

# India-Brics

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## **Brics @ International Politics**

### Responsibility while Protecting Concept

1. It relates to the question of foreign interventions to protect civilians in a country. It means that while mandating use of military force, criteria such as last resort, proportion and balance of consequences should be kept in mind. Further there should be a review mechanism to make sure it is implemented in operations.
2. It is sure to face opposition from all other countries.

### Iran

1. Brics nations have announced not to snap ties with Iran despite US sanctions.

### Afghanistan

1. Brics wants international community to stay in the developmental projects in Afghanistan for 10 years after the withdrawal of US troops in 2014 and also to check narcotics trafficking.

### Syria

1. Brics has endorsed Kofi Annan's proposal on Syria.

### Climate Change

1. India wants technology transfers and funds. China doesn't care for funds. Brazil has already managed its carbon emissions program well. Thus initially while it seemed Brics have a common position, it all fell to pieces.

### BRICS in WTO

1. They call for resisting protectionist tendencies in international trade.
2. They support the special measures in WTO for developing countries and LDCs.
3. They oppose distorting agricultural practices by the DCs.
4. They oppose plurilateral groupings at WTO.

## **Brics @ Economics**

### Brics Bank

#### *Challenges*

1. Credit Rating: Brics have lower credit ratings. So cost of capital will be expensive and hence cost of lending as well which the developing nation may not find attractive. One solution to enhance credit worthiness is to put a portion of the fx reserves in a separate account earmarked for the bank. In case of World Bank also only 10% of the capital is paid up capital. Rest 90% is callable capital but has never been called upon so far.
2. China's Dominance: Contributions of paid up capital needed will not be large. So all countries can afford to have more or less equal share. Presidency can be rotated.
3. Currency of operation: \$ is the natural choice. Local currencies are not convertible and also not used in international trade. So \$ default currency and other currencies when needed. But doing a \$ based bank is not sustainable with the ambitions of the bank in long run.

4. Objectives: India wants the bank in terms of bringing in capital. China wants it to internationalize RMB. Russia doesn't care and Brazil has got its own very big development bank.

#### Intra-Brics Trade

1. The target is \$500 bio in 2015 up from current \$230 bio.
2. The countries agreed to promote trade in local currency by signing a master agreement to extend credit facilities (including letters of credit) in local currency.

#### **Brics @ Internal Dynamics**

##### Economic Dynamics

1. Economic Policies: Although endowed in different resources, all countries follow policies to promote manufactured goods. This naturally faces biggest threat from China. For example, Brazil is an agricultural and resource exporter, Russia is a resource exporter, India is a service based economy, SAF is a resource exporter. But in China, the costs are rising and the leadership is embarking upon a transition to a more consumption based growth. This is an opportunity for BRICS.
2. Trade Gap: All countries not only run a big trade deficit with China but also suffer from inferior terms of trade. Naturally undervalued RMB promotes tensions.
3. Different Standards of Living: Per capita income in Russia ~ 2x China which in turn ~2x India.

##### Strategic Dynamics

1. Power Ambitions: Russia and India are seen as a threat to China's hegemony. China wants a bipolar world whereas other members want a multipolar one. China is also opposed to recognition of other major world powers while Brazil and India are pushing for UNSC seat.
2. China and India are emerging powers while Russia is one declining. Russia and China are not democracies while others are democracies.

## India Middle East

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#### **India-Saudi Arabia**

##### Economic Relations

1. The total bilateral trade is \$25 bio in 2010-11. The exports were \$5 bio and imports \$20 bio. Both countries have a BIPA from 2006.
2. The principle exports are petrochemical products, rice and machinery. Import items are oil, organic chemical etc. S Arabia currently imports \$5 bio of pharmaceuticals. It is keen on getting investments of Indian pharmaceutical companies in S Arabia.
3. India imports almost 23% of its crude oil requirements from Saudi Arabia. India is 4th largest consumer of Saudi oil (after China, US, Japan) and the imports are likely to double in next 2 decades.
4. Nitaqat law.

### Strategic Relations

1. India-SA agreed to joint military exercises, training, defence equipment co-production, joint patrolling of the seas and coordination in hydrography (de-mining).
2. SA also assured India to meet up the gap in Iran oil supply. India imports 32 mm tonnes from S Arabia and 17 mm tonnes from Iran. It is seeking additional 5 mm tonnes from S Arabia.
3. India also seeks to import 1.5 MT additional LPG from S Arabia.

### Terrorism Cooperation

1. S Arabia deported Abu Jundal to India which is first deportation of its kind from S Arabia to India. This indicates a shift in policy of S Arabia. Until the US launched the war on terror, S Arabia had traditionally favored Pakistan. After the war, following factors have forced a change in S Arabia's priorities: (a) India's growing importance as a consumer of Saudi oil. (b) US pressure on war on terror and its strained ties with Pakistan. (c) Need for India's support to counter the influence of Iran. (d) Need for Indian support on Syria.
2. India is also fostering a close relationship with S Arabia to counter Pakistan's support in ME. Initially it sought to cultivate Iran but given Iran's hardline rhetoric, S Arabia became the preferred choice.

### **India-Iran**

#### Strategic Relations

1. Iran's port of Chabahar functions as an entry point in Afghanistan for India. From there a land route goes into Afghanistan.
2. Iran's port of Bandar Abbas serves as a starting point for the corridor into Central Asia.

#### Economic Relations

1. India used to import 17 MT of oil from Iran which has fallen to 12 MT now.

#### Case of Iran's Petro-rupees

1. India imports at least \$10 bio worth of crude oil from Iran, its exports to that country are a tiny. Iran is a large purchaser of basmati.
2. This gives an important opportunity to enter a captive market, and Indian manufacturing must seize it. India can try to export bulk medicines, agree to build infrastructure in Iran.
3. The government has also permitted the import of goods for re-export to Iran as long as there is at least 15% value addition.
4. This will also help ease pressure on INR.

#### INDIA TO ROUTE IRAN OIL PAYMENTS THROUGH MUSCAT

- Iran has authorised Oman to collect crude oil payments due to it from buyers, including India, and keep in safe custody.

### Nuclear Issue

The nuclear programme, that has isolated Iran, worries nuclear experts on three counts: the scale of its uranium enrichment — far greater than the needs of power production; an underground enrichment facility too small for a civil programme but just right for a military one; and its enrichment of uranium up to 20 per cent — just one step from nuclear weapons capability. The West's key demands are that Iran cease enrichment to 20 per cent, ship most stockpiles of 20 per cent enriched uranium abroad, allow a comprehensive verification regime and shut down the Fordo facility that undertakes high-grade enrichment. In return, the US, EU and UNSC will lift some of the sanctions that have targeted Iran's energy and banking industries, crippling its oil economy and freezing its assets.

The challenge is not the spectre of the Iranian "bomb" but the tedious negotiations to overhaul the nuclear programme by imposing constraints and enforcing openness. This is also the realistic approach, as opposed to maximalist demands of shutting down the programme.

#### *P5 + 1 Talks*

1. P 5+1 want Iran to grant access to sites (especially Parchin), documents and scientists involved in its alleged efforts to develop nuclear weapons. They say that there is evidence that at least until 2003 such activities took place.
2. IAEA conducts regular inspections of Iran's declared nuclear facilities only and Tehran says it is not obliged to grant them access to any other sites.
3. IAEA has alleged that cleanup at Parchin has significantly hampered IAEA's ability to inspect.

#### *India's Dilemma*

1. Cultivating close ties with Iran complicates the India-US, India-Israel and India-GCC relationships. Each of these relationships is important for India in their own right. But India is opposed to the Israeli policy of military strikes on Iranian nuclear programme.
2. India supports negotiations, opposes unilateral sanctions while being supporting multi-lateral UNSC-mandated sanctions, opposes military strikes, and insists on the important role of the IAEA. As a symbol of maintaining an independent policy of not supporting unilateral sanctions and protecting its economic interests, India sent a trade delegation to Tehran and invited one back despite US defence secretary's visit and Israel embassy bombings.

#### *Strait of Hormuz*

1. 20% of world's oil and 35% of the sea-borne oil trade moves through this narrow strait.
2. Iran has threatened to close this off if the West follows through with additional sanctions.
3. It is 90 nautical miles long, 22-35 nautical miles wide and has 2 deep water channels 1 nautical mile wide for two way traffic.

## **India-Gulf Cooperation Council**

### Economic Relations

1. India's bilateral trade with GCC countries is \$120 bio and 6 mm Indians work in GCC and send ~\$30 bio of remittances each year. Overall Japan is the topmost importer from GCC countries (~15% share) followed by India (~11%), S Korea (~10%) and China (~8.5%).
2. GCC's combined imports of goods stood at round \$350 billion in 2010 out of which India accounts for 12% making it the topmost exporter to GCC (going past China). But real story is not so good since ~80% of India's exports to GCC are to UAE which are destined for elsewhere (compared to China's 60% and US's 40%). While China exports manufactured goods, India exports mainly food and textiles.
3. Investments by the GCC countries in India have increased sharply in the last couple of years and are now an estimated \$125 billion. Of this, a cumulative investment of \$112 billion has gone into infrastructure while special economic zones accounted for \$12 billion.

### *Immigration Issues in Kuwait*

1. The Kuwait government's decision to reduce the number of expatriates by 1,00,000 every year over the next ten years has led to widespread crackdown on illegal workers. It is estimated that there are about 6.5 lakh Indians working in Kuwait, of which nearly half are from Kerala.

### GCC and US

1. US may increase its troop presence in the GCC countries which are in close proximity to Iran. These are Saudi Arabia, Kuwait, Bahrain, Qatar, UAE and Oman.
2. In GCC, US has stationed its 5th fleet and forward headquarters of its Central Command and used GCC for Iraq and Afghanistan invasions.
3. GCC controls 25% of world's oil, sells it in \$ and US sells it weapons and maintains their monarchies. US signed \$67 bio weapons deal with S Arabia and \$53 bio with Bahrain. Troops from Iraq will be repositioned in Kuwait.

### GCC and Arab Spring

1. GCC monarchies have used a combination of force and money to suppress Arab Spring in their own territories. In Oman, the ruler purchased them off, in S Arabian Shi'ite majority eastern province (where most of the oil is), dissenters were suppressed, in Yemen there was an invasion by S Arabia and UAE.
2. Morocco and Jordan have also been invited by GCC to join for they represent the same reactionary elements. A reason Arab Spring couldn't spread into Jordan was GCC's help to the regime.
3. In Libya, GCC supplied weapons, cash, operatives, intelligence and legitimacy. In the Arab League vote endorsing no-fly zone, only 9 out of 22 voted "yes" out of which 6 were GCC and 3 voted against.

### **India-Oman**

### Strategic Relations

1. Both countries signed the defence MoU in 2006 which has been extended for 5 more years. Under this both navies and air forces hold joint exercises.

### Economic Relations

1. SAIL has entered an agreement to launch a 3 MT gas based steel plant.

### **India-Qatar**

#### Economic Relations

1. India imports 8.5 mm tonnes of LNG from Qatar (it is the largest supplier) and intends to increase this by 3 mm. India also imports 6.5 mm tonnes of oil from Qatar.
2. Qatar is hosting the FIFA World Cup 2022 so Indian companies are investing in the EPC contracts.
3. Qatar wants to get access to Indian PSU disinvestments through anchor investor route.
4. It is also looking to invest in India's renewable energy sector.
5. India is looking to invest in the petrochemical, banking, aviation, pharmaceuticals and power sector in Qatar.
6. Both sides have signed a DTAA and a MoU for cooperation in oil and gas.

#### Qatar's Importance

1. Has world's 3rd largest gas reserves. Due to discoveries of shale gas, Qatar is looking for secure buyers. Qatar's economy boasts of one of the world's highest growth rate and highest per capita income.
2. Qatar is Sunni. It supports Syrian opposition comprising of sunnis and it backed Saudi Arabia's intervention in neighboring Bahrain to help quell Shiite Muslim protests.
3. Qatar enjoys close ties with the Muslim Brotherhood In Egypt.
4. It helped the Libyan Rebels against Qadafi.

### **India-Tunisia**

#### Internal Dynamics

1. The elections for the constituent assembly took place in which the moderate islamist party An-Nahda secured 40% of the seats.
2. The constituent assembly has the task to decide on a government and draft a new constitution within one year.

#### *Women Rights*

1. Activists are not happy with a stipulation in a draft of the constitution that considers women to be "complementary to men" and want a pioneering 1956 law that grant women full equality with men to remain in place.

### **India-Israel**

#### Economic Relations

1. Current Indo-Israel trade is \$6 bio and is expected to double by 2014-15 with the signing of FTA. Focus areas are agri-tech, biotech, IT, high-tech, telecom, water management and homeland security. Diamond trade is currently the largest.
2. Israel makes up for ~20% of tourist arrivals in India from middle east.

3. Israel has offered to supply India with LNG from its Mediterranean gas finds.

#### Strategic Relations

1. Between 2002-07, India's defence purchases from Israel were \$5 bio and since then Israel has supplied India mostly surface to air missiles (Spyder), air defence systems (Barak) and anti-tank missiles (Spike) worth \$6.5 bio.
2. Israel signed an extradition treaty with India.
3. India's stance on Palestine and Iran can create complications but it is to be noted that these differences are not due to bilateral reasons but are third party reasons.
4. Indo-Israel ties are gaining more of an economic base which is the right approach for warmer ties.

#### Peace Talks

## **ISRAEL PALESTINIAN LAND SWAP**

### **Why was it in news?**

In a recent statement Arab League announced that:

- It is open to the possibility of "mutually agreed" land swaps to help find a solution to the Israeli-Palestinian conflict
- However, any new borders drawn should be based on the ones that existed in June 1967, before Israel's Six-Day War claimed more land.

### **Background: Six day War**

The Six-Day War also known as the June War or 1967 Arab-Israeli War was fought between June 5 and 10, 1967, by Israel and the neighbouring states of Egypt (known at the time as the United Arab Republic), Jordan, and Syria.

Within six days, Israel had won a decisive land war. Israeli forces had taken control of the Gaza Strip and the Sinai Peninsula from Egypt, the West Bank and East Jerusalem from Jordan, and the Golan from Syria.

Since then borders have been a point of contention ever since, and Israel has repeatedly rejected the idea of giving up seized land. Palestinian President Mahmoud Abbas repeatedly has called on Israel to accept the 1967 lines as a basis for peace talks. Israeli Prime Minister Benjamin Netanyahu has said a return to those lines would leave Israel with indefensible borders, and he has rejected setting any preconditions for talks. He also has declined to make any public comment about the idea of swapping parts of pre-1967 Israel in return for annexing



### *Unilateral Declaration of a Palestine State*

1. As the peace talks remain stalled, Israel is contemplating a unilateral creation of a Palestinian state. Earlier Israel was opposed to the recognition of a Palestinian state but since then a shift in thinking has occurred. The sentiment is growing that occupying Palestinian lands and ruling over millions of Palestinians will demographically overwhelm Jews and will bring other sorts of problems as well. So Netanyahu has been pushing for this action.

### *Changes in Hamas' Strategy*

1. Since Hamas came to power it has suspended its armed struggle and shown signs of moderation. It came to power by ousting the secular Fatah party. The Fatah party now controls the larger part of the would be Palestinian state on the West Bank while the Hamas controls the isolated Gaza strip. Since its coming to power there have been attempts by both Israel and Fatah to overthrow it but its hold over Gaza has only strengthened.
2. Hamas has constructed underground tunnels to end its isolation and import equipment and supplies from Egypt. It has also carried out much peace time transformation using the supplies from those tunnels. Its guards prevent the Palestinian militants from going close to the border with Israel as it doesn't want any confrontation. Its last fight with Egypt was in 2009 when it was clobbered.
3. Having lost much of its zeal and extremism it is now thinking whether to reconcile with the Fatah party.

### *India's Policy in Israel-Palestine Conflict*

1. India has also not stopped its defence engagement with Israel despite expressing vigorous opposition to such Israeli policies as 'Operation Cast Lead' during 2008- 09, which led to the death of 1400 Palestinians.
2. India has on the other hand balanced its burgeoning defence and economic engagement with Israel with limited high-level political contacts with Jerusalem in contrast to more frequent contacts with the Palestinians, coupled with diplomatic and moral support.

### *NAM's Palestine Meet*

1. It was canceled when Israel denied visa to representatives from Bangladesh, Malaysia, Indonesia and Cuba. These nations have not recognized Israel.

### **India-Libya**

#### Economic Relations

1. Libya has sought India's help in building steel plants for reconstruction of economy.

#### Internal Dynamics

1. US is ignoring the growing elements of Islamic radicalism in Arab Spring movement and in fact is even supporting them thereby doing what it did to Taliban during Soviet occupation. NTC in Libya is headed by Abdel Hakim Belhaj who was the head of Al Qayeda affiliated Libyan Islamic Fighting Group. In 2003 Belhaj was captured by CIA and



handed over to Qadafi as a gift. The NTC under him has already promised application of sharia law in Libya.

2. After the fall of Qadafi, various voluntary militia refused to lay down weapons and became self appointed guards of key assets. There is no law and order and they do what they like. There is no national army to absorb them.

## India-Iraq

### Economic Relations

1. Current trade is \$10 bio almost all oil import. India exports some food and electronics products. Cooperation can be enhanced in Construction, IT, pharmaceuticals and Automobile.
2. Iraq has displaced Iran to become India's second largest oil partner. It currently produces 3 mbpd (million barrels per day) up from 2 mbpd in 2009. It aims to produce 9 mbpd by 2020 and equalize S Arabia's capacity of 12 mbpd thereafter.

### Iraq in OPEC

1. It has joined Venezuela in pressing OPEC to condemn western sanctions on Iran and force S Arabia not to produce additional oil. But GCC countries resisted it saying such a declaration is not meant for oil ministers but foreign ministers.
2. It wants to OPEC to cut production to maintain an oil price of \$110 per barrel while it itself has plans to increase oil production.

## India -Turkey

### **COUP PLOT CONVICTION IN TURKEY**

- The conviction by Turkish courts of 275 military officers, politicians, academics, and journalists, after a five-year trial on terrorism charges, has exposed fundamental differences over the very nature of the Turkish state.
- It has also deepened the confrontation between Prime Minister Recep Tayyip Erdogan's Justice and Development party (AKP) and many other groupings in Turkish life.
- The trial resulted from the 2007 discovery of 27 grenades in an Istanbul house owned by a military officer, with the prosecution claiming that a body called "Ergenekon", after a mythical Turkish valley, was conspiring to overthrow the Turkish state. All the verdicts are to be appealed.
- But the conspiracy claim is not the first; in 2012, 300 officers were convicted in a separate trial known as the "Sledgehammer" case, which involved charges of conspiracy to bring down the government in 2003. Those convictions are also under appeal.
- Turkey has long-standing tensions between civilian politicians and the military, which carried out coups in 1960, 1971, and 1980, and in 1997 forced a moderate Islamist government to resign.
- While the military sees itself as preserving Mustafa Kemal Atatürk's secular legacy, Mr. Erdogan sees a major problem in what Turkish observers call the "deep state", an unofficial but powerful network of senior civil servants, the upper military, and other officials.

### Economic Relations

1. Cotton yarn duty: Turkey had imposed safeguard duty on cotton yarn imports from India. It was first applied in 2008 and re-applied in 2012. India has challenged it on the basis i.e. safeguard duty can't be applied twice.

## India - Egypt

### Economic Relations

1. Current trade is \$3 bio. IT, agriculture and environment protection has been identified as key areas.

### Internal Dynamics

#### *Impact on Regional Security*

1. Since the fall of Mubarak, there have been multiple attacks on the Sinai gas pipeline delivering gas to Israel. A largely demilitarized Sinai is the keystone of the historic 1979 peace deal between the two countries. But for the past year there has been growing lawlessness in the vast desert expanse. Morsi has promised to honor the 1979 deal.
2. The growing violence is also seen as a result of the armed infiltration and the flow of weapons from Libya. These arms include anti aircraft missiles and SPGs.
3. To counter the insurgents, Israel granted an Egyptian request for Cairo to use attack helicopters in Sinai for the first time since a 1979 treaty which strictly limited the deployment of military force in the desert peninsula.

