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INTERNATIONAL RELATIONS

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1. INDIA – CHINA RELATIONS

- At the geo-political level, China and India have much in common. Both are ancient civilisations that carry the scars of past imperial conquests. Both are rapidly modernising and regaining their status as global trading and economic powerhouses. And they are the two most populated nations – collectively home to over one-third of the world's population.
- There is a regular interaction between leaders and officials of both the countries including at the highest political level. Yet despite these commonalities, China and India have been unable to resolve their shared boundary and other tensions. There is a recurrent theme of conflict and cooperation witnessed in various facets of bilateral relation which are discussed under the following heads.

Strategic Issues in Sino-India Relationship

- In February 2017, China and India held their upgraded **first-ever strategic dialogue** to shore up bilateral ties. The strategic dialogue is the latest among over 30 dialogue mechanisms to have emerged over the years between the two countries in areas as diverse as politics, economics, regional and international affairs, and culture.
- The Strategic Dialogue was preceded by senior official level dialogues between India and China covering issues of Afghanistan, multilateral diplomacy including counter-terrorism, nuclear issues as well as bilateral relations.
- The talks were being held in the backdrop of vocal differences between the two countries on a host of issues including India's concern over the USD 46 billion China-Pakistan Economic Corridor (CPEC), Beijing's reluctance to back **India's application to join the NSG and the UN ban on Azhar** as well as China's protest over the **visit of a Taiwanese parliamentary delegation** to India.
- China blocked US' proposal in the UN for designating Pathankot attack mastermind and Pakistan-based Jaish-e-Mohammed (JeM) chief Masood Azhar as a global terrorist at UN in February 2017.
- The two-day talks between India and China **failed to end deadlock** between two countries on issues related to Masood Azhar's listing as a global terrorist and India's membership into the elite Nuclear Suppliers Group (NSG).
- India made it clear to the Chinese officials that overwhelming evidence – and support – had been gathered against Pakistan-based terrorist Masood Azhar, for proscribing him in the United Nations and that the burden of proof is not on India.
- New Delhi has also acknowledged that on India's membership of the Nuclear Suppliers Group, Beijing still remains stuck to its "view of procedures and processes", which is different from others in the grouping.
- India also reiterated her concerns on the China-Pakistan Economic Corridor (CPEC) that passes through PoK, making it clear that it was a "sovereignty" issue.
- Despite that India said that bilateral relations have really acquired a very steady momentum over many years. Leadership-level meetings have been taking place regularly and the economic engagement is growing. They are seeing cooperation on many international issues and our border areas have maintained peace and tranquillity.
- Apparently referring to differences, India admitted that there are natural issues which neighbours have and it is the responsibility of both the countries to address them.

Border Dispute

- The **McMahon Line boundary dispute** is at the heart of relations between China and India.
- In the early 20th century Britain sought to advance its line of control and establish buffer zones around its colony in South Asia. In 1913-1914 representatives of China, Tibet and Britain negotiated a treaty in India: **the Simla Convention**. Sir Henry McMahon, the foreign secretary of British India at the time, drew up the 550 mile (890 km) McMahon Line as the border between British India and Tibet during the Simla Conference. The so-called McMahon Line, drawn primarily on the highest watershed principle, demarcated what had previously been unclaimed or undefined borders between Britain and Tibet. The McMahon line moved British control substantially northwards. The Tibetan and British representatives at the conference agreed to the line, which ceded Tawang and other Tibetan areas to the imperial British Empire. However the Chinese representative refused to accept the line. Peking claimed territory in this far north down to the border of the plain of Assam.
- The Chinese have two major claims on what India deems its own territory. One claim, in the **western sector, is on Aksai Chin (covering 38000 sq kms)** in the north-eastern section of Ladakh District in Jammu and Kashmir. This is apart from **5180 sq km of territory in Gilgit Baltistan region** in the Shaksgam valley of Jammu and Kashmir which was illegally ceded by Pakistan to China in 1963. The other claim is in the **eastern sector over Arunachal Pradesh (covering 90,000 sq Kms) and about 2000 sq. kms. in the Middle Sector** of the India-China boundary. Beijing has stated that it does not recognise Arunachal Pradesh. India accuses China of illegally occupying Aksai Chin While China accuses India of occupying areas in Arunachal which it calls **part of Southern Tibet**.
- The Chinese government does not recognize the "illegal" McMahon Line and considers it as a symbol of imperialist aggression on the country. These claims and counter claims have meant that the Line of Actual Control (LAC), the de-facto boundary after the 1962 war, is yet to be physically demarcated on the ground. **As a result, different perception of the LAC has led to several border skirmishes and incursion.**
- The Line of Actual Control (LAC) covers the 3,488 km-long border between them. While China says the border dispute is confined to 2,000 kilometres, mainly Arunachal Pradesh in eastern sector which it claims as part of southern Tibet, India asserts the dispute covered the whole of the LAC including the Aksai Chin occupied by China during the 1962 war. **It is to be noted that China has completely settled territorial disputes with 12 of its 14 land neighbours.**
- **Tibet lies at the heart of Sino-Indian border dispute.** India harbours fears founded on Tibet's geo-strategic setting. **China's annexation of Tibet 60 years ago removed India's 'political buffer'**. China was enraged at India's grant of political asylum to the Dalai Lama. Also because of China's 'Western Development Strategy', India now sees the 'the network of airstrips and airbases that China has built throughout the Tibetan Plateau', along **with other widespread infrastructure development projects especially highways, roads, rail links and air strips**, as providing the logistical wherewithal for a Chinese invasion across the border. Thus **Tibet's geo-strategic setting** is effectively the source of the mutual threat perception and alignment patterns that dominate the Sino-Indian relationship.
- **Geo-economics** also shape the Tibetan Plateau's strategic value. The Tibetan Plateau is estimated to hold approximately 40 per cent of China's mineral resources, including coal, gold, lithium and copper. It is also the world's third largest fresh water repository, after the polar icecaps, and is **the source of most of Asia's major river systems**, including the Yellow, Salween, Irrawaddy, Yangtze, Mekong, Brahmaputra and Indus rivers.
- The issue of water management (for projects such as flood control, irrigation and hydroelectric power) offers China the potential for enormous influence and leverage over downstream riparian states, such as India, Nepal, Bhutan, Bangladesh, Pakistan, Vietnam, Burma, Cambodia, Laos and

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Thailand. Moreover, China's plan to dam the Brahmaputra River in Tibet features heavily in Indian security calculations, given that the consequences of China turning off the tap upstream could be disastrous for northeast India.

- China also started the practice of issuing **stapled visa** to Indian residents of Jammu and Kashmir and Arunachal Pradesh despite strong Indian protests. It has become a constant flashpoint and recently a trend has emerged that clashes take place just before the start of major dialogue between them.

Efforts made to resolve the dispute

- When the **Special Representatives were appointed in 2003**, the two sides set off a **three-stage process**. First stage is an agreement on the guiding principles and setting political parameters for the settlement. The second stage focuses on working out a framework of settlement to be followed by the final step of drawing the boundary line based on the framework agreement.
- During Chinese Premier Wen Jiabao's visit to India in April 2005, the two sides signed an **agreement on political settlement of the boundary issue, setting guidelines and principles** and thus completed the first stage. In the agreement, China and India affirmed their readiness to seek a fair, reasonable and mutually acceptable solution to the boundary issue through equal and friendly negotiations.
- In a landmark development, India and China signed **Border Defence Cooperation Agreement (BDCA)** in October 2013 to maintain peace and tranquillity on the Line of Actual Control (LAC). Both the countries reached a comprehensive agreement to avoid border tensions and army face-offs along the LAC by deciding that neither side will use military capability to attack the other side nor tail patrols along the border. The two sides are to establish meeting sites for border personnel, as well as telephone and telecommunication links on the LAC. A hotline between the two military headquarters is also under consideration.
- Crucially, India and China had also agreed that if the two sides come face-to-face in areas where they have differing perceptions of the LAC, both sides shall exercise maximum self-restraint and refrain from any provocative actions.
- Under it, periodic meetings will be held between officers of the regional military headquarters, specifically between the Chengdu military region and India's Eastern Command, and Lanzhou military region and the Northern Command. Higher-level meetings between the two ministries of defence will also be held, aside from the working mechanism for consultation and co-ordination on India-China Border Affairs, and the India-China Annual Defence Dialogue.
- India Prime Minister Narendra Modi urged visiting Chinese President Xi Jinping to resolve the boundary dispute after holding talks in New Delhi in September 2014. Modi called for an **early clarification of the line of actual control** which presently separates the two countries which he repeated during his visit to China in 2015.

Indian Preparedness of Border Infrastructure

- Under Narendra Modi government, India's infrastructure development along the border with China has picked up, though it has rolled back the most ambitious military plan for the boundary – the formation of the 17 Corps, which is India's first dedicated strike corps for mountain operations.
- Despite that, India is **at least a decade away** from matching the infrastructure on the Chinese side, where most posts have direct road access. Across Tibet, massive infrastructure projects have come up providing easy access to the border for the Chinese military.
- According to latest statistics, only 24 of the 73 roads identified along the Line of Actual Control with China have been completed until now. Of the total, 61 roads with a length of 3409.27 km, are with the Border Roads Organisation while other 12 were entrusted to agencies like the Central Public

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Works Department, NBCC and State Public Works Departments. This slow pace has extended the Planned Date of Completion (PDC) of balance roads to 2021.

- India is also constructing some critical bridges in the northeast which will cut down time for troop movement. The recently inaugurated 9.2-km **Dhola-Sadiya Bridge** will cut down the distance between Assam and Arunachal Pradesh by 165 km.
- India has also been **activating airstrips** abandoned after World War II or 1962 war and deployed frontline fighter Jets in the bases along Sino-Indian Border.

Doklam Issue

- The crisis began on June 16, 2017, when the People's Liberation Army (PLA) moved a substantial earthmoving unit on to the Doklam plateau, and began building a road leading towards Doka La. Royal Bhutan Army soldiers from the Zompelri ridge attempted to intervene but were pushed back on to the ridge.
- In response to a request from the beleaguered Bhutanese troops, Indian soldiers on Doka La moved down the ridge, and obstructed the border works, leading to a stand-off. This confrontation had been preceded by a scuffle between a PLA road construction unit and Indian troops on the night of June 4-5, 2017 which had resulted in minor injuries to two Chinese personnel. China then used earthmoving equipment to demolish a two-decade-old earth-and-rock bunker near Doka La, at a position the Indian soldiers refer to as Laltain.
- **China alleged that Indian Army recently crossed border into China in an attempt to block a road construction in Donglang (or Doklam) area.**
- The Doklam plateau was first claimed by China in the late 1950s, in the build-up to its 1962 war with India. Ever since 1988, PLA patrols have regularly cut past Bhutan's claim line, the Sinche La ridge, using a network of dirt tracks which lead up to Chele La post, the country's permanent position on the Zompelri ridge, which leads westward from India's Doka La post.
- Bhutan had asked China to stop constructing the motorable road from Doko la in the Doklam area towards the Bhutan Army camp at Zompelri which, it said, affected the process of demarcating the boundary between the two countries. It was **in violation of the boundary agreement between Bhutan and China in 1988 and 1998** of maintaining status quo pending final settlement of the border issue.
- Though both sides appear committed to avoid any escalation of the stand-off, the history of the **1967 crisis in the Chumbi Valley** — the same territory now at stake — shows disputes over border construction can have serious outcomes.

China's arguments

- China had justified the construction of a road in the Sikkim sector, saying the area undoubtedly is located on its side of the border **as per the 1890 Sino-British Treaty**. According to the treaty, 'zhe' is the ancient name of Sikkim.
- According to this convention between China and Great Britain relating to Sikkim and Tibet, in 1890, the boundary of Sikkim and Tibet shall be the crest of the mountain range separating the waters flowing into Sikkim, Teesta and its effluents from the waters flowing into the Tibetan Mochu, then northwards into other rivers of Tibet. The line commences at the Mount Gipmochi on the Bhutan frontier. According to this convention, the Doklong region belongs to China's territory and India troops trespassed the area.
- Subsequent Indian leaders, the Indian government-related documents and the talks in Special Representatives meeting had confirmed that the two sides signed the 'Sino-British treaty' in 1890 and the China – India boundary of Sikkim was accepted on consensus basis.

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- **China maintained that compliance with these treaties and documents is an international obligation that should not be shirked by the Indian side.**
- The Indian government made no objection to the Sikkim section of the China-India border. Allegations of intrusions along the western section of the China-India border often emerge, but face-offs in the Sikkim section are rare. **The Nathu La pass in Sikkim was reopened in 2006, because there is no border dispute between China and India over this area.**
- Donglong (the name China uses for Doklam) had been a traditional pasture for Tibetan residents and China claimed to have exercised good administration over the area and before the 1960s, people from Bhutan required consent from China for cattle grazing and the Tibetan archives still have receipts of the same.
- In response to the standoff, China suspended the Kailash Mansarovar Yatra through motorable Nathu La Route but it continued through the difficult Lipulekh pass in Uttaranchal.

India's take

- This crisis had surprised the government as it came after what New Delhi had seen **as a willingness on China's part to iron out problems in the relationship.** During their recent summit meeting in **Astana on the Sidelines of SCO summit in June 2017**, they agreed for not having differences towards disputes. The Chinese side refused to acknowledge any such agreement.
- New Delhi admitted that its troops had blocked PLA road works inside Bhutan territory claimed by China, saying such construction would represent **a significant change of status quo with serious security implications for India.**
- China by creating the standoff at India-Bhutan-China tri-junction is eyeing to directly deal with Thimphu **violating the understanding reached by Sino-Indian Special Representative (SR) mechanism in 2012.** The SRs of the two countries had decided in 2012 that matters regarding tri-junction will be dealt at Special Representative Mechanism.
- New Delhi had rejected Beijing's claims that the India-China boundary in Sikkim is settled and noting that the two countries have **yet to agree to demarcation of their borders.**

Analysis of respective positions

- For Chinese troops to transgress over non-finalized borders in Sikkim and into Bhutanese territory was unprecedented, and is a violation of agreements with Bhutan from 1988 and 1998 as well as with India in 2012 to maintain the status quo, and causes special worries for the future.
- While Indian and Chinese troops have faced off at the LAC in Chumar and Dapsang in Laddakh area earlier, the Doko La episode is the most significant such face-off.
- Even though India has long had a presence along the Bhutan-China border, it has never acted in defence of its ally's interests. The Chinese are very upset by the Indian assertion, and are seeking to push back against what they see as a line having been crossed.
- Beijing's strategic equities in the Doklam plateau have multiplied in recent years, with the **upgrading of the road from Lhasa to Yadong**, which allows the 500-km journey to be made in just seven hours. In addition, China is now in the process of extending **the Beijing-Lhasa high speed railway line to Yadong**, and is expected to begin test runs in less than two years.
- The Doklam plateau is a subject of dispute between China and Bhutan. Beijing claims about 89 square kilometre areas in the Plateau, which overlooks **the strategically important Chumbi Valley** in the intersection of India-China-Bhutan.
- The road China claims to be building in its so called "own territory" in Doklam Plateau would give it **a strategic advantage** against India in any military conflict in the future. The plateau overlooks Chumbi Valley, which is at short distance from **Chicken neck corridor – "Siliguri Corridor"** - that

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connects India's north-eastern states with the rest of the country. **Chinese control over the area would make it easier for its People's Liberation Army to conduct military manoeuvres aimed at blocking Siliguri Corridor.**

- **Beijing's growing assertiveness in the region could be aimed at pushing Bhutan to agree to swap Doklam — a springboard for potential Indian strikes on China's road and future rail links north to Lhasa — for other territory it has asserted claims to in the north.**
- Beijing in the past indicated to Thimphu that it was ready to give up much of its territorial claims in northern Bhutan – over the Pasam-Lung and Jakar-Lung valleys – if the latter accepts Doklam Plateau as a territory of China. China claims about 764 square kilometers of areas in Bhutan.
- It was reported to have also pressured Thimphu by saying it would not agree to a border deal until Bhutan allowed it to open a diplomatic mission in that country.
- Thimphu does not have diplomatic relations with Beijing but Beijing has been pushing Bhutan to establish official relations. The Chinese envoy to India had visited Bhutan and recently his spouse (an Indologist) was also on a trip to Thimphu.
- Indian involvement was **aimed to prevent China from changing the status quo** by building a road on territory claimed by Bhutan, India's closest ally in the subcontinent. By upholding the rights of its ally, Indian actions were **intended to convey the importance Delhi attaches to its special relationship with Thimphu** as well as to signal that it intends to preserve its traditional military advantages in the overall Sikkim sector.
- The issues at stake are different- For China, it is about “**territorial sovereignty**”; for India, it is about “**security implications**” emanating from a potentially deeper Chinese foothold in the lower Chumbi valley.
- China's insistence on the withdrawal of Indian troops from the Doklam plateau as a precondition for negotiations is **consistent with its position on Tibet, Taiwan or the South China Sea** — areas of hyper-sensitivity where Beijing perceives that its “territorial sovereignty” is at stake.

End of Doklam crisis

- After weeks of diplomatic negotiations, India and China agreed to disengage from the standoff on the Doklam plateau with a formula that saw China promise to make “necessary adjustments” to their troop deployments, after Indian troops withdrew back to their posts in Sikkim on August 28, 2017.
- The agreement came a week before Prime Minister Narendra Modi's visit to China to attend the BRICS summit from September 3 to 5. It also paved the way for a one-on-one meeting between Mr. Modi and Chinese President Xi Jinping on September 4. Indian ministers had attended all BRICS preliminary meetings despite rising tensions on both sides.
- What was clear is that neither side wanted this dispute to overtake the relationship. What won was diplomacy, and the desire to see the big picture.
- The Indian decision to announce the withdrawal first seems to have given sufficient political space for Beijing to accept the outcome while affirming its sovereignty over a territory that is also claimed by Bhutan. India has got Beijing to suspend the construction of a road that Delhi cited as a big security threat. China, in turn, got the Indian army to pull out its troops from Doklam.

Takeaways from Doklam episode

- The past two and a half months are also a lesson that India should be prepared for another Doklam like episode. Delhi has its task cut out in **coping with a growing military imbalance with China and Beijing's assertive political will that together promise to make the long and contested border a perennially active one.**

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- Beijing, in turn, must recognize that it has underestimated Delhi's political resolve and could pay a big price for its strategic condescension towards India. An appreciation of the costs of conflict that allowed India and China to avoid a war in Doklam should also encourage them to explore the long overdue political resolution of their multiple Himalayan disputes.
- Though both the countries have managed to defuse the current situation, **Doklam standoff has seriously affected the bilateral relations.**
- India's refusal to back off from Doklam standoff despite heavy pressure mounted by China will have a wider resonance in the region against Beijing's assertive behaviour. It is because what the **Chinese were trying to do in Doklam is part of a larger pattern.** China is trying to achieve its contested territorial claims through unilateral actions like the disputed South China Sea, where smaller states have accepted Beijing expansive territorial claims as a "new normal". But that did not happen in Doklam. India and Bhutan did not follow the script, so China had to back off and revisit their position.
- If India had succumbed to Chinese pressure, it would have made it even more difficult for China's smaller neighbours to stand up. It would have undermined India's credibility, first in Bhutan and other South Asian neighbours as well.
- India's stand has resonance in terms of encouraging greater pushback in the region to China's assertive behaviour. This also may lead to some introspection on the part of China, especially why the rise of China and its behaviour is creating anxieties among its neighbour.
- China also realized that finding resolution by taking recourse through force was really not an option. Notwithstanding what it said, China had to find a diplomatic solution. Since India maintained a firm position, **given the BRICS summit and the forthcoming 19th Congress of the Chinese Communist Party were around the corner**, China didn't want them to be overshadowed by Doklam standoff.
- China is currently seeking to reshape the regional and international order, and is keen to fine-tune its '**Great Power diplomacy**'. It, hence, needs to be seen as preferring peace over conflict. The Belt and Road Initiative (BRI) is a potent instrument in this direction, but needs a peaceful environment to succeed. Outbreak of hostilities on the Himalayan border would have **tainted China's image and undermined the internationalism surrounding the Belt and Road discourse.** It would also fuel anti-Chinese sentiment in India, which both Washington and Tokyo would almost certainly profit from. Even on a sub-regional level, a conflict with India would steer China further towards Pakistan as its sole partner, a suboptimal outcome for Beijing, which prefers a wider profile in the subcontinent.
- In this, it must be noted that New Delhi and Beijing have **respected the wishes of the Bhutanese government**, which wanted an early end to the crisis before the bitter winter set in.
- It is important to note that **none of the major powers unambiguously and unreservedly supported India's position on Doklam.** Besides a tentative statement by the Japanese ambassador, most other countries — including the United States — asked New Delhi and Beijing to resolve the situation peacefully. Beijing's relationships with its main rivals, the U.S. and Japan, seem to be stabilising. Chinese leverage in East Asia has reached a threshold where it can blunt a containment posture from the U.S.-Japan alliance. The U.S. and other Western countries have a wide range of common interests with China. While most countries were happy that India was standing up to China, their own relations with Beijing made it very difficult for them to state their support openly.
- In fact, **even Bhutan kept a studied silence through the latter part of the stand-off.** New Delhi, therefore, must carefully review the scenarios and consider its options before upping the ante.

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Instead of trapping itself in a conflict with Beijing, New Delhi could have convinced Thimphu to be more vocal about Bhutan's territorial rights.

- The rest of the neighbourhood would prefer a stable India-China equation. Each of India's neighbours has adopted a dual track foreign policy where special or friendly ties with India are supplemented by geo-economic linkages with China. A Sino-Indian conflict disrupts this triangular dynamic and impels these states to make choices they would rather not make. This sub-regional reality cannot be wished away by India, or for that matter China.
- For India, the **situation in the subcontinent** is equally complex. Given Pakistan's unabated proxy conflict in Kashmir, an escalation with China will truly bring **the two-front situation back** into play after decades.
- Even if there are muted voices of appreciation or support for Delhi from various countries now, they are no guarantor of future support if India and China were to clash again. **India handled the Doklam crisis single-handedly and will have to be prepared to handle any such situation similarly in the future.**
- **China is unlikely to respect India's 'special relationships' with its neighbours.** India has long enjoyed a special status in the South Asian region and often treated it as its exclusive backyard. With China expanding its influence in the region and competing for status and influence, it considers South Asia, with India in it, as its periphery. **China uses economic incentives and military pressure to do so. Nepal is an example of the former, and Bhutan of the latter.**
- **India's traditional policy towards South Asia, of limited economic assistance topped with a big brother attitude, will need to undergo fundamental transformation to retain its influence.**
- It has become clear that the snail-paced 'Special Representatives' talks on the India-China boundary question have not yielded much so far, and it is perhaps the appropriate occasion to revamp the dialogue process. **Indeed, the focus is increasingly shifting from conflict resolution to conflict management. It is high time, therefore, that the two countries appointed dedicated high-ranking officials to discuss the boundary issues in a more sustained and result-oriented manner.**
- There is also an urgent need to adopt a multi-pronged strategy to deal with Beijing. India needs to engage China a lot more at several levels: diplomatically, politically, multilaterally and economically. The two sides also need to conduct bilateral consultations on various issues – ranging from Afghan reconciliation to regional economic development.

Dalai Lama's Visit to Arunachal, April 2017

- China warned India of adverse diplomatic consequences for allowing Tibetan spiritual leader Dalai Lama to visit Arunachal Pradesh including the monastery of Tawang in April 2017. It was seventh visit of Dalai Lama to Arunachal Pradesh, which China claims as its own calling it South Tibet.
- China was peeved at the fact that New Delhi not only allowed the 14th Dalai Lama to visit Arunachal Pradesh, but the spiritual leader was also escorted on the trip by India's Minister of State for Home Affairs which Beijing considered a double affront.
- Pema Khandu, Chief Minister of Arunachal Pradesh also gave the statement that India did not share its boundary with China, but with Tibet. This statement could be interpreted as questioning the "One-China" principle.
- However, India rejected China's protest saying that China **should not interfere in India's internal affairs or object to the Dalai Lama's visit which was completely religious in nature.**
- As a matter of policy, India has allowed Dalai Lama to visit anywhere in the country including Arunachal Pradesh but resisted from making a political statement over his visits.

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- China views him as a separatist who has consistently refused to accept Chinese control over Tibet. In reality, the Dalai Lama has accepted Tibet as a part of China, but has only demanded autonomy for Tibet, a predominately Buddhist region with a distinct language, ethnic group, and culture.
- Last year, Mongolia's decision to welcome the Dalai Lama in Ulan Bator resulted in Beijing's decision to impose stringent trade restrictions on its unequal neighbour. Many Mongolians also consider the Dalai Lama to be their spiritual leader. In fact, the word "Dalai" is Mongolian for ocean, meaning Dalai Lama can be roughly translated as "ocean of wisdom."
- China perceives any encouragement to the Dalai Lama by foreign powers or military or political support to Taiwan as a challenge to its "One China" policy — a clear and unambiguous no-go area.

Importance of Tawang

- China is sensitive to the Dalai Lama's visit to Tawang region in Arunachal, which happens to be the birthplace in 1683 of the sixth Dalai Lama and is at the centre of Tibetan Buddhism.
- Tawang is one of the prominent religious centres for Tibetans. It serves as the headquarters of the Karma-Kargyu sect of Tibetan Buddhists. The Karma-Kargyu sect is headed by Karmapa Lama. A close association of the Dalai Lama with Tawang does not fit into the Chinese scheme of things.
- **China aggressively promotes One-China policy and in Beijing's view a relevant Tawang outside Chinese control will continue to question Chinese acquisition of Tibet.**
- China looks nervously at a free Tawang, a source of inflammatory thoughts and ideas across the border in India.
- Strengthening Tawang as a source of rebellious ideas, is the 15th century Buddhist gompa (monastery) that overlooks the Tawang bowl. While communist China strangled independent thought in Lhasa's monasteries, Tawang Gompa remained beyond communist control.
- Beijing appoints the heads of Tibet's monasteries, but the Dalai Lama appoints the Tawang Gompa chief. The previous *khempo* (monastery head) was a Monpa, the first non-Tibetan to have that honour.
- Tawang's importance as a Buddhist centre is further enhanced by its status as the 6th Dalai Lama's birthplace.
- Aware of Tawang's religious power, New Delhi has avoided provoking China by inviting high profile visitors, especially the Dalai Lama and senior Indian officials. Beijing reacts to all such visits by accusing India of "interfering" with the status of a disputed area.
- China had been similarly prickly about the entry of "a third party" into disputed territory, when US ambassador to India, Richard Verma, visited Tawang in October 2016 as a guest of the Arunachal Pradesh government.
- Yet, China sees **no "third party" problem with its own entry into the Northern Areas**, claimed by India but occupied by Pakistan and where, as part of the One Belt, One Road initiative, China will execute further major projects there.
- **For now, Beijing insists that India must cede Tawang to China in any border settlement.**
- Another **important reason** could be the tussle over **who the next Dalai Lama would be**. The Chinese have already installed their own Panchen Lama, who is regarded as next only to the Dalai Lama in the Tibetan spiritual hierarchy.
- As per the Tibetan Buddhist tradition, indications about the next Dalai Lama would be left behind by the present one. The 14th Dalai Lama has so far not given any clear indication about the next one.

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- China seems to especially suspect that the Holiness might choose someone from India, or even from Arunachal Pradesh, as his successor, thus **leaving the movement for Tibetan independence with another leader.**
- After this visit, China released standardized names for six places in Arunachal Pradesh. China's evocation of historical claims echoes China's justification of its claims in the East and South China.
- History aside, India's claim to Tawang district rests on its record of benevolent governance there since the 1950s -- something China cannot credibly claim for its rule of Tibet in the same period. Rather than competing with China's infrastructure muscle flexing, it is **the strength of popular democracy and local autonomy** that must be built on for a progressive solution to the border issue.
- China sensed that anger when it occupied the Tawang region for a month after the Indian Army withdrew in the 1962 war. The **local Monpa tribal populace** steadfastly resisted Chinese cajoling and suggestions from their occupiers that the ethnically mongoloid Monpas were more Chinese than Indian.

Taiwan Issue

- India's attitude seems to be now undergoing a significant shift. And one of the more interesting developments on that front has been Indian attempts to bring Taiwan into the Sino-Indian equation.
- A three-member women's parliamentary delegation from Taiwan visited India in February 2017 amidst signals that the two sides might be getting serious about enhancing their bilateral engagement. The leader of the delegation, Kuan Bi-Ling, underscored that Taiwan is totally independent. Taiwan suffered a lot because of the One-China policy and hence has crafted a pragmatic approach in their diplomatic engagement with major countries, including India, despite these difficulties.
- This visit was in contrast to last year when India had reportedly backtracked from sending representatives to the swearing-in ceremony of then Taiwanese president-elect Tsai Ing-wen.
- China considers Taiwan as part of its mainland and opposes any diplomatic relations as well as political contacts with Taipei by countries which have diplomatic relations with it. India does not have diplomatic relations with Taiwan and also adheres to the "One-China Policy".
- China lodged a diplomatic protest with New Delhi asking it to deal "prudently" with Taipei-related issues so as to maintain sound Sino-Indian ties. Chinese state-run media declared by challenging China over the Taiwan question, India is playing with fire, and laid the blame on Taiwan's President Tsai Ing-wen for exploiting India's 'strategic suspicions against China'.
- India dismissed Chinese protest saying the trip was not a formal one. Such informal groups have visited India in the past as well for business, religious and tourism purposes and that there was nothing new or unusual and no political meaning should be read into it.
- **India has emerged as a priority country for Taiwan.** In September 2015, before she became Taiwan's president, Tsai had spoken about the increasing importance of India in her country's foreign policy. She had suggested that ASEAN and India are poised to become two of the world's largest economic bodies. Strengthening our overall relations is a natural choice for Taiwan as she diversifies her economic and trade ties.
- India and Taiwan **share a range of mutual interests** from managing the rise of the China factor to economic, and institutional collaboration. The Modi government which is reviewing its China policy may have found in Taiwan a partner as it enhances its profile in the Indo-Pacific. A robust engagement with Taipei might help India better understand Beijing's strategic thinking.
- New Delhi is now seeking to conduct its China policy on strict reciprocity. It has been advising China that it ought to respect other countries' sensitivity and sovereignty, if it wants the same for

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itself. Taiwan's emergence from the backwaters of Indian foreign policy might be a sign that Indian policymakers are serious about their rhetoric.

China's Military base in Djibouti: Horn of Africa

- In July 2017 Beijing sent personnel to Djibouti, its first military base overseas. Two Chinese Navy warships left the military port of Zhanjiang in Guangdong for Djibouti with an undisclosed number of military personnel on board.
- In recent years, the government and the PLA have sponsored a campaign to promote a sense of ocean among the civilians. The country is **now portrayed both as a Continental power and a Pacific power**. Against the traditional view of yellow culture, which glorified China's heartland history, China's scholars are now keen to introduce **a concept of blue culture** (ocean culture) to its population.
- The Chinese assert that the main role of the base would be to support Chinese warships on anti-piracy and humanitarian missions in the region and it's not about seeking to control the world.
- The setting up of the overseas base in eastern Africa suggests **a fundamental shift** in Beijing's stated policy of no "forward deployment". It also raises the possibility of "forward deployment" at India's doorstep – at Pakistan's Gwadar port, where the deployment currently is intended only to "protect" Chinese workers at the facility.
- These facilities can serve **immense strategic leverage** in a world where nations are looking to project influence while avoiding armed conflicts. It would be naive to consider that Beijing has not calculated the strategic leverage the MSR would provide, if it materialises.
- As China moves quickly into the Indian Ocean, the appropriate Indian response would have to revolve around the building of stronger naval capabilities.

Economic Relations

- India and China enjoy robust economic ties which have progressively increased over the years. China is among the top five trading partners of India. It has been hailed as **among the biggest positive drivers of a relationship** that is often beset with difficult political problems. However global economic slowdown especially that of Chinese economy has seen trade declining amongst them.
- There are **two primary drivers** of the burgeoning trade between China and India: differing comparative advantages of the two countries and sustained, high growth rates in both economies.
- The **different comparative advantages of the two countries provide grounds for strong economic exchange**. Although China's economy is three times as large as India's, its manufacturing sector is five times that of India's. Chinese exports to India thus consist primarily of manufactured goods, especially various types of machinery. Conversely, India has some of the world's largest reserves of iron ore, bauxite, and manganese, and its exports to China consist primarily of raw materials to feed that country's expanding steel and automotive sectors.

Trade deficit and demands for greater access to Chinese Market

- India's goods trade deficit with China, which had ballooned to \$52.7 billion in 2015-16 from just \$1.1 billion in 2003-04, eased marginally to **\$51.1 billion in 2016-17**.
- India wants a greater access to the Chinese market and there has to be an "evenness and balancing" of the country's huge trade deficit with China for the two nations to be able to move together on the path of progress.
- India pushed for greater access in at least **pharmaceuticals, IT & software services and agriculture**. Indian pharmaceutical companies can meet standards prescribed by China, as they already export to the US, which stipulates very high quality standards. Also India is very strong in IT software and would like to export these to China along with fruits, fish & vegetables etc.

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- India also wants higher inflows of investments from China.
- **Recent bilateral talks** on issues relating to farm products, which took place in the backdrop of the military standoff in the Doklam area, failed to make any headway. China deferred taking a decision on grant of market access to Indian rice, pomegranate, okra and bovine meat, while India opted to stick to its ban on imports of apple, pear, milk and milk products from China.
- India's animal husbandry department is learnt to have raised the issue of lack of market access for Indian bovine meat in China. China is yet to lift the import ban on India's bovine meat that it had first imposed in 1990 in the wake of incidence of Foot-and-Mouth Disease (FMD) in India.
- India has initiated 12 investigations against Chinese products in the first half of this year, becoming the country with the most trade remedy probes against China. India has launched an anti-dumping investigation over photovoltaic cells and units imported from China, Taiwan and Malaysia.
- **Singapore, with a population about 240 times smaller than India, sells twice as many goods to China each year.**
- The **connectivity problems** in the Himalayas, long a