesta, Singh exposed Hasina to attacks from the many enemies of the incipient Indo-Bangladesh strategic partnership.

One of the most important relationships in India's neighbourhood, one that was neglected at India's own peril, ushered in, with the 2009 elections in Bangladesh, of a democratic Government led by Sheikh Hasina's Awami League. It opened a window of opportunity for both sides to address issues of genuine mutual concern in a purposeful and focused manner. Soon after coming to power, the Government of Sheikh Hasina arrested and handed over a pair of wanted terrorists who had previously enjoyed sanctuary on Bangladesh soil. The hostility of Bangladesh's few, but vociferous, anti-Indian Islamist politicians, has been curbed by firm governmental action. India's decision to permit duty-free access to the exports of the least developed Countries has benefited Bangladeshi trade with India which has burgeoned dramatically, with Bangladesh's exports to India recently crossing the \$1 billion mark in a 12-month period. Issues of road and rail connectivity are on the table, trade is being given a new impetus and both nations are cooperating on combating terrorism.

More strikingly, a seemingly intractable territorial irritant – the existence of small enclaves of each country within the other's borders – was settled in principle during Prime Minister Manmohan Singh's visit to Dhaka in September 2011 on terms that even Bangladeshis found generous on India's part.

Of even greater long-term significance is a \$10 billion project to provide transit through Bangladesh to India's north-eastern States, the so-called Seven Sisters, long the sep children of Indian development because of their geographical remoteness from India's booming economy. Before 1947, North East had higher per capita income than the rest of India, but the partition cut it off from the Indian heartland Bangladesh was very

reluctant to sell natural gas to India for fear of being seen domestically as submitting to Indian "exploitation". But, public opinion has shifted significantly. Polls conducted by both Bangladeshi and foreign researchers have confirmed that hostility towards India is now expressed only by a tiny minority and that regard for India as well as a significant power, is a widespread sentiment that this is a welcome change and augurs well for the future.

This is not to suggest that all is sweetness and light between the two countries. Bangladesh has, in the not-so-distant past, served as a haven for Islamist fanatic groups and even terrorists and has provided a sanctuary for Indian insurgents in the Northeast. It has also been a source of illegal migration into India – some 20 million Bangladeshis are reliably estimated to have slipped into the country over the last two decades and disappeared into the Indian woodwork. There are also lingering issues of border management and transit-related questions as well as the controversy over water sharing which erupted when the West Bengal Chief Minister, Mamata Banerjee vetoed proposed agreement in 2011 on the river Teesta claiming it would deprive her farmers of adequate water. This was widely seen as a setback for a relationship that was once again beginning to blossom after a long freeze.

RESOLVE TURMOIL: HILLARY'S ADVICE TO BANGLADESH LEADERS

The US Secretary of State, Hillary Clinton, who paid a 24-hour visit to Bangladesh before heading for Kolkata and then New Delhi, urged Bangladesh leaders to pull out of a spiral of political turmoil, saying the impoverished nation's democratic credentials were at stake. She told a press conference after talks with Bangladesh Foreign Minister, Dipu Moni and meetings with Prime Minister Sheikh Hasina and Opposition leader Begum Khaleda Zia on May 5, "In a strong democracy, everybody has to be rowing in the same direction because you are all in the same boat".

Ms Clinton's brief visit was shadowed by rallies and strikes over the disappearance of a regional Opposition figure Ilias Ali in April which killed four people. His supporters say,

he was kidnapped by security forces. She said, it is important that in this country which has such unlimited potential and has proven its ability to sustain the democratic path, people should respect the rule of law. Asking Bangladesh to exploit its "strategic location", Ms Clinton said, the political geography of the country, which is situated between rapidly progressing C India and China, gave it an opportunity for development. She appreciated Bangladesh the way it handled the maritime issue with Myanmar and for its handling of bilateral issues with India and suggested that Dhaka exploit its economic opportunities in Myanmar saying "the transition in Myanmar after 40 years of military rule offers a great opportunity.

Ms Clinton also met the Nobel laureate Mohammad Yunus and signed a Joint Declaration on Bangladesh-US dialogue on partnership to hold annual dialogue on bilateral relations and priorities before leaving for Kolkata.

PAKISTAN: GILANI FACES FIVE YEARS OF DISQUALIFICATION

The Pakistan Supreme Court has issued a detailed order in the contempt case against Prime Minister Yusuf Raza Gilani, holding him responsible for willfully defying court directives and bringing it to ridicule. The 77-page order has been written by Justice Nasirul Mulk, who headed the seven-member bench that convicted Gilani for refusing to act on directives to revive cases of alleged money laundering against President Zardari in Switzerland. The Court ruled that the likely consequence of its guilty verdict is Prime Minister Gilani's disqualification for five years to holding any public office or contest elections. It, however, stopped short of categorically disqualifying the Prime Minister sparking conflicting interpretations by legal experts.

The seven-judge bench enumerated reasons for the conviction of the 56-year old premier and analysed the evidence that was presented during his trial in the detailed order which said, "The highest executive functionary of the state of Pakistan had willfully, deliberately and persistently defied a clear direction of the highest court of the country". It said, such "clear and persistent defiance at such a high level constitutes

contempt which is substantially detrimental to the administration of justice” and brings the judiciary into ridicule.

Responding Supreme Court threat to disqualify him, while Prime Minister Gilani has said no one except the Parliament can force him out of office, his party, PPP, has decided that he will not quit and utilize all legal resources to prove his innocence. “The Prime minister will not quit. He will use all the legal resources to prove his innocence”, a senior official at the Prime Minister’s office said. Prime Minister Gilani told journalists who accompanied him on an official visit to Britain on May 9, no one could force him out of office through unconstitutional means adding that he would exhaust all avenues for affair trial following his conviction of contempt by the Supreme Court. He said, the Constitution explicitly spelt out the ways to remove a Prime Minister and that no one could force him out of office through unconstitutional means. The matter of disqualification will go to the Speaker of the National Assembly and finally to the Chief Election Commissioner, he said.

BILL TO STOP ARMY, ISI ABUSE OF POWER

Meanwhile, the National Assembly in Pakistan has passed a landmark bill for the formation of a National Commission for Human Rights [NCHR], empowered to investigate cases of human rights infringement, create awareness and make agencies such as the ISI and the army answerable to the body in the context of alleged human rights violations. The Bill moved on May 9 by adviser to Prime Minister on Human Rights, Mustafa Nawaz Khokhar, was passed by the senate with some amendments before it was passed by the House with a majority vote. The Commission will come into action once the President signs the bill into laws.



US BILL FOR CONDITIONAL AID TO PAK: US ENVOY TO PAK TO QUIT

As the talks last week to reopen the land route for Nato supplies to Pakistan failed, the US proposes to impose conditional flow of economic aid to Pakistan subject to Islamabad’

Successes in the war against terror. The

US Defence Authorisation Bill places conditions on aid to Pakistan. It prohibits the preferential procurement of goods or services from Pakistan till Islamabad reopens the crucial NATO supply routes to Afghanistan which were closed in the aftermath of the killing of 24 Pakistani soldiers on Nov. 26 in a Nato cross border fire. The Defence Authorisation also seeks certification from the Defence Secretary that Pakistan is committed to supporting counter-terrorism operations against al-Queda, its associated movements, the Haqqani Network, and other domestic and foreign tourist organizations. Further certification from the Defence Secretary is needed on Pakistan’s efforts in dismantling IED networks, interdicting precursor chemicals used in the manufacture of IEDs; preventing the proliferation of nuclear-related material and expertise; and issuing visas in a timely manner for US visitors engaged in counter-terrorism efforts.

A top American senator, John Kerry, who is chairman of the powerful senate Foreign Relations Committee, John Kerry has warned Pakistan that the US would have no other option but to resort to “self-help” if Islamabad does not become more cooperative in the war against terror. John Kerry, architect of the Kerry Lugar-Berman Bill that allotted \$7.5 billion to Pakistan for five years, made these remarks at a Congressional hearing convened by him on the upcoming Nato summit in Chicago. Another Congressman, Dana Rohrabacher, has told President Obama, it is time for Washington to chuck Islamabad and closely align with New Delhi as part of Afghan peace moves. The US which had previously termed Pakistan’s participation at the Chicago summit on Afghanistan later this month as critical for the endgame in Afghanistan, has so far not invited Pakistan to attend the conference.

COMPROMISE ON APOLOGY ISSUE

In Islamabad, President Zardari who called a meeting of top civilian and military leadership on May 3 to discuss reopening of Nato supply routes after the first round of talks with US envoy on Pak-Afg, Marc Grossman failed, will hold two more meetings next month to discuss the issue. President Zardari who chaired a meeting on May 3, has convened back-to-back meetings of the Defence Committee of the Cabinet, the highest decision-making body on security issues, and the Federal Cabinet on May 15

and 16 respectively, official sources in Islamabad said. A Pakistan daily, the DAWN, quoted a participant at the May 3 meeting called by Mr. Zardari to say the government which is demanding an apology from the US for the aerial raid last November which killed 24 Pakistani soldiers, is considering the possibility of a compromise. Sources said, the meeting discussed various formulations for the demands to be made, including the text of a possible apology statement that would not only be acceptable to Islamabad but would also help the Americans their reluctance in apologizing. After developing consensus in Pakistan, the text of the proposed apology will be suggested to the Americans and they will be asked to announce it so that the two sides can move on with negotiations on other issues.

The first round of talks between the US and Pakistan in Islamabad last week failed because of the US insistence on not discussing an end to drone attacks and its refusal to apologise for the NATO attack. The Pakistan Defence Minister, Chaudhry Ahmad Mukhtar, has warned the Government that Pakistan might face sanctions if it does not open supply routes to the US-led Nato forces in Afghanistan through its territory.

US ENVOY TO PAK TO QUIT

The US ambassador to Pakistan, Cameron Munter, has decided to quit the post after serving just 18 months although an American envoy is normally appointed for a three year period. He is reported to have told his aides he is leaving Pakistan which has proved to be one of Washington’s most challenging and difficult partners in the world.

No reason has been attributed to his decision, but people close to him say he has been frustrated that the CIA and Pentagon call the shots for the US in Pakistan and that he feels his job has been only to contain the fallout rather than set policy. Analysts say, his departure could complicate efforts to repair alliance with the US and reopen Nato supply lines into Islamabad. Munter was perhaps the most inclined to accommodate Pakistan’s concerns with regard to hot button issues like drone attacks and the Pakistani demand for a US apology over the Salala attack. During his 18 months in Islamabad, Munter navigated some treacherous diplomatic terrain, including the Abbotabad raid that killed

Osama bin Laden, punitive drone attacks and a standoff over Nato supply route following the Salala attack. The incidents lacerated US-Pakistan ties already under strain over attacks originating from Pakistan on interests of the US and its allies in Afghanistan.

UNFRIENDLY FRIENDS

Pak political analysts recall, the trouble in Pak-US relations started with the Raymond Davis affair in February last year, plumbed new depths with the US Navy Seal raid to kill Osama bin Laden in Abbotabad in May and hit rock bottom with the Salala incident last November. In each case, the US action notched up anti-Americanism in Pakistan, severely embarrassed the Government and military and stiffened their resistance to American unilateralism in the region. A Parliamentary committee has submitted to the Government its recommendations on a new policy towards the US following these incidents. The sticking point remains America's drone policy. The military is opposed to drone strikes against the Haqqani network in Waziristan because it is viewed as a long-term "asset". The public resents it as a blatant violation of Pakistan's sovereignty. The elected government is unwilling to incur public wrath in an election year simply to appease the US, notwithstanding the US threat to stop military and economic aid, weapons and spares for its military and its support for IMF loans.

Pakistan's civil-military leaders are grappling with a policy formulation that restores the NATO pipeline, restricts the drones and reduces the US Intel footprint in Pakistan to the minimal satisfaction of the Pakistani opposition and public in exchange for maximum economic and military assistance coupled with greater American flexibility vis-à-vis the Haqqani network.

AFGHANISTAN: AMERICA SECRETLY FREEING TALIBAN PRISONERS

The United States has been secretly releasing detainees from a military prison in Afghanistan as part of negotiations with insurgent groups, the WASHINGTON POST reported on May 7. Unlike at Guantanamo, releasing prisoners from the Parwan detention centre does not require congressional approval and can be done

secretly, the POST added.

The American daily said, the "strategic release" programme has allowed American officials over the past several years to use prisoners as bargaining chips to reduce violence in restive provinces.

The freed detainees are often fighters who would not be released under the legal system for military prisoners in Afghanistan. Officials would not say whether those who have been released have later returned to attack US and Afghan troops.

Releases have come amid efforts to end the war through negotiations which is central to the Obama Administration's strategy for exiting Afghanistan, the report said. Those efforts have yielded little to no progress in recent years. In part, they have been stymied by the unwillingness of the US to release five prisoners from Guantanamo Bay – a gesture insurgent leaders have said they see as a precondition for peace talks.

Sources say, what is holding up the release of five senior Taliban leaders from the Guantanamo Bay jail is the US demand for the release of an American national in return – Sgt. Bowe Bergdahl of the US army. His parents in Hailey have been quoted as saying that the focus of secret negotiations between the Obama administration and the Taliban over a proposed prisoner exchange is the release their son, the only American soldier held captive by Afghan insurgents. He is believed to be held by the militant Haqqani network in the tribal area of Pakistan's northwest frontier, on the Afghan border. He was captured in Paktika province in Afghanistan on June 30, 2009.

CHINA: INDIA LIKELY TO WITHDRAW FROM SOUTH CHINA SEA, CHINA-PHILIPPINES STAND-OFF

It is understood that India is likely to withdraw from an oil block in the South China Sea after hydrocarbons did not show up in an exploratory well, said government sources in New Delhi on May 10. Vietnam plans to terminate operations on commercial considerations, said the sources. Vietnamese diplomats have expressed disappointment with India considering that Hanoi had stood up to Beijing for the past six years whenever

it disputed the contract given to India in the Phu Khanh Basin. They wondered whether this was due to pressure from China which was always against any foreign company conducting oil operations in the South China Sea.

Earlier, after India was warned by China not to undertake off-shore exploration projects with Vietnam and an Indian naval vessel warned not to enter the South China Sea, India and Vietnam jointly stated: "Disputes like the East and South China Sea should be resolved by peaceful means in accordance with universally recognized principles, including the 1982 UN Convention on the Law of the Sea and the 2002 ASEAN-China Declaration on the conduct of parties in the South China Sea".

India's new-found candour on the South China Sea could not have been better timed. China found itself cornered at the November 2011 East Asia summit in Bali. While the Chinese Foreign Minister expressed the hope that the maritime disputes over the South and East China Seas would not figure at the summit, all but two of 18 participating nations – Myanmar and Cambodia – did raise the issue, with Singapore, which is otherwise circumspect in references to China, playing a prominent role from among ASEAN members. This approach by the ASEAN countries was adopted despite a warning from China's *Global Times* that "Any country that chooses to be part of the US chess game will lose the opportunity to benefit from China's economy". The Chinese were clearly out of touch with regional sentiments, virtually on their backyard.

CHINA-PHILIPPINES STAND-OFF: INDIA ADVISES RESTRAINT

Meanwhile, political observers say, the Indian move to withdraw from the oil exploration in South China Sea offered by Vietnam should relieve Beijing which is locked in another maritime dispute in the same sea with the Philippines.

Commenting on the standoff between China and Philippines in another part of the South China Sea, a Foreign Office statement in New Delhi on May 10 urged both countries to exercise restraint and resolve the issue diplomatically in keeping with the principles of international law. In an unusual statement that signals India's growing interests in South China Sea, the Foreign Ministry spokesman said, "Maintenance of peace and

security in the region is of vital interest to the international community.”

Over the last few weeks, the stand-off between China and the Philippines over the Scarborough Shoal, also known as the Huangyan Island, has once again brought international attention to the long-pending territorial disputes in the South China Sea. Over one thousand people were expected to protest in Manila on April 11 against what the Philippines calls a sovereignty dispute over a set of islands described as Huangyan islands by China and Scarborough Shoal by Philippines.

The latest standoff between China and Philippines began around the second week of April when the Philippines Navy war ship intercepted eight Chinese fishing vessels in the disputed islands, boarded them and forced China to back off. They prevented the Chinese fishermen from fishing in the waters around the disputed island. Things heated up last week when China asked Philippines to withdraw all its vessels from the island.

This was followed by joint naval exercises by the US and Philippines naval ships which received some criticism from China although Shoulder-to-Shoulder is an annual exercise held around the Palawan Islands. The Chinese position is that the US cannot enter the South China Sea, but the US which is not a signatory to the UN Convention on the Law of the Sea [UNCLOS] believes that the right to carry out both surveillance and military activities of a peaceful nature is allowed.

For almost a year now, China has been hardening its position vis-à-vis the South China Sea, even backtracking on the Declaration on the Conduct of Parties in the South China Sea which it signed with the ASEAN States in 2002. This must be seen with a view to the US Secretary of State Hillary Clinton's statement at the Asean Regional Forum summit in 2010 that the South China Sea was a region of US strategic interest. The fact that this statement received support from several Asean members further pushed the Chinese to assume a hardline position on the matter.

Most of the territorial disputes in the South China Sea relate to Chinese show of aggression and posturing which has not gone down well with countries which also claim parts of the South China Sea – China, Indonesia, Malaysia, Vietnam, Brunei and the Philippines. The fight is not just territorial,

but economic as well. One third of the world's shipping transits through its waters and the South China Sea is believed to hold huge oil and gas reserves beneath its sea beds.



MYANMAR: PM'S VISIT, SEVERAL PACTS TO BE INKED

Dr Manmohan Singh will be paying a three-day visit to Myanmar beginning May 28, the first by an Indian Prime Minister in 25 years. He is visiting Myanmar at a time the country is taking nascent steps towards democracy and reforms with pro-democracy leader and her other party leaders taking seats in Parliament after a landslide win in the recent by-elections.

Dr. Singh will also participate in the Bay of Bengal Initiative for multi-Sectoral Technical and Economic Cooperation [BIMSTech] meet.

New Delhi hopes the visit will be a substantive one with several agreements on cooperation in oil and gas exploration and mining likely to be inked. Myanmar has also sought Indian help in setting up micro-economic projects, developing railways and in civil aviation and banking sectors.

During the last 12 years, despite criticism from several domestic and Western quarters, Indo-Myanmar relations have travelled a long way. A steady stream of high-level visits from both sides has enhanced the dialogue and created mutually beneficial opportunities. India is involved in a host of infrastructure and energy projects in Myanmar. It has built the 160-km-long Tamu-Kalewa-Kalemyoa road across the Manipur border and is building a 1200 MW hydel project on the Chindwin river. Besides, it has provided high-speed data link to many cities. Indian firms are working to develop Myanmar's railway network, including the supply of coaches and locos. Indian companies have acquired a 20 per cent stake in an oil block off the Rakhine coast. The Kaladan Multimodal Transit Transport Project and the Rhi-Tiddim projects (on the anvil), when completed, can transform India's North-East and bordering region.

Last year, India and Myanmar signed a number of agreements and MoUs for the upgradation of Yangon Children's Hospital and Sittwe General Hospital and a

programme of cooperation in science and technology. India has extended lines of credit worth \$300 million for the development of railways, transport, power transmission lines, oil refinery, and OFC link and announced the extension of a new concessional facility of \$500 million line of credit for specific projects. It will set up an Advanced Centre for Agricultural Research and Education in Yezin, a Rice Bio Park in Naypyidaw (new capital of Myanmar), an Information Technology Institute in Mandalay, and an Industrial Training Centre at Myingyan. Myanmar has agreed to encourage further investments by Indian companies, both public and private, in its oil and natural gas sectors. Both countries have set a target of doubling bilateral trade to \$3 billion by 2015.

It was in early 1990s that the then Prime Minister P.V. Narasimha Rao who declared India's "Look East" policy decided to recast the policy towards what was known as Burma which was under military rule. The policy so far was to back the democratic forces against the ruling military junta and support Ms Suu Kyi's fight for democratic rule. Narasimha Rao sent ambassador J.N. Dixit to Myanmar in 1993. That visit was helpful but did not create the necessary thaw between the two countries. In 1999, Atal Bihari Vajpayee and National Security Adviser, Brajesh Mishra took up the task of engaging the military rulers in Myanmar which meant cold-shouldering the forces fighting for return to democracy for the greater national interests of India.

Myanmar has a land border with five countries in South and Southeast Asia, straddles busy shipping lanes in the Bay of Bengal and is rich in minerals, oil and gas reserves. It shares a 1600 km long porous land border with India's northeastern States. Several insurgent groups from these States had been using ethnic terrain shelter in Myanmar. Its long years of military rule and isolation, with China as the only economic and defence hardware partner, had given Beijing a huge strategic advantage. That notwithstanding, it was crucial for curbing militancy and economic development of India's north eastern states as well as for land connectivity with the rest of South East Asia.

Meanwhile, there have been important political developments in Myanmar in the last two years. President Thein Sein's nominally civilian government has replaced military rule

and carried out a number of reforms like the release of political prisoners and relaxation of media restrictions. It has suspended China-backed \$3.6 billion Myitstone dam hydel power project in Kachin State. After the recent by-elections, pro-democracy leader Suu Kyi and her party leaders have joined Parliament, although that continues to be dominated by the military. This shift is an assertion of India's policy of engaging the military government of Myanmar. Now, when leaders from the US, the UK, France and Australia are making a beeline for Naypyidaw and inclined to lift sanctions imposed by them earlier, India has an advantage and a huge opportunity to move into high gear dynamics of its regional and 'Look East' policy.



MYANMAR: THE MILESTONES AHEAD

The latest craze amongst destinations for the diplomatic community globally seems to be Myanmar. The deluge started with Hillary Clinton flying down in November 2011. However, is all the enthusiasm, easing of sanctions and ambassadors being deputed going to enhance the avowed objective of the democratisation of Myanmar? Is there a possibility of reforms slowing down with too much being offered too early?

A combination of America's focus on the Pacific and the east, disallowing the Chinese greater space, and Myanmar's rich natural resources may have pushed the pace. However, a review of the bigger issues that need resolution in Myanmar merit a debate.

The biggest challenge facing Myanmar is its 2008 constitution. The provisions of the constitution allow 25 percent military nominees in the bicameral parliament at the centre and elected houses in the regions/states. The army-backed ruling party USDP, led by Thein Sein, himself a former military general, is populated with ex-army officers who resigned to join the party before the 2011 election. The Commander-in-Chief (C-in-C) nominates the Defence, Home, and Border Affairs ministers. Further, the Myanmar president can also declare an emergency by following a procedure constitutionally laid down and the C-in-C can take over both executive and judicial powers. The Myanmar version of democracy, so far, is a far cry from text book stuff.

The new government has been able to

negotiate ceasefire agreements with most insurgent groups but the Kachin Independence Army continues in a combative mode. The fact that talks with various groups include a political dialogue, rather than just operational issues, is certainly a big step forward. It addresses the issue of an inclusive architecture but some insurgent leaderships dumping their lucrative drug trafficking and smuggling interests is difficult to visualise. Myanmar also has to evolve as a federal state with equal opportunities for all. Any assimilationist pressures on its ethnic minorities will be counterproductive.

As far as the release of political prisoners is concerned, there is the requirement of their numbers being authenticated. There are also reports of the release being conditional to non-indulgence in certain activities, as also of jail terms having been suspended and not terminated. Given Myanmar's history, a validation of the current regime's claims would be prudent.

Fortunately, no one has as yet been vocal about bringing to justice Myanmar's generals. Aung San Suu Kyi has also skirted the issue with tact. Any precipitate action against the retired generals can destabilise Myanmar. Such issues are best addressed at a later date.

Possibly the best way to go about the issue of lifting sanctions is as one school of thought recommends -not lift them as inducements to the current leadership for carrying out reforms, but as a response to further reforms that they execute. The lifting of sanctions have to also help the nation grow and not just prove to be a boon for the military's vast financial empire or its generals' assets. The current round of sanctions lifted or suspended provides enough opportunity for economic activity to surge, and the country has already displayed the courage to not sink any deeper into a Chinese orbit. Undoubtedly, the pace of progress has been rapid keeping in view the fact that President Thein Sein must have had to battle the hardliners, however, the road ahead is long, arduous and may require constant vigil.



NEPAL: BHATTARAI FORMS NATIONAL GOVT

Nepal's Prime Minister Baburam Bhattarai has formed a new National Unity

Government, inducting 12 Ministers – most of them from main Opposition parties as part of a negotiated effort to quell political tumult and steer the constitution drafting process ahead.

Two days after his Cabinet quit to pave way for a consensus Government – a major demand of the Opposition parties – Bhattarai formed a 12-member Cabinet on May 5, that includes two deputy Prime Ministers.

The Premier formed the government as per a deal reached among the major political parties to expedite the peace process and to draft a new constitution within the May 27 deadline. The Prime Minister inducted Ministers from the largest party, Communist Party of Nepal [Maoist], the main Opposition party, Nepali Congress and United Democratic Madhesi Front [UDMF] in the Cabinet. The Opposition CPN[UML] is expected to join the Government later.

The Constituent Assembly has a May 27 deadline to complete the drafting of the Constitution and Bhattarai is likely to remain in office till that time, following which he will make way for a Nepali Congress-led Government. The party will then make the new Constitution public and also hold the first parliamentary elections this year.

Political observers say, the formation of a National Unity Government could not have come a day sooner. Ever since the Maoist-led insurgency ended in 2006, followed by the abolishment of the monarchy two years later, the new republic of Nepal led by a fractured body public has struggled to establish democracy. Against this backdrop, a unity Government that revives all political formations equal ownership of, and indeed, a greater stake in the transition process, is a step in the right direction.

Incessant and petty political bickering over the past years has meant that Nepal's political leadership has failed to deliver to the people even a Constitution. This is despite the fact that the Constituent Assembly has had four years and countless extensions to prepare a draft. The current deadline expires on May 27 and, if there is still no Constitution by that time, then the Constituent Assembly will have to be dissolved and fresh elections held, according to a ruling by Nepal's Supreme Court. This would, of course, be an unmitigated disaster which will totally derail the peace process.



ARVIND GUPTA

*US Secretary of State Hillary Clinton*

US PRESSURE TO DOWNGRADE TIES WITH IRAN

Hillary Clinton's visit underlines the fact the US is determined to get India on its side in its efforts to coerce Iran. Unimpressed that India is gradually reducing its dependence on oil from Iran, she vowed to send the US energy expert, Carlos Pascol to India in the coming weeks to advise India on how from where to source the extra oil it needs.

But for India, Iran is important for many reasons. Apart from being an important source for its energy needs, Iran has a key place in India's policy in the Gulf region. The Gulf is a critical destination of India's external trade – over 100 billion dollars in exports and over 60 per cent of oil imports and a major source of remittances. Iran was India's gateway to Afghanistan, Central Asia and beyond. New Delhi is currently working on six transport corridors via Iran.

Iran itself is a prospective large export market for Indian goods, more so after it has come under international sanctions. At present, the trade between the two countries is to the tune of \$13.7 billion. During the last financial year, India's exports went up to about 50 per cent to touch \$2.75 billion.

There are strategic reasons also. India believes there is need to engage Iran in Afghanistan post 2014. India and Iran have traditionally consulted with one another and both have interest in seeing that an inclusive government remains in office in Afghanistan rather than dominated by extremists such as the Taliban.

This is not the say that India has not made an effort to accommodate US interests. It dropped out from the ambitious Iran-Pak-India gas pipeline and voted at the IAEA against Iran. Despite this, Iran is inclined to

explore economic cooperation especially in areas of hydrocarbon. On its part India underplayed the attack on an Israeli diplomat in Delhi by refusing to publically name Iran as the culprit. The confidence between the two has increased after an oil payment crisis earlier this year was resolved. Under the new oil payment barter arrangement, India can export what Iran needs and get oil in return which is mutually convenient.

The Indian stand so far has been that it cannot accept dictates of the US and that it recognizes coercive actions made by the UN through its Security Council resolutions. The US, on the other hand, recognizes that India has reduced its oil dependence on Iran but wants more results. It is anybody's guess on whether India will cave in to US pressure finally.





FACE TO FACE INTERVIEW CHARGÉ D'AFFAIRES OF THE EMBASSY OF THE REPUBLIC OF TOGO

Asia News Agency interviewed H.E. Mr. Akakpo Koffi, Chargé d'Affaires of the embassy of the Republic of Togo to discuss areas of bilateral interests between the two countries. Excerpts of the Face to Face interview are given below.

ANA : India and Togo have had cordial bilateral relations but India still does not have a resident Indian mission in Togo. There is an Indian Honorary Consul in Togo. Togo has opened a resident Mission in New Delhi in October, 2010 headed by a resident Charge d'Affaires. Excellency, how would you assess the status of bilateral relations between the two countries?

H.E.: Bilateral cooperation between India and Togo is looking good. Besides many advantages that my country draws from the ITEC programs of the Indian government, several other initiatives have been taken - the agreement signed on 26th March, 2008 between Togo and the Committee for the Development of Industry and Construction of the Republic of India (CIDC) to strengthen the capacity building of human resources; the choice of my country to setup the human settlement center and the establishment of a training institute of the English language under the implementation of the decision of India-Africa Forum of Addis Ababa.

ANA : According to our research, economic and trade aspects have dominated bilateral relations. Is this a correct interpretation and in your opinion, are there other potential areas that could uplift cooperation between the two countries?

H.E.: Bilateral trade between India and Africa in 2011 reached 60 billion U.S dollars; an increase of 22% over the previous year. According to our expectation, this figure would be 90

billion U.S. in 2015 contrary to the objective set at the first meeting of trade ministers of India-Africa in Addis Ababa in 2011. This is to say that trade between India and Africa follows an exponential growth.

Our wish is that under the good relations of friendship and cooperation existing between India and Togo, Indian companies relocate in Togo and enjoy huge benefits offered by the Free Zone of our country.

ANA : Coming to the economic aspect, India's has provided assistance in the form of tractors (60), water pumps, sewing machines, ambulance, transport vehicles, corn-grinding machines, etc. and in the development of human resource. These are but small initiatives. Excellency what in your opinion are the other areas where India can provide similar support and have such requests been made to the Government of India?

H.E.: The efforts deployed by the Indian government to help our country are enormous. The donation of farming equipment and the assistance of Indian experts in Togo constitute areas of cooperation and are well known. However, consultative meetings need to be organized between technical ministries of our country and government of India to identify the various other programs; these should be financed by the Indian government.

ANA : Another form of assistance has been extending Line of Credits (LOCs) to Togo – the first one for US\$ 33.04 million and another of US\$ 13 million. These have been for strengthening the health and power infrastructure. Recently Togo's Minister of Economy and Finance, Mr. AdjithAyassar, signed an agreement with EXIM Bank of India on 12.1.2012 for a LOC of US\$ 13.095 million for financing farming and cultivation of rice, maize and sorghum in Togo. Excellency, are these your priority areas and is your country satisfied with the implementation of these projects?

H.E.: Recently Mr. AdjithAyassar signed with Exim Bank of the government of India two financing agreements of 13.095 million \$ US and 15 million \$ U.S to finance the cultivation of rice, maize and sorghum and to strengthen the Rural Electrification in Togo. All these loans have been made effective by Exim Bank immediately after the signatures. Actually we are in the phase of the tendering and look forward to the quick evolution of these initiatives.

I take this opportunity to thank the Indian government for its constant efforts in strengthening bilateral cooperation between India and Togo and request it to kindly help in the financing of other projects submitted to its consideration by the authorities of my country. This fund would help more in the reconstruction of Togo and improving living conditions of our people.

ANA : High-level government and business delegations have participated in the CII-EXIM Conclaves on 'India-Africa Project Partnerships' in the past .Recently, Prime Minister, Mr. GilberFossounHoungbo, led the 50-member delegation at the CII Conclave in Delhi in March, 2011. What has been your country's experience of cooperation with the Indian private sector?

H.E.: CII-Exim Bank conclaves on India-Africa project partnership has become not only one of the best platforms of meetings between Indian and African governments but also between the businessmen of the two parts of the world. The mission of a high-level delegation led by His Excellency Gilbert Fossoun HOUNGBO was to make known the investment opportunities in Togo and learn about new Indian technologies in different areas to take advantage of them. Following the visit a climate of trust has been developed between the two parties and contacts are tied with the benefit for our diverse populations.

ANA : According to available statistics, the trade turnover between the two countries stands at US\$ 233 million during 2009-10 and US\$ 295.89 million in 2010-11. India's major exports to Togo include mineral fuels, mineral oils, cereals, apparel and clothing; iron and steel articles, drugs and pharmaceuticals; machinery & mechanical appliances etc. Imports from Togo include chemicals, lime,cement, Iron & Steel etc. "Excellency, is this an adequate representation of trade between the two countries? If not, what are the other potential areas of growth?

H.E.: The volume of trade between India and Togo according to the statistics is increasing these last years. This fact must be accelerated by the actors of economic life in our various countries to promote bilateral investment flows in potential areas by organizing investment promotion events, visits of delegations of businessmen, roundtables for CEOs and trade fairs. It is also desirable to strengthen the links between Institutional investment promotion agencies and umbrella associations of professionals to help big business for commercial cooperation and provide services to the entrepreneurs of India and Togo

ANA : You are aware of India's economic and strategic interests in Africa. Togo's Prime Minister led the Togolese delegation to the 12th Regional Conclave on India-Africa Project Partnership held in Accra on 3 June 2010. What is your country's opinion of the India China rivalry in establishing themselves in the African continent?

H.E.: It is not India-China rivalry but the constant quest for new markets for those countries which were able to introduce the dimension of growth in their process of development. This state of affairs becomes more interesting insofar as it puts the companies of these countries in a situation of pure and perfect competition.

ANA : Of 183 countries, Togo presently ranks 160 on the "Doing business" parameter and of the 46 countries in the sub-saharan African region it ranks 30 on the "Ease of doingbusiness" parameter. We understand that the main sectors that have attracted investors' interest in the last few years are transport, cement manufacturing, telecommunications and banking.Excellency, at a time when India is looking for investment opportunities particularly in Africa, could you indicate the various incentives for attracting investments in your country?

H.E.: Several arguments can be made to attract investors in Togo. They are listed below:

- The president International Investment Advisory Council of Togo demonstrates the commitment of my country's leadership to attract investors;
- The Institutional reforms such as the revising of the investment code, the reducing of the workload on setting up companies and the establishment of a business court;
- The political stability with well-functioning political institutions, rule of law and a resolution to improve transparency and fight against corruption;
- The strategic position of Togo as a country with three neighbors in West Africa with a deep-water Lome port which also has the potential to become the Singapore of West Africa.

ANA : Would you like to say something about the 200 to 300 strong Indian community in Togo?

H.E.: In the eyes of the good behavior of the Indian community living in Togo, the Togolese authorities encourage Indian businessmen wishing to settle in Togo to enjoy many advantages offered by the Port of Lomé, Togo's Free Zone and other assets available in my country.

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HILLARY CLINTON VISIT: ASKS INDIA TO STOP IRANIAN OIL IMPORTS

The US Secretary of State, Hillary Clinton who came to India on a three-day visit, raised uncomfortable issues at her meetings with Indian leaders when she arrived in New Delhi on May 7 after visiting Kolkata. Cutting oil imports from Iran was high on her agenda.

The whole gamut of bilateral issues, including terror, defence and civil nuclear cooperation were discussed, when she separately met Prime Minister Manmohan Singh and the External Affairs Minister, S.M. Krishna besides a meeting with the Congress President and UPA chairman Sonia Gandhi on May 7. Unsurprisingly, she drew their attention to the need to act against Iran. She stressed the need for India to reduce oil imports from Iran following the US-led economic sanctions imposed on it over its nuclear programme.

In her talks with Prime Minister Manmohan Singh on May 7 who was assisted by Foreign Secretary Ranjan Mathai and India's ambassador to US, Nirupama Rao, the Indian side is learnt to have explained to Clinton India's compulsion in buying oil from Iran to meet its domestic requirements. Iran fulfills about 12% of India's petroleum needs. It was also pointed out to the US side that India had cut down oil imports from Iran. Clinton, whose trip to India coincided with the visit of an Iranian trade delegation to New Delhi, welcomed the steps taken by India but wanted it to do more to stop the oil imports altogether saying there was enough oil available in the open market.

She pressed for India to look at other sources of oil and cut the oil imports altogether in spite of India having reduced its oil supplies from Iran from 12% to just over 9%. The gap has been made up by increased imports from Saudi Arabia, while Iraq and UAE have



West Bengal chief minister Mamata Banerjee and US secretary of state Hillary Clinton

increased supplies. The new figures were made available to Clinton though Indian officials said New Delhi did not ask for an exemption. Reports said last month Indian oil companies, Mangalore Refineries and the private sector Essar had been asked to cut imports from Iran.

India is understood to have continued to resist American pressure over the matter. It made it clear that the country would abide only by UN Security Council sanctions against Iran and not those imposed by individual countries. It was further emphasized that although Iran was a key country for its energy needs, India also needs to look at issues beyond energy trade and keep in mind its traditional friendly relations with that country and its long-term interests in the stability of the Gulf region.

From June, the US will begin implementing sanctions imposed on countries that do not end their oil trade with Iran. Washington has exempted Japan and a dozen of its European allies from the sanctions, but it has not taken any decision in respect of

China, India, Turkey and South Africa, other major oil importers from Iran. India has not sought exemption. Clinton gave no firm assurance to India that the proposed American sanctions would not apply to it for oil purchases from Iran.

As she lauded steps by New Delhi to reduce oil imports from Iran, she told the Indian leadership that the USA will send its top energy expert to India next week to help the country reduce dependence on Iranian oil. Carlos Pascual, the state Department's special envoy and coordinator for International Energy Affairs, will be in India next week with a team of experts for talks with Indian officials on the Iranian issue. She was quoted by CNN as saying on May 9, "We are working with them [Indian Government] to help them in any way that we can offer technical assistance."

TALKS WITH KRISHNA

Hillary Clinton held delegation-level talks with External Affairs Minister Krishna on May 8 and later held a joint press conference

with him where it was apparent that India was sticking to its stand on Iran while the USA seemed very certain that cutting imports from Iran was the only way to stop it from going ahead with its nuclear programme. In his 80-minute meeting with Hillary Clinton on May 7, Prime Minister Manmohan Singh told her, India was aligned with international community on checking the spread of nuclear weapons, but would be guided by its national interests on securing its energy supplies.

Talking to newsmen, Clinton clearly stated that she looked at India as a partner in the increased international effort to prevent Iran from acquiring nuclear weapons. "We believe that Iran will not be at the negotiating table unless there is unrelenting pressure of international sanctions. And the pressure must stay if we want to see progress on a peaceful resolution", she said.

Replying to questions, Krishna told newsmen, he conveyed to Clinton vital stakes of India in peace and stability in the Persian Gulf and wider West Asian region, given the six million Indians who live there and the region's importance to Indian economy. Clinton appreciated the steps being taken by India to reduce its dependence on Iranian oil while acknowledging that it is hard for New Delhi to do so. Krishna said India's oil imports are growing on an average of 10 million tones annually and it was dependent on Iranian imports upto 12% to meet its energy requirements. "Given our growing demand, it is natural for us to try and diversify our sources of imports of gas to meet the objective of energy security. Iran remains an important source of oil although its shares in our imports are declining", he emphasized. The declining oil imports from Iran, he added, reflected the decision of Indian refineries based on "commercial, financial and technical considerations".

Observers however say that Indian entities could face US sanctions by June 28 if the Obama administration determines that the country has not made enough cuts in imports under law aimed at cajoling Iran's petroleum industry to press the nation to comply with international demands over its nuclear programme.

OTHER STICKING POINTS

In addition to oil from Iran, there were other sticking points too in Indo-US ties which were taken up by Hillary Clinton in New Delhi or will be discussed at the coming

Indo-US Strategic Dialogue to be co-chaired by Clinton and Krishna in Washington next month. Clinton will seek clarity on the rules for the Nuclear Liability Bill that shapes the participation of US nuclear firms GE and Westinghouse in India. While in Kolkata, Clinton expressed her reservations about the limited nuclear liability legislation. She said, "We have made it clear that under the legislation that was passed, it will be difficult for US companies to participate because we have private companies that are in the market place whereas other nuclear companies are backed up by their governments."

She was also keen to get an update on major economic reforms including the status of legislation that will allow FDI in pension and insurance. US businesses are upset that India's Parliament has not passed the legislations they seek to enter in the nuclear and retail sectors.

The security situation in Afghanistan is also reported to have figured in talks. With troops led by the US planning withdrawal from Afghanistan by 2014, cooperation in stabilising the violence-torn country was reported to have been discussed in the backdrop of Kabul's request to India for supply of defence equipment under the bilateral strategic partnership. Krishna during discussions on Afghanistan, stressed the need for sustained international commitment to build Afghan capacity for governance, security and economic development and to support Afghanistan with assistance, investment and regional linkages. Hillary Clinton told Krishna, the US will negotiate a security agreement with Afghanistan.

Just last week, the US inked a strategic partnership agreement with Afghanistan when President Barack Obama flew down to Kabul and met Afghan President Hamid Karzai. With the US keenly eyeing India as a trade and investment destination, this issue was raised by Clinton during her meeting with Krishna.

Pakistan's role as a spoiler in Afghanistan and its refusal to take a firm and visible action against the perpetrators of 26/11 Mumbai terror attack in 2008 also figured in the talks in New Delhi. Clinton gave an inkling of her stand on this issue of concern to India when she addressed newsmen at a joint press conference after talks with Krishna. She urged Pakistan "to do more" to tackle terrorism and said that it needs to ensure that its territory

"is not used as launching pads for terrorist attacks anywhere". She said, the announcement of a \$10 million bounty placed on LeT founder and Mumbai attacks mastermind, Hafiz Saeed demonstrates the seriousness of the US in getting information that can stand judicial scrutiny. Stating that the US believes that Hafiz Saeed was one of the "principal architects of the attack against Mumbai", the US Secretary of state added, "We wanted to send an unmistakable message of solidarity with India" and people elsewhere.

Earlier, while speaking at an interactive session at La Maretiniere School for Girls in Kolkata on Monday, said, it is in Pakistan's interest that has lost more people to terror than India and the US that it should deal with the problem of terrorism.

Clinton claimed the al-Qaeda leader, Ayman Zawahiri was hiding somewhere in Pakistan. The charge was, however, emphatically denied by the Pakistan Foreign Minister, Hina Rabbani Khar in Islamabad. Clinton said, the US believed al-Qaeda's new leader, al-Zawahiri was in Pakistan. "We want to disable al-Qaeda. We have made lots of progress. Many of its leaders are on the run. Some are in Pakistan. We want to go after them", she said.

Krishna told newsmen, the recent terrorist attacks in Afghanistan's capital, Kabul, highlighted the need for elimination of terrorist sanctuaries in the neighbourhood and for Pakistan to take steps against terrorism, including bringing to justice the perpetrators of the 26/11 attacks.

The presence of a 56-member Iranian delegation in the country at the same time as Hillary signals New Delhi's firmness on maintaining its ties with Teheran. Also, this March, an 80-member Indian trade mission had spent five days in Iran and the Iranian delegation's trip is a return visit.

Commenting on Hillary Clinton's parleys in New Delhi, political observers say, because of its unscheduled nature, her visit provided an unvarnished perspective of the state of India-US relationship. There was no package of "deliverables" – no agreements to sign, no contracts to take home. The speeches were about themes that had been heard before. But, Ms Clinton and her Indian counterparts did get a chance to go over the problems and potholes in the relationship between the two democracies.

Inevitably, Iran sanctions, opening up the

retail sector and other irritants came to dominate the public debate about the visit. Not that some commonality was not evident; the US expressed much reduced patience for Pakistan's terror posture, agreed on the window of opportunity in Myanmar and shared an unspoken view that China needs to be ushered down specific path of political evolution. The US even made a mild pitch in favour of the Teesta water agreement on the off chance that would ease the present Center-State girdlock. While this highlighted the impotence of Manmohan Singh government, it also underscored how much the two countries share common interests.

HILLARY'S KOLKATA PARLEYS WITH MAMATA BANERJEE

Hillary Clinton who was coming to India after visits to China and Bangladesh, chose to break journey in Kolkata for a meeting with West Bengal Chief Minister Mamata Banerjee on May 6 before arriving in New Delhi. The significance of her trip to Kolkata and meeting with Chief Minister Banerjee cannot be overstated. While it is being viewed as a sign of recognition by the US Government of the growing importance of regional players in India's politics like Banerjee in the national political scenario, the West Bengal Government was keen on seizing this opportunity to showcase the state as an attractive destination for US entrepreneurs keen to invest in the region. The US is closely watching developments in West Bengal that barely a year ago witnessed a major political transformation with Banerjee assuming power after 34 years of Left Front rule.

In her meeting with Chief Minister Mamata Banerjee issues like FDI in retail, the Teesta treaty and US investment in West Bengal came up. But, her administration denied FDI in retail was on the table. The denial has not come as a surprise to those who have been acquainted with Banerjee's stand on the issue. In 2011, it was her strong opposition which forced the UPA government to keep the FDI issue on the backburner. The US sees Mamata, the strongest UPA ally, as the biggest roadblock in its plans for investments in the multi-brand retail sector in India. Teesta water sharing agreement between India and Bangladesh, insurance and investment climate in West Bengal and potential of US investments in Bengal, with particular reference to India's Look-East policy were the other subjects discussed, according to a senior Trinamool Congress leader and a

State Minister. Fresh from her visit to Bangladesh where the leaders complained to her about Mamata Banerjee's opposition to the Teesta treaty, she tried to persuade the West Bengal Chief Minister to give up her hard stand. New Delhi is looking forward to a quick decision by the chief minister on the Teesta, especially because it will pave the way for talks on many more important issues.

The US has decided to treat West Bengal as a partner-State and has promised the State investment and all possible cooperation. The Chief Minister sought US investments in IT software, manufacturing and deep sea port among others in the State. She also requested Clinton for US investment in the tourism sector and US collaboration in the social and education sectors.



INDIA AND THE US: SQUARING THE CIRCLE ON IRAN

S. Samuel C. Rajiv

India's continuing energy cooperation with Iran continues to be a prime area of foreign policy divergence between India and the United States. Though India has stated time and again that a nuclear Iran is not in its strategic interests and bad for regional stability, it has not desisted from sourcing much needed energy supplies from Iran.

Washington, on its part, contends that a prime source of funding for Tehran's nuclear activities is its oil revenues. This, it asserts, is recognised even by extant UN Security Council resolutions like 1929 of June 2010. Sanctioning three oil companies (Chinese Zhenrong, Singaporean Kuo Oil and Sharjah-based FAL Oil) under the provisions of the Comprehensive Iran Sanctions and Divestment Act (CISADA) in January 2012 for supplying refined oil to Iran beyond the limits set by CISADA (\$5 million worth transactions in a 12-month period), the US State Department noted that UNSCR 1929 "recognized the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation sensitive nuclear activities." Earlier sanctioning a Belarussian company in March 2011 under CISADA, the Department charged that Tehran uses its oil revenues to "fund its proliferation activities as well as to mask procurement for the

importation of dual-use items."

The US further tightened unilateral measures targeting the Central Bank of Iran (CBI) in December 2011. Section 1245 of the US National Defence Authorization Act of 2012, signed by President Obama into law on December 31, requires countries importing Iranian oil to 'significantly' reduce their imports within 180 days, i.e. by June 28, 2012, failing which financial institutions in these countries could be the targets of US sanctions. The provisions of the Act targeting the CBI followed the US designation of Iran as a 'jurisdiction of primary money laundering concern' in November 2011 in the light of its contention that the money being channelled by the CBI was posing "terrorist financing, proliferation financing, and money laundering risks for the global financial system." The European Union followed the US unilateral measure by announcing in January 2012 an embargo on Iranian oil to be effective from July 2012.

On March 20, 2012, the US gave sanctions exemption to 11 countries—Belgium, the Czech Republic, France, Germany, Greece, Italy, Japan, the Netherlands, Poland, Spain, and the United Kingdom—for 'significantly' reducing their oil imports from Iran. Apart from these 11 countries which got sanctions exemption for a period of 180 days (which can be further renewed), 12 other energy importing countries primarily in Asia including India, China, South Korea, among others, are currently under the US scanner ahead of the June 28 deadline. The visiting US Secretary of State Hillary Clinton, during her interactions both at Kolkata and New Delhi, impressed upon her interlocutors the need to continue to keep the pressure on Iran by helping constrict its oil revenues. At the Delhi press conference with External Affairs Minister S.M. Krishna, she insisted that Iran would not have come back to the negotiating table "unless there had been the unrelenting pressure of the international sanctions. And this pressure must stay on if we want to see progress toward a peaceful resolution." In Kolkata, Clinton asserted that there were "adequate supplies" in the international market from countries like Saudi Arabia and Iraq (currently India's second biggest supplier) for India to source its requirements.

Indian policy makers have been insisting that it is neither feasible nor desirable to cut

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ARVIND GUPTA

*South block New Delhi*

TASKS BEFORE INDIAN FOREIGN POLICY

Foreign policy is the tool by which India interacts with the world outside its borders. The two primary objectives of India's foreign policy are: a) protection of India's national sovereignty and territorial integrity; and b) promotion of the well being of the Indian people. Thus, India's foreign policy is designed to promote national security and development.

Foreign policy is impacted by global, regional and internal developments. India's global, regional and internal environment has become highly complex, posing several challenges to India's foreign policy.

The global environment is marked by the re-distribution of power, reflected in the rise of new power centres and the relative decline of the West. India has benefited from globalisation and economic liberalisation. It is one of the rising powers in the world. However, in order to leverage its strengths and mitigate its weaknesses, India will need to think strategically to navigate the turbulent global order.

The international order is in a state of flux. The uncertainties pertain to the redistribution of power, emergence of a polycentric world order, acuter competition for strategic resources, unequal distribution of wealth and power, the emergence of non-state actors, changing nature of conflict, threats to human security and state security arising out of climate change, poverty pandemics, terrorism, WMD proliferation, etc.

India can benefit from this uncertainty provided it maintains its natural strengths which are a strong economy, demography, democracy, political cohesion and a tolerant society. If we falter on any of these, we will suffer.

India is located in Asia, which is emerging as the new centre of global power. But Asia is home to great power rivalries. Asia has many security hot spots which impact India. West Asia, East Asia, South Asia, Central Asia and the Indian Ocean Region are areas of great strategic importance for India. But they

harbour many instabilities too. Therefore, India will need to approach these regions strategically.

A rising China will remain a significant foreign policy and security challenge for India. The boundary question is unlikely to be resolved in a hurry. The uncertainties of power transition in China, growth of nationalism, military modernisation, expanding ambitions in the Indian Ocean, its forays in South Asia, China-Pakistan nexus are all likely to remain concerns for India. Sino-Indian relations have improved in recent years but the mistrust has not disappeared altogether. India's policy towards China must be nuanced and calibrated carefully. India cannot afford to have a hostile and powerful neighbour on its borders. India will need to learn to manage China with a combination of "hard" and "soft" power options. Our diplomatic skills must be of high order. Sino-Indian economic trade, which is growing, still remains asymmetric. India must look for economic opportunities in China.

South Asia is vital for India's security and prosperity. Unfortunately, instability in South Asia is endemic. South Asian countries continue to remain sceptical about India's attitude and behaviour. India can leverage its economic strength for bringing South Asian countries closer. Regional integration must be promoted. People-to-people contacts must be facilitated. Connectivity must be improved. However, the problem remains psychological. India must adopt policies that reassure its neighbours. India must adopt long term strategies rather than bank on ad-hocism and knee-jerk responses.

Pakistan is becoming increasingly ungovernable and unstable. Pakistan's policy of using terrorism as a pressure point on India is a major challenge for India as is Pakistan's 'all weather friendship' with China. Sino-Pakistan nexus is likely to deepen further as China's global profile increases and Pakistan's own problems deepen. Both China and Pakistan are nuclear

countries. Radical elements in Pakistan do not countenance a prosperous and strong India. How should India deal with Pakistan? Our policy towards Pakistan must be based on deterrence as well as engagement. Pakistani society is getting differentiated and multi-layered. We should be looking for building favourable constituencies in Pakistan particularly amongst its civil society and youth. We should build our capacities to meet the terrorism challenge emanating from Pakistan, but a strategy of no-dialogue may not prove to be effective. We should also understand Pakistan's internal vulnerabilities and learn to exploit them to our advantage. In particular, we should highlight the situation in Baluchistan and Gilgit-Baltistan. We should ensure that Pakistan does not get any special role in Afghanistan that would harm India's interests. The Pakistan army appears to be under some pressure as is reflected in General Kayani's recent statements about "peaceful co-existence" and the importance of democracy. We should be using both negative and positive levers vis-à-vis Pakistan. We should not hesitate to establish military-to-military exchanges with Pakistan. Trade can be used as a positive lever. At the same time, we should guard ourselves against nuclear terrorism and possible humanitarian crisis emerging out of spiralling instability in Pakistan.

India has tremendous strategic interests and stakes in West Asia. The region accounts for about two-thirds of our crude imports and \$100 billion in trade. Nearly six million Indians living in West Asia remit over \$ 35 billion every year. West Asia is saddled with seemingly intractable problems and rivalries. These include the unresolved Israel-Palestinian conflict, Iran's nuclear programme, Iran-Israel and Iran-Saudi Arabia rivalries. The tensions in West Asia are likely to continue. The region is becoming even more complex on account of the onset of political turmoil—Arab Spring—in many countries. India's vote on the Libyan and Syrian

resolutions at the UN Security Council and India's handling of Iran shows that Indian policy towards its region will also evolve. India cannot afford to alienate any side in the region. While maintaining good relations with all countries in the region, we will also need to shore up our capabilities in the maritime domain.

India has to pay much greater attention to the different regions of the world than has been the case so far. India's Look East policy has brought considerable gains to the country, but it is still incomplete because of the lack of capacity in India to engage deeply with South East Asia and Asia. US's Asian pivot strategy and China's assertive stance in the South China sea will heighten tensions. North Korea remains a state of concern. US security guarantees in the region are being doubted by some countries. China sees a US 'return' to the Asia Pacific with concern. Tensions in the region will grow. India needs to enhance its engagement with Myanmar which is now opening up. India's North-East Region must be integrated into India's Look East policy. India will need to deepen its strategic partnerships with Japan, South Korea, ASEAN, Austria and countries in the South West Pacific.

Africa is opening up. There has been strong economic growth in sub-Saharan Africa. India has sought to enhance its engagement with Africa. The India-Africa Forum has been a good beginning. This engagement must be deepened further. In contrast to the Chinese model, which is based upon the exploitation of Africa's resources, India must have a mixed model of society building and economic engagement.

Central Asia remains important for India. We have not been able to leverage our historical closeness with the region mainly due to lack of geographical access. India must engage with Central Asian countries bilaterally as well as through multi-lateral institutions like the Shanghai Cooperation Organisation. India needs to invest more in Central Asia. TAPI, if realised, will enhance India's energy security.

Although Europe is in economic difficulty, its importance for India cannot be underestimated. India's trade with Europe remains significant. Europe can also be a source of investment and technology. A large number of Indians continue to live and work in Europe. In recent years, the strategic content of our relationship with Europe has been diminishing. This situation must be altered. Europe must be encouraged to invest in India. People-to-people contacts must also be enhanced. Similarly, India must look for long term opportunities in Europe despite the latter's weaknesses.

Russia remains a time-tested friend of India, but over the years Indo-Russian relationship has, to some extent, weakened. This is largely due to the changes in global and regional environment. Russia is engaging more and more with China and is disillusioned with the US and Europe. It is also in the midst of a major internal political and economic churning. India has also diversified its foreign policy. The Russians are watching the growing Indo-US relationship with some concern. They are also apprehensive that their dominance in India's defence market may be affected. Indo-Russian relations need to be diversified. Particular attention must be paid to improving the economic content of the relationship.

The United States remains the single biggest power and India must have an ever-deepening strategic partnership with it. The US is likely to turn towards India as its relative power declines. The many commonalities in the value systems of the two countries will make it possible for India to maintain its partnership with the US while retaining its strategic autonomy.

India needs to play an effective role in the emergence of global institutions of governance. India's role in the G20 is a good beginning. India's economic engagement with the world must improve. India can leverage its vast market, human resource potential and scientific and technological infrastructure to engage with the world. India's defence industrialisation programmes can provide new stimulus for this engagement.

Multilateralism is in a state of flux. Many UN institutions are in crisis. The role of informal non-official communities and regimes in the fleshing out of the norms of governance is increasing. The influence of informal institutions on formal institutions is also increasing. India has staked its claim to a permanent membership in the UN Security Council but this may not be forthcoming easily. India needs to recognise that much of today's global norm-setting is done outside formal institutions, by informal networks of professionals. These informal networks have a profound impact on the functioning of formal institutions. India should ensure that it has membership of the relevant institutions, both formal and informal. India has benefited from its engagement with groupings like IBSA and BRICS. India should broaden its options so that its influence increases around the world.

India's foreign policy must be backed by hard power. India should be ready for a two-front armed conflict to be fought under a

nuclear overhang. Hard power is important not only in the context of Pakistan and China but also in the context of the Indian Ocean where India should vouch for freedom of navigation. India must develop a significant maritime orientation to its military power. Its nuclear deterrence must be credible. Air power must be developed to neutralise the air assets of the adversary. Cyber security and space security must be given due attention.

India's foreign policy challenge also lies in uncertain domestic politics. A recent example was India's inability to sign the Teesta Water sharing agreement with Bangladesh. India's Sri Lankan policy is influenced by politics in Tamil Nadu. Over the years, the consensus on Indian foreign policy has been breaking down. The numerous problems within India, particularly on the internal security front, also affect India's foreign policy. The capability of the Indian state to meet the internal security challenges, which can be exploited by external forces, must be built up. Internal security challenges range from the Maoist threat to insurgencies in different parts of the country.

India will also need to resolve a number of non-traditional security issues where diplomacy will play an important role. These include energy security, nuclear security, climate change, etc. Energy Security will depend upon India's ability to ensure energy supplies from abroad, promoting energy efficiency at home, taking a lead in renewable energy and clean technologies. Nuclear security is emerging as a new issue, arising out of concerns about the safety and security of nuclear assets. India needs to strengthen its national efforts towards nuclear security while contributing towards the emergence of nuclear security standards in the world.

India's strengths will emerge from a strong economy which, in turn, has to be based on sound formation of knowledge and information. We need to build our education system to world standards. Innovation must be given a premium. National security must be an integral part of our education system. Strengthening of national security will also depend upon addressing cyber security challenges. We must leverage ICT in national security.

India must transform its governance to meet the coming challenges. Foreign policy is a part of overall governance and can play a role. The key is to back our good intentions in foreign policy with adequate power. At the same time, power must be embedded in our values for it to be legitimate.



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off energy links with Iran. Prime Minister Manmohan Singh reportedly told Secretary Clinton during his meeting with her on May 7 that though India supports the non-proliferation objectives of the international community vis-à-vis the Iranian nuclear issue, it will be guided solely by its national interests on issues of energy security. On his part, Foreign Minister Krishna insisted at the press conference that "Iran is a key country for our energy needs" and stated that both India and the United States have discussed each other's "position" and "perspectives on energy security." He added that the issue was "not a source of discord between our two countries."

India's energy imports from Iran during April 2012 were about 35 per cent less than during the previous month—260,000 barrels per day (bpd) as against about 410,000 bpd in March. During his April 2012 visit to the US to attend the meetings of the World Bank and the International Monetary Fund (IMF), Finance Minister Pranab Mukherjee stated that Indian imports from Iran currently stood at about 14 million tonnes out of total imports of "roughly about 160-170 million tonnes" annually. From about 13-16 per cent in recent past, this indeed is a significant reduction in the overall share, given that India's energy requirements have galloped.

The above aspect was also stressed by Krishna during his joint press conference with Secretary Clinton on May 8, where he stated that "India's imports are growing on an average by about ten million tonnes annually. Given our growing demand it is natural for us to try and diversify our sources of imports of oil and gas to meet the objective of energy security." India's top supplier Saudi Arabia will supply 32 million tonnes in 2012-13, as against 27 million tonnes in 2011-12. Reports also note that Indian refineries processing Iranian crude have been asked informally to cut back on imports from Iran.

The prospects of India's interactions with Iran on the energy front being seen as better aligned with US policy objectives/prescriptions will be the subject of further discussions. The ongoing efforts by both the countries to square the circle on the issue will continue when US Energy Coordinator Carlos Pascual visits New Delhi soon to discuss possible ways in which India could further cut back on its energy links with Iran.

India's compulsions as an energy-deficient developing country dependent on imports for

meeting the majority of its energy needs, as well as its position as an important strategic partner of the United States, should be prominent guideposts for the State Department to make the upcoming June 2012 decision. Any US decision that could be seen as constricting India's burgeoning energy requirements could not only negatively affect bilateral ties but also create avoidable hiccups in India's growth story.

The US pressure on India to cut back on its energy links with Iran is in tune with its 'dual-track' policy of "sanctions in pursuit of constructive engagement," as stated by Secretary Clinton in July 2011. Past experience however shows that as the scope of sanctions increased, Iran's behaviour became more defiant. Iran, for instance, suspended its implementation of the Additional Protocol (which it had signed in December 2003) on February 6, 2006 after its referral to the UNSC in the February 4 resolution of the IAEA DG. It also went back on its decision to abide by the provisions of the revised Code 3.1 of its Subsidiary Arrangement in March 2007, in the immediate aftermath of UNSC Resolution 1747. After talks were re-started in Istanbul in April 2012 after a gap of 15 months—which Clinton affirms is a result of sanctions pressure, the second round of discussions between Iran and the P5+1 is scheduled to be held in Baghdad on May 23. The nature of Iran's interaction with the IAEA in the aftermath of those talks will indicate whether the US (and EU) strategy of increasingly punitive measures will yield 'constructive' results. Given that the Istanbul talks were described as "positive" by all sides involved, it would seem that there is indeed scope for cautious optimism.



WORLD BRIEFS

RECORD NUMBER OF INDIANS IN US POLL RACE

A record number of Indian Americans – at least 12, are in the fray for the November 2012 polls vying for a place in the House of Representatives, reflecting the serious effort of this fastest growing ethnic community in the USA to politically empower itself.

Cutting across party line, these Indian-American candidates are spread all over, with two each from California and Michigan.

Hansen Clare, who is half Indian, is seeking re-election from Michigan while another candidate, MsTulsiGabbard, a Hindu is receiving massive support from Indian Americans. The inspiration for these candidates, numbering at least a dozen, comes from the phenomenal success of two rising stars of the Republican party, Ms Nikki Haley, Governor of South Carolina and Bobby Jindal Governor of Louisiana. However, most of the Indian American candidates are running for Congress on a Democratic ticket.

Meanwhile, President Barack Obama heaped praise on Punjab-born Dalip Singh Saund, he country's first Indian-American member of US Congress. In his address at the annual gala of the Asia Pacific American Institute for Congressional studies on May 10, the US President described the late Saund as a "trailblazer". He came to US at the young age in 1920 and stayed to become a farmer. He took on the cause of citizenship for all people of South Asian descent, earned his own citizenship and stepped up to serve the country he loved and became the first Asian-American elected to the Congress, he noted.

AL QUEDA UNDERWEAR BOMB PLOT THWARTED

The US intelligence services foiled a plot hatched by a Yemeni affiliate of al-Queda to blow up a plane bound for the US using a more sophisticated version of the underwear bomb deployed unsuccessfully in 2009. FBI said, it is in possession of a device that is similar to other s previously used by al-Queda in the Arabian peninsula.

The would-be bomber, who was actually a Saudi Arabian intelligence agent was given the bomb by al-Queda in Yemen and left the choice of plane and the timing to him. The agenda passed on the bomb to the CIA. The plot had been conceived to coincide roughly with last week's first anniversary of the killing of al-Queda chief, Osama bin Laden. In 2009, Umar Farouk Abdulmutallab, a Nigerian, attempted to detonate plastic explosives hidden in his underwear on a flight from Amsterdam to Detroit. He confessed and was sentenced in February this year to life prison. Al-Queda claimed to be behind the plot.

DEFEAT OF SARKOZY, FRANCE TURNS LEFT

France has woken to a new era after electing Socialist Francois Hollande as President, a Leftist pledging to buck Europe's austerity trend and NATO's timetable for

Afghanistan. Final results show Hollande narrowly defeated Sarkozy with 51.62 per cent of the vote or 1.13 million of the 37 million votes cast in the election. Sarkozy who finished the first round about half a million votes behind Hollande, failed in his bid to attract sufficient votes from supporters of far-right leader Marine Le Pen. The result will have major implications for Europe as it struggles to emerge from a financial crisis and for France, the Eurozone's second largest economy and a nuclear-armed permanent member of the UN Security Council.

PUTIN, MEDVEDEV COMPLETE JOB SWAP

Russia's Lower House of Parliament confirmed on May 8 former President Dmitry Medvedev as Pm on May 8, completing a job swap with Vladimir Putin that has sparked

protests against the two leaders' grip on power. The approval vote, comfortably won by Medvedev as Putin looked on, ignored growing concern in the country that keeping power in the hands of the same men who have led Russia for the past 4 years, will bring political and economic stagnation.

GREEK VOTE AGAINST AUSTERITY MEASURES

Athens raised the prospect of reneging the terms of its bailout by EU after Greek voters roundly rejected on Tuesday austerity measures, raising fresh doubts over the country's euro zone membership. The head of the radical left wing Syriza party charged with forming a government warned in a letter to Athens's international lenders that any cabinet resulting from his negotiations would renege on the terms of Greece's 240 billion

euro EU-IMF bailout. He has, however, failed to put together a coalition Government leaving it to leaders of Pasok and New democracy to make an attempt.

JAPAN GOES NUCLEAR POWER FREE

Thousands of Japanese marched on May 5 to celebrate the switching off of the last of their nation's 50 nuclear reactors, waving banners shaped as giant fish that have become a potent anti-nuclear symbol. Japan will be without electricity from nuclear power for the first time in four decades when the reactor at Tomari nuclear plant on the northern island of Hokkaido goes offline for routine maintenance. After last year's March 11 quake and tsunami set off meltdowns at the Fukushima Daichi plant, no reactor halted for checkups has been restarted amid public worries about the safety of nuclear technology. ■ ■ ■

KAZAKHSTAN BACKS SCO OBSERVER STATUS FOR AFGHANISTAN

Astana backs granting observer status at the Shanghai Cooperation Organization to Afghanistan, Foreign Minister of Kazakhstan Yerzhan Kazykhanov says on May 11, while speaking at the regular meeting of the Council of SCO Foreign Ministers (CFM) that took place in Beijing, China.

"Kazakhstan is interested in a sustainable and stable development of Afghanistan. Kazakhstan is an active supporter of Kabul to be involved in the regional integration processes. We believe that by providing the observer status to Kabul we will strengthen the economic and humanitarian cooperation with Afghanistan," Kazykhanov says.

Expressing concern about the current situation in Afghanistan and stressing that peace and stability in the SCO responsibility zone depends on the internal situation of this country, the ministers of SCO member states decided to submit the issue of the Afghan bid for observer status to the agenda of the SCO Council of Heads of States which is to be held in Beijing on June 6-7, 2012.

The ministers also submitted the issue of granting the status of SCO dialogue partner to the Turkish Republic for the consideration by SCO Council of Heads of States.

Discussion of the preparations for the upcoming June summit was one of the main themes of the foreign ministers meeting. Addressing his counterparts, Kazykhanov stressed that Kazakhstan supports the draft agenda and the list of documents proposed to be signed at the upcoming summit, scheduled



to be held in Beijing in June.

The key documents that were approved by foreign ministers include the draft guidelines for SCO development strategy in the medium term, a new version of the Regulations on the political and diplomatic measures as well as the draft Programme of cooperation of SCO member states in combating terrorism, separatism and extremism for 2013-2015.

According to Kazykhanov, the approved documents will be the basis for the full-fledged and solid SCO strategy. "We need to collectively look to the future in order to adequately and promptly respond to emerging threats and challenges," the Kazakh foreign minister stressed. Speaking of the cooperation of SCO countries in ensuring international information security, Kazykhanov particularly noted the importance of implementing the initiatives of President of Kazakhstan Nursultan Nazarbayev to establish the SCO Cyberpol - the body aimed at fighting cybercrime and cyberterrorism.

In his speech Kazykhanov also pointed out that Kazakhstan is closely following the situation and events in Syria and expressed hope that the situation in the country stabilizes in the nearest future. As for the issue of Iranian nuclear programme, the Kazakh foreign minister says

that Kazakhstan stands for a peaceful solution of this problem.

"We urge to seek additional ways to resolve the issue, including the 'five plus one' format. As a country that has made a major contribution to the process of nuclear disarmament and strengthening of nuclear safety, Kazakhstan, if needed, is ready to provide a platform for holding the negotiations in this format," Kazykhanov says. At the sidelines of the Beijing meeting of the SCO Council of Foreign Ministers Yerzhan Kazykhanov and his Chinese counterpart Yang Jiechi met on Friday morning and voiced readiness to advance bilateral ties to a new level. Yang said China-Kazakhstan relations have developed in great leaps since the two countries established diplomatic relations 20 years ago. He said the two sides had developed a cooperative strategy for the 21st century, formed a comprehensive strategic partnership and carried out a series of large-scale projects in various areas.

Kazykhanov said the joint efforts of both sides have brought about all-round development in the bilateral links in recent years as leaders have kept frequent contact.

China and Kazakhstan established a comprehensive strategic partnership in 2011. Two-way trade reached US\$ 25 billion last year. The members of the SCO are China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan. The organization was founded as the Shanghai Five in 1996 and changed its name in 2001 after Uzbekistan joined. ■ ■ ■



BUDGET CORRECTION: RIGHT SIGNAL TO FOREIGN INVESTORS!

At a time when the government is dragging its feet on critical reforms like retail FDI while it rages on sensitive decisions like general anti-avoidance rule (Gaar) and the retroactive taxation on Vodafone, Finance Minister Pranab Mukherjee did well to postpone implementation of the General Anti-Avoidance Rule (GAAR), which was a big irritant to foreign entities investing through the Mauritius route to avail of tax advantages. On the GAAR, which has evoked sharp criticism from foreign investors, the Finance Minister said, "to provide more time to both tax payers and tax administration to address all issues, I propose to defer the applicability of the GAAR provisions by one year...(it) will now apply to income of financial year 2013-14 and subsequent years."

This announcement was made last week while moving the Finance Bill, 2012 for consideration and passage in the Lok Sabha. The GAAR provisions will now apply to income of Financial Year 2013-14 and subsequent years. The March 16 budget had proposed the General Anti-Avoidance Rules, better known as GAAR, which empowered tax officials to open up any deal they suspected was structured to dodge taxes. The burden of proving innocence/tax liability was on the taxpayer, which now has been shifted to the tax collector. This move, and the rollback of some other Budget proposals, will definitely make life easier for the taxpayer.

The pressure brought to bear by angry investors and traders, depressed stock markets and a rupee in free fall was probably too much to bear. Mr. Mukherjee must also have been conscious of the importance of foreign portfolio flows to bridge the widening current account deficit, estimated to be around 4 per cent for 2011-12, while deciding to defer the implementation of GAAR until the next financial year. These were a red rag to foreign investors, some of whom held back fresh investments in the period since the budget.

Mukherjee's amendments to the Finance Bill 2012-13, have ensured companies operating their businesses through countries with which India has double taxation avoidance agreements (DTAAs) would continue to enjoy low or no capital gains tax, as applicable in the country. However, once the General Anti-Avoidance Rule (GAAR) is implemented, these would be subject to tax provisions in India.

In a further damage control exercise, Mr

Mukherjee has also announced some major changes — shifting some of the burden onto the tax authorities from the taxpayer, for example. In addition, the committee evaluating a GAAR-based tax claim will contain a nominee from the law ministry, ensuring that a voice from outside the tax administration will be heard. A year should allow taxpayers and tax authorities some time to get used to what is expected from both of them. The markets have responded positively to these announcements.

However, the controversial proposal to impose retrospective capital-gains tax on overseas deals involving the transfer of an Indian business stays. This would still hold Vodafone taxable in India for its 2007 acquisition of a controlling stake in Hutch-Essar. Yet, he has clarified the provision in some important ways: it will not be used to reopen closed assessments, nor will it override existing double-tax avoidance agreements India has signed. Hopefully, future discussion of this clause will be somewhat less extreme, now that it is clear its impact is so carefully demarcated.

Given the state of the Union finances, the Finance Minister is justified in trying to mop up resources. The GAAR amendment, intended to curb black money, was badly needed, especially as the double taxation avoidance treaty with Mauritius was being misused by many people, and certainly not observed in its letter and spirit. Unfortunately, the GAAR proposal was thoughtlessly rushed through without even perusing how some other countries, such as Canada, Australia and South Africa, implemented similar schemes.

It is well known that Indian companies evade taxes by routing their investments through tax havens like Mauritius. However, foreign funds too use this route and feared the levy of tax in violation of an existing treaty with Mauritius. If two foreign firms make profits over the transfer of an Indian asset, their tax liability is unassailable. Foreign investors are not averse to paying legitimate taxes. But the move to make retrospective changes in tax laws was seen as an attempt to undo the tax relief granted by the Supreme Court to Britain's Vodafone and contrary to international practices. The tax regime has to be simple, clear and competitive, and changes cannot be introduced every year.

It is unfair to treat legitimate investors as potential criminals or driven away from India

out of fear of unpredictable action by the tax department. Investor confidence has been shaken due to government indecision, annoying tax proposals in the budget, rising current and fiscal deficits, a negative rating by Standard and Poor's and slowing growth. Foreign funds touching \$540 million were pulled out of stock markets in March and April, while the first two months of the year had seen inflows of \$13 billion.

The government could, however, have avoided the embarrassment of having to roll back GAAR had it been more diligent while preparing its taxation proposals. The Union Budget is closely watched around the world for signals indicating the government's thinking.

With corporate confidence at a new low, the government has to ensure genuine investors are not harassed at the hands of tax officials who have been armed with wide powers to trigger a GAAR scrutiny. And GAAR is only one of several irritants that have reduced the flow of foreign funds to a trickle. The finance minister's assurance that retrospective changes in tax laws would not be applied to cases already assessed is not enough. There has to be much greater clarity, and not through bureaucratic circulars and notifications, but through detailed, unambiguous guidelines. Only this will instil some confidence in the government's sincerity and pave the way for restoring domestic investors' as well as foreign investors' confidence in the Indian economy.

Alongside, the jewellers' lobby also seems to have won with Mr. Mukherjee doing away with the 1 per cent excise duty that he imposed on non-branded jewellery. It is a double bonanza for the trade because branded jewellery will also be exempt from the levy now. More than the revenue that could have been generated from it, the duty was important because the jewellery business has traditionally been a magnet for unaccounted money and this levy might have brought such funds to account. In a related relaxation, the threshold limit for TCS (tax collection at source) on cash purchase of jewellery will be raised to Rs 5 lakh from the present Rs 2 lakh. It is not clear what impact the rollbacks will have on the revenue side of the budget arithmetic.

If in the end, they lead to better sentiment and consequently higher GDP growth, their purpose might have served. ■ ■ ■

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BUDGET EFFECT

LOK SABHA PASSES FINANCE BILL 2012-13

TAX CHANGES MAY MAKE SOME CONSUMER GOODS CHEAPER

Concluding debate on the Finance Bill, 2012 which was passed last week, giving effect to all the tax proposal in the Budget, Replying to the debate on the Finance Bill, Finance Minister, Mr. Pranab Mukherjee announced that the chassis for commercial vehicle, ball point pen ink and goods required for solar power projects would now become cheaper with central excise duty concession being extended to them.

On the customs side, the exemptions cover wood pulp, goods required for the setting up of solar power projects and certain raw materials for the manufacture of the solar cells.

With this, the Lok Sabha has completed the three-stage budgetary process.

The Finance Bill will go to Rajya Sabha which will return it for Presidential assent.

Prices of colour televisions, air conditioners and computer monitors may come down soon, as the Finance Ministry



has decided to apply uniform rate of abatement for levying excise duty on various electronic consumer durables. The rate of abatement determines the portion of retail sales price or maximum retail price (MRP) on which central excise duty will be levied.

According to a Finance Ministry official, "Now, the uniform rate of abatement would be 35 per cent."

It means if the retail sale price is Rs 100, then, excise duty will be levied only on Rs 65. If the rate of duty is 12 per cent, then with the rate of abatement, the effective rate of central excise duty would come down to 7.8 per cent.

UNIFORM RATE

At present, various electronic items have various rates of abatement. For example, this rate is 30 per cent for colour televisions, while it is 25 per cent for air-conditioners. It is 20 per cent for monitors and 35 per cent for fridges, washing machines and mobile phones. Now, all these items will attract the

same rate. The Central Board of Excise and Customs (CBEC) has issued a notification in this regard.

The latest development may cheer the durables sector, which is facing tough times.

The Budget had raised the general rate of excise duty from 10 to 12 per cent. The rupee has depreciated almost 10 per cent in last two months, raising costs of imported components. This necessitated the industry to hike the prices last month.

With the latest development, the industry might not need to raise prices anytime soon, especially for colour TVs and air-conditioners.

The increase in the rate of abatement is definitely a welcome initiative and will bring us relief in categories like colour televisions and split ACs.

"Improvement in abatement will bring down the excise element. It is a welcome change for the industry. Benefits would be passed on to the consumers," Mr Kamal

RATE OF ABATEMENT

	Old rate	New rate
Colour Televisions	30	35
Washing Machines	35	35
Refrigerators	35	35
Air-conditioners	25	35
Mobile Phones	35	35
Monitors	20	35
(in %)		

Nandi, Vice-President (Sales and marketing), Godrej Appliances said.



ESCAP SURVEY PROJECTS GDP GROWTH AT 7.5 % IN 2012-13

After a spate of negative forecasts by a number of international agencies on the health of the country's economy, a United Nations report, on last Thursday, has projected a faster GDP (gross domestic product) growth rate for India at about 7.5 per cent this fiscal even as most of the Asia-Pacific economies are expected to see a much slower pace of expansion.

The projection, contained in the 'Economic and social survey of Asia and the Pacific 2012', the flagship publication of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), may be something to cheer about as its growth forecast is just a tad lower than the government's own estimates of a 7.6 per cent expansion for 2012-13.

Releasing the report at a function in New Delhi, ESCAP Chief Economist Nagesh Kumar said: "The Indian economy's strong fundamentals, namely, high saving and investment rates and rapidly expanding labour force and middle-class, will ensure a steady economic performance with some volatility in GDP growth rates from year to year. There are indications that the economy is turning around as core sectors, including manufacturing, show signs of recovery. We expect it to expand by about 7.5 per cent in 2012-13."

The launch of the report here — wherein Chief Economic Advisor Kaushik Basu was the chief guest — was part of a series of simultaneous events organised across the Asia-Pacific to mark the release of the survey. Pointing out that the ESCAP survey, over the years, has been combining rigorous economic analysis with an in-depth social perspective in an integral fashion, Dr. Basu said: "In the current challenging global economic environment, the Asia-Pacific region and India, in particular, have a special responsibility and a major role to play, as a balancing force to offset risks of economic shocks from other regions, such as the Eurozone..."

The report noted that for the Indian economy, the 2011-12 fiscal turned out to be a difficult one owing to the twin shocks of a global slowdown and the impact of a severe monetary tightening aimed at containing inflation. For the entire 2011, inflation remained a major concern and the Reserve Bank of India had to raise policy rates 13 times in 19 months, which impacted private consumption growth.

"This affected industrial investment. Yet, the Indian economy managed to grow at a robust rate of 6.9 per cent," Dr. Kumar said.

ON INFLATION

Estimating that the overall inflation in India would remain at around 6.5 per cent in 2012, the ESCAP survey advocated increased supply of food items to contain the price rise.

"In line with increased prosperity, the food habits of consumers have been changing from cereals to proteins, fruits and vegetables, and to contain food inflation, supply of these items has to be enhanced," it said.

Harping on the economic crises, such as the eurozone problem, the report pointed out that the weaknesses of major developed economies pose a major threat to growth in the Asia-Pacific region and this could lead to a lower expansion — from 7 per cent in 2011 to 6.5 per cent in 2012.

"The higher cost of capital and reduced demand for regional export, combined with loose monetary policies and trade protection measures of some advanced economies, contributes to this slowing of Asia-Pacific growth in 2012," United Nations Under Secretary-General Noleen Heyzer said.

The Asia-Pacific economies, she said, should try to maintain a growth-inflation balance, cope with capital flows and exchange rate volatility and create jobs to achieve high growth.

Meanwhile Deputy Governor of the Reserve Bank of India (RBI) has said that India's economy was likely to witness a mild recovery during this financial year, despite several financial and external pressures that were strongly influencing the policy environment.

Speaking on "Monetary Policy Challenges in a turbulent world" organised by the CII Southern Region last week, he

affirmed that he was looking at mild recovery in growth despite decline in industrial production to 3.5 per cent in March. "Our outlook for 2012-13 is for a mild recovery in growth. Our projection in the April policy indicated that the GDP (gross domestic product) growth would be at 7.5 per cent. We do expect some bottoming out of this process over the course of the year," he said.

The monetary policy had to be sensitive enough to other risks and pressures. Global conditions are likely to be challenging for some time to come, and oil prices and capital flow demand greater attention, he said.

Gokarn said the domestic growth-inflation balance was stabilising even as risks remained on both fronts.

According to the government data released earlier in the day, industrial output shrunk 3.5 per cent in March due to poor show of manufacturing and mining sectors, dampening hopes of an early revival of growth.

The 3.5 per cent contraction in the Index of Industrial Production (IIP) data for March indicated that there was a sort of slowdown, he said.

On RBI's intervention in arresting the rupee slide, Gokarn said the apex bank would continue to use instruments within its ambit to curb volatility in the foreign exchange market.



INDUSTRY INDUSTRIAL OUTPUT SLUMPS 3.5% IN MARCH

On the back of a bundle of indicative woes afflicting the economy such as high inflation, widening current account deficit and a depreciating rupee that the government is yet to effectively address, has come a dismal set of IIP (index of industrial production) numbers depicting the sorry plight of the manufacturing sector at the end of fiscal 2011-12.

The IIP data released by the Central Statistics Office (CSO) on Friday last revealed that for the first time in five months, industrial production contracted 3.5 per cent in March, 2012, as compared to a robust growth of 9.4 per cent achieved during the

WESTERLIES HIT INDIA

The slowdown in Europe has resulted in demand dipping — which has brought output down



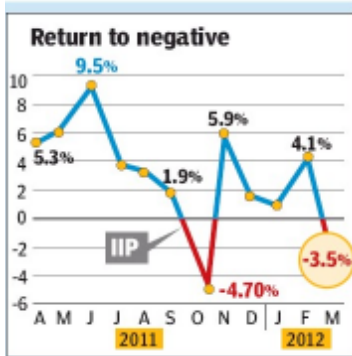
Contraction in India's industrial output in March 2012 compared to 9.5% in March 2011 and 4.1% in Feb. 2012.

3.9% Estimated growth in manufacturing in 2011-12, down from 7.6% last year

-1.3% Contraction in mining output in March 2012 compared to 0.4% growth in March 2011

2.7% Growth in manufacturing output in March 2012 compared to 7.2% in the March 2011

-21.3% Contraction in capital goods output in March 2012, compared to 14.5% in March 2011



What is pulling down growth

- Sharp slowdown in investment
- Gross fixed capital formation down to 29.3% of GDP, 4 percentage points down over 4 years.
- Global conditions likely to remain under pressure.
- Exports to Europe, US hit by slowdown there.

same month a year ago.

What came as a further surprise was the fact that the IIP's foray into negative territory at the fag end of the fiscal year was preceded by a positive growth of 4.1 per cent in February, which is a clear reflection of a drying up of the investment tap, ostensibly owing to India Inc.'s perception of interest rates being still too high.

This is the second time the index has nosedived in the last fiscal - earlier, there was a fall of 5% in October 2011 - and the showing is in marked contrast to the performance a year ago when the growth rate was an impressive 9.4%.

Shrinking demand has hit companies hard at a time when they are looking for options to keep revenues high, maintain reasonable profits with minimal employee layoffs — and since corporate profitability gets hit, investors too shy away.

Industrial tempo was steadily losing steam during 2011-12 and tell-tale signs of the imminent slowdown were not wanting; during the first quarter, the industrial index had expanded at an average rate of 7% and the pace had slackened to less than half of this in the second quarter (3.2%), which dropped even further to 1.2% in the third quarter, climaxing in the minuscule rise of

0.6% in the final quarter.

In the event, the annual average growth in industrial production during 2011-12 worked out to a dismal 2.8% — a far cry from the increase of 8.2% during the preceding year and only a shade better than what was recorded in 2007-08 (2.5%).

The slump in industrial output during March 2012 stemmed from adverse tidings from mining and manufacturing sectors—which between them account for nearly 90% of the weight in the overall index — and a let-up in power generation. In mining, the growth rate was negative (-1.3%) unlike the year ago when it was fractionally better at 0.4%. In the case of manufacturing, the plunge was steep, to (-)4.4% from 11%. In electricity, there was a noticeable slackening, to 2.7% from 7.2%.

The pervasive nature of the industrial slowdown during March 2012 is evident from the use-based classification of the IIP. In the pivotal capital goods segment, from a high of 14.5% a year ago, production had declined by a steep 21.3% now. The trend was broadly similar in intermediate goods, dropping to (-) 2.1% from 3% a year ago. In basic goods, there was deceleration to 1.1% from 6.4% and in consumer goods, to 0.7% from 13.2%.

Both the consumer durables and the non-durable segments of the consumer goods sector had fared poorly in March, with the production of durables up by a measly 0.2% from the year ago level of 14.9% and that of non-durables higher by just 1% as against 11.9%.

With factory production in the doldrums for the most part of 2011-12, the performance for the year as a whole too was none-too-impressive. Barring electricity, the rate of growth was well below the levels achieved in 2010-11 in both mining and manufacturing. In respect of the heavyweight in the IIP, manufacturing, the average annual growth fell to a mere 2.9% in the last fiscal from almost 9% in the preceding year.

The use-based classification also reveals the extent of the setback during the last year. In consumer goods, the growth rate, at 4.4%,

was just about half of what it was in 2010-11 while in capital goods and intermediate goods, there was a fall even in the absolute level of production. Only, in the case of basic goods, the trend was gratifying even though, here too, the momentum had weakened to 5.5% from 6%.

A slowing economy has resulted in lower tax collections, limiting the government's ability to spend more on welfare schemes, upsetting fiscal plans.

The latest data released on Friday jolted equity markets and the benchmark 30-scrip sensitive index or Sensex of the Bombay Stock Exchange (BSE) ended the day at 16,292.98, down 0.77% or 127.07 points from its previous close at 16,420.05.

Rate cuts: The weaker than anticipated industrial performance, coupled with stable core inflation, has raised the probability of further rate cuts by the Reserve Bank of India (RBI), say economy watchers.

The RBI had sprung a surprise in March with a 50 basis point cut in the repo rate. Many economists see a gradual pick-up in industrial activity only in the second half of this year, once the repo rate cuts get transmitted into the system.

For the full 2011-12, the index of industrial production (IIP) grew just 2.8 per cent, compared with 8.3 per cent last year. This weak performance prompted India Inc to renew its demand for further rate cuts by the RBI.

FM disappointed: Reacting to the March IIP numbers, the Finance Minister, Mr Pranab Mukherjee, said the figures were disappointing. "The IIP figures are disappointing... Continued weak global business sentiments are also adversely impacting recovery in domestic private investment," Mukherjee told reporters.

He said the anticipated revival of manufacturing in the last quarter of 2011-12 had not materialised.

Both manufacturing and services are hit by the moderation, due to slow growth in exports because of slowing European economies. The weakest links are the capital and intermediate goods segments.

Weak investment demand due to tight monetary conditions and slow policy reforms have led to a sharp decline in output growth in these sectors.

Output growth in basic goods, which comprise of infrastructure sectors such as cement, steel, coal and power, appear to be slowing down considerably.

Mr Mukherjee said domestic investments remained frail. Uncertainty in the global economy coupled with monetary tightening over the last two years has impacted investment recovery, he told reporters.

Although the RBI reversed its monetary stance in the last policy announcement, it will take some time for interest rates to come down, he added.

The Planning Commission Deputy Chairman, Mr Montek Singh Ahluwalia, said the solution lies in focusing on project execution, not in providing a stimulus.

He said he did not think the Eurozone problems could be linked to the negative IIP, adding, however, that: "It (Euro zone) is clearly an important factor which is depressing investment sentiment"

Reacting to the IIP data, Finance minister Pranab Mukherjee said slowdown in global demand and investment activity has impacted IIP.

Chambers call for fast-tracking reforms: Apex industry associations have expressed disappointment over weak Index of Industrial Production (IIP) performance for March and made a case for fast tracking reforms to spur growth.

"A coordinated action from the Government and the RBI is called for at this juncture," they said.

FICCI President, Mr R V Kanoria said that the March IIP figures show high degree of volatility in industrial performance. "Growth does not seem to have bottomed out, and unless, the Government acts immediately, FICCI does not expect an improvement in manufacturing until the second half of this fiscal when the base effect would be favourable and the Central Bank's rate cut will translate into a positive impact."

Mr. Chandrajit Banerjee, Director General, CII, said that while economy is showing early signs of de-growth, on the back of high cost and poor availability of capital, high input costs and poor sentiments, which have not been helped by the recent change in outlook by S&P, India is in a position, where domestic actions can

help effect a turnaround.

Industry body ASSOCHAM made a case for easing monetary policy despite inflation risks.

HIGH INTEREST RATES, RISING COST TWIN CONCERNS FOR THE INDUSTRY: CII

High interest rates and raw material cost have been two main concerns of the industry in northern region, says a CII survey.

In its latest business outlook survey, it was further revealed that stagnancy in reforms is the third most important concern along while currency risks and inadequate skilled labour.

On the inflation front, expectations of easing down are low, with 34 per cent of the respondents expecting inflation to surpass the 9 per cent mark this year, as against 29 per cent in 2011-12. Thus, expectations of high inflation continue to persist in the economy which is a worrying trend, it said.

The survey is based on responses from 54 organisations across eight northern states including Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand and the Union Territory of Chandigarh.

However, the outlook on business conditions for the current quarter (April-June) shows signs of moderate recovery.

"The expectation for the current quarter is much better for the Indian economy, respective sectors and own companies, with a greater percentage of respondents rating the quarter as 'better', as compared to the previous quarter (January-March)," it said.



PHARMA SECTOR 'INDIA HAS POTENTIAL TO BE GLOBAL HUB OF BIO-PHARMA SECTOR'

Noting that India has the ability to be a 'global hub' in the bio-pharma and healthcare sector, industry leaders here have said that New Delhi needs to take steps to realise huge untapped potential in this field. Indian government officials, attending a day-long brain-storming session in Boston, said that they are taking concrete steps in this

regard.

"There is a lot of potential in India which is still untapped," said Maya Said, vice-president head of strategy external innovation and science policy, global research and development of Sanofi, a French multinational pharmaceutical company.

According to Said there are areas where India needs to work out in order to realise its full potential, including regulatory reforms.

Academics and top executives of the bio-pharma and healthcare sector argued that it is important for the global community that India succeeds in its endeavour.

"I think, India has incredible responsibility for helping us understand about what causes diseases .. what I think India has the need and responsibility to create the new medicine for the future not only for the Indian population, but also that of the world too... I think India has a role to help the world in getting drugs."

"If it does not, I think we all are going to fail -- India has to be an important partner with all of us," said William W Chin, executive dean for research at the prestigious Harvard Medical School.

Participating at a the day-long US-India BioPharma and Healthcare Summit - 2012 organised by the USA India Chamber of Commerce, Chin said one of the key to the Indian success is going to be the ability to come out with policies that would encourage academics to be more eager to commercialise their ideas/research.

The Department of Pharmaceuticals Joint Secretary Dr Raja Sekhar Vendru said that the Government has commissioned a study to come out with recommendations to make India a global hub of research and development in the bio pharma sector. The report, being prepared by Earnest and Young, is expected shortly.

As part of its effort to make India a global hub in R&D by 2020, the 12th Plan proposal of Department of Pharmaceuticals are focused on making the National Institute of Pharmaceuticals Education and Research (NIPERs) as focal institutes for such new drug discovery and innovation.

There are six NIPERs at present; the proposal is to add 10 more such national institutes across the country, which would

give impetus to the government objectives in this regard. The 12th Plan also proposes Department of Pharmaceuticals to Rs. 12,000 crores.

The day-long Summit focused on overcoming the barriers to building collaborative partnerships between the Indian and global companies.



VODAPHONE DISAPPOINTED OVER NO CHANGE IN RETRO TAX PLAN

Having got a signal from Finance Minister Pranab Mukherjee that it there would be no relief for it, UK-based telecom giant Vodafone on Wednesday last expressed its disappointment that the government has chosen not address its concerns over the payment of income tax due to it as a result of capital gains made on Indian assets.

Reasserting he had said in his budget speech, Mukherjee made it clear that India was no tax haven and there would be no rethink on the proposal to allow authorities to tax older corporate deals.

"There cannot be a situation where somebody will make money on an asset located in India and won't pay tax either in India or in the country of its origin," he said in his reply during the Finance Bill debate in the Lok Sabha today.

The government is looking to get a tax of over Rs.11,000 crore (US \$2.2 billion) from Vodafone on acquiring the stake of Hong Kong-based Hutchison held in an Indian telecom firm, then called Hutchison-Essar.

In a statement issued by the company, Vodafone said: "We are naturally disappointed that, despite very widespread concern in India and internationally, the government has not seen fit to propose amendments to address the uncertainty caused by retrospective tax legislation".

"We are studying the legislation as amended, and will take all possible steps to safeguard our shareholders' interests. It would be grossly unjust if, on the basis of legislation passed five years after the event, Vodafone were to be charged tax on a gain made by someone else, especially where the

Indian Supreme Court unambiguously ruled that no tax was payable in India according to the laws of India in force in 2007," Vodafone said while adding: "Given this clarity, there was no legal basis for Vodafone to withhold tax".

The issue pertains to the amendment in Income Tax Act with retrospective effect, which would bring Vodafone-type deals under the tax net. The amendments to the I-T Act, which were approved by the Lok Sabha earlier in the week, would neutralise the victory of Vodafone in the tax case and the company, according to estimates, would be liable to pay about Rs. 20,300 crore as tax, penalty and interest.

The UK-based telecom major had acquired Hutchison's stake in Hutchison Essar Ltd for USD 11.2 billion in 2007.

The tax dispute arose as the Vodafone did not deduct tax (TDS) while making payment to Hutchison. Vodafone had earlier won the tax case in Supreme Court which overturned the judgement of Bombay High Court which was against the company.

Finance Ministry official had already questioned the decision of the British telecom major to invoke India- Netherlands investment protection treaty, saying the multi billion dollar deal was signed in Cayman Islands. The government expects to collect an estimated Rs 35,000-40,000 crore by taxing older corporate deals.



RUPEE DEPRECIATION RBI STEPS IN TO SHORE UP RUPEE: EXPORTERS ASKED TO CUT FOREX KITTY BY 50%

Rupee has lost about 8 per cent since the beginning of March mainly on account of withdrawal of investments by foreign institutional investors (FIIs), which are facing problems in their own countries.

The Reserve Bank of India has decided to go in for stronger measures to shore up the rupee.

Rupee has lost about 8 per cent since the beginning of March mainly on account of withdrawal of investments by foreign institutional investors (FIIs), which are facing problems in their own countries.

On Thursday it restricted exporters with Export Earners Foreign Currency accounts

In a decisive step to check sliding rupee, the Reserve Bank of India (RBI) has asked exporters to hold only 50% of the balances in their accounts. The rest has to be converted into rupee balances and credited to the rupee accounts.

It has given a fortnight's time for exporters to follow suit. Also in respect of all future forex earnings, an exchange earner is eligible to retain only 50% (as against the previous limit of 100%) in non-interest bearing EEFC accounts. The balance 50% shall be surrendered for conversion to rupee balances. Till now, exporters were allowed to keep their entire foreign exchange earnings in the EEFC account.

Last week's move, which came after the rupee hit a record closing low of 53.82/83 to dollar, led to a 94 paise rise in the value of domestic currency in the early trade.

Reports said the measure would soon allow India's foreign exchange reserves to swell by \$2.5 billion as the amount outstanding in the EEFC account amounted to \$5 billion. The central bank has also brought in diamond merchants and dealers in precious stones who have another \$2 billion in the EEFC account thus adding another billion dollars into its kitty.

The apex bank also directed EEFC account holders not to purchase foreign exchange until they have used up all the funds available in their accounts. Exporters with significant forex holdings are known to speculate in the currency markets and the central bank is cracking down on this.

Besides, the central bank has also fixed limit for intra-day trading of foreign currency by banks. However, exporters criticised RBI's move stating that this will impact the fast dwindling of export margins. Conversions charges for foreign exchange will also be on the increase impacting fast dwindling of export margins.

Experts say that issues like high Current Account Deficit (CAD) and outflow of funds by Foreign Institutional Investors (FIIs) because of uncertainty surrounding Eurozone crisis will continue to bear down on the rupee's value vis-à-vis the foreign currencies.

This is however likely to be a temporary

measure since the rupee's value is driven by more fundamental factors including India's rising twin deficits. According to RBI deputy governor Subir Gokarn, a widening current account deficit and negative balance of payments are worries for the central bank. These could limit its ability to defend the local currency. "The ultimate determinant of what the exchange rate is going to be is going to be how much capital comes in, in a way that finances the current account deficit and also the extent to which we reduce the current account deficit because that's really the fundamental driver of the currency," Gokarn said while addressing industry members in Hyderabad on Tuesday last.

After a hands-off approach for nine months, RBI sold \$20 billion between September and February in the spot market, the latest data showed. A depreciating rupee will also put pressure on inflation, as the country imports 80 per cent of its crude oil requirement.

RBI's capacity to intervene was also limited in view of the country's depleting foreign exchange reserves. Since January 1, these have depleted by \$1.4 bn, the latest data released by RBI show.

POLICY INITIATIVES

CABINET POSTPONES INSURANCE BILL

Putting all the hopes for major financial reforms aside, the Cabinet has deferred Insurance Bill.

However, it has cleared the Micro-Finance Regulation Bill.

The draft Bill, which was circulated for public comments in July last year, had proposed making RBI the regulator for the sector.

As per the draft, it would be mandatory for micro finance institutions (MFI) to be registered with the Reserve Bank and have a minimum net-owned funds of Rs 5 lakh.

In addition, a Micro-Finance Development Council will be set up to advise the government on formulation of policies, schemes and other measures required in the interest of orderly growth and development of the sector with a view to promote financial inclusion. The council will comprise members not below the rank of Executive Director of NABARD, National Housing Bank, the RBI and SIDBI.

Joint secretaries from the Ministry of Finance and the Ministry of Rural Development will also be its members.

Mr. Mukherjee, said that Insurance Bill has been postponed as he needed more time to study the Standing Committee Recommendations. He also indicated that there is need to raise the Foreign Direct Investment limit.

The Bill introduced in 2008, proposes hiking FDI limit from 26 per cent to 49 per cent. But the Standing Committee on Finance recommended retaining the 26 per cent FDI limit. Though the Government is not bound to accept any recommendation, but with less than required number of members to get the Bill passed, it will have to take a political call.

MICRO-FINANCE BILL

Meanwhile, the Cabinet approved the Micro Finance Bill to be taken up during ongoing

session of the Parliament. The Bill proposes the Reserve Bank of India as regulator for the micro financial institutions (MFIs).

This Bill has become important keeping the current situation of MFIs. These institutions were accused of aggressive lending and recovery practices and high interest rates, which attracted calls for regulation.

Once-thriving microfinance sector was devastated by a crackdown more than a year ago by the Andhra Pradesh, which was the industry hub and largest market. The State rules resulted in a drop off in loan collections and a drying up of funding for micro lenders.

CABINET CLEARS MICRO FINANCE BILL

The Union Cabinet today approved a bill to regulate the micro finance industry and bring the micro lenders under the purview of the Reserve Bank.

"It (Micro Financial Sector Development and Regulation Bill, 2011,) has also been cleared," Finance Minister Pranab Mukherjee told reporters after the Cabinet meeting.

The Bill, which was drafted in the backdrop of problems faced by borrowers of MFIs in Andhra Pradesh and other states, would now be introduced in Parliament for consideration.

WHY THE RUPEE IS FALLING

India's imports are rising faster than exports, putting pressure on foreign exchange reserves

\$300 bn
India's current foreign exchange reserves

What's driving high imports

Gold: 75% of India's gold purchases are from imports
Crude: 80% of India's crude oil consumption is through imports

What's draining foreign exchange

Foreign institutional investors are pulling out funds
Exports are hit by uncertainties in Europe, India's largest export market

21%

Depreciation of the rupee against the US dollar since early August 2011

4%

India's current account deficit as a percentage of the GDP — among the world's highest

\$185 bn

India's trade gap for 2011-12

Rupee vs US Dollar: the roller-coaster



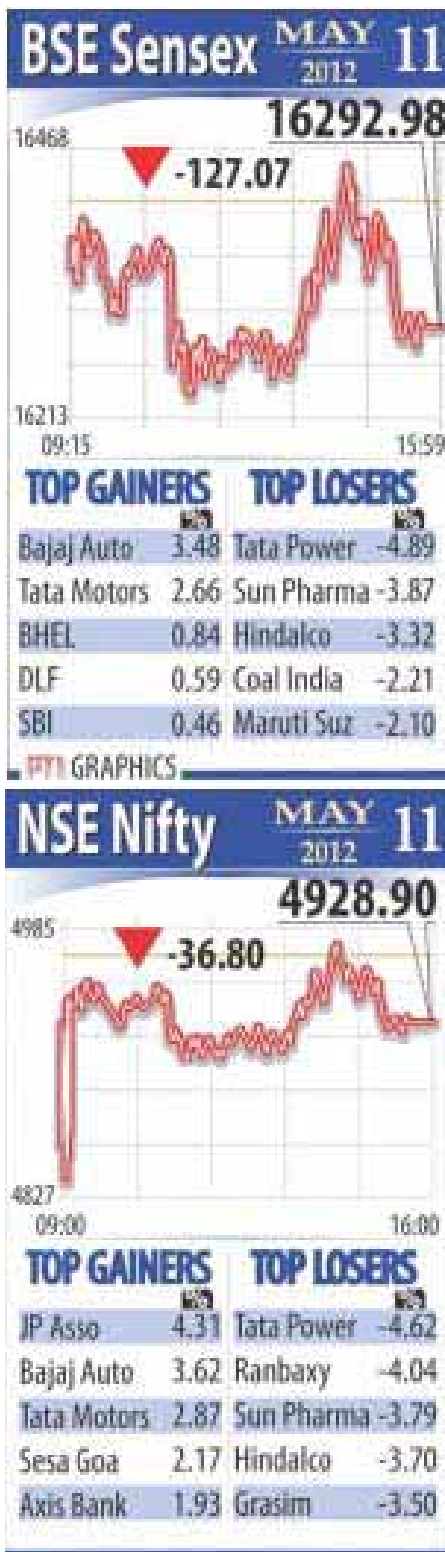
MARKETS

SENSEX ON LOSING STREAK, CLOSES 127 POINTS DOWN

The BSE benchmark Sensex fell for the fourth straight day on Friday last losing 127 points after factory output for March contracted to a five-month low of 3.5 per cent, renewing concerns of slowing economic growth.

The 30-share Sensex, which had lost 493 points in the previous three-days, fell further by 127.07 points, or 0.77 per cent to close at 16,292.98, after touching the day's low of 16,233.76.

Brokers said the market had its biggest weekly loss this year as Index of Industrial Production (IIP) falling in March dampened investor sentiment amid worries over



weakness in the economy.

They also said the falling trend in Asia as well as in European stock markets on eurozone concerns re-emerged over Greece and Spain and disappointing Chinese industrial production data, raising fears that global growth will falter.

Among the Sensex pack, 21 stocks closed lower and eight fell, while Sterlite Industries remained unchanged.

On similar lines, the broad-based National Stock Exchange index Nifty fell by 36.80 points, or 0.74 per cent to 4,928.90 led by stocks of Healthcare, Power and FMCG.

Bucking the general weak trend, a rise in Reliance Industries and Tata Motors cushioned the fall today.

The BSE-Healthcare sector index suffered the most by losing 1.97 per cent to 6,574.07 followed by BSE-Power index by 1.40 per cent to 1,822.92.

BSE-FMCG sector index fell by 1.27 per cent to 4,617.93 while the BSE-Metal index dropped by 1.17 per cent to 10,106.70.

FII INVESTMENTS UPBEAT

The general impression about foreign investors losing interest in India is not exactly borne out by facts. The current year so far has seen foreign institutional investors (FII) pour in almost \$9 billion into the country's stock markets. This is not small even when one compares it to the record \$29 billion of inflows in 2010. The latter figure is also for the entire calendar year, as against just slightly over four months that have gone by in 2012. The latest number thus stacks up quite favourably on a pro-rata basis with that of the year 2010. The 2010 numbers were also inflated by the large inflows received on account of Coal India's mega IPO. The available evidence thus suggests that there is a certain momentum in the flow. Of course, one can also attribute the robust FII inflows this year to the sharp decline in stock prices that sent the Sensex crashing by almost a quarter in 2011. That itself may have made valuations more attractive for FIIs to eye buying opportunities and pour in fresh money into India.

But again, it is to be noted that the FIIs were not really the ones to have brought down the Indian markets last year: Net withdrawals by them amounted to a mere \$357 million, which is way below the \$12 billion or so that they pulled out during the global crisis year of 2008.

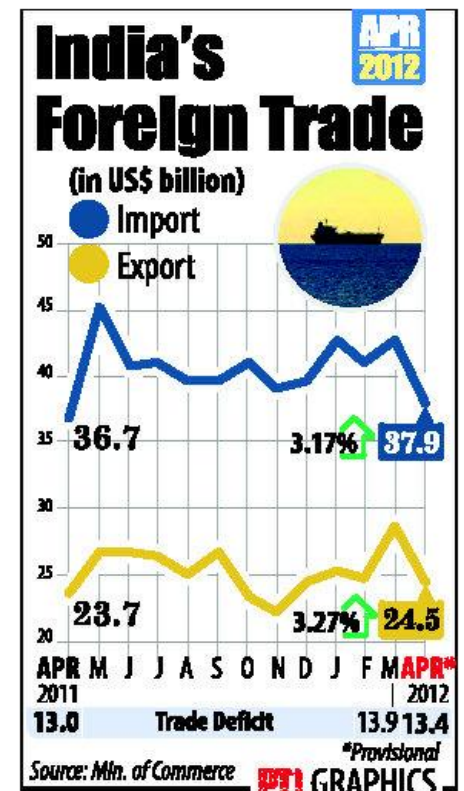
The upshot of all this is that FIIs are not as bearish about India as is generally made out to be. On the contrary, they appear quite willing to wait till it is time to buy again.

Indeed, even the recent lowering of India's long-term rating outlook by Standard & Poor's, or the imbroglio over taxing equity flows from tax havens, has not really caused any exodus of these funds. The impression of large outflows appears to have gained ground mainly from the rupee's weakening, which is, in turn, attributed to FIIs. The reality is that foreign portfolio — even direct investment, for that matter — inflows have been fairly robust. The rupee's significant depreciation in the recent period has less to do with them as much the current account deficit, which has widened beyond levels that even normal capital flows can finance.

TRADE

EXPORTS TO GROW SLOWER AT 10-15% IN 2012-13: GOVT

In an indication of tough times ahead, the Indian exports have been hit by the poor global economic conditions registering a growth of 3.2 per cent in April at \$24.5 billion. Significantly, imports also witnessed sharp deceleration resulting in trade deficit narrowing to \$13.2 billion. The drop in the balance of trade (BoT) is expected to reduce



pressure on the rupee which has lost value by about 15 per cent against the US dollar since September, 2011.

According to provisional figures released on Thursday by the Commerce Secretary, Rahul Khullar, exports in April, the first month of the fiscal 2012-13 amounted to \$24.5 billion. Imports for the month grew by 3.8 per cent to \$37.9 billion.

Dr Rahul Khullar, said, "April growth rate of 3.2 per cent shows that there is demand concern. Though India is getting an edge in engineering and chemical exports, bad news is about export of readymade garment, made-ups and cotton yarn." Export was down by over 5 per cent in March.

Interestingly, import in April was lowest during last 12 months (May, 2011-April 2012). Import grew over 3 per cent in comparison to nearly 25 per cent in March 2012. Speaking about the entire fiscal as a whole, Mr. Khullar said: "we should be lucky to get a growth rate of 10-15 per cent. The situation in Europe is disheartening. Export data shows there are serious demand problems and constraints in the Western markets."

Mr. Khullar said if deceleration in imports continues, the BoT pressure will be lower than last year and if it will stay at \$13 billion for the remainder period of the year, then we will end the year with \$156-160 billion. In 2011-12, the country's trade deficit jumped to \$185 billion, highest ever in the history.

Reacting to the foreign trade data, Federation of Indian Exporters Organisation (FIEO) president, Rafeeq Ahmed said the impact of global contraction in trade is now being felt by India as well. The slowdown in new markets will be more obvious in next few months, he added.

He said the most disturbing news is the sharp decline in exports of labour intensive sectors like gems and jewellery (-25.7 per cent), readymade garments (-9 per cent), leather (3.2 per cent), electronics (5.4 per cent), plastics (2.7 per cent). "This will have serious implications on employment and may lead to sharp reduction in additional job creation and even lay offs," he warned.

TEXTILE EXPORT

Explaining about the textile sector, Mr. Khullar mentioned that export is in negative

because of lower demand for garment, but same cannot be said about cotton yarn. As there was a ban on cotton yarn till March 2011, there was sudden surge in cotton yarn exports in April last year. He admitted that the situation in textile sector is not good. There is an issue of financial viability and capital stress. This sector has two components and both have their own issues. Spinning industry is a capital intensive one while garment industry is labour intensive. So change in demand affects the garment sector while any capital issue hurts the spinning one, the secretary said.

IMPACT OF RUPEE DEPRECIATION

Dr Khullar said that with the weakening rupee, demand for import will be affected. However, we will have to wait for the number for first quarter (April-June) to reach a conclusion. In fact, June number will be more important, he added.

Given the current global economic scenario and overwhelming protectionist sentiments in India's traditional export markets, the high levels of trade deficit are going to create further pressure on rupee and will adversely affect the cost competitiveness of import-dependent exports.

EXPORTS UNLIKELY TO TOUCH \$350 B THIS YEAR

India is unlikely to maintain export growth of 21% this fiscal and may find it difficult to meet overseas shipment targets against the backdrop of continuing euro-zone debt crisis, exporters industry body Fieo said on Tuesday.

The country's shipments this year may not even touch \$350 billion and the government's target for \$500 billion by 2014-15 too looks impossible because of the present global challenges, Federation of Indian Export Organisations (Fieo) president Rafeeq Ahmed said.

He said India's exports to Latin America and Africa are also facing difficulty due to logistics problem. "The outlook for the current fiscal looks bleak, a growth of even 15-16% would be very difficult to achieve with slowdown in world demand owing to euro crisis and decrease in trade exports to Latin America and Africa," Ahmed told PTI.

The country's merchandise exports grew by 21% year-on-year in 2011-12, to \$303.7 billion. Ahmed said India's share of exports

in Latin America and Africa has gone down to 12% recently owing to difficulty in logistics, including shipping of commodities to these regions.

"The exports growth will not be more than five-six% in the first six month of the current fiscal," Ahmed said, adding that ASEAN and Asian markets remain the only hope for India which continue to be a major destination of the country's exports. He added that during such difficult times, there is an urgent need for an affordable export credit at internationally comparable interest rates to the exporters.

The cost of credit now exceeds 12% whereas benchmark rates in most countries are in the range of 2-6%, Ahmed said, adding that there is also a need to focus on MSME exporters which are facing problems due to fluctuation in the rupee value. The MSME sector contributes about 40% to the country's exports. Ahmed has asked the exporters to explore the Chinese market to help bridge the widening trade deficit.

INDIA'S OIL IMPORTS FROM IRAN PLUNGE 34% IN APRIL

India's crude oil imports from Iran declined by about 34 percent in April compared with March, deeper than expected and the first evidence of New Delhi implementing cuts in supplies from the sanctions-hit nation under annual deals that began last month.

State-run buyers are at the forefront of reductions, leaving privately-owned Essar the biggest Indian client of Iran, tanker discharge data showed, just as the US praised steps taken by India's refiners to back Washington's pressure on Tehran.

The US has already granted waivers to the sanctions for Japan and 10 European countries but has left out China and India, Iran's biggest clients.

US secretary of state Hillary Clinton said on Monday India needed to do more and said a decision on granting a waiver was around two months away.

India's total oil imports from Iran in April fell to about 269,000 barrels per day (bpd) from 409,000 bpd in March and from about 449,000 bpd in April 2011, the data made available to Reuters showed on Tuesday.

Overall in the last contract year to March

31, 2012, India's purchases of crude from Iran were expected to be under 340,000 bpd, India's foreign secretary Ranjan Mathai said in March. Indian refiners are expected to cut volumes from Iran by over 20 percent in this contract year on average.

The shortfall is being made up with extra barrels from the world's biggest exporter, Saudi Arabia, as well as Iraq, which has leapfrogged Iran to be India's No. 2 supplier, among others.

GILANI FOR 'NEW ERA' IN ECONOMIC TIES WITH INDIA

Pakistan on Monday last called for a "new era" in economic collaboration with India, as business leaders from the two countries met for a trade conference.

Pakistan Prime Minister Yousuf Raza Gilani said the population of Pakistan's giant neighbour offered his country's exporters a "billion-plus market", adding normal trade relations were vital to Pakistan achieving its economic potential.

He told delegates there were many areas and sectors with huge trade potential, from information technology to engineering, education and health.

"Our textiles, I am told, have a huge market across the border," he said, adding that India could find a market in Pakistan for goods including chemicals, pharmaceuticals and engineering products.

Pakistan has decided to grant India "most favoured nation" trading status by the end of the year, ending strict curbs on what New Delhi can export across their border.

At present, Pakistan maintains a list of 1,945 items allowed to run from India to Pakistan -- but only 108 can be transported directly by road through the Wagah crossing in Punjab. India now also says it is ready to end a ban on investment from Pakistan and the countries are planning to allow multiple-entry business visas to spur exchanges -- a key demand by company executives.

Last year India exported goods worth \$2.33 billion to Pakistan, while its imports from its neighbour were worth \$330 million.

But Adi Godrej, the Confederation of Indian Industry president who is leading the Indian delegation, said: "By 2015, we should be able to achieve the target of \$10 billion mutual trade between India and Pakistan."

INDIA, SINGAPORE TO REVIEW CECA

Singapore, the country's largest trading partner among ASEAN nations, said it will review its comprehensive free trade agreement with India to promote further trade and investments.

"We are now in discussion to renew or rather have a review of that agreement (CECA) to strengthen it and make it work even better," Singapore Minister for Foreign Affairs Kasivishwanathan Shanmugam told reporters last week.

Shanmugam was on an four-day official visit to India. He is here to assess the business opportunities in the North Eastern states.

In 2005, India and Singapore signed the Comprehensive Economic Cooperation Agreement (CECA) to enhance trade in goods, services and investments. The bilateral trade has been growing in double digits since FTA came into effect, he said, adding there is room for further advancement.

"The bilateral trade during last year was 35 billion Singapore dollars. From our perspective that is substantive. Given the nature of our economies and growth in Indian economy, there is room for more growth," the foreign minister said.

The Minister lauded India for being an investor-friendly destination and maintaining its growth rate despite global economic slowdown. Singapore is the second-largest investor in India.

Asked about the impact of the retrospective amendment provision in the Finance Bill, he said: "India is an attractive destination. It is a very large economy that is growing strongly and investors will look at it and will see opportunities."



INVESTMENT INDIA ATTRACTS HIGHEST EVER FDI OF \$ 8.1 BN IN MARCH

With an eight-fold increase, India attracted foreign direct investment (FDI) of \$ 8.1 billion in March, the highest ever monthly inflows, despite a brouhaha over Rs 11,000 crore Vodafone tax dispute.

Cumulative FDI inflows for the fiscal

2011-12 amounted to \$ 36.50 billion, authoritative sources told.

In March 2011, the country received FDI worth \$ 1.07 billion.

The \$ 7.2 billion Reliance Industries-British Petroleum (BP) deal, announced in February 2011 contributed significantly to the inflows, even though funds from the UK oil major would have come in phases, they said. The BP had picked up a 30 per cent stake in Reliance Industries' 21 oil-fields.

Earlier, highest FDI of \$ 5.65 billion was received in June last year. Though the March data has been compiled by the Department of Industrial Policy and Promotion (DIPP), it is yet to be released officially.

The sectors which received large foreign FDI inflows during 2011-12 include services, pharmaceuticals, telecom, construction, power and metallurgical industries, a DIPP official said, adding Mauritius remained the top FDI source.

The inflows had aggregated to \$ 19.42 billion in 2010-11, down from \$ 25.83 billion in 2009-10.

The government move in the Budget for enabling it to tax Vodafone type multi-billion dollar deals had come in for criticism among some industry associations and multi-national companies. They criticised stating it would affect FDI.

In terms of sectors, services attracted the maximum investment this fiscal as per Department of Industrial Policy and Promotion (DIPP) data (April-February). However, in terms of growth, it was drugs and pharmaceuticals that saw the maximum jump, with an over 15-fold increase. In contrast, the automobile and housing and real estate sectors saw FDI decline. Investment in the petroleum sector jumped significantly too.

In contrast to the upbeat FDI sentiment, foreign institutional investor (FII) flows fell by around 43 per cent to \$16.8 billion vis-à-vis the year-ago period. Investment in Indian Global Depository Receipts (GDRs) and American Depository Receipts (ADRs) also fell sharply to \$597 million.

However, the government has stood its ground retaining the provision in the Finance Bill approved by the Lok Sabha last week.



LIST OF SPECIAL STUDIES AND SUPPLEMENTS

May, 2011



Indian Political Scenario present and future - 2011 to 2014

Price: ₹2000/-

Almost two years into the second stint in power of the Congress led United Progressive Alliance, UPA, jockeying for power between the ruling coalition and the opposition parties has already begun. Generally, a party or combine, when it comes to power, enjoys a honeymoon period with the general public for sometime, during which it's wheeling and dealings are not closely questioned by either the opposition or the media. But perhaps because UPA-II is a continuation of UPA-I, the honeymoon period appears to have worn off quite fast. The results of the Assembly elections that took place in the 5 states in 2011 present the latest thinking of the public mind and puts in to focus what analysts have been saying.

The Special Study on Indian political scenario, present and future-2011 to 2014 is a 24,000 word research paper that analyses the current political scenario. It assesses the present status, ideology, agenda and strategies of various political parties. The study identifies the critical issues that dominate the current political environment, the current scenario in politically dominant states and assesses the cohesiveness of the main political alliances. Finally, the research paper presents probable scenarios for the 2014 general elections.

May, 2011



Osama's Death: Its fallout on India and India-Pakistan ties

Price: ₹1000/-

The pre-emptive midnight raid on the den of Osama bin Laden in Pakistan and his death at the hands of US Special Forces - all without the knowledge of his host country - has sparked blasts of condemnation, justification, approbation and calls for emulation in different world capitals. The action has been widely debated and dissected in Indian government and security circles and its implications analysed. It has led to public reaction from different sections - from political parties to strategic analysts to military circles.

Asia News Agency in their latest Special Study on Osama's death: its fallout on India and India-Pakistan ties, examines the issue from various angles, puts the different factors in perspective and gives an insight into the thinking of India's influential strategic community that plays a critical role in decision making on important issues. Also examined are the Muslim factor, the likely scenario that could emerge in the coming weeks and months and the interplay of different voices that make up the dialectics of India's clamorous democracy. The study is approximately 6,500 words.

July, 2010



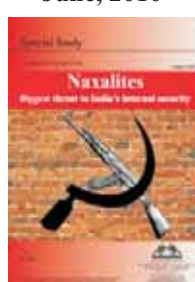
Sangh Parivar (RSS family) The saffron brigade and the reinvention of Hinduism

Price: ₹2000/-

"Sangh" in Hindi stands for the Rashtriya Swayamsevak Sangh, better known as the RSS. "Parivar" means family. Organizations which are inspired by the Rashtriya Swayamsevak Sangh's ideology refer themselves as the members of the *Sangh Parivar*.

The *Sangh Parivar* has been described in a number of phrases, including an organisation which consisted of "Hindu Nationalists" to "patriotic Hindus". The Special Study takes an in-depth look at the philosophy of the *Sangh Parivar* including its concept of *Hindutva* (Hindu chauvinism) and *Hindu Rashtra* (Hindu nation), its contribution to modern Hindu nationalism; the basic characteristics of the *Parivar* including their social, cultural, economic and political agenda and whether it has a fascist philosophy. The study traces the origins, growth, agenda and record of the various constituents of the *Sangh Parivar* including the umbrella organisation RSS, the political arm BJP, the rabidly Hindu VHP (Vishwa Hindu Parishad), the militant Bajrang Dal, the student wing ABVP (Akhil Bhartiya Vidyarthi Parishad), the communal Hindu Munani, the peasant wing BKS (Bhartiya Kisan Sangh) and many more. Importantly, the study analyses the role of the *Sangh Parivar* in communal confrontations against Muslims and Christians particularly the demolition of the Babri Masjid and its dangerous consequences.

June, 2010



Naxalites: the biggest threat to India's internal security

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The Study examines the following important aspects; the history, nature and extent of the Movement-the evolution of the extremist left Wing Movements in the pre-independence and post-independence India; the emergence of different factions within the Communists resulting in the extremist Maoist Naxlite Movement; the rise and fall of Naxalism and its re emergence in its present form; the nature of the present Movement its tactics and modus operandi; the factors that sustain it; the evolution and ideologies of the various naxalite groups like the Communist Party of India (Marxist-Leninist) Liberation and the People's War Group (PWG); emergence of the movement and latest developments in states of Andhra Pradesh, Bihar Chhattisgarh, West Bengal, Jharkhand, Maharashtra, Orissa and its increasing influence in new areas of Delhi, Haryana, Uttar Pradesh, Madhya Pradesh and Tamil Nadu; the growing criminalisation of Naxal Movement-extortion, drug trafficking; its linkages with other extremist groups like the Maoists of Nepal, Islamic fundamentalists, insurgent groups in the north-east and with the LTTE; the recent government initiatives-two-pronged focus on the development and law enforcement of the centre and the states to deal with the problem; the road ahead-eradicating the root cause on which Naxalism thrives.

Dec, 2009



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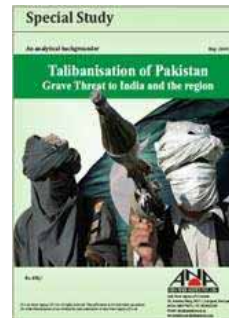
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