#### *US Interests in Egypt*

1. Egyptian military has been very close to US. Most of the top leaders have been trained in US only.
2. The Muslim Brotherhood on the other hand has no relations with US and US is skeptical that it may fall out of its control. That is why US has been silently supporting Egyptian military.
3. Also there is concern that a democratic government may be neutral to Iran as the popular opinion is for that. Loss of Egypt will be a major loss for US in the region.

### **India-Syria**

#### Peace Initiatives

*Kofi                      Annan's                      6                      Point                      Peace                      Plan*

1. Initiate a Syrian led political process to address legitimate aspirations of Syrian people.
2. Immediately stopping all violence by both sides.
3. Unimpeded flow of humanitarian assistance.
4. Release of political prisoners.
5. Freedom of movement throughout the country for journalists.
6. Freedom of association and demonstrate peacefully.

#### *Brahimi's Plan*

1. Arms flows to both sides must end immediately.
2. Syrian led political process.

3. No outside intervention.

#### *US-Russia Initiative for Geneva II*

1. US has abandoned insistence on Assad's departure as a precondition to talks. Russia has welcomed it and agreed to work towards a political solution. The next step should be to drop objection to Iran's participation in the Geneva II conference. Another crucial question will be who will represent the Syrian opposition.
2. The US has also demanded a withdrawal of Hezbollah fighters. A UNHRC resolution has been passed condemning their participation.
3. The rebels don't want to commit to talks at the moment because as of present, the regime has gained an upper hand and they won't want to negotiate from a position of weakness. But if they don't, it will create international pressure and may jeopardise their chances of getting enhance EU and US military assistance.

#### *Indian Voting Pattern in the UNSC on Syria*

1. India's position has become closer to position taken by GCC. In the first vote India abstained from voting against Syria at the UNHRC in line with its long term foreign policy of not supporting country specific resolutions at UNHRC.
2. However as violence rose and GCC became more vocal in criticizing Assad, India voted in favor of the subsequent UNSC and General Assembly votes condemning Syria for the violence.
3. Critics argue that July resolution was under Chapter 7 (like Libya, Kuwait in the Gulf War) and would have paved the way for a military intervention.
4. But careful analysis shows that the resolution was there to back the peace plan of Kofi Annan. The only way Annan could have brought the fighting parties to the negotiation tables was to show them that there would be some consequences behind inaction.
5. India has supported the Annan plan from the start. It defies logic that New Delhi could have voted against the July 19 resolution, which was an attempt at enforcing his peace plan.

## India Russia

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### **Defence Relations**

#### Su-MKI 30 Deal

1. In the \$4 bio deal, India will buy 42 Su-MKI 30 aircrafts.
2. These will be upgraded versions having features of the fifth generation crafts i.e. stealth, fitted with a radar and capability to launch Brahmos Cruise missile.

#### Nuclear Issues

1. India and Russia have agreed to carry forward the Kundankulam project. The terms of Russian credit have been decided and the new nuclear liability rules will not apply to units 3 and 4.

#### Glonass

1. Russia allowed India access to *Glonass* which is *Globalnaya Navigatsionaya Sputnikovaya Sistema*. It is the alternative to US GPS. It involves a constellation of 24 satellites and was Russia's most ambitious space project in 2000s. Apart from US and Russia, Chinese system is called Compass and EU's Galileo.

#### **Economic Relations**

1. Current bilateral trade is \$10 bio. Both countries have agreed to increase it to \$20 bio by 2015. current profile of trade is dominated by commodities with large imports of iron, steel, fertilizer and oil from Russia.
2. India and Russia are discussing a Comprehensive Economic Partnership Agreement.
3. India wants to include the Russian customs union with Kazakhstan and Belarus in the CEPA.
4. India is interested in importing raw materials like copper, coking coal, nickel and Russian investment in steel and telecommunications.
5. Oil and Gas: India is keen on investing in Russian oil and gas sector. GAIL is looking to expand its current project in the Sakhalin-2 gas project and to invest in others.
6. Diamonds issue: India was seeking a long term pact for supply of raw diamonds from Russia and for this wanted to invest in Alrosa which is the second largest diamond mining company in the world. Russia produces ~40% of world's diamonds and India is the biggest diamond processor. But the Sistema issue has put doubts over the deal.
7. Pharmaceuticals: India wants to do JVs with Russian companies in pharmaceutical sector so as to exploit markets in Russian customs union. We are keen to participate in the Pharma 2020 program of Russia where Russian Government has ambitious plans in developing pharmaceutical industry with an objective to reducing healthcare cost.

#### **Internal Dynamics**

##### Russia - China in Far East

1. Russia is worried about Chinese immigrants swamping its sparsely populated but resource rich eastern areas. It is sending 2 nuclear submarines in the region, has warned against the creation of immigrant enclaves and modified its immigration and settlement expansion policies by encouraging Russian culture in the far east.

## India Latam

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#### **Community for Latin American and Caribbean States (CELAC)**

## Oil Imports

In financial year 2012-13, India imported 33.8 mt of crude oil from five Latin American countries — Venezuela, Mexico, Brazil, Colombia and Ecuador which is ~17% of its total oil import. Total crude import from Venezuela in 2012-13 amounted to 22 mt — by Reliance and Essar Oil Ltd. Mexico accounted for almost 4 mt, Brazil for 3.8 mt, Colombia for 2.8 mt, Ecuador for 1.3 mt.

petroleum products constitute an important element of our export basket to Latin America.

Reliance Industries Ltd executed a swap agreement — crude oil from Brazil in exchange for refined diesel — in the 1990s.

## Oil Investments

Venezuela: San Cristobal oilfield, Carabobo-1 oilfield for OVL. Indian investment in Carabobo is envisaged at over \$2 billion, with peak production in 2016 estimated at 4,00,000 bpd.

In Brazil, In August 2013, OVL exercised its pre-emption right to purchase another 12 per cent in one of the blocs, raising its PI from 15 per cent to 27 per cent at a cost of over \$500 million.

Videocon Industries Ltd teamed up with public sector Bharat Petroleum Corporation Ltd (BPCL) to form IBV Brasil, which holds stakes in 10 deep-water exploration blocks. IBV has already invested over \$1 billion. Total investment in these fields is estimated at \$20 billion by 2018.

Intent on secure but profitable investments, OVL has not yet entered Ecuador, whose government offered a block recently but insists on service contracts with foreign firms. These yield a fee per barrel as against a share of the production, or a concession which permits the producer to lift the oil on payment of taxes and royalties.

Beyond the horizon is the prospect of a Mexican decision to permit foreign investment in its currently nationalised oil industry. For now, Mexico continues to be an important supplier of crude.

Argentina's extensive shale deposits are another attraction. The US' Energy Information Administration has ranked Argentina fourth behind Russia, the US and China in the world,

## RENEWABLE ENERGY

One form of renewable energy that holds promise is biofuel, specifically ethanol

There have been some imports of ethanol from Brazil, but transport costs for this price-sensitive

fuel, the difficulty of concluding term contracts, on account of production constraints (Brazil's sugar crop in 2011 was far below expectations), have reduced reliance on this source.

Indian companies such as Praj Industries Ltd have therefore ventured to master biofuel manufacturing technologies, with impressive results. They have set up plants in Brazil, Colombia and El Salvador, using very effective hybrid technologies.

1. This institution has decided to leave out US from it thereby signaling the growing anti-US sentiments in Latam. It is a grouping of 33 states. Key players are Venezuela, Brazil, Cuba, Mexico, Argentina and Colombia.

#### Economic Relations

1. India was the 1st country they visited. India's trade has gone up from \$2 bio in 2000 to \$25 bio in 2011 (China is \$200 bio with the usual trade pattern). Indian investments are \$16 bio so far.
2. India has friendly ties with a few individual countries such as Venezuela, Chile, Cuba and Peru. India's ties with Brazil acquired higher priority as the two countries engaged in the IBSA and the BRICS groupings. The Caribbean region, on the other hand, has always been of interest to India because of the sizeable presence of the Indian diaspora.
3. Reliance has been importing oil from Brazil from 2000 in exchange for supplying diesel, accounting for over 40 percent of bilateral trade between India and Brazil over the past decade.

#### Opportunities

1. Mineral rich, substantial new oil reserves discovered. Latin America is also a rich source of coal. Joint ventures and even import of ethanol and bio-diesel from Brazil, including transfer of technology, are a reality.
2. Seeking investments.
3. Stable politics after turbulent 80s.
4. India imports almost 10 per cent of its crude from the region. It is also emerging as a good source for edible oil and other agricultural commodities.

#### Challenges

1. Traditionally, Latin America has not loomed large on the Indian foreign policy horizon as geographical distance and language has kept them apart.
2. The absence of direct flights and direct shipping had been a big impediment to closer ties between them.

### **India-Argentina**

#### Economic Relations

1. Bilateral trade is \$1.5 bio - \$0.5 bio export and \$1 bio import.

2. Argentinean government has mandated for its importers to seek government permission before any imports. The delays associated with such permissions are causing damage to bilateral trade.

### **India-Trinidad & Tobago**

#### Ms Kamla Prasad Bisessar's India Visit in 2012

1. The interest areas are energy, agriculture, IT, hospitality, health, pharmaceuticals and tourism.
2. T&T waved off visa requirement for the Indian passport holders.
3. Both countries signed an Air Services Agreement.
4. Both countries signed MoUs on Traditional Medicine.

### **India-Brazil**

#### Economic Relations

1. Pharmaceutical issue: Brazil requires testing of drugs in Brazil despite having approvals from regulatory agencies in developed countries + insists on pricing based on prices in India where costs are less (compared to Brazil where costs are higher) + there are issues in import licenses, port clearances etc.
2. NIMZ: India invited the Brazilian investment in recently launched National Infrastructure and Manufacturing Special Economic Zone as well as in the food processing industries.

### **India-Canada**

#### Economic Relations

1. Canada is a big supplier of wheat, potash and lentils to India.
2. India has also inked deals with Canada to secure hydrocarbon supplies. The civil nuclear energy talks on the other hand have gone cold.

### **India-Paraguay**

#### Internal Dynamics

1. President Lugo was recently impeached by the senate (9 months before his term was to end in April 2013). Paraguay had only recently established a democracy (in 2008 after a 61 year rule first as a dictator and then as a president). But the manner of impeachment has raised doubts about democracy's survival and is seen as a coup.
2. The opposition parties have an overwhelming majority in both chambers of the parliament. The © of Paraguay is poorly worded and allows for presidential impeachment on grounds of "poor impeachment". The opposition parties charged president on vague grounds and also gave him less than a day to defend. The president in turned asked for 2 weeks to be able to defend but the parties rejected his demand in order to "avoid a civil war". The pretext used by the parties was an armed confrontation between the police and protesting peasants over a land acquisition issue.
3. Latam Mercosur countries have retaliated by suspending it from Mercosur and recalling their ambassadors. The coup leaders retaliated by announcing the intention to move forward on FTA with US.

4. Paraguay's economy is largely driven by cultivation of soya (exporting it mainly to China and increasing ties with India for a market).

## **India-Cuba**

### Economic Relations

1. India is interested in investing in mining, exploration, energy, refining, pharmaceuticals etc. in Cuba.
2. India is negotiating a BIPA with Cuba. Current trade is only \$40 mm. India recently sent a large business delegation to Cuba. It also requested Cuban participation in India international trade fair and promised to participate in Havana trade fair.

## **India-Colombia**

### Economic Relations

1. Both countries recently concluded a BIPA. A DTAA has also been signed but it needs to be ratified in Colombia.
2. India is interested in investing in exploration and production, refining etc. in oil sector and pharmaceuticals and biotechnology in Colombia.
3. But the Colombian authorities have delayed the environmental clearance to an ONGC held block. Colombia also has a 10% limit on employment of foreign professionals in IT companies which India wants to be relaxed.

## **India-Venezuela**

### Economic Relations

1. Bilateral trade has grown ~12x in past 4 years but it is mainly oil imports from Venezuela. India is keen on investing in pharmaceutical industry in Venezuela (and thus help it procure generics) and also exploration and production.
2. ONGC is already invested in San Cristobel oil field. In addition it is also proposing to invest ~\$2 bio in Carobobo oil field. In the refinery sector, India will build a refinery in Venezuela (with Venezuelan majority stake), a shipping line between India and Venezuela and a refinery in India (with Indian majority stake).
3. Both countries are also negotiating a DTAA.

## **India-Mexico**

### Internal Dynamics

#### *Presidential Elections*

1. Enrique Nieto (of PRI) won by a narrow margin. The PRI party had ruled Mexico for more than 70 years before 2000. Failure in the crackdown against the drug mafia was a big contributor to the incumbent president's (Felipe Calderon). He had initiated the crackdown but the battle turned out to be long and the government forces suffered heavy losses. Other issues were rising poverty and unemployment, biased media and election rigging in favor of PRI.



2. PRI is a conservative party and leans closer to US (it had signed NAFTA and favors stationing of US troops in Mexico to combat the mafia). Thus it will weaken the Mercosur bloc and the so called pink tide movement (rise of left wing politics in latam).

## **India-Mercosur**

### Internal Dynamics

1. Mercosur advocates free trade among the member nations and even has a customs union (and the target is a common market). But some of its governments are left leaning. Paraguay changed to a right leaning government and Mercosur suspended it. Argentina, Brazil, Uruguay are other members. Bolivia, Chile, Columbia, Ecuador and Peru are associate members.
2. Mercosur has a democracy clause which it invoked to suspend Paraguay. But it inducted Venezuela!
3. Intra-Mercosur trade is only 16% of member states' total trade while that with EU (20%), China (14%) and US (11%) is comparable. Brazil dominates in intra-Mercosur trade. Mercosur's exports are diversified but it has a deficit in services trade.
4. The development of Mercosur was arguably weakened by the collapse of the Argentine economy in 2001 and it has still seen internal conflicts over trade policy, between Brazil and Argentina, Argentina and Uruguay, Paraguay and Brazil, etc.

### Economic Relations

1. India has a PTA with Mercosur. Before the PTA in 2009 the trade was \$3 bio and is expected to be \$17 bio in 2012.
2. India is mainly interested in pharmaceuticals, biotechnology and energy investments in Mercosur.
3. Issues are : Argentina import restrictions, pharmaceutical issue with Brazil (testing, pricing disclosure, port clearances), Colombian environmental clearance to an ONGC project and its insistence in having not more than 10% foreign professionals in any project.

## **India-Chile**

### Economic Relations

1. Trade between the 2 countries is \$2.5 bio in 2011-12. Even bilateral investment is growing.
2. Both countries have a PTA but given the narrow trade basket are looking to extend the PTA. They are even negotiating a CEPA and a DTAA.
3. India has requested Chile to liberalize its visa rules and give multiple entry visas to Indian businessmen.

# India Europe

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## **India-Ukraine**

### Strategic Relations

1. Both countries are expected to ink an energy pact which will include gas, solar and nuclear energy.
2. Ukraine is also interested in supplying India weapons as well as work together on piracy.

## **India-Belarus**

### Economic Relations

#### *Opportunities*

1. Pharmaceuticals: \$700 mm is the size of pharma market in Belarus and 70% of it is imported. Indian investment will also help increase domestic production for Belarus.
2. Fertilizers: It is Belarus's main export to India. India wants a long term agreement and also to setup a joint venture in Belarus for Potash fertilizer.
3. IT: India can help Belarus in e-governance. A Digital Learning Centre was setup by CDAC in Belarus.
4. Power: Cooperation is possible not only in thermal but solar and wind energy as well and renovating old plants. BHEL supplied equipment to a project there and is interested in doing more.
5. Agro-processing: Belarus lacks food processing capacity and therefore exports raw agro products and imports processed ones. India can help fill the gap.

## **India-Romania**

1. Both countries can come closer in agriculture, telecom, finance, IT, pharmaceutical etc.

# India Central Asia

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## **Major Projects**

### Economic Relations

1. China - Central Asia trade is \$30 bio while US - C Asia trade is \$25 bio. India - C Asia trade is only \$500 mm.

### Connect Central Asia Policy

1. The policy is a broad based approach based on pro-active political, economic and cultural engagement with Central Asian countries, both individually and collectively.
2. Cultural engagement: India plans to set up a university in Kyrgystan and to consolidate goodwill in all Central Asian countries through IT, culture, networking with young politicians and academia. It is also building a military hospital in Tajikistan and plans to operate many direct flights to Tajikistan.
3. Political engagement: India has an air base in Farkhor and will also provide training to Tajikistan forces. Similarly, with other C Asian countries, India will engage in military training, joint research, counter-terrorism and close consultation on Afghanistan. All countries want a stable and terrorism free Afghanistan.

4. Economic engagement: Current trade is mere \$ 500 mm. Lack of connectivity is a major problem. India intends to invest in hydrocarbon and hydel sectors there.

#### International N-S Corridor

1. INSTC agreement signed between India, Iran and Russia in 2000 provides for the transit of goods through Iran and the Caspian Sea to Russia and Northern Europe. Its potential increases with India, Myanmar and Thailand also getting linked by road.
2. As compared to Suez Canal route, INSTC is 40 per cent shorter and 30 per cent cheaper. From Bandar Abbas port, it will run through Bandar Anzali port on the Caspian sea, then through Rasht and Astara on Azerbaijan border to Kazakhstan and Russia.

#### Progress

1. Dry runs will begin from 2013 in Iran. 2 groups have been formed to thrash out most of the issues. The core group consists of India, Russia, Iran and Turkey. There is 500 km of road work which is left in Iran. A group involving Iran, India, Russia and Azerbaijan will explore the infrastructure and funding options.

#### Chabahar Port Project

1. India has proposed expanding the capacity of the port, currently working at its full handling capacity of 2.5 million tones of cargo per year by five times and linking it to the Iranian town of Bam with a railway line. From Bam which is on Afghan border, goods can be taken to Afghanistan.
2. China has offered Tehran credit facility of Euro 60 million — almost equal to the proposed Indian investment in the revamp of Chabahar port — to move out India from the project. China wants the project to keep India out of Chabahar and protect its investment in Gwadar port.

#### TAPI Pipeline

see below.

#### Kazakhstan Oil Deal

see below.

### **India-Tajikistan**

#### Defence Relations

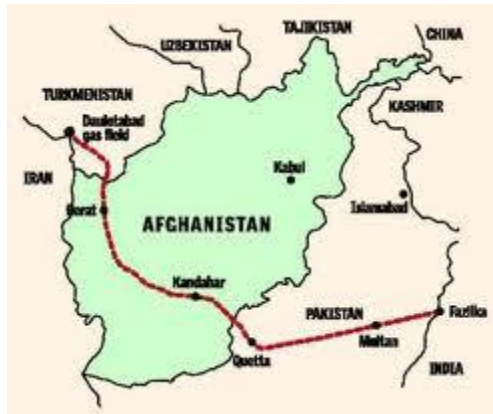
1. India has an air-base there (@ Farkhor) which was used to support anti-taliban operations.

#### Economic Relations

1. India gave an aid for the modernization of a hydel plant in Tajikistan. The country is 2nd largest hydel power producer in CIS and has a potential of 40 GW. India can invest in hydel there.
2. India is interested in Tajikistan's hydrocarbon resources.

### **India-Turkmenistan**

#### TAPI Pipeline



1. Its a \$7.5 bio project running over 1700 km. ADB is part financing it. The capacity of pipeline is 90 mscmd out of which India would get 38 mscmd. India will pay 50¢ each to Pakistan and Afghanistan for transit. The price of gas would be linked to a basket of fuel indices which is as per international practice. Currently it would be around \$10-12 per mmBtu compared to \$16 per mmBtu rate of imported gas @ ports.
2. ADB has raised a hurdle saying it will part finance only if a western consortium is given an expanded role in the project. The expanded role means not only development and operation of the pipeline but also development of the feeder gas field upstream. But Turkmenistan doesn't allow western companies in field development.

#### China Factor

1. Talks for Turkmenistan-Afghanistan-Pakistan-India gas pipeline are still going on and actually heading nowhere. On the other hand China has already created a pipeline with Turkmenistan importing 100 mscmd and signing an agreement to increase it by further 60 mscmd.
2. China is set to import up to 25 bcm of gas from Central Asia in 2012. The amount is significantly higher than total gas from Central Asia imported in 2011, which was close to 16 bcm. A majority of the gas is imported from Turkmenistan although Kazakhstan and Uzbekistan also provide gas to China.

#### Internal Dynamics

1. Turkmenistan business leaders are setting up a political party to challenge the one-party system that has controlled that Central Asian state since its independence two decades ago.

#### **India-Kazakhstan**

##### Energy Issues

1. ONGC Videsh got a 25% stake in Satpayev oil field for \$400 mm.
2. Kazakhstan aims to triple output of natural gas to 110 bcm per year by 2030 and become a major supplier of world markets. It currently produces around 40 bcm/y of gas.

#### Economic Relations

1. Textiles: Kazakhstan will enhance imports of textiles from India. Indian side agreed to provide training facilities in the textiles sector. They also agreed for technology exchange in wool and cotton sector.

#### Terrorism Issues

1. A Salafi terror group, Jund-al-Khalifa, comprising ~90% of Kazhaks is operative in Afghan-Pak border and has carried out attacks on US Army.

#### NATO Dynamics

1. US is exploring land transit routes through Kazakhstan.

#### **India-Kyrgystan**

##### Internal Dynamics

1. Kyrgystan is aiming to build a democracy. But its system is that of strong tribal and clan relations & corruption and nepotism are rampant. Economic reforms mandated by IMF led to destruction of its industry.
2. In 2005 public revolted against the self serving rulers. In 2010 , its constitution was rewritten to transform it from presidential form to parliamentary form.
3. Atambaev won the election recently and took over from interim president Otunbayeva who had came to power following the tulip revolution.

##### NATO Dynamics

1. Kyrgystan will allow NATO land transit (rail and road) of military cargo through its territory. In the past it had vowed to shut down the Manas air transit center near the capital Bishkek.

##### China Factor

1. Kyrgystan is planning a project to build a trans-Asia railway to connect to both China and Uzbekistan. The \$2 bio rail line will run from Xinjiang Uyghur in China to Uzbekistan, where it would link to the Uzbek rail network.

#### **India-Azerbaijan**

##### Economic Relations

1. Azerbaijan is a part of the International North-South Corridor.
2. Both countries are negotiating a BIPA and a DTAA.
3. India is keen to invest in oil and gas sector in Azerbaijan and wants to use the BTC pipeline for transporting oil.

## India UNO

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#### **United Nations Development Action Framework 2013-17**

1. This Framework articulates UN's strategy to help in India's economic development in next 5 years.

2. UN has selected some backward states for direct help. The areas of focus for UN will be where it has comparative advantage.

### **United Nations Reform**

1. India and Germany are a part of G-4 nations which also includes Brazil and Japan which are vying for UN permanent membership.
2. Germany differs from India in the sense that it willing to become a permanent member without getting the veto power now. It believes veto can be obtained in a decade. India and Brazil want to settle the issue once and for all.

### **World Bank Aid**

1. India currently receives \$2 bio aid under the IDA (International Development Association) programme of World Bank. But such an aid can only be made to low income countries.
2. India's per capita income is \$1,330 against the threshold of \$1,175. As such India is classified as "blend" country and may lose the aid in next 2 years.
3. In the middle income range, interest rates are higher than LIG though less than commercial rates.

### **ICJ**

#### Judges

1. The International Court of Justice is composed of 15 judges elected to nine-year terms by the General Assembly and the Security Council. These organs vote simultaneously but separately. In order to be elected, a candidate must receive an absolute majority of the votes in both bodies. One third of the Court is elected every three years. Judges are eligible for re-election. Should a judge die or resign during his or her term of office, a special election is held as soon as possible to choose a judge to fill the unexpired part of the term.
2. All States parties to the Statute of the Court have the right to propose candidates. These proposals are made not by the government of the State concerned, but by a group consisting of the members of the Permanent Court of Arbitration designated by that State, i.e. by the four jurists who can be called upon to serve as members of an arbitral tribunal under the Hague Conventions of 1899 and 1907. A State party to a case before the International Court of Justice which does not have a judge of its nationality on the Bench may choose a person to sit as judge ad hoc in that specific case.
3. Since the 1980s there has been a clear increase in willingness to use the Court, especially among developing countries. After the court ruled that the U.S.'s covert war against Nicaragua was in violation of international law the United States withdrew from compulsory jurisdiction in 1986. The United States accepts the court's jurisdiction only on a case-by-case basis. UN Security Council is authorized to enforce World Court rulings.
4. Article 6 of the Statute provides that all judges should be "elected regardless of their nationality among persons of high moral character", who are either qualified for the highest judicial office in their home states or known as lawyers with sufficient competence in international law. Judges of the ICJ are not able to hold any other post. A judge can be dismissed only by a unanimous vote of other members of the Court.

5. All UN members are automatically parties to the Court's statute. Non-UN members may also become parties by following a procedure. However, being a party to the statute does not automatically give the Court jurisdiction over disputes involving those parties. The issue of jurisdiction is considered in the two types of ICJ cases: contentious issues and advisory opinions.
6. The key principle is that the ICJ has jurisdiction only on the basis of consent. In contentious cases (adversarial proceedings seeking to settle a dispute), the ICJ produces a binding ruling between states that agree to submit to the ruling of the court. Cases come before it when brought by the parties. The Court also has a jurisdiction over "matters specifically provided for ... in treaties and conventions in force". Such cases have not been as effective as cases founded on special agreement, since a state may have no interest in having the matter examined by the Court and may refuse to comply with a judgment. Since the 1970s, the use of such clauses has declined. Many modern treaties set out their own dispute resolution regime, often based on forms of arbitration.
7. Third, Article 36(2) allows states to make optional clause declarations accepting the Court's jurisdiction. Such declarations made by states are voluntary. Furthermore, many declarations contain reservations. Industrialized countries however have sometimes increased exclusions or removed their declarations in recent years.
8. The court also has advisory function. In principle, the Court's advisory opinions are only consultative in character, but they are influential and widely respected. Advisory Opinions have often been controversial because the questions asked are controversial or the case was pursued as an indirect way of bringing what is really a contentious case before the Court.
9. Article 94 establishes the duty of all UN members to comply with decisions of the Court involving them. If parties do not comply, the issue may be taken before the Security Council for enforcement action. There are obvious problems with such a method of enforcement. If the judgment is against one of the permanent five members of the Security Council or its allies, any resolution on enforcement would then be vetoed. Furthermore, if the Security Council refuses to enforce a judgment against any other state, there is no method of forcing the state to comply. Furthermore, the most effective form to take action for the Security Council, coercive action under can be justified only if international peace and security are at stake.
10. Generally, the Court has been most successful resolving border delineation and the use of oceans and waterways.
11. When deciding cases, the Court applies international law i.e. international conventions, international custom, and the "general principles of law recognized by civilized nations".

### **International Criminal Court**

1. As of May 2012, the Court's first trial, the Lubanga trial in the situation of the Congo, has ended with the accused found guilty. The Court's jurisdiction does not apply retroactively: it can only prosecute crimes committed on or after 1 July 2002. ICC is a permanent tribunal to

prosecute individuals for genocide, crimes against humanity, war crimes. The Court can generally exercise jurisdiction only in three cases, viz. if the accused is a national of a state party, if the alleged crime took place on the territory of a state party or if a situation is referred to the Court by the United Nations Security Council. It is designed to complement existing national judicial systems: it can exercise its jurisdiction only when national courts are unwilling or unable to investigate or prosecute such crimes.

2. The accused are denied such basic rights as trial by a jury of one's peers, protection from double jeopardy, and the right to confront one's accusers. But the positives are presumption of innocence; right to counsel; right to present evidence and to confront witnesses; right to remain silent; right to be present at trial; right to have charges proved beyond a reasonable doubt; and protection against double jeopardy.
3. Unlike the ICJ, the ICC is legally and functionally independent from the United Nations. However, the Rome Statute grants certain powers to the United Nations Security Council. Article 13 allows the Security Council to refer to the Court situations that would not otherwise fall under the Court's jurisdiction. Article 16 allows the Security Council to require the Court to defer from investigating a case for a period of 12 months. Such a deferral may be renewed indefinitely by the Security Council.

## **R2P**

1. This was adopted by UN after the 90s massacres in Rwanda and Serbia. It was formally adopted in 2009 and applied in case of Libya.

### India's Stand

1. R2P can't be used to address all social evils including violation of human rights. Its use must be confined only to 4 cases i.e. genocide, war crimes, ethnic cleansing, crimes against humanity.
2. It can't be the default action of the international community. Coercive action under Chapter 7 should be the measure of last resort.
3. It should not be used selectively and with bias and the principle must be applied uniformly.

# Look east policy

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## **China's Island Disputes**

### *Dispute with Vietnam, Philippines & Japan*

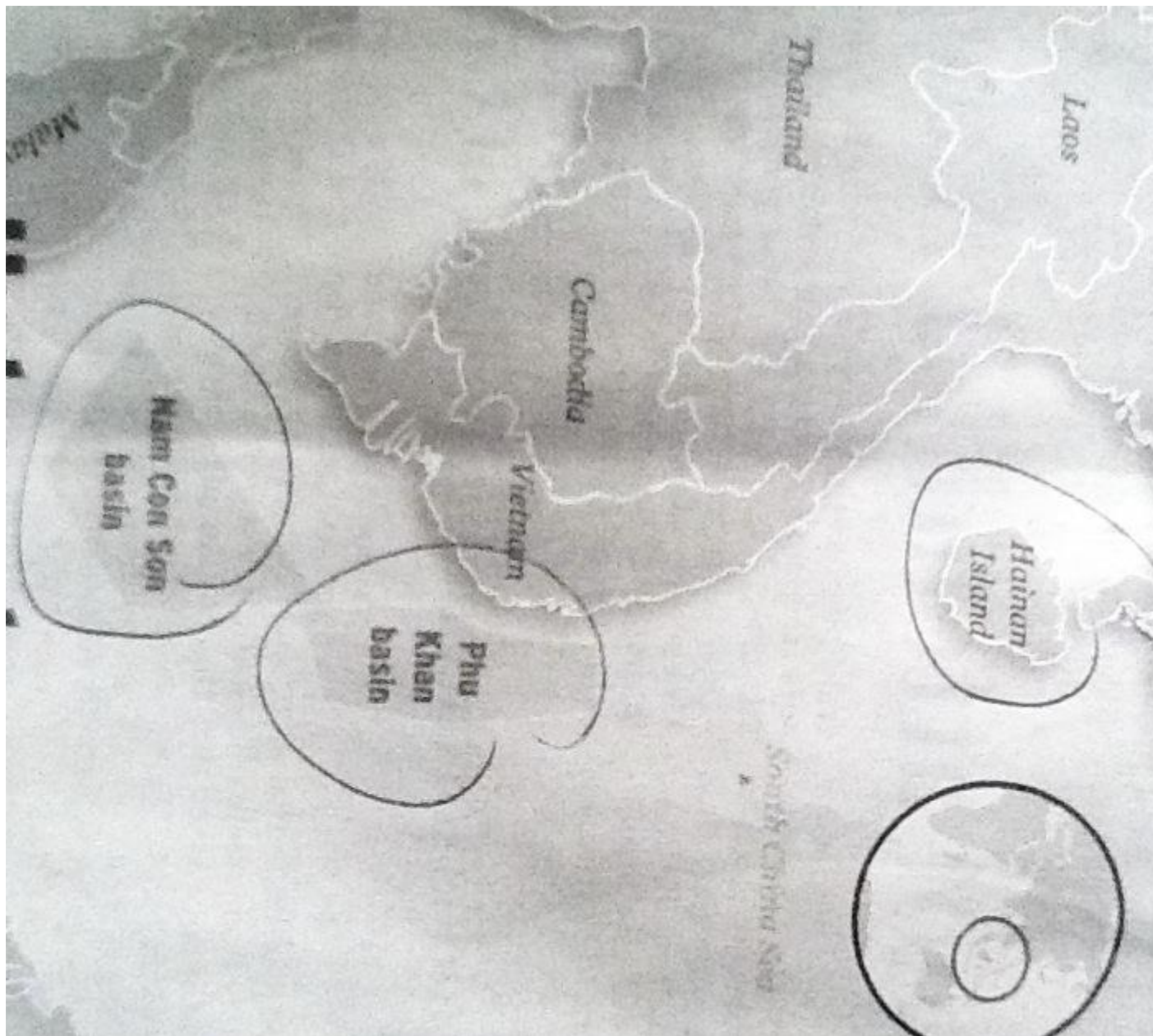
1. China has a dispute with Vietnam over the issue of Spratly islands (in Phu Khanh basin) and Paracel Islands (Phu Khanh basin). Vietnamese parliament recently passed a resolution asserting Vietnam's sovereignty over the islands. In retaliation, China decided to create a new city called Sansha city over the disputed islands, station military there and CNOOC



decided to invite international bids for exploration in contested blocks. The blocks include the one held by ONGC earlier (vacated recently).

## 2. China disputes Hainan Islands with Philippines.





### *China's Dispute with Japan*

1. Tokyo governor said he wanted to buy the Daioyou / Shekneva islands which has oil and gas reserves.

# Disputed islands

China and Japan, Asia's two largest economies, contest control of a set of uninhabited islands



## Failure of ASEAN Communique

1. Vietnam wanted the communique to criticize China for its twin actions (of creating a city and inviting international bids). It was supported by Philippines since it too has disputes with China. Indonesia and Malaysia supported this position by asserting that the matter was a concern to all ASEAN nations and a failure to stand unitedly on it will undermine the credibility of ASEAN. Singapore also lent support in more calculated words asserting that the matter was of concern since it (China's stand) undermines the UNCLOS regime.
2. The communique also tried to conclude a code of conduct (being in making for 10 years) to establish the naval procedures in the disputed seas to maintain peace. This code was strongly supported by US but China rejected it saying it will consider negotiating on it only when "time is appropriate".
3. Cambodia (tacitly supported by Laos) blocked all such efforts.

## Asian Response

1. Economic Response: Asian countries feed on China's economic growth. But they are also worried about its aggression. So they turn to US as an insurance. In economic sphere, they are forming the Trans Pacific Partnership (TPP). TPP includes US, Australia, Japan, Malaysia and Vietnam.
2. Political Response: ASEAN has included US and Russia as observer states renouncing their neutrality.

Similarly Australia, Japan and Korea are also leaning towards Washington to counter Beijing. Even the traditional non aligned SE Asian countries like Vietnam, Malaysia, Indonesia are coming closer to Washington who is forming strategic partnership with them. However, even within ASEAN there is no unanimity over the question of S China sea. Only Vietnam, Malaysia, Philippines and Brunei are opposing China and want ASEAN to draft a joint policy. But others and specially Cambodia resist taking a joint stand.

### 3. Military

Response: US and Australia signed a military partnership agreement where US would be stationing marines there. US is looking for similar agreements elsewhere in Asia.

### India's Response

1. India's 40% of the trade with US passes through this area and hence it is vital to keep it open. India has been tacitly supporting the case of East Asian countries like Philippines, Vietnam and Malaysia though official rhetoric has been to call for ensuring open navigation.
2. After China put up India's block for global bids, India changed its tone to demand for access to natural resources as per international laws. ONGC had exited the block 2 months back but the Vietnamese government sweetened the offer.

### *What Should be India's Strategy?*

1. Taking sides: India should avoid picking sides and pursue national interests only. It can't forget that despite all the differences, China and US are still the largest trading partners of each others and China has ~ \$1.5 trillion invested in USTs. Even if a cold war becomes inevitable between US and China, India has much more freedom to choose than Europe had in 1945. At that time Europe was exhausted and was completely reliant on US investments while India is a rising power on its own. In fact India and many other regional countries have a strong stake in the development of China.
2. Freedom of navigation: These national interest include keeping the sea lines open where it has every reason to support the US in emphasizing on the freedom of navigation in the S China sea.
3. Regional economic cooperation: Here India needs to deepen its trade and investment ties with China without worrying about the reaction of US.

### **India-ASEAN**

As the global economic heft shifts eastwards, Indian industry too is looking for new opportunities in Asia. This is particularly true in our neighbourhood of Cambodia, Laos, Myanmar and Vietnam (CLMV), with which India has close historical links and which are emerging as resurgent economies.

Since India's seminal Look East policy was initiated in the early 1990s, a strategic shift has transformed our relations with Asean, of which CLMV are member nations. Synergies

between India and Asean are rooted in strong commercial, cultural and social commonalities. With the Asean-4, India has evolved a special model of cooperation which goes beyond trade and investment to assisting in capacity-building, rejuvenating people-to-people ties, and undertaking relevant and sustainable projects. Political and security cooperation extends to shaping the new Asian and regional security architecture and jointly working on maritime security concerns.

Asean — with which India has implemented a free trade agreement in goods and is finalising the agreement for services and investments — is expected to usher in the Asean Economic Community by 2015. Other initiatives such as for integration, narrowing of the development gap and the Master Plan on Asean Plus Connectivity too are being looked at. The CLMV group represents rapidly growing economies — with rising consumption, strategic location and access, rich natural resources and bio diversity, and an industrious workforce — offering India significant opportunities for trade in goods and services, investment and export of projects.

#### **BILATERAL BENEFITS**

The Indian Government has committed to setting up projects in the lower reaches of the Mekong river through the Mekong-Ganga Cooperation. The India-CLMV Quick Impact Project Fund will give a fillip to short gestation projects with an annual commitment of \$1 million. India has also opened several centres for entrepreneurial development, English language training and vocational training in the region.

Additionally, the CLMV countries benefit from India's trade policy for least developed countries, which places most imports from such countries under the zero-tariff regime.

These developments create a new level of opportunities for Indian businesses. Today, Asean has emerged as an important trade partner for India with bilateral exchange of goods at \$76.7 billion in 2012-13. India and Asean have set a target of bilateral trade of \$100 billion by 2015.

However, India's trade with CLMV countries was just \$8.53 billion or 11 per cent of India's total trade with Asean in 2012-13, although this is a ten-fold rise from the level ten years ago.

#### **TRADE MATTERS**

India's exports to the CLMV countries comprise mainly pharmaceuticals, machinery and instruments, vehicles, plastics and cotton. On the other hand, India's key imports from the region include rubber, wood, ores and mineral fuels.

Regarding investments, Indian companies have committed about \$2.6 billion in Myanmar and projects worth about \$1 billion each in the other CLMV countries. Potential sectors of cooperation extend across agriculture, infrastructure, industry and services, and Indian industry must engage in all of these.

In agriculture, countries like Vietnam have made considerable progress in crops such as rice and coffee. Food processing, agricultural inputs, farm equipment and water and irrigation can be good areas of exchange. Development of ports, highways, airports, and new urban centres would offer consultancy, financing and turnkey opportunities. Oil and gas exploration has also attracted the interest of Indian companies.

Manufacturing, supported by facilitative policies, offers potential in sectors such as chemicals and fertilisers, automotives, pharmaceuticals, textiles and garments. The services sectors of education, healthcare, ICT, financial services and tourism, in particular, can absorb investments from Indian companies.

The CLMV countries enjoy a young workforce that is being groomed for globalisation. This can help improve people-to-people connectivity and strengthen India's brand image.

A real boost to trade can come from leveraging the historical land route between these countries and India. In his recent visit to Brunei for the Asean-India Summit, Prime Minister Manmohan Singh indicated his wish to extend the Trilateral Highway to these countries and also supported its linkages to ports in Asean and alignment with special economic zones. Additionally, protocols for Customs cooperation and mutual recognition agreements as well as air and sea connectivity between India and the CLMV nations need to be established.

Sectoral business delegations from both sides with specific projects and joint ventures in mind can explore opportunities. It is time Indian companies make the strategic decision to participate in the development process of CLMV countries for a sustainable and mutually-beneficial economic relationship

#### Economic Interests

1. The FTA in Goods came into effect fully in August 2011 with Cambodia ratifying it. India ASEAN trade stood \$50 bio in 2011 and grew at 30%.
2. Services and Investment Agreement will come into effect soon.
3. India is pushing for better connectivity with ASEAN and the projects include India-Myanmar-Thailand highway (Moreh Sot Road) and India-Mekong Economic Corridor.

#### **India-Myanmar**

### Key Issues

1. Border security management is a key issue. India Myanmar border is porous and her territory has been frequently used by the separatist groups in past to carry anti india operations. Myanmar's support to India in this regard has not been clean in past.
2. So India and Myanmar signed an agreement not to allow their territory to be used against the other and also India is happy that Myanmar is reconciling with its rebels.

### Economic Relations

#### *Capacity Building*

1. Current trade is \$1.2 bio out of which \$800 mm is Myanmar's exports of moong dal. The target is to reach \$3 bio trade by 2015. India's assistance offered to myanmar till date is \$300 mm. India will ease the terms of its \$500 mm line of credit.
2. India will be engaged in an onshore oil exploration contract, a solar energy project and a pipeline project.

#### *Hydel Projects Issue*

1. India was to construct hydel projects in Myanmar at Tamanthi (1.2 GW) and Shwezaye (800 MW).
2. Myanmar canceled it recently saying that since the social effects associated with the resettlement of people on account of these projects would be high. It also cited that the tariffs of the power were high.

#### *Trade*

1. India will open branches of Indian banks in Myanmar to facilitate trade in local currency.
2. India will reduce the domestic content requirement in the proposed hydropower projects to 40%.
3. India will open a third border trade post at Avakhung-Pansat / Somrai.

#### *Opportunities*

1. Gas: Myanmar's gas could be imported in the form of LNG or via a pipeline. Indian state-owned organizations such as GAIL and ONGC have a significant stake – nearly 30% in the exploration and production in the Shwe offshore gas fields; they also have a nearly 12% combined stake in the Myanmar-China pipeline project since most of the gas is transported from the Shwe fields. Despite this, very little gas is imported into India. Up until now, India's stake in Myanmar's gas projects, though substantial, has only been from a profit-making stand-point; the extracted gas is not slated to make its way back to India, but rather to China. Unless India seriously considers investing into transportation of Myanmar's gas back to India, its energy security prospects would not improve and Bangladesh is reluctant to be a transit nation. The recent widespread inter-ethnic clashes between the Rohingya Muslim community and the Buddhists in the Rakhine region are troubling.
2. An alternative pipeline route circumventing Bangladesh was scrapped due to a lack of funding on the Indian side. A Myanmar-India pipeline that bypasses Bangladesh, traverses through India's North-east and connects to India's Eastern pipelines is expected to be about 1575 kilometers long, and according to one estimate made in 2005, could cost around

US\$2.3-3 billion. In contrast the 900 kilometer-long Myanmar-Bangladesh-India pipeline was estimated at US\$1 billion before the deal fell through. But it could provide an access-point to the gas fields in Myanmar sans the transit state of Bangladesh; it could also potentially contribute to the economic and industrial development of India's underdeveloped and power-starved North-east sector.

3. India is also thinking of building a LNG terminal on the eastern coast for Myanmar's gas.

#### Connectivity

1. India will be developing the Kaldan multi modal project to improve the connectivity. This project was conceived in 2008 when relations with Bangladesh were frosty to show it India had alternatives. But now the project has run into difficulties as: (a) The road length was underestimated. (b) 2 hydel projects are being built in the area. They will need to release minimum water to maintain the flow on the waterways channel (but this may compromise on their hydel potential). (c) These hydel projects submerge a part of Myanmar territory.
2. There is also the Stilwell road which was built during WW2 by £. India can use the access to Chittagong port to travel goods via sea to Myanmar from its NE. India will also run a bus service from Imphal to Mandalay through Moreh Sot road.
3. Daiwei Project.
4. Both countries signed an air services and a bus service (Imphal - Mandalay) pact. A joint working group has been setup to examine the feasibility of rail transport.

#### Chinese Factor

1. The trade is \$5 bio and Chinese investment is \$16 bio. However recently Myanmar is shifting away from China as is evident by the cancelation of the Myitsone dam project and new found inclination towards US.
2. China is constructing oil and gas pipelines, road and railway lines in Myanmar reaching to the seashores of Bay of Bengal. It runs from Kyaukpyu Port on west coast of Arakan State to Yunnan Province of China.

#### Internal Dynamics

##### *Rakhine Province: Rohingyas vs Buddhists*

1. Rohingyas are sunni muslims while majority in Rakhine province are Theravada buddhists. The Pinlon Agreement, 1947 included Rakhine province (including Rohingyas) in the Burmese nation but subsequently they were discriminated against. Campaigns were carried out against them in 1978 and 1991. Burmese citizenship laws seek to deny citizenship to people of Indian and Chinese origin and allow only people living before 1823 (pre colonization) to become citizens. Further they give the power to decide to the army which has denied them citizenship.
2. India's multi modal Kaldan project involves construction of a port @ Sittwe - capital of Rakhine and the dredging of Kaldan river. Chinese pipelines run to Kyaukpyu in Rakhine.

#### **India-Malaysia**

##### FTA



1. It covers trade in goods, services, investments etc. and will boost the trade to \$15 bio by 2015.
2. Sensitive sectors like agriculture and automobiles have been kept out.
3. It will also facilitate temporary movement of people.

## **India-Thailand**

### Defence Cooperation

1. Joint exercises, patrols are held. Officers are trained in each other's training institutes.
2. Both sides have decided to work together to secure the vital communications lines in Indian Ocean. Both condemn terrorism.
3. Both sides have signed an Agreement on Sentenced Persons and are negotiating a bilateral extradition treaty.

### Economic Cooperation

1. Our bilateral trade is \$ 8 bio. The target is \$16 bio by 2016.
2. FDI is lacking from both sides and India wants to encourage Thai FDI in infrastructure, pharmaceuticals, food processing etc.
3. Both sides agreed to carry out joint oil exploration projects in their territory as well as abroad.

### *FTA Negotiations*

1. Both countries expect to reach a conclusion within a year. The major task is to fine-tune how to open access to both countries' service sectors. An early harvest scheme of the free-trade agreement, with tariff exemption for 84 items of goods, has been in force since January 2010, resulting in a high-level of bilateral trade.

### Dawei - Chennai Corridor Project

1. Its a \$50 bio project and will put all other Chinese projects in shade.
2. The idea was mooted 10 years ago, but due to Myanmar's involvement, it could never begin. Now it has realistic chances of success.
3. A massive deep sea port, industrial complex and land routes to Bangkok will be built.

### *Current Issues*

1. Bangkok is having problems drumming up international investor support. One reason is the fierce competition among a number of regional infrastructure projects. For instance, Japan is focused on developing another port at Thilawa on the Irrawaddy delta. Chinese companies are developing a deep-sea port with oil and natural gas terminals at Kyaukpyu in Myanmar.

## **India-Vietnam**

### Economic Relations

1. Vietnam supports India in ASEAN.

2. It gave India exploration rights in its part of South China Sea and modernization of port in Cam Ranh Bay.
3. Both countries have signed MoU on agriculture research cooperation and an extradition treaty.

#### Defence Relations

1. Vietnam has requested for - submarine training, Su30 training, transfer of warships from 1000 to 1500 tonnes and Brahmos missiles.
2. While agreeing to Su30 training demand would be fine with India, agreeing to other demands risks the ire of China specially after the exchanges between the two countries over oil exploration in South China Sea.

#### **India-China**

Indo China BDCA

Have agreed as follows:

##### Article I

The two sides shall carry out border defence cooperation on the basis of their respective laws and relevant bilateral agreements.

##### Article II

The two sides shall implement border defence cooperation in the following ways:

1. Exchange information-including information about military exercises, aircrafts, demolition operations and unmarked mines-and take consequent measures conducive to the maintenance of peace, stability and tranquility along the line of actual control in the India-China border areas,
2. Jointly combat smuggling of arms, wildlife, wildlife articles and other contrabands,
3. Assist the other side in locating personnel, livestock, means of transport and aerial vehicles that may have crossed or are possibly in the process of crossing the line of actual control in the India-China border areas,
4. Work with the other side in combating natural disasters or infectious diseases that may affect or spread to the other side,
5. Any other way mutually agreed upon by the two sides.

##### Article III

Border defence cooperation visualized in this agreement shall be implemented through the following mechanisms:

1. Flag meetings or border personnel meetings at designated places along the line of actual control in the India-China border areas.
2. Periodic meetings between officers of the relevant Military Regions of China and Army Commands of India and between departments responsible for military operations.
3. Periodic meetings of the representatives of the Ministry of Defence of the Government of India and the Ministry of National Defence of the People's Republic of China.
4. Meetings of the Working Mechanism for Consultation and Coordination on India-China Border Affairs.
5. Meetings of the India-China Annual Defence Dialogue.

#### Article IV

In implementing border defence cooperation and to facilitate contacts and meetings between relevant organizations, the two sides may establish Border Personnel Meeting sites in all sectors, as well as telephone contacts and telecommunication links at mutually agreed locations along the line of actual control. The two sides may also consider establishing a Hotline between the military headquarters of the two countries. Specific arrangements shall be decided upon through mutual consultations between the two sides.

#### Article V

In order to enhance understanding and cooperation between the border defence forces of the two sides, each side may invite the other side for joint celebrations on major national or military days or festivals and organize cultural activities, non-contact sports events and small scale tactical exercises along the line of actual control in the India-China border areas. In addition, the two sides may also conduct joint military training exercises, at Army level, in each other's country on a regular basis. The theme of such joint exercises will be decided through mutual consultations.

#### Article VI

The two sides agree that they shall not follow or tail patrols of the other side in areas where there is no common understanding of the line of actual control in the India-China border areas.

#### Article VII

In case a doubtful situation arises with reference to any activity by either side in border areas where there is no common understanding of the line of actual control, either side has the right to seek a clarification from the other side. In such cases, the clarification shall be sought and

replies to them shall be conveyed through any of the mechanisms established under Article III of this Agreement.

#### Article VIII

The two sides agree that if the border defence forces of the two sides come to a face-to-face situation in areas where there is no common understanding of the line of actual control, both sides shall exercise maximum self-restraint, refrain from any provocative actions, not use force or threaten to use force against the other side, treat each other with courtesy and prevent exchange of fire or armed conflict.

Equally significant is Article II addressing impending issues like the movement of nomadic herders (relevant to the Changpas on both sides.) The Changpa (or sometimes pronounced as Champa) are a semi-nomadic Tibetan ethnic group found mainly in Zaskar region of Jammu and Kashmir.

The risk of BDCA's failure may stem mainly from India's (belated) zest to boost border infrastructure to match China's. The agreement is silent on deployment of troops on the LAC.

Clarity is also required on the Chinese new twist over it having only 2,000 km long disputed border with India and not 4,056 km as India claims. At some stage China might deny CBMs applying in remaining 2,000 sq km.

The Chinese intrusions have a seasonal pattern, mostly crossing the LAC during July-August. Barring few cases, PLA regulars spend a few hours before crossing back. The agreement merely institutionalises this.

#### NEW PANCHSHEEL

First, he said, India's relations with other countries should be premised on what is necessary for the nation's development. "The single most important objective of Indian foreign policy has to be to create a global environment conducive to the wellbeing of our great country."

Second, India should integrate more closely with the global economy because it has benefitted from globalization.

Third, he said, "We are prepared to work with the international community to create a global economic and security environment beneficial to all nations."

Fourth, the PM said India should invest in building connectivity with other countries within the Indian subcontinent, since "Indian sub-continent's shared destiny requires greater regional cooperation and connectivity". This is a continuation of Singh's dream of having "breakfast in Amritsar, lunch in Lahore and dinner in Kabul".

Lest the Indian strategy be confused with China's mercantilist one, the PM stressed "our foreign policy is not defined merely by our interests, but also by (our) values".

### Reassessing China Policy After Despang

#### *Mistakes in Old Policy*

1. Delhi persuaded itself that a China preoccupied with territorial disputes in the east would make nice with India. This is rooted in a profound misreading of Beijing's sense of its own power. Delhi deluded itself that a boundary deal with Beijing was around the corner, even as the evidence pointed in the other direction.
2. It also believed that by reinventing the rhetoric of non-alignment and slowing down its relations with the US, it could persuade Beijing to do the boundary deal. "Don't provoke China" has been the mantra.
3. India believed that tranquility and status quo at the border will persuade China to show Delhi a friendly treatment. This was done at the cost of a weaker position at the border, weaker military power as well as weaker diplomatic outreach.

*What                                      Needs                                      to                                      be                                      Changed*

1. India should convey clearly that without an early resolution of the boundary dispute, military tensions are bound to grow, and inevitably threaten the rest of the relationship.
2. Correct the military imbalance
  1. Despang will not be last incident. The structural conditions that generated it — including the dramatic modernisation of Chinese military capabilities in Tibet — are likely to endure. India has to restore the military balance on the ground.
  2. India's last major multilateral naval exercise (Malabar in 2007) included Singapore, Japan, US and Australia and happened close to A&N islands. It prompted a sharp Chinese reaction so India stopped taking part in multilateral naval exercises since. Now it must start again.
3. Correct the diplomatic imbalance
  1. In the last few years, Delhi has bent over backwards to assure Beijing that it will not

join the US, Japan and Vietnam to contain China. Beijing has offered no such assurances to Delhi. It has persisted in deepening its long-standing strategic alliance with Pakistan.

2. The Ladakh flare-up highlighted the danger of putting all eggs in the China basket. India must now return to the strategy of engaging all powers without ceding a veto on its foreign policy to any one of them.
3. Tokyo is likely to expect greater Indian support on a range of issues, including its difficult relationships with China and North Korea. Despite improved relationships with Tokyo, India's responses to North Korea's provocations are still often muted. This reflects India's traditions of non-alignment and possibly a view that northeast Asia falls beyond India's strategic sphere. But Delhi may need to move beyond these limitations if it is to be seen as a credible strategic partner in the Pacific.
4. First ever visit by an Indian Defence Minister to Australia. PM's tour of Japan and Thailand had strategic relations and expansion of military ties high on the agenda.
4. Correct the Tibet and Kashmir imbalance: While Delhi acknowledges China's sovereignty over Tibet, Beijing's position on J&K has become increasingly hostile to India.
5. Correct the economic imbalance: The expanding trade deficit will severely undercut the political support in India for building an economic partnership with China.

#### *India China Border Agreement*

1. In its draft, China proposed freezing troop levels. India refused it and Beijing had to accept it. China had already built effective infrastructure on its side to allow it to station troops at a fair distance from the LAC, and already has a significant military advantage, so freezing troop levels suited itself more than New Delhi. Moreover, the flat topography on the Chinese side makes troop movement faster and easier than on the Indian side.
2. Draft also contains enhanced CBMs on LAC. For India, any new agreement should not go beyond providing a better architecture of confidence-building measures to ensure peace and tranquility on the LAC.
3. After the Depsang face-off, India was also keen that the agreement contain specific measures on dealing with such situations in the future.
  1. One of the main problems the Indian side faced during the crisis was the mismatch in communication between what authorities in Beijing were conveying through diplomatic channels and what the local commanders on the Chinese side were telling their Indian counterparts at flag meetings.
  2. While earlier protocols make the point that in such situations both sides will re-establish status quo and start negotiations, India wanted these to be amplified in greater detail in the new agreement.
4. China has also clarified that it does not expect the clause on returning inadvertent border-crossers to apply to Tibetans as well. Many Tibetans cross over to India for fear of persecution and India has historically kept this path open.

#### *Japan vs China for India*

1. Japan holds the greatest hope for India. The Ladakh crisis has shown how the unresolved border dispute with China will continue to undermine the best-laid plans for the transformation of Sino-Indian relations. In contrast, there are few negatives in the relationship with Japan. As Tokyo learns from the mistakes of its own China policy in recent decades and confronts Beijing's military assertiveness on territorial disputes, the prospects for the India-Japan partnership have entered a decisive moment.
2. China has little incentive to share primacy with either India or Japan. China has no reason to treat India as a strategic equal especially when the gap in the capabilities between the two is growing in favor of Beijing. The best offer from China is a subsidiary alliance, in which Delhi must reconcile to Beijing's Asian primacy.
3. In search of a larger role in the subcontinent and the Indian Ocean, China will inevitably trample upon India's natural sphere of influence. This is not about Beijing's ill will towards India but linked to the very nature of China's rise. Japan, in contrast, has the potential to boost India's role in the Indian Ocean and help extend it to the Pacific Ocean. It is only by hanging together that Delhi and Tokyo can prevent being outflanked by Beijing in their immediate environs.
4. The idea that China might contribute to India's manufacturing growth and infrastructure development is entirely aspirational at the moment. Japan has already proven its commitment.

#### *Dwarkanath Kotnis*

1. It was hardly surprising that Li Keqiang during his India visit chose to invoke the image of Dwarkanath Kotnis, a selfless Indian doctor who treated Chinese troops in their independence struggle against Japan in the 1930s.

#### Growing China - Russia Proximity

1. In 2001 both countries signed the Treaty of Good-Neighborliness and Friendly Cooperation. However, during the Medvedev presidency in the Kremlin, China did not receive enough attention. Besides Moscow foreign-policy had been transfixed on ties with Europe and the US. Only recently, Russia decided to come closer to China specially in economic cooperation.
2. Trade cooperation
  1. Russia will be tripling its oil deliveries to China from the current level of 3,00,000 barrels per day, which will bring it on par with the Saudi Arabian supplies to China.
  2. Chinese and Russian companies have agreed to develop coal resources and related infrastructure in East Siberia and the Russian Far East with an eye to exporting to China.

3. Russia will supply 38 bcm of natural gas to the China starting 2018 with the option to expand it to 60 bcm.

3. Military cooperation

1. Russia and China signed two arms deals estimated to be worth over \$3 billion whereby China will buy Russian Su-35 fighters and Lada-class submarines. The deal signifies a resumption of Russian military sales to China after a 10-year gap following Moscow's apprehensions of China's attempts to reverse-engineer.
2. Russia and China have also started their latest joint naval exercise. This includes 18 warships and is the largest military exercise that China has held with any foreign navy. That Russia would join with China in this naval show of force at a time when China is embroiled in serious maritime dispute with Japan and others in the region is an indication of how much Russia has moved towards China.

4. Arctic cooperation

1. Both sides also agreed to a deal where Russia will grant China vast exploration rights in the Arctic in return for cheap loans and investments.

Economic Relations

1. Currently the trade is \$70 bio and is expected to touch \$100 bio by 2015. The deficit on Indian side is \$40 bio which is expected to reach \$80 bio by 2017.
2. Renewable energy is a field where India can potentially export to China as they plan to install 100GW of this power by 2020. Then Indian handicrafts, handlooms and films can also have export market there. India wants China to enhance remove import barriers on IT and ITES, basmati rice, fruits and vegetables and Indian TV channels.
3. In terms of imports most vulnerable sectors are pharmaceuticals, telecommunication equipment and conventional power sector equipment.
4. China used to import iron ore from India but that has fallen following SC's ban. India's move to restrict cotton exports and to impose 14% duty on power equipment imports from China has also increased trade tensions.
5. The widening trade deficit is creating problems so both the countries are looking to deepen investment ties to bridge the gap. But currently the mutual bilateral investment is only \$1 bio split equally. However, most of the investment is routed through Hong Kong.

**BCIM**

Bangladesh-China-India-Myanmar (BCIM) economic corridor during Prime Minister Manmohan Singh's visit here next week as the venture is of "great significance" in linking South Asia and East Asia for economic activity.

The proposal was discussed during Chinese Premier Li Keqiang's visit to India in May. It



aims to connect Kolkata with China's Kunming city with a highway running through Bangladesh and Myanmar.

#### *India Losing Oil Deals to China*

1. India has lost at least \$12.5 billion of deals to China in past years. In 2005 it was for PetroKazakhstan, then in 2010 it was in Ecuador and in 2011 in Angola.
2. Recently, ONGC lost the Kashagan oilfield (largest oil find in the world in past 5 decades) to the Chinese after Kazakhstan blocked its \$5 billion deal to buy Conoco Phillips' 8.4% stake. Kazakhstan had the right of first refusal that allowed it an option to step in and buy the stake at the price agreed between the buyer and the seller. It will exercise this to buy the stake and then sell it to CNPC for a profit.

#### *Importance of Karakoram Pass*

1. Opening the pass would open the old silk route again and promote trade between Leh and Xinjiang. This would spur Leh's economic development.
2. This would also be beneficial for the local Buddhist populations.
3. It can also act as a gateway to the hydrocarbon resources of Central Asia.

#### *Steps to address balance of trade*

1. A MoU has been signed which stresses on the need of balanced trade for long term mutual benefits.
2. India is stressing on NTTBs to be removed.
3. Indian exporters are encouraged to showcase their products in Chinese trade fairs.
4. Indian exports should move towards the manufactured goods segment.

#### Water Disputes

1. India is always worried of China diverting Tsangpo river to feed its east, such a diversion will need nuclear explosions to clear the mountains on the Eastern Bend and hence the engineering is currently impossible. Even Mao Zedong had expressed the desire for it earlier.
2. Indian PM had to issue clarifications that Chinese activities on the river were confined to merely run-of-the-river type projects and will not reduce the flow of Brahmaputra.
3. China has recently sanctioned a project to develop the Great Bend in Nyingchi prefecture as a tourist project, thus quelling any suspicions of trying to stop the flow of the river.
4. China blocked Asian Development Bank's funding for a hydro power project in Arunachal Pradesh which is a disputed territory between the two nations.
5. Brahmaputra has the potential to generate 54GW of power on India China border.

#### China in Indian Ocean

1. China will be opening a naval refueling centre @ Seychelles. It has also obtained exploration rights in 10,000 sq. km area in Indian Ocean from International Seabed Authority for polymetallic sulfide ores. It is also interested in anti-piracy operations.
2. Apart from it there is Gwadar, Hambantota, Kyaukpyu, Chah Bahar.

#### China's Presence in Pakistan

1. China is involved in constructing Karakoram Highway in Gilgit which is crucial to connect PoK with rest of Pakistan.
2. China has constructed a network of roads and pipelines from Gwadar Port to Xinjiang province which can also serve as an alternative route to access Indian Ocean.
3. It is constructing a number of hydel projects as well in Pakistan.

## **India-Indonesia**

### Economic Relations

1. Bilateral trade is \$20 bio (\$6 bio export, \$14 bio import). The target was for \$25 bio by 2015 but the fast achievement is due to operationalisation of India-Asean FTA since October 2011.
2. Both countries are negotiating a CEPA. The main issues are - (a) India wants Indonesia to open services under mode IV but Indonesia is holding back on banking and health. (b) India wants Indonesia to review its coal pricing policy where companies can only export @ government decided benchmark prices. These prices led to a hike of ~140% in the then prevailing export prices from Indonesia. Indian power plants depend on Indonesian coal.

## **India-S Korea**

### Economic Relations

1. Bilateral trade is expected to touch \$40 bio in 2015 from current \$20 bio. S Korea signed a CEPA with India in 2009.
2. S Korea plans to invest \$1 trillion in India by 2017.

### Strategic Relations

1. S Korea is interested in supplying weapons and nuclear reactors to India.
2. S Korea wants India to launch its satellites.

## **India-Australia**

### Treaty Amendments

1. DTAA: New clauses on tax information exchange included. Clause for non discrimination of the other's permanent residents added.
2. BIPA: Currently it states that a government can be dragged in international courts over a dispute. This clause will be amended to state that a government in dispute can be dragged in courts of that country only.

### *White Industries vs CIL case*

1. The dispute arose in 1989 and was settled in an arbitration in 2002 where CIL was required to pay White Industries. But CIL didn't pay, so White Industries filed a case in the SC in 2003 for the implementation of this verdict. Nothing happened and in 2010 it filed for arbitration again under the India-Australia Bilateral Pact. In its complaint, the company has put the PM, the Coal Minister and the Law Minister as accused.

### *BIPA Amendments*

1. India will amend all its BIPAs to replace the international arbitration by domestic arbitration only.

### Economic Relations

1. India and Australia have signed a Coal Action Plan 2011-14 and setup a joint task force to strengthen cooperation in the coal sector. Also signed a MoU on wool sector.
2. India-Australia trade is \$15 bio out of which India exports \$2 bio.

## **India-N Korea**

### Succession History

1. Kim Il Sung was the first leader. He was fighting the Japanese in the WW2 and was picked by Stalin to lead the country. He led the country in the Korean War and made it grow faster than S Korea in 1950s and 1960s. Then he began to follow a policy or *juche* or self reliance i.e. autarky in economic, ideological and cultural fields.
2. Kim Jong Il was the head of the secret service under his father and orchestrated the Yangong bombing on S Korean mission and bombing of the Korean Air flight.

### Economy

1. Korea formally departed from Marxist-Leninism in 1996 and in 2009 constitution all references to socialism were dropped.
2. Soviet aid, Chinese aid, smuggling of goods and illegal migration along the Yalu River with China are the things which keep N Korean economy moving.

### International Relations

1. N Korea tested a nuclear bomb in 2006 and 2009 and exited the NPT and 6 party talks. It is believed to have got nuclear know how from Pakistan in exchange for missile technology.
2. Last year it attacked a S Korean submarine *Cheonan* and also shelled the S Korean island of *Yeonpeong*.
3. N Korea allowed international experts to watch its main nuclear facility to gain sops from US. But it is also planning to launch a rocket into space. Such a launch could lead to development of long range missiles.

## **India-Japan**

### East Asia Low Carbon Growth Partnership

1. It is a regional drive to improve energy efficiency and promote clean technology.
2. Japan will build clean technology in poorer nations in return for carbon credits.
3. Japan has talks with India, Indonesia and Vietnam about the offset scheme.

### Economic Relations

1. India and Japan signed Comprehensive Economic Partnership Agreement (CEPA).
2. Japan wants to enhance imports of rare earths from India which is used in green technologies and military.
3. Japan has maintained the level of Official Development Assistance (ODA).
4. Japan is also keen on developing the high speed freight corridors.
5. Japan is also investing \$4.5 bio in the \$100 bio Delhi-Mumbai Industrial Corridor Project and will pick up 26% stake in DMIC development corporation. It is also interested in Chennai-Bangalore project.

6. Both countries agreed to upgrade their \$3 bio fx swap line to \$15 bio.
7. Japan is keen on selling its bullet train (*Shinkansen*) technology.
8. It agreed to build the high-speed rail link between Mumbai and Ahmedabad,
9. Both countries will work together to increase presence of Japanese firms in India.
10. India has assured Japan of resolving the issue of iron ore exports.

#### *Comprehensive Economic Partnership Agreement, 2010*

1. A target of \$25 billion trade by 2014 from current bilateral trade of \$12.5 billion.
2. India will reduce tariffs on the goods from Japan to the extent of 90% and Japan would do the same to the extent of 95% within a period of ten years.
3. Both the countries have agreed to simplify the visa procedures. India will gain access to Japanese pharmaceutical market while sensitive sectors including agriculture, automobiles have been kept out.
4. There will be a Social Security Agreement within 3 years.

#### Strategic Relations

1. Japan intends to make its navy seamlessly integrate with India. Currently the only other country with which it has such an arrangement is US. Both have agreed to conduct navy exercise more frequently.
2. Both countries stress freedom of navigation in international seas.
3. Japan which traditionally doesn't export any weapons offered to sell amphibious planes Shinamaywa SS to Indian Navy.
4. Japan wants India to sign NPT in order to resume civil nuclear supplies.

#### *Nuclear Cooperation*

1. Shinzo Abe is in favor.

#### *Terrorism*

1. Both countries agreed to share information and utilise the India-Japan Joint Working Group on Counter-Terrorism, as well as cooperation in multilateral forums such as the Financial Action Task Force (FATF) and the Global Counter-Terrorism Forum (GCTF), Comprehensive Convention on International Terrorism, Fissile Material Cutoff Treaty.
2. Both agreed to a commitment to aid in building a terrorism free Afghanistan. Both will explore opportunities of consulting each other in Afghanistan building programmes. .

#### Strategic and Global Partnership, 2006

This is the overarching policy guiding Indo-Japan bilateral relations.

1. Political defence and security cooperation.
2. Comprehensive economic partnership.
3. Science and technology initiative.
4. People to people exchanges.
5. Cooperation in regional and multilateral forums.

#### Internal Dynamics

1. The Tomari nuclear went offline in May 2012 making Japan nuclear power free. Before the Fukushima incident, nuclear power constituted ~30% of total power and Japan had plans to

increase it to 50% by 2030. These reactors will be restarted only if they pass the stress tests.

2. Current shortfall is being met by importing fossil fuels (which have pushed Japan into current account deficit for the first time in 30 years) but eventually they plan to meet the shortfall by developing renewable sources which will constitute ~30% of the energy by 2030.

#### *JPC Fukushima Report*

1. They have branded the disaster as 'man made' calling it a result of collusion between the regulator and the operator. The regulator shirked from its responsibility by letting the operator observe regulations voluntarily. They highlight that the risk of a tsunami killing the pumps and a blackout were highlighted to the operator and the regulator in 2006 but they chose to take no action. The regulators were part of a ministry which is tasked with promoting nuclear energy.
2. There was lack of clear guidelines on how to conduct rescue operations. Residents were not given full disclosure of the extent of evacuation and they had to leave all their valuables back home - never to be visited again.

## India EU

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### **India-EU**

#### Economic Relations

1. The negotiations are stuck for now. EU is India's largest trading partner with \$107 bio trade.

#### CEPA

##### *What EU Wants*

1. Services
  1. Mode I and Mode IV exemptions will be granted only if India gives concessions on Mode II and Mode III services.
  2. In banking, EU wants India to give domestic treatment and 50% of new branch licenses.
  3. In legal services, EU wants India to allow legal firms and professionals.
  4. Similarly multi-brand and single brand retail.
  5. EU wants India to hike the FDI cap in insurance to 49%. India expressed its inability to do so without an approval from Parliament.
2. Government Procurement: EU wants to compete in PSU procurements as well. EU is a signatory to GPA at WTO and India is not, so EU can discriminate against Indian sourcing if

it likes.

3. GIs: EU wants India to take more committed action on protecting GIs as per the TRIPS agreement. It also wants lower taxes on its wines and spirits.
4. Agriculture: EU wants lower tariffs on its poultry, dairy products.
5. NAMA: EU's WTO commitments on tariff ceilings are lower than India's. But in FTA both have to be brought to same level. This would entail a deeper cut for India.

#### *What India Wants*

1. India wants EU to allow free movement of Indian professionals in the 27 member bloc.
2. Data secure status
  1. For India, the critical issue is granting data secure nation status to it by EU as it will greatly help Indian IT companies in EU market access.
  2. The EU law mandates that companies doing outsourcing business with countries that are not certified as data secure have to follow stringent regulations.
  3. India has a similar Safe Harbor agreement with the US.
3. Pharmaceutical sector
  1. India wants EU to remove its NTTBs in the pharmaceutical sector.

#### *Government Procurement Issue*

1. Because public procurement is seen as a sensitive policy area, India has not included a public procurement chapter in any of its FTAs, except with Japan. Even then it has agreed only to transparency and information sharing and not to market access as such. There seems to have been some understanding as of December 2010 between the two sides that neither side will be asked to change their law for now and India's domestic procurement legislation may go forward on its own probably dictated by domestic discussions on corruption.
2. Inclusion of state government contracts may need legal changes so may not be included now, but can be included at a later stage.
3. Interestingly, while India is being asked to give market access to the EU, its own procurement, though already technically open to many countries, is virtually inaccessible. One can argue that if the EU gives such little real access to its GP market even after having joined the GPA or given a commitment in other FTAs, cannot India do the same? Here comes again the issue of standards and other barriers. Most developed countries, including the EU, set very high standards which Indian producers may not be able to meet, whereas European producers will easily comply with the Indian standard requirement.
4. Under the GPA framework, developing countries can "negotiate conditions for the use of offsets, such as requirements for the incorporation of domestic content" under special and differential treatment. Offsets refer to measures to encourage local development by imposing conditions related to domestic content, licensing of technology, investment requirements. These can be used for qualification to participate in the procurement process though not in the award of contracts. Under bilateral or regional agreements, offsets are not necessarily included and may have to be fought hard for.

5. This will have implications for other FTAs as well. If India gives market access in GP to the EU, it will have to give the same access to its current FTA partner Japan as India has agreed to MFN in the FTA.

#### *The Generics Issue*

1. EU had been stopping Indian drugs which were in transit from its territory on suspicion of IPR violations. But after bilateral negotiations, EU has decided to lift the ban and both sides have agreed to interpret the patent laws liberally so that goods in transit will not cause a patent violation.

#### *Green Credit Scheme Issue*

1. All non-EU flights entering EU territory will be required to buy emission allowances based on their share of GHG emissions. Initially airlines will have to buy only 15% of the emission credits going up to 100% by 2020. They can be exempted if the country concerned implements equivalent measures.
2. India thinks it is in violation of the Chicago Convention and UNFCCC's CBDR principle. India is rallying support to fight EU bilaterally, plurilaterally and @ WTO.
3. WTO rules allow restrictions to protect human and animal life and environment. To defeat such restrictions, the opposition party has to prove that another less restrictive and feasible way was possible which could have resulted in similar protection.

#### Internal Dynamics

##### *Debt Pooling Fund*

1. Instead of issuing Euro bonds this fund will buy most of the bad debt. Then the repayment of such debt can be extended over a period of 25 years with relaxed terms. But in return Germany is asking for a more centralized control over government budgets.

##### *Brussels Agreement*

1. The European Stability Mechanism (ESM), the euro bailout fund will be allowed to lend to the banks directly. It will also be called upon to stabilize the market. Such loans will not be automatically senior to the private debt. This was due to realization of the fact that making such lending senior to private debt was not helping the markets since the private creditors were simply demanding even higher rates.
2. More regulatory powers will be given to ECB to oversee the banks. This will create a banking union.
3. The conditionality principle will not go much further than making sure that needy euro members stick to current austerity plans.
4. A \$150 bio growth pact was agreed to. The money will be used in part to recapitalize the European Investment Bank.
5. The main challenge is if Germany can't secure tighter promises on a fiscal consolidation then the plan may not see the light of the day.

#### **India-Germany**

### Trade Relations

1. India Germany trade is \$24 bio. India has a trade deficit of \$3 bio in this trade currently.
2. India exports textiles and chemicals while imports machinery and chemical and data processing products.
3. Generics: Generics constitute only 20% of drugs market in Germany but the german government has decided to increase their use. This is an opportunity for Indian pharmaceutical companies.
4. Electric vehicles: Germany is looking to have 1 mm electric vehicles on road by 2020 (from only 1.5 K today). India is looking for German investment in the sector.
5. DMIC: India is looking for German investment in DMIC.

### **India-France**

#### Space Ties

1. The launch of Megha Tropiques is an example of Indo-French cooperation where the satellite was designed by India but its equipment which measured water vapor, radiation flux and wind speed were manufactured by France.
2. GSAT-8, India's heavies satellite weighing 3100 kg was also launched by French rocket as Indian rockets can only carry payload up to 2000 kg.

#### Economic Relations

1. Trade between both countries has stagnated / declined marginally @ \$8 bio in 2011-12 with slight surplus for India.

#### Internal Dynamics

1. Francois Hollande, the socialist candidate, won the presidential elections. He promised to increase state spending in infrastructure, create jobs, subsidize fuel, electricity, water, renegotiate EU's fiscal discipline pact to include a growth and investment clause.

### **India-UK**

#### Economic Relations

1. India wants UK to relax visa norms for non-EU immigrants. UK considers intra-company transfers of professionals as potential immigrants too. The post-study work permits too are inadequate and don't cover the cost of studying in UK.
2. India wants UK to remove the legal hassles Indian companies are facing while acquiring UK companies.

#### Internal Dynamics

##### *Internet Snooping - Communications Data Bill*

1. The bill seeks to give power to security agencies to ask ISPs to give them details of phone, email, social networking sites, messages, voice / video call over internet, SMS etc.

##### *House of Lords Reforms*

1. All the 3 major parties had this agenda on their manifestos. Basically they want to replace the hereditary and aristocratical nature of the HoL to elected (80% seats for a non renewable term of 15 years). But the lower house fears that it will lose its power if the upper house is also elected.



## **India-Greece**

### Internal Dynamics

1. Conservatives New Democracy and left wing Pasok were the dominant parties in Greece since 1974 and had a combined vote share of ~75%. They both were supporters of the Merkel package. In this election, their vote share has come down to 32% and combined seats to 149 out of 300.
2. Other parties like Syriza (52 seats), Golden Dawn (neo nazis) have a combined 151 seats. New round of elections is likely.

## **India-Hungary**

### Economic Relations

1. Hungary is a part of EU with which FTA is being negotiated. So far Hungary exports high tech and industrial products including automobiles and telecom, post FTA it is keen to develop agriculture exports as well.
2. Hungary is introducing scholarships exclusively for developing country students which will benefit India.
3. It is one of the few European countries with fiscal deficit < 3%.

### Cultural Relations

1. India helped the cause of the uprising leader in 1956 who served later as Hungarian president after the fall of communism.

### Strategic Relations

1. Hungary supports India for permanent seat in UNSC.

## **India-Ireland**

### Internal Dynamics

1. In the 2011 elections, Brian Cowen (of Fianna Fail party - a centre right party) was voted out and Enda Kenny (of Fine Gael party - a centrist party) was voted in. Kenny had promised no increase in income taxes. He promised his first priority after election would be to renegotiate the bailout and openly called the original deal a bad deal for Ireland. Ireland has only 12.5% corporate tax rate.

### *Irish Bailout*

1. Iceland refused to protect creditors in its banks, which failed in 2008 after their debts bloated to 10 times the size of the economy. The island's subsequent decision to shield itself from a capital outflow by restricting currency movements allowed the government to ward off a speculative attack, cauterizing the economy's hemorrhaging. That helped the authorities focus on supporting households and businesses.
2. Iceland's commitment to its program, a decision to push losses on to bondholders instead of taxpayers and the safeguarding of a welfare system that shielded the unemployed from penury helped propel the nation from collapse toward recovery, according to the Washington-based fund.

## **India-Portugal**

### Internal Dynamics

1. In the 2011 elections, Jose Socrates (Socialist Party) was voted out and Pedro Coelho (Social Democratic Party - a rightist party) was voted in. Coelho gave a firm commitment to secure a bailout package from EU.

## India-Slovakia

### Internal Dynamics

1. The centre leftist candidate Robert Vico was voted in.

## India-Spain

### Internal Dynamics

1. In the 2011 elections, Jose Zapatero was voted out and Mariano Rajoy (Spanish People's Party) was voted in. He won the elections by promising better management of Spanish economy and to check unemployment.

### Bailout

1. Spain had to seek a €100 bio bailout for its banks. The troika (IMF + ECB + EU Commission) has put severe conditions on its bank lending and more regulation.

# India US

## VOTING RIGHTS ACT 1965 OF USA

- In case of *Shelby County v. Holder*, United States Supreme Court abolished Section 4 of the Voting Rights Act 1965, which stated the conditions under which nine particular States, and specified counties in other States, had to submit proposed changes in electoral laws for prior federal government approval; in effect the decision also blocks Section 5, namely the preclearance requirement itself.
- This judgment has opened the door to the potential compromise of universal adult franchise, especially of the country's ethnic minorities.
- The ruling, holds that Section 4 is no longer necessary because African-Americans in the relevant States now have higher voter registration rates than whites, and because "blatantly discriminatory" violations of federal decrees are now rare. However a dissenting judgment states, that whenever discriminatory practices have been banned, others have arisen, and that case-by-case litigation cannot prevent racially discriminatory election procedures.
- The States concerned have a long history of procedures which amount to discrimination on racial lines, even though the 14th and 15th Amendments to the U.S. Constitution banned the practice over 140 years ago.
- Texas, in which Shelby county lies, has immediately started implementing a law requiring photo-identification for voting, and there is widespread evidence to support the ruling's critics.
- The federal Justice Department has rejected 86 electoral changes from the listed areas in the past 15 years. Secondly, the photo-ID requirement will mainly affect African-American and Latino voters, as a majority of them are from poorer classes and find it difficult to get the kinds of documents required.
- Furthermore, State-level Republican parties systematically challenge ethnic-minority voters at the polling stations, for example by "caging", that is, sending junk mail to voters in poorer neighbourhoods and then claiming that a failure to reply shows that the voters involved do not live at the addresses given in the electoral register.
- In sum, it is not just minority Americans who are potentially under threat, but American democracy itself.

## Economic Relations

- Among the key initiatives flagged in the joint statement, India particularly welcomed the U.S. offer of membership in its 'Global Entry' Trusted Traveler Network programme, a scheme only offered to select countries, which will expedite the entry of approved Indian travellers at the U.S. border.
- The joint declaration also took note of India's acceptance of an invite to participate in Rim of the Pacific (RIMPAC), a U.S.-organised naval exercise in which nearly two dozen nations are expected to participate. India already participates in the Malabar, Red Flag and Yudh Abhyas joint military exercises with the U.S.
- During his visit to India, U.S. Deputy Secretary of Defence said the U.S. was ready to offer high-end defence technology to India as well as was open to co-developing and co-manufacture products that could be sold internationally.
- The next-generation version of Javelin anti-tank missile could be co-developed and co-produced with India on the lines of India-Russia joint venture of Brahmos cruise missile project, he suggested.

### US Immigration Bill

1. It will put 11 mm illegal immigrants on a 13 year path to citizenship.
2. It increases the total number of H1B and L1 visas and also lifts the limits on how many immigrants are allowed in from each country which is likely to benefit India.

### *India's Concerns*

1. It would enhance the cost of H1B and L1 visas and also increases regulatory costs on such companies. This is like an NTTB and will harm India.
2. The new language requires employers to ensure that an "equally qualified" American is not available for a job opening before hiring a foreign worker and allows the Labor Department to regulate.
3. Companies would also have to show that they have not laid off an American employee 90 days before or after hiring a temporary foreign worker.
4. It implements the 50-50 rule where no company can have more than half of its workforce on H-1B or L-1 visas.
5. Even companies that have more than 15% of their workforce on temporary visas will have to pay much more for these visas and will also find themselves running against government checks of other kinds.

### India US relationship issues

“Threats to peace, many in India’s immediate region are the greatest impediments to progress,” he added, citing such dangers as terrorism, extremism and misuse of technology.

They also discussed implementation of a landmark civil nuclear deal and ways to build up two-way commerce, the sources said.

IPR

Retail FDI

Visa issues

### Trade Issues

1. India's current trade with US is \$50 bio where it exports \$30 bio and imports \$20 bio. Trade including services is \$100 bio.
2. Export Subsidies: US has decided to treat any government export promotion program as export subsidy and will impose a Counter Vailing Duty on these exports from next year. This has the potential to destroy Indo-US trade.
3. Steel Duty: US has imposed a duty of 18-500% on Indian Hot Rolled Steel as it considers duty exemption in SEZs, PSU bank loans and state procurement as subsidies. India has decided to move to WTO against this. India is relying on an earlier decision of the WTO Appellate Board (WAB) where WAB turned down US decision to impose duty on Chinese imports on the pretext that loans from State Owned Banks amounted to controlled pricing and hence subsidy. WAB ruled that the institution should have a governmental authority and mere state ownership is not enough to classify for subsidy. Similarly India argues that NMDC has no government authority and is an independent body. The government has no role in fixing the price. Moreover, NMDC merely takes prices from its exports to Japan and has no price fixing power.
4. Solar Power Programme: US has protested against Indian Government decision to put a clause in the bidding process for setting up solar power plants that the solar cells used must be Indian made. Solar cell typically comprises of ~70% of the cost. India says its not a WTO violation because a PSU is procuring these.
5. US Call Centre Bill: Companies moving call centre jobs abroad will not be eligible for government loans/aid. On every call, the customer needs to be told the country where his call is being placed and should be given an option to route that call to US.
6. Poultry: India has imposed restrictions on US poultry over minimum standards requirement. US has challenged it in WTO which it has accepted for consultations. India imposed the ban citing low-threat avian flu strains in US poultry and says there is no data to contend that low threat strains can't mutate into high threat strains.
7. Visa Fee Issue: US Border Security Act, 2010 makes Indian companies applying for H1B and L1 visa pay more than what their US counterparts would have to. So India is going to drag US to WTO. H1B visa is for temporary occupation in a specialized field. L1 is temporary visa for intracompany transfers. K1 is the dependent visa.

8. IPR Issue: US has placed India on its list of a dozen countries having worst record of IPR protection. The list is called Special 301.
9. Shale gas: US has signed a MoU with India on shale gas and is keen to export the shale gas.
10. Government procurement: To help the 9/11 victims, the US had levied two per cent duty on goods and services imported from nations, which are outside the purview of WTO's Agreement on Government Procurement.

## **Defence Relations**

### US Rebalancing Strategy

1. The US overtures are significant but they put India in a delicate and difficult situation. There is no doubt that India needs US technological and military hardware support for both capacity building and developing the indigenous military industrial complex. But at the same time, it has to factor in the larger geo-strategic consequences of such an embrace. There is already a growing strategic congruence between the two countries on a host of issues including freedom of the seas, China's rise, growing Chinese assertiveness, its claims in the South China Sea, Af-Pak, etc. Close defence cooperation is also an opportunity to leapfrog the technology gap. Thus India needs to leverage its relationship with the US to its geopolitical advantage, with a caveat that the build-up of relationship must be on shared mutual values and common interests, without compromising on the country's core national interests.
2. But there are others who remain skeptical of US intentions and caution against India allowing itself to become a pawn in the US's China containment strategy. In their view, an open endorsement of the US strategy would harm India's relations with China. This school, while endorsing a strong bilateral relationship, would like India to follow an independent course in concert with its concept of strategic autonomy. A close US-China economic relationship and concepts like G2 continue to irk. These circles opine that to expect America to stand up in India's fight if it is at the receiving end will be erroneous. They are keen to charter a self interest driven course and build the bilateral relationship on broader congruence of interests and shared values.
3. So India will find it difficult to fully endorse the US 'rebalancing strategy' given its likely impact on the balance of power in Asia. In his bilateral discussion with the US defense secretary, the Indian defence minister sought to caution his counterpart about hastening the process of strengthening the multilateral security architecture in Asia-Pacific, suggesting instead that it be allowed to develop at its own pace. Thus India can be expected to adopt a cautious and calculated policy posture. The nature of the Indo-US bilateral relationship will be marked by an incremental build-up of trust.
4. The basic dilemma confronting India is how to promote its interests within the emerging order in Asia, marked as it is by the pre-eminence of Chinese power and growing US engagement and its pivot strategy. 3 scenarios can play out.

5. India's enters into a security understanding with US allies and partners like Vietnam, Japan, South Korea and Australia. There is marked enhancement in its defence self reliance capabilities boosted by US technology transfers and military hardware support. India develops strong maritime capability and nuclear triad backed by significant space and cyber capacities. The Andaman and Nicobar islands transform into a strong 'iron choke' to counter the Chinese 'string of pearls'. India puts in place an effective anti-access and area denial strategy in the Indian Ocean as also along its land borders.
6. India attempts to balance Chinese assertion and US interests as a classic swing state. Towards this, on one hand, it boosts the economic relationship with China, while simultaneously developing close political and economic linkages with the US but without any overt security understanding. To foster its regional economic interests, India also boosts its trade and economic relationship with ASEAN. It further buttresses these initiatives through close strategic relationships with Russia and Central Asia while taking effective steps to improve its bilateral relations in South Asia including improvement in India - Pakistan relations.
7. Sustained economic development and military modernization to build credible dissuasive capability. To buy time and foster regional peace and stability, India could reach a political and economic understanding with China through conciliatory gestures; e.g. on South China Sea, membership of SCO, undertaking joint development and infrastructure projects in South and South East Asia. In addition, India opens up a dialogue to address Chinese fears in the Indian Ocean Region. In short, India attempts to upgrade its bilateral arrangements with China and prevent falling into China's containment trap. In this can be seen an attempt to build a peaceful periphery without being a so-called 'swing 'state.

#### C17 Globe Master Deal

1. Valued at \$4 bio, India will procure 10 heavy payload carrying aircrafts. They can take-off and land on short and makeshift runways also. They can carry a heavy payload including heavy weaponry.

#### S&T Cooperation

1. Stanford-India bio design program involving Stanford University, AIIMS and IIT-Delhi. Students will be trained to identify major health care needs and develop cost effective solutions.
2. Indo-US Joint Clean Energy Research and Development Center: This is a bilateral initiative of Gol with the US Department of Energy. The joint Centre will support multi-institutional networked projects based on public-private model of funding. It is focused on areas of mutual interest covering solar energy, second generation biofuel and energy efficient buildings.
3. Thirty-Meter Telescope (TMT) Project: India committed more than \$100 million to the California Institute of Technology led consortium that is developing a 30-meter telescope on Hawaii, potentially one of the world's most-powerful telescopes. The Indian government's

latest step makes it a 10-percent shareholder in the consortium, providing it Partner status alongside institutions from Canada, Japan, and China.

4. Fermilab "Project X": DOE and India's Department of Atomic Energy will cooperate in the construction of a next-generation, high-intensity superconducting radio frequency proton accelerator.
5. Laser Interferometer Gravitational-wave Observatory (LIGO): LIGO Laboratory and India's Indian Initiative in Gravitational Observations (IndIGO) are jointly working on a plan to create a world-class gravitational wave detector in India. The United States will provide the interferometer components to be placed in the host facility in India. The placement of this detector in India will greatly enhance a wide network of detectors in the United States, Europe, and Japan to test fundamental physics in the form of Einstein's General Theory of Relativity and to study some of the most unusual astronomical objects in our universe – black holes, neutron stars, and supernovas – and possibly shed light on the Big Bang.

#### Issues

1. US wants India to sign the basic functional agreements i.e. Logistic Supply Agreement (LSA), Communications Interoperability and Security MoA (CISMOA), Basic Exchange and Cooperation Agreement (BECA).

#### **Internal Dynamics**

##### Stop Online Piracy Act (SOPA)

1. They target websites outside US hosting pirated content. Since US laws cannot directly touch these sites, an indirect method is used.
2. Anybody who is a holder of IP rights can access the ISPs to get the access to the sites blocked through DNS filtering technique. (e.g.. blocking everything from .yahoo.com)
3. If these firms fail to act in 5 days, they can be sued.

##### Protect Intellectual Property Act (PIPA)

1. The US companies will have to stop doing business with companies hosting pirated content. This includes ban on processing credit card transactions.

##### US Affordable Healthcare Act

There are millions of Americans who don't receive insurance either from their employers or from government programmes. They can get insurance only by buying it on their own, and many of them are effectively shut out of that market. In some states, like California, insurers reject applicants with past medical problems. In others, like New York, insurers can't reject applicants, and must offer similar coverage regardless of personal medical history ("community rating"); unfortunately, this leads to a situation in which premiums are very high because only those with current health problems sign up, while healthy people take the risk of going uninsured.

Obamacare closes this gap with a three-part approach. First, community rating everywhere—no more exclusion based on pre-existing conditions. Second, the "mandate"—you must buy insurance even if you're currently healthy. Third, subsidies to make insurance affordable for those with lower incomes

1. The law will expand health coverage to 16.7% of the American population (50 mm) who live without any form of health insurance and will also improve the quality of coverage for the insured.
2. All those without health cover will have to now mandatorily buy insurance. At present, Americans have three types of health coverage — Medicaid, Medicare and private insurance. Medicaid and Medicare are state sponsored schemes aimed at poor and old people (and children and the disabled) respectively, who cannot buy private insurance. Private insurance are either bought by individuals directly or by their employers. If one cannot afford, the government will give “stipends”.
3. If one doesn’t buy health insurance, there will be a penalty. Called “individual mandate”, this was in fact the central and most contentious part of the ACA. Despite fears of it failing judicial scrutiny, the SC ruled in its favor terming the penalty as a tax.
4. Besides insisting on “individual mandate”, the law will also ensure expansion of coverage by health insurance companies. American health insurance companies are notorious for denying coverage for pre-existing conditions. The new law will ensure that the companies are unable to do that any more. For Obama, insisting on everybody buying health insurance is a pre-requisite for him to ask the companies not to omit people with pre-existing conditions. The logic is that if the uninsured people are given a choice, they will not buy insurance unless they have some health problem, which will give the companies a chance to omit them for pre-existing conditions. More people on healthcare will also give the insurance companies additional numbers for improving their bottom line.
5. Proposed “insurance exchanges” will offer people a competitive and transparent marketplace to buy their insurance cover.
6. ACA also will expand the coverage of Medicare and Medicaid. Both are federally funded, but executed by the states. The new law will raise the eligibility bar for Medicaid so that people with incomes that are considered ineligible now will be covered by the free scheme. The additional cost for this expansion will be initially paid for by the federal government, but will have to be picked up by the states by 2020. The states are mostly unhappy because this move will put enormous strain on their budgets. The ACA had provision to penalize the states by withdrawing Medicaid and Medicare funds if they do not comply with the expansion. The Supreme Court however didn’t agree with this and now the fate of the expansion of coverage beyond 2020 purely depends on the willingness of the states to bear the extra burden.

*India's*

*UHC*

*vs*

*ACA*

1. Despite such intense pressure from almost all influential quarters, Obama has shown the world that all that universal healthcare takes is political will. In UHC, the central government will bear 85 percent of the cost of UHC, leaving the 15 percent to the state. Compared to the Obama plan, where he wants the expanded coverage of the free care to be borne by the state by 2020, this is way too reasonable.



2. A major governance challenge will be corruption and the possibility of some states outsourcing bulk of the service to health insurance companies than investing in the state's health infrastructure.
3. Every other country that India is often compared with, such as Brazil, China and South Africa and smaller countries such as Thailand, has marched far ahead of us in achieving universal health coverage. China has embarked on a \$130 billion plus plan to cover its entire population. By last year, 95 percent of its population has some form of insurance. That America, which spends 18 percent of its GDP on healthcare, hasn't been able to universalize health coverage is a clear indication of the fact that UHC is not about money, but about political will. In comparison, India publicly at present spends less than 1 percent of its GDP on health.

#### *ACA and India's Generics*

1. In ACA, the insurance company will pay only for the 'authorized' generic version of any drug. So clearly generics will get a boost. This could have become a huge opportunity for India as US accounts for ~ 50% of global pharma sales.
2. But US will impose some NTBs to keep Indian companies out. One way is for the US companies to form an associate company which will then manufacture the 'authorized' generic version of the patented medicine. Also FDA will make Indian companies pay a higher fee for the approval process. For companies with factories in US the fee will be low.

#### Fiscal Cliff

1. It refers to several key fiscal events happening around 2012 end or 2013 beginning. These include: (a) Expiry of Bush era tax cuts at the end of 2012 which had lowered tax rates on capital gains, dividends, estates. (b) Expiry of fiscal stimulus measures such as payroll tax cut and extended unemployment benefits. (c) Automatic kicking in of many new spending cuts as a result of the failure of deficit reduction super committee.
2. It is estimated that these may reduce US growth significantly.

## India South Asia

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### **India's small neighbours policy (C Raja Mohan)**

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1. Changing stance required with changing globalised world
  1. Delhi must come to terms with the reality that paternalism, however benign it might appear from India's perspective, is no longer a sensible approach towards its smaller neighbours. For paternalism breeds resentment. Put simply, India can no longer afford to treat Bhutan as a protectorate, in the manner that the British Raj and independent India dealt with it for more than a century and a half
  2. The British Raj had propped up a ring of weak states around the subcontinent as buffers against intrusion by other powers. The rulers of these small states traded the

freedom to conduct their own foreign policy for political support and economic subsidies from the Raj. India's first prime minister, Jawaharlal Nehru, did not abandon this framework when he signed a series of friendship treaties with Bhutan, Sikkim and Nepal during 1949-50 that preserved the essence of the special relationship structured under the Raj.

3. How smaller countries played
    1. But India's protectorate system quickly broke down amidst a number of factors. As the Kathmandu elite learnt to play the China card against Delhi, it undermined much of the 1950 treaty.
    2. The games that Sikkim's Chogyal played with Delhi forced Indira Gandhi to integrate the kingdom into India.
    3. Bhutan has been a lot slower in asserting its national identity and creating an independent international personality. Until recently, it scrupulously avoided the balancing game between India and China. But the pressures to do so are clearly mounting.
  4. The democratisation of the Kingdom and the new competitive politics within the nation are bound to make Bhutan's relations with India a lot more complicated. To be sure, India did recognise this problem and sought to put relations with Bhutan on a more equitable basis by renegotiating the 1949 treaty of friendship in 2007. The latest turn of events underlines the fact that India will have to go beyond formalism and change the operational basis of its Bhutan policy.
  5. Second, India can no longer delude itself that the subcontinent is its exclusive sphere of influence, as in the days of the Raj. In a globalising world, Delhi can't keep other powers out of the subcontinent. As China's power rises, its influence in the subcontinent has rapidly grown over the last decade, from Bhutan and Nepal in the Himalayas to Sri Lanka and Maldives in the Indian Ocean.
  6. At a time when India itself is expanding its economic and political relations with China, it can't order its neighbours to limit their ties to Beijing.
2. What should be done
    1. A smart China policy, then, involves giving our neighbours greater access to our markets, improving connectivity, modernising trade facilitation, letting them benefit from India's economic growth, and resolving longstanding bilateral problems.
    2. At the same time, the new approach must also lay down clear red lines on security cooperation between India's smaller neighbours and China.
    3. Making sure these red lines are respected will not be easy, but must be part of India's strategy of continuous tending to the neighbourhood.
    4. Third, India needs to expand the interface of its engagement with the neighbours. At the moment, Delhi's neighbourhood policy is run by a handful of overworked officials in the ministry of external affairs and our "viceroys" in the neighbourhood capitals. What India now needs is a more intensive — formal and informal — political interaction

between the leaderships of the subcontinent. The lead must necessarily come from Prime Minister Manmohan Singh, who has been remiss in avoiding frequent travel to the neighbouring capitals.

5. Fourth, while the Union government has sole responsibility of foreign policy, India's current political conditions demand a **more active involvement of the opposition parties in engaging the elites across the borders**. But our opposition leaders have not been able to resist the temptation of playing politics with foreign policy towards the neighbours.
6. Consider, for example, the BJP's reluctance to support the historic agreements that the UPA government has negotiated with Bangladesh in 2011 and the deafening silence of the CPM, which should be so interested in transforming relations between Kolkata and Dhaka. Worse still, some regional leaders have become spoilers in India's neighbourhood policy. If Mamata Banerjee undercut India's engagement with Bangladesh, political dynamics in Tamil Nadu have severely circumscribed Delhi's diplomatic room in Colombo. Delhi, then, needs to reassert its primacy in foreign policy while making all efforts to bring the regional parties on board the national consensus on foreign policy.
7. Finally, Delhi needs to discard the tradition of offering economic subsidies and negotiating project proposals with neighbouring capitals. It should focus instead on enabling agreements and let market forces leverage the existing economic and geographic complementarities.
3. For its part, most of the Indian private sector has gone haring around the world but has devoted little attention to markets nextdoor. On the other hand, the GMR group, which had invested in the Male airport, has been burnt by the capricious domestic politics of Maldives and lack of sufficient support from Delhi. Structuring greater synergy between Delhi and the private sector must be an important part of a comprehensive mobilisation of the nation's resources in recasting India's neighbourhood policy

#### Development Partnership Administration

1. It combines the different arms our foreign assistance programmes evolved over time. We don't impose any aid conditions. Our aid tends to help the poor in other countries.
2. Training: It constitutes a big part of our aid. We currently train about 9,000 per year. Our target should now be to train at least 40,000 per year.
3. Scholarships: A major weakness is that the living conditions offered to foreign students are poor, putting off many. Without creating better arrangements, foreign students cannot be attracted.
4. Projects: Afghanistan, Nepal, Sri Lanka, Africa.
5. Lines of credit: Bangladesh, Africa (\$1.5 bio annual), Nepal, Bhutan, Maldives.

## Principles

1. Non interference in internal matters.
2. The regional cooperation would not be a substitute for bilateral relations between the member nations.

## Energy Diplomacy in S Asia

1. Nepal has 40 GW hydel potential out of which only 1.5% has been exploited. Current capacity is 600 MW and demand is 700 MW. India and Nepal signed the Mahakali treaty in 1996 to jointly develop these hydel projects but the work was slow. Recently the two countries have decided to move forward on Sapta-Kosi high dam (5.5 GW), Sun Kosi and Pancheshwar projects.
2. Bhutan has 30 GW potential out of which 1.5 GW is tapped, work is on for 10 GW more and 10 GW can be tapped after this. Current demand is only 150 MW.
3. Pakistan has short run oversupply situation whereas India, Bangladesh and Sri Lanka have chronic shortage problems.
4. India - Sri Lanka 1 GW undersea cable is being laid by PowerGrid Corp.
5. NTPC is building a thermal plant in Bangladesh for 1.3 GW. India will sell another 500 MW power to Bangladesh. Bangladesh has 50 tcf of gas reserves yet it doesn't export any gas as they are yet to be developed.
6. India has offered to export refined petroleum products to Pakistan and even construct pipelines if Pakistan can assure long term offtake. But the problem is Pakistan's payment ability with its state companies already defaulting on Kuwait and Saudi Arabia. Letter of credits issued in Pakistan are not acceptable in India. So India wants a sovereign guarantee.

## **SAFTA**

### Background

1. The intended progression order was SAPTA --> SAFTA --> Customs Union --> Common Market --> Economic Union.
2. SAFTA came into force in 2006. The Safta Ministerial Council meets at least once in every 6 months and iron out the trade issues.
3. Bangladesh is India's largest trading partner followed by Sri Lanka, Nepal, Pakistan, Afghanistan, Bhutan and Maldives.
4. Track 1.5 programme began with Thimpu summit where businesses and governments will come together along with media and academicians to promote economic integration.

### SAFTA Plan

1. The Non LDCs will reduce tariffs to 0-5% in 7 years (from 2006) and LDCs to 0-5% in 10 years.
2. The above will not be applicable to the sensitive list which is stated explicitly.

3. India has reduced the sensitive list for LDC from 480 to 25 items in the Male summit, 2011. For non-LDC, the sensitive list includes 900 items. It also reduced peak tariff rates for NLDCs to 8%.

#### SAFTA Challenges

1. Political challenges. But economic ties can be pushed irrespective of political ties.
2. Lack of institutional stability in member nations including wars and coups. This also led to unstable domestic, trade and foreign policies.
3. Big size of India and lack of initiatives from India's part.
4. No mechanism to check the NTTBs.

#### Addu Declaration 2011

1. To run a passenger and freight ferry between India, Sri Lanka and Maldives.
2. To conclude Air Services Agreement (unrestricted air connectivity), Regional Railway Agreement and Motor Vehicles Agreement.
3. To establish common regional standards, rapid response mechanism to deal with natural disasters and a SAARC seed bank.
4. To push for trade liberalization. For this purpose, the SMC would work to reduce the sensitive list and the non-tariff barriers.

#### **India-Sri Lanka**

##### Economic Relations

1. Sri Lanka is the only South Asian country to have a FTA with India. Its trade is \$5 bio and is expected to reach \$10 bio by 2015. India will help SL start a SEZ of automobile and engineering component exports to India. India will also help develop a pharmaceutical manufacturing hub in SL.
2. A railway line is being constructed and a road from Galle to Kathura has been constructed. India will be constructing 50,000 houses for \$250 mm in Jafna.
3. India developing KankeSanthurai (KKS) port in Jafna. India has completed the wreckage removal work there. Both countries will also be improving air connectivity.
4. In the apparel sector, with China becoming more expensive apparel sourcing destination, SL can benefit and India is keen to invest in SL. SL can also export it to India.
5. SL can also supply rubber based components to India which is in short supply. India is keen to invest in SL in this sector.
6. India is also keen to invest in hotels (specially middle range hotels) in SL.
7. SL can also export power to India during the off peak hours and India is also looking to invest in SL in power generation sector. Sri Lanka has a potential in excess of 40 GW of wind energy. Under sea transmission lines are also being built.

##### China Factor

1. China is involved in the construction of Hambanthota port with a refinery and fuel bunkering facility.
2. China is the biggest weapons supplier to Sri Lanka and also backed Sri Lanka's case in the Security Council and UNHRC against human rights investigations.

3. China is the biggest aid donor to Sri Lanka.
4. It is propping up Pakistan to contain Indian influence. Pakistan is now training SL air force.

#### Tamil Question

1. India is keen on 2 things - (a) SL should implement LLRC recommendations. (b) SL should build upon 13th Amendment. The 13th Amendment + approach involves devolution of powers including land, police and financial to the local bodies.
2. Since the end of the war, Rajapaksa has not moved forward on reconciliation, rather he has adopted a policy of encouraging FDI which has only served the ruling elites. Rajapaksa owes his political existence to polarization and militant nationalism. He can't be expected to move towards a resolution of the issue. The only thing he has done is 18th Amendment which further centralizes the power and removes 2 term limit on president.

#### *13th Amendment*

1. It was passed in August, 1987 in accordance with the Accord with India. It provides for appointment of a governor, provincial council (elected for 5 years) and a chief minister and provincial ministers.
2. The Provincial Councils have full statute making power with respect to the Provincial Council List, and shared statute making power respect to the Concurrent List. While all matters set out in the Reserved List are under the central government.
3. It also provided for merger of the Northern and the Eastern provinces, and for certain financial provisions for the provinces.
4. Tamil also an official language. It acknowledged SL as a "multiethnic and a multilingual plural society".
5. Land and police were given to the provinces.

#### *Fate of 13th Amendment*

##### 1. Merger of North and East

1. The Northern and Eastern Provinces were temporarily merged and the North-Eastern Provincial Council was constituted in 1988. However, the council was dissolved two years later and never reconstituted.
2. In 2006, the Supreme Court determined that the merger itself took place through a flawed process.
3. While the Eastern Provincial Council was constituted through elections held in 2008, the Northern Provincial Council has not been constituted since the demerger.

##### 2. Land and Police

1. They were never given to the provinces.

#### *13th Amendment +*

1. None of the other Provincial Councils have police powers. The north can have the same kind of council that exists in other parts of the country.
2. The president is currently bent towards 13th Amendment "minus" police powers and "plus" a senate to accommodate the provinces. For laws to be effective both parliament and senate

will have to give assent and he has appointed a parliamentary select committee for the issue.

3. Land is another issue and India wants it to be under the provincial control.

#### *Recent Moves to Dilute 13th Amendment*

1. SL now seeks to:
  1. Repeal constitutional provisions granting people the freedom to determine administrative boundaries.
  2. Amend the Constitution, so as to permit the Central government to legislate on provincial matters.
  3. Remove altogether provincial powers over land and police.

#### *Provincial Elections*

1. Rajapaksa has announced elections in 2013. Time is needed to prepare the electoral rolls etc. as he claims.

#### *LLRC Report*

[http://en.wikipedia.org/wiki/Lessons\\_Learnt\\_and\\_Reconciliation\\_Commission#Reaction\\_to\\_report](http://en.wikipedia.org/wiki/Lessons_Learnt_and_Reconciliation_Commission#Reaction_to_report)

### **India-Pakistan**

#### MFN Issue

1. In 1996, India granted MFN status to Pakistan. Pakistan seems to be responding now after 15 years as a part of its WTO obligations. Under the MFN, in the first phase the positive list will be replaced by a negative list and in phase 2, the negative list will be phased out. The Afghan-Pakistan Transit Agreement lets Afghan goods destined to India pass through Pakistan free of duties but not vice versa.
2. Currently there is \$5 bio of trade which has to be routed through Dubai to Pakistan.
3. India Pakistan current trade is \$2.5 bio and is expected to reach \$8 bio in 5 years after the MFN. Pakistan mainly imports raw materials like chemicals and plastics from India while India imports cotton and cement. Largest sectors to benefit are petro-products, electricity, cotton and telecom and IT.
4. India has decided to liberalize the visa regime, allow Pakistan FDI, open integrated check posts @ border and revive the joint commission which played an important role in ironing out bilateral ties. Issues remaining are cross-border banking facilities.

#### Water Disputes

1. Baglihar Dam, a run-of-the-river dam was first point of contention. A run-of-the-river dam can only delay the river flow for a short time, it cannot stop the river. Despite this Pakistan objected over it and the matter was handed over to an International Arbitration Tribunal which decided in India's favor.

2. The Tulbul Navigation Project is another bone of contention. It is a barrage on the Wular Lake. India wants it so as to control the flow of water in the lean winter months and keep it navigable throughout the year. Pakistan alleges it is a storage project and hence a violation of Indus Treaty. Currently the work there is suspended. Negotiations have begun there after cricket diplomacy.

#### *Kishen Ganga issue*

1. Both sides are creating dams on either side of LoC. India's dam will be completed in 2016 and Pakistan's in 2018. Completion of Indian dam will result in diversion of the flow of the river (from Kishenganga to Bonar Madmati) and hence Pakistani dam will not be able to generate its full capacity of hydro power.
2. India asserted that it has a right to transfer the river waters between tributaries under the Treaty while Pakistan cries foul. Another issue is that to manage the sedimentation, the water level in the dam may be brought below the dead storage level (sedimentation management is possible only by using drawdown flushing technique which lowers the water level below the portion not used normally for operational purposes) and Pakistan says it is not permissible.

#### Sir Creek Issue

1. Both countries have exchanged non-papers on the issue after 4 years.
2. Pakistan has laid claim to Pir Sanai creek on the Indian side citing shifting geography as it claims Sir Creek has moved eastward. This is based on the finding of the joint survey in 2007.

#### Siachin Issue

1. Point NJ 9842: In Shimla Agreement the LoC was defined till this point and it said beyond this point LoC will 'continue north till the glaciers'. India says LoC runs NW from NJ 9842 along the water bodies which give whole of Siachin glacier to it while Pakistan says LoC runs from NJ 9842 to Karakoram pass (in NE) which give Siachin to it.
2. 1984: India learnt that Pakistan was giving clearances to foreign trekkers for access to Siachin and also that it was planning to occupy Siachin. So Indian army moved in and occupied positions along Saltoro bridge and captured all the higher points. Pakistan only occupies lower points and has no presence on Siachin glacier.
3. India wants Pakistan to record current troop positions clearly on the map before any withdrawal can be done.

#### The Salala Incident

1. NATO's attack on Pakistani forces. Pakistani Army stopped all NATO supplies and closed the airbase of Shamsi for NATO.

#### China Factor

1. China has agreed to a RMB swap line with Pakistan to help settle trade.



2. The issue of Uigyr separatists creating violence in Xinjiang and who operate out of Pakistan has created frictions. But ISI has assured China, it will not let Uighurs operate.
3. China developed the Gwadar port in Baluchistan which is connected by extended Karakoram Highway to China to provide an alternate access to Arabian Sea to China.
4. China's ICBC has refused to provide financing for the Iran-Pakistan pipeline under US pressure. So Pakistan is now turning to Russia which has promised financing for the \$1.5 bio project if Gazprom is awarded the construction without bidding.

#### The Baluch Question

1. The current movement started in 2004 when Musharraf regime killed the tribal leaders in Balochistan. Balochs are a clan based society.
2. Traditional reasons for protests have been economic exploitation. They are deprived of the benefits of the mineral wealth (it supplies natural gas to fuel Pakistan but gets nothing in return), it gets only 2% of profit on copper supplied and the Gwadar port city is disturbing the local way of life as it has become a heaven for corrupt land grabbers.

#### **India-Nepal**

##### Bilateral Agreements

1. India Nepal trade is currently \$2.5 bio. Both countries have revised the Transit Treaty, the Rail Services Agreement and the Air Services Agreement.
2. Nepal and india signed the Bilateral Investment Protection Agreement (BIPA) which allows for domestic treatment. India also gives a \$ credit line to Nepal.
3. India also signed the DTAA. This has provisions to ensure only genuine residents of each side get the benefits. There is also mechanism for information sharing.
4. Next on cards is construction of transmission lines so that nepal could export power to india. Nepal has the potential to export 40GW of power out of which only 1.5% is exploited.
5. India will give soft loan to Nepal for construction of infrastructure projects.

#### The Peace Process

**Table 1: Comparing Group Representation in National Legislature**

Social Group	% in Population (2001 Census)	1991		1994		1999		CA 2008	
		Number	%	Number	%	Number	%	Number	%
Bahun/Chhetri	31.2	110	53.7	128	62.4	119	58	202	33.6
Janajati	37.6	70	34.2	51	24.8	53	25.9	209	34.8
Madhesi caste groups (excluding dalits)	15	19	9.3	21	10.2	29	14.1	122	20.3
Dalit	11.8	1	0.5	0	0	0	0	51	8.5
Muslim*	4.3	5	2.4	5	2.4	4	2.0	17	2.9
Women	50.1	8	3.9	7	3.4	11	5.4	197	32.8
Grand Total	100	205	100	202	100	202	100	601	100

#### *Key Issues*

1. War Crimes & return of property, because big fishes are involved and it will be a witch hunt.
2. Federalism because traditionally discarded communities like Madhesis and Janjatis are demanding provinces based on ethnicity with preferential political rights in their province.

3. Maoists want presidential system but other parties are scared Prachanda will become president and become authoritarian. So they want parliamentary. Maoists had proposed an executive president directly elected and a prime minister indirectly elected.

#### *Current Condition*

1. The EC expressed its inability to conduct elections in the absence of any © clarity. The president refused to implement 2 ordinances by the PM and warned him not to try to rule through ordinances. He then called for a meeting of all major political parties to build political consensus.
2. A deal was reached where fresh elections to a constituent assembly cum legislature would be held under a neutral government. The election system will be a mix of both first past the post and proportional representation.
3. Another issue is passing the annual budget. So far only 1/3rd of the annual budget has been approved. The president wants it to be built on political consensus.
4. Key © positions in SC and EC are going to fall vacant in coming months.

#### *Major Successes so far*

1. As per the peace deal signed in 2011, decision was taken to absorb ~33% Maoist combatant into NA, Maoists will return property confiscated during the insurgency, a Truth and Reconciliation Commission will be setup to investigate war crimes.

#### *Split in CPI (Maoist)*

1. The radical faction led by Kiran has broken away from the moderate leadership of Prachanda. They accuse him of surrender.

#### *Federalism Issue*

1. The traditionally discarded communities like Madhesis (terai region), Tharus (terai region) and Janjatis (hill region) are demanding provinces based on ethnicity with preferential political rights in their province. Traditionally the terai groups in Nepal have been exploited by the Hindu upper caste (Bahun Brahmins and Chhetris) hill groups. The Maoists in their struggle rallied the support of terai groups. Protests for federalism began in 2007 when Madhesis started a movement in the plains to oppose the proposed ©'s silence on federalism. Since then it was decided federalism would be an integral feature of Nepal. But the Bahun Brahmin and Chhetri groups began to play the national unity card and now the debate is purely over the ethnic provinces issue.
2. In May 2012, an agreement was reached between Maoists, NC and CPML - Nepal that Nepal would have 11 provinces. But Janjatis are opposing it saying Bahun Brahmins and Chhetris would be a majority in all hill provinces. Madhesis are against dividing terai region into 5 provinces as they fear it will dilute their identity and strength and give centre enormous power against weak states. Tharus are against incorporating 2 plain districts in a hill province. Responding to the pressure, Maoists have withdrawn their support to the plan.
3. Madhesis - Maoists - Janjatis are demanding fallback to the 14 state or 10 state proposals advanced earlier by a © committee and a © commission. Both these models had only 2

terai districts and demarcated boundaries in a way that the ethnic communities had a demographic advantage.

4. NC and CPI (UML) which represent the interests of the elites want merely a commitment to federalism principle for now and leave the actual creation and demarcation of states to the later parliament.

#### © Court Issue

1. In line with their repeated attempts to weaken the Supreme Court, the Maoists sought the reappointment of all judges after the promulgation of the new constitution. This they could not manage, but they did get agreement on a constitutional court. In itself, such a court was not undemocratic, but the installation of what would be seen as an alternative judicial authority at a sensitive point of political transition would have weakened the Supreme Court

#### *Lumbini Mega Project*

1. China has been keen on developing this \$3 bio project as a part of its efforts to increase influence in Nepal.
2. The United Nations Industrial Development Organization (UNIDO)'s China Chapter and Beijing backed Asia Pacific Exchange and Cooperation Foundation (APECF) had been actively pitching for these projects. The Communist leader Prachanda in Nepal is the vice president of APECF.
3. However the October 2011 successful visit of PM Babulal Bhattarai to India has softened Nepal's stance on this project and it is leaning away from China on it.
4. The project was called off when Nepalese government claimed to have no knowledge of it.
5. Japan has been involved in the project too as it built the temple around the exact birth place of Buddha.
6. Chinese premier Wen Zibao in his visit to Nepal proposed to create a railway link from China to Lumbini.

#### China Factor

1. Nepal has agreed to form a common strategy on international and regional issues with China. Prior to this, it had such a policy only with India and SAARC.
2. China proposed to create a railway line to Lumbini and a major land port project @ Nepal-Tibet border.

#### India's Concerns

1. The Maoists have been traditionally against India. So India doesn't favor Maoists to guard Indo-Nepal border.

#### **India-Maldives**

##### Issues in Maldives

1. Islamic radicalism & infant democracy.
2. Climate change will lead to submergence. So it can take asylum in India, Sri Lanka or Australia.
3. Piracy.

### Bilateral Relations

1. Both countries agree to cooperate in trade, investment, tourism, anti-piracy, anti-terrorism, anti-drug and disaster management efforts + cultural interaction.

### **India-Bangladesh**

#### Political Relations

1. India and Bangladesh demarcated clearly and exchanged maps of entire border.
2. Adversely held exchanges have been exchanged.

#### Water Issues

1. It began with the Farakka Barrage Issue in 1975. India needed the barrage to maintain the navigability of Kolkata port whereas Bangladesh says it denies it water in lean season and release of excess water in monsoons causes floods.
2. Construction of Tipaimukh Dam in Manipur will stop the flow of Barak river into Bangladesh and is raising quite a protest there. Tipaimukh dam is a flood control dam and no water will be used for irrigation. So Bangladesh government equated it with run of the river dam as the water stored has to be released continuously for the generation of electricity (but isn't this the case for any power generating dam?). A joint working group will be setup to arrive at a common understanding.

#### *Teesta Issue*

1. Under the 1983 Teesta river water agreement, presently, India and Bangladesh share 75 per cent of the river's waters on a 39 and 36 per cent basis, respectively.
2. As a friendly gesture, India decided to share the remaining 25 per cent water with Bangladesh on a 50:50 basis. Thus final plan will share waters in 52:48 ratio. But then...

#### Security Related Relations

1. Both countries are going to sign the Mutual Legal Assistance Treaty and Transfer of Sentenced Persons to improve the relations.
2. They also signed a treaty on controlling narcotics trafficking and a plan on border management.
3. Bangladesh has also decided to cooperate with India in stopping the smuggling of fake Indian currency notes.

#### Economic Relations

1. Indo-Bangladesh trade is \$6 bio and a FTA is being negotiated.
2. India announced a \$1 bio line of credit for infrastructure projects in Bangladesh. It wrote off \$200 mm of the debt.
3. India will supply 250 MW of electricity to Bangladesh.
4. Bangladesh agreed to give India access to Chittagong and Mongla ports.
5. Transit facility for access to Nepal and to Bhutan by rail and road.
6. India reduced NTTBs for Bangladeshi goods including textile items.

#### Outstanding Issues

1. Smuggling: There are some drugs which are legal in India but banned in Bangladesh. Similarly cattle trade is illegal in India but legal in Bangladesh. On top of it BSF excesses on Bangladeshi citizens.
2. India wanted a transit to its NE states via Bangladesh but Bangladesh denied it linking to Teesta. But later, it allowed transport of PDS goods in Tripura.

### Internal Dynamics

#### *Bangladesh's Health Record*

1. Bangladesh scores much above India on almost all aspects of public health and nutrition. Dreze has argued that the public health expenditure as a proportion of GDP was much higher there until a few years ago. Also grass root institutions are much more developed there. Social mobilization through women SHGs has led to greater awareness and accountability. Bangladesh is perhaps the best case study of NGO success anywhere in the world. They also have strong PRIs.

### **India-Afghanistan**

#### Afghanistan's Strategic Importance

1. It is deeply ethnically divided with pockets of ethnic dominance across the country. The British determined the Durand line but Afghanistan never recognized it. The border is now an open border. So controlling disturbing elements is difficult.
2. It shares border with Pakistan, Tajikistan, Iran, Turkmenistan, Uzbekistan and China. It is rich in mineral reserves. Thus it can serve as a hub for energy transport and Eurasian trade.

#### Agreement on Strategic Partnership

It has 5 parts

1. General Principles
2. Political and Security Cooperation
3. Trade and Economic Cooperation
4. Capacity Development and Education
5. Cultural Aspects

#### Economic Relations

1. Hajigak iron ore project in Bamiyan has 1.8 bio tonnes of ore. Indian consortium bagged the development rights in it at an investment cost of \$11 bio. The consortium is led by SAIL and NMDC.
2. India is one of the largest aid donors to Afghanistan with ~\$2 bio.
3. India built a road connecting Afghanistan to the Iranian port of Chah Bahar.
4. India also constructed power lines to bring electricity to Kabul.
5. India built hydel and telecom infrastructure as well as parliament building there.
6. Both countries have signed MoU on hydrocarbon and mineral resource development. India is now looking at 6 petroleum blocks in N Afghanistan and 4 copper mines.
7. India is going to sign a pact with Afghanistan on mining coking coal.

#### *Silk Road Strategy*

1. It involves connecting central, south and SE and east Asia. TAPI pipeline is a part of it.
2. It is pushed by US to isolate Iran.

#### Humanitarian Relations

1. Afghan students are granted scholarships to study in India.
2. India provides protein rich biscuits to Afghan school children.

#### Peace Initiatives in Afghanistan

##### *Heart of Asia - The Istanbul Peace Conference*

1. A conference was organized in Turkey inviting India, China, Pakistan, 4 Central Asian Republics and Turkey to examine 3 main issues: preventing Afghanistan's emergence in future as a battleground, security from Taliban and inclusive economic development. A new US-backed silk route comprising of trade roads, railways and pipelines and power transmission lines was proposed.
2. The two major achievements of the Conference were - Pakistan agreed to sit on a table with India to discuss Afghanistan; and the conference recognized that the only way to bring peace to the nation is a commitment from all other nations to respect neutrality of Afghanistan and non interference in her matters. However, Pakistan refused to agree to such a declaration.

##### *Bonn -II Conference*

1. India proposed a Marshall Plan like approach towards rebuilding Afghanistan and promised \$2 bio aid by 2014. There was also a consensus on broader UN role.

##### *Delhi Investor Conference*

1. The opportunities in Afghanistan are plenty. Unless we expose our members to investment opportunities, what are the laws, they will not know what the opportunities are.

#### China Factor in Afghanistan

1. China won the mining rights in the country's largest Cu project.
2. It is also building a thermal plant & a railway line via Tajikistan into Afghanistan.
3. CNPC won Afghan 1st oil field auction after 10 years.

#### Post 2014 Challenges

##### *Taliban Negotiations*

1. Reconciliation with the Taliban is acceptable to the international community; but the Taliban feel triumphant and are not in a mood to reconcile on the terms outlined by the Karzai government—adherence to the Constitution and renunciation of violence.

2. The drugs issue remains unresolved. Huge vested interests have developed in Tajikistan, Kyrgyzstan and Russia to facilitate drug trafficking from Afghanistan. The Taliban are dependent on drugs money as well.
3. Popular support for Taliban is waning as Afghans want to move forward.
4. The role of regional countries will increase. The SCO should assume a bigger role in Afghanistan. Afghanistan has been admitted to the SCO as an observer member. There could be more cooperation between CSTO and NATO in future.
5. Pakistan
  1. Islamabad is pushing for a power sharing arrangement in which the Taliban will control the eastern and southern provinces in Afghanistan.

#### *India's Position on Afghan Peace Talk*

1. The peace talks must be Afghan led and Afghan controlled. It was not possible for anybody from outside to conjure a successful peace architecture for Afghanistan.
2. Despite repeated invitations, India believes it must restrain itself to a point which is consistent with our philosophy and allow the Afghan people to choose their own destiny.
3. We also expect them to deliver on drug trafficking, fundamentalism and religious extremism.

#### *Way Ahead for India*

1. There is a view that India will find it difficult to stay engaged given Pakistan's reluctance. But positive factors are:
  1. Pakistan is fast losing popular goodwill in Afghanistan.
  2. It may not be possible for the Taliban to take over Kabul so easily because of the gaze of the international community.
  3. Afghans want to move closer to India.
2. Thus, if India retains the political will to remain engaged in Afghanistan, it can do so even as the latter becomes turbulent. India must be ready to provide the necessary resources. It needs to improve its delivery mechanisms and cut down on implementation delays. India no longer has as much leverage with the erstwhile northern alliance members (Tajiks, Uzbeks and Hazaras) like it had a decade earlier. These links will have to be reactivated.
3. India should also be part of multilateral efforts, particularly the SCO, CSTO, NATO.
4. India must not get bogged down by Pakistan.

#### **India-Mauritius**

##### DTAA Amendment

1. The 1983 treaty laid down that the capital gains tax on Mauritius companies will be payable only in Mauritius and not in India. Thus while in India they had to pay 10% tax, in Mauritius they pay 0% and hence evade tax. Thus Mauritius accounts for nearly 40% of India's FDI.
2. The proposed amendment prevents this misuse and also provides for exchanging pass info on tax evasion.

##### Economic Relations

1. India has offered to help Mauritius in capacity building, financial assistance and training to develop renewable energy sources.

2. The bilateral trade between India and Mauritius is \$1.5 bio almost all in favor of India. Besides petroleum products, main items of India's exports to Mauritius in 2010-11 were cotton, pharmaceuticals, cereals. India is a major supplier of cotton to Mauritius' textile industry. A significant portion of Mauritius' basmati and non-basmati rice requirements are also sourced from India.

## **India-Bhutan**

### Bilateral Issues

1. Bhutan has requested two entry and exit points in Meghalaya for its trade with Bangladesh.
2. India agreed to create an exemption for Bhutan from export ban on essential commodities.
3. India will develop 10 GW of hydel power in Bhutan by 2020.

[http://idsa.in/issuebrief/TheRupeeCrunchandIndiaBhutanEconomicEngagement\\_MedhaBisht\\_160712](http://idsa.in/issuebrief/TheRupeeCrunchandIndiaBhutanEconomicEngagement_MedhaBisht_160712)

### Bhutan - China Relationship

1. Bhutan has decided to establish independent diplomatic relations with China marking an end to the buffer state strategy created by the £ raj. Such treaties (earlier signed with £ raj) were renewed with India when China attacked Tibet. China in turn will proceed for an early and complete border demarcation with Bhutan. Earlier this responsibility was India's but China always took exception to India raising the China - Bhutan border issue.
2. Chumbi Salient is the point where India, China and Bhutan meet and it is here the narrow Siliguri Corridor lies. Any boundary settlement in China's favor @ this point will have negative implications for India.

# India Africa

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## DPA of MEA

Lines of Credit (LOCs), which are essentially concessional loans with a grant element, are administered by the government-owned Exim Bank of India which was set up in 1982 to finance, facilitate and promote India's international trade. LOCs are extended to developing countries on concessional terms on the condition that recipients import Indian equipment, technology, projects, goods and services on deferred



credit terms for a minimum of 75% of the contract value. These, therefore, function as instruments of trade rather than aid. As of October 2011, approximately 70% of the LOCs supported by the Indian government were extended to African countries, totalling \$3.78 billion (Exim Bank 2011). Two of the top five recipients of Indian LoCs were African governments: the Sudanese government with \$350 million and the Ethiopian government with \$122 million

## **India-Congo**

### Internal Dynamics

1. It is facing prospects of a civil war like 1998-2003 as the opposition has refused to accept the polls. The elections have been won by the incumbent president Kabila but the polls have suffered from many drawbacks including violence and poor infrastructure.
2. Congo faces another problem of international powers manipulating the warring factions to gain control over Congo's vast mineral wealth like copper, diamonds, hardwood.

## **India-Zambia**

### Internal Dynamics

1. This is a peaceful and democratic country. There is absence of racial issues and its vice president is a white. It is a copper based economy.
2. Its society is made of mainly the immigrants who fled from the wars in the neighboring countries.
3. The new President, Michael Sata has decided not to follow a blind pro-China policy.

## **India-Somalia**

### Al-Shebab

1. The Kenyan, Ethiopians and AU are fighting Al-Shebab.
2. Ethiopians have been traditional enemies of Somalians as while most of Ethiopia is christian, Somalians are muslims. As a result both countries fought war in 1960 and 2006. In 2006, Ethiopia occupied Somalia which led to the birth of Al-Shebab.

### Puntland

1. Lying at the horn of Africa, this province in Somalia is more or less a nation. It has oil reserves and is interested in selling it to India. It has invited Indian companies for oil exploration there.
2. Apart from oil, it seeks India's investments in training human resources in fisheries, MSMEs and piracy issues.

## **India-Nigeria**

### Internal Dynamics

#### *Fighting*

1. The population is 50-50 Christians (dominating south) and Muslims (dominating North).
2. The crux of the problem is poverty as the oil revenues (south based) have been scalped by a handful only and that too in Christian community.
3. There were bombings around christmas targeting christians near the capita Abuja. Following this the Muslim group Boko Haram (meaning western education is evil) has asked all christians in the north to south and also to impose shariat in entire country.

#### *Lead Poisoning*

1. It started in 2009 with the surge in gold prices which drove the villagers into gold mining often following unsafe practices. They could sell one gram of gold for \$23 (per capita income in Nigeria is \$2 a day). Lead poisoning lead to death of hundreds and ~4000 being sick.

### Energy Relations

1. Nigeria has privatized its electricity transmission and distribution sector. Indian firms are investing in the distribution sector.

## **India-Niger**

### Internal Dynamics

1. Niger forms a part of the "Sahel" belt which runs from Mauritania and Senegal in the Atlantic to Chad in Central Africa. This entire belt is suffering from acute malnutrition.
2. The Niger government has decided to ask for international aid and is building up food reserves. UK and EU are top donors.
3. The "food for work" initiative launched by World Food Programme is active in the region building agricultural capabilities.

## **India-Botswana**

### Economic Relations

1. India can help Botswana in the MSME sector both in technology as well as skill development.

## **India-Ethiopia**

### Economic Relations

1. India can help Ethiopia develop its tourism sector.

## **India-Mali**

### Internal Dynamics

1. The rebel group Tuareg in N Mali were fighting as mercenaries in Libya against Qadafi. They returned with advanced weapons and began to use those to defeat Mali Army. These rebels are hardline Sunnis and advocate Sharia.
2. Mali is an important center in the international drug trade as cocaine from latam passes through sahara on its way to Europe.

3. Mali Army got disgruntled and staged a coup in Bamako (capital). The Tuareg rebels have since then declared an independent nation of Azawad but it didn't get any international support. They (along with Islamists) control much of N Mali.
4. Islamist militant groups now control about two-thirds of Mali after hijacking the secular rebellion then seized more territory after the military coup. The Islamists then imposed Sharia law in the north of Mali which was once a rare democracy in the region. It is now in danger of becoming a safe heaven for terrorists.

#### *Pact Between the Rebel Groups*

1. After declaring the independent nation the two rebel groups - Azawad which fights for independence and Ansar Dine which fights to impose extreme form of Shariat - signed a pact. But the pact cracked over the Shariat issue.

#### *International Intervention*

1. West African bloc ECOWAS is pushing for the deployment of a force in Mali to restore stability in the capital and then improve Mali's defeated military to help it retake the north. ECOWAS, an umbrella group of 15 countries aimed at promoting regional cooperation, has intervened militarily in past African conflicts, such as the wars in Liberia and Sierra Leone. The UN Security Council endorsed political efforts by West African leaders to end the unrest in Mali, but stopped short of backing force.

#### Economic Relations

1. Both countries have signed a MoU on mineral exploration and India also granted a line of credit of \$100 mm to Mali.

#### **India-South Sudan**

##### Internal Dynamics

1. S Sudan fought a long civil war with Sudan and won independence in 2011 after a peace agreement in 2005. India was one of the first countries to recognize it. S Sudan is christian while N Sudan is muslim.
2. But it continued to have tensions with Sudan as it claimed that Sudan was charging high transit fees for its oil. It then attacked and captured Sudan's city of Heglig and Sudan in retaliation conducted air raids. UN has called for an end to all hostilities.
3. Now both countries are in AU sponsored talks being held in Ethiopia and fighting has stopped.

##### *Dispute Resolution*

1. A deal has been reached on oil where Juba (S Sudan's capital) would pay a weighted average of under \$10 per barrel (vs \$1 offered and \$32 demanded earlier). It has also offered a \$3.2 billion package to compensate Sudan for the loss of most of its oil reserves to the South. It had previously offered \$2.6 billion.

#### Economic Relations

1. India is interested in constructing oil pipelines and small refinery to take out its oil via Ethiopia.

#### **India-Africa**

### Energy Relations

1. India is specially interested in Libya, Nigeria, Egypt and Algeria. India's oil imports from Africa amount to 22% of total oil imports and India is consciously trying to diversify its import sources.
2. India can also develop African human resources deployed in petroleum industry.
3. India is keen to develop gas projects in E Africa in Mozambique, Kenya, Tanzania.

### Economic Relations

1. India has extended a \$5 bio credit line to Africa. China pledged \$20 bio line in July 2012 (\$5 bio in 2006, \$10 bio in 2009).
2. India-Africa trade was \$60 bio in 2011 and target is for \$90 bio in 2015. It had come up from \$1 bio in 2001. India is Africa's fourth-largest trading partner behind the European Union, China and the US. The pace of growth in Africa-India trade and investment over the past decade is rivaled only by China-Africa trade
3. India is setting up textile clusters in Africa. India will take up the cause of LDCs in DDA. In 2006, India granted duty-free status on 94% of Indian tariffs to the 33 LDCs in Africa.
4. India focuses on technology and investments addressed at the SME sector and grassroots innovations aimed towards improving livelihoods of the poor in Africa. These technologies are not high end but are well tested and scalable in India.
5. Unlike China, India's investments are private sector based. Major such investments are Bharati and Apollo tyre in SAF, Vedanta in copper in Zambia and Tata in 12 countries.

### India Africa trade

Bilateral trade between India and Africa grew at a much faster rate of 32.4% compared to overall China-Africa trade that rose by 27% during 2008-2011. During the period India emerged as the fastest growing export market for Africa growing by 41.8% while China grew by 28%, commodity exports from Africa and technology exports from India.

As far as African exports to India is concerned, crude oil and LNG comprises nearly two-thirds of exports basket. "Due to the persistent rise in global commodity prices between 2005 and 2011, value of Africa's exports to India have risen faster than the volume of commodity exports, thus exposing exports to global commodity price shocks," the report stated.

According to the report, African exporters face major problems and delay accessing clients in India, trade finance and high transaction costs. Thus both sides should look at trade facilitation which will be aimed at cutting red tape and cross-border regulations. It also recommended for diversifying Africa's services exports for the benefit of African economy.

lack of financing and poor infrastructure facilities are the two major constraints in enhancing

trade and investment between India and Africa, a report said today. On the other hand, transport and logistics costs and poor business environments are cited as major difficulties by Indian traders.

There has also been a surge in Indian private investment in Africa with big ticket investments in the telecommunications, IT, energy, and automobiles sectors.

Sharma is in Johannesburg for the third Indo-Africa Trade ministers meet. The Southern African Customs Union (SACU) consists of Botswana, Lesotho, Namibia, South Africa and Swaziland.

India has been waiting for the response from the African side on its proposal of an average margin of preference of 70%. This means imports from SACU will be subject to a tariff 70% lower than the most favoured nation rate.

The bilateral trade target of \$100 billion by 2015 and \$200 billion by 2020 is a modest one and is certainly achievable, Sharma said. Air connectivity and visa related issues were the two other concerns raised at the second India-Africa Business Council (IABC) meet here, co-chaired by Bharti group chairman Sunil Mittal. Indian business chamber FICCI is the institutional partner of the council.

Sharma assured that the air connectivity issue has been taken up at the highest level and that Air India will resume its flights to Africa from 2014 onwards.

"The issue of air connectivity has to be addressed. The matter has been looked into at the prime ministers' level, and at my level. You will soon see resumption of flights by Indian carriers both Indian private and public", Sharma said addressing the council. On liberalisation of visa regime, Sharma said that both sides can identify the apex industry chambers that can help in this process.

He also strongly took up the case of Indian pharmaceuticals industry saying that India is a supplier of quality low-cost generics drug.

"There is a concerted campaign by vested interest groups and multinational cartels to confuse the discourse which questions the credibility and efficacy of Indian generics. We must remain vigilant against such voices," he said. India exports low-cost generic drugs to over 230 countries in the world and 1/5th of them are directed towards Africa.

Industry leaders collectively identified pharma, agri, minerals and mines and oil as priority sectors of private investment and integration and presented a report to the trade ministers.

India also sought support from the African nations ahead of the ninth WTO ministerial in Bali in December to safeguard interest of the developing nations.

### *Issues in Indian Investment*

#### 1. Declining returns

1. Reports of declining rates of return may paint the picture that Africa may not be the attractive investment destination it is touted to be.

#### 2. Issue of land acquisition

1. Rights activists brand Indian investments as instances of land grab that threaten the livelihood of communities in Africa.
2. Land is informally divided among the community and title deeds are absent, creating issues regarding ownership and compensation.

#### 3. Issue of commitment

1. There have been cases of companies, under the pretext of overseas expansion, acquiring thousands of acres of land in Africa, raising capital based on that land in European and North American financial markets, and never implementing the project.

#### 4. Lack of scientific project assessment

1. Most countries in Africa do not have detailed topographical and land use maps.
2. Often, Indian investors enter hastily into agreements, especially related to land acquisition. They do so without conducting adequate due diligence and scientific analyses to ascertain their suitability for crop production or mineral availability.

### *China Factor*

1. FDI in Africa grew from \$10 bio in 2000 to over \$60 bio in 2008 and expected to be \$150 bio by 2015. China's trade with Africa was \$166 bio in 2011 and expected to be \$300 bio by 2015. The majority of this figure comes from Africa's \$93 billion of exports to China - most of which is raw materials, especially petroleum and copper. African imports from China consist largely of consumer and electronic goods. According to Beijing, the past decade has seen \$15 billion worth of Chinese commercial investment in Africa. In 2009 China overtook the United States to become Africa's No 1 trading partner.
2. China's investment strategies in Africa are long-term, based on national security needs, not short-term commercial profit.
3. In 2006 China provided an interest-free loan to Ghana to rebuild road infrastructure and in 2010 the EXIMCH provided an additional loan for infrastructure. In 2011 China funded the a hydroelectric project. In 2012 CDB provided \$3 bio loan for joint venture in oil and natural gas.

4. EXIMCH undercut the IMF in Angola, providing a 17-year \$12 bio infrastructure loan at 1.5% interest for a railroad across Angola to copper-rich Zambia. Angola is a bigger oil supplier to China than S Arabia.
5. In 1999, China built a 1,600 km oil pipeline across Sudan. By 2002, Sudan was supplying over 9% of China's oil imports. By 2009, 13 of the 15 largest foreign companies in Sudan were Chinese.
6. Similarly China has invested in oil sector in Tanzania and Uganda.
7. But Chinese investments are not just oil. In 2007 ICBC took a 20% stake in Standard Bank of South Africa. It has bought stake in Tanzania in iron ore mining, obtained exploration rights in Madagascar. China has major investments in iron ore mines in Guinea, Gabon, Cameroon and the Democratic Republic of Congo.
8. In 2007 EXIMCH provided \$8.5 bio loan to the Congo for infrastructure projects in exchange for copper and cobalt. Western mining companies were 'outraged' at the China state enterprise undermining 'free-market' capitalism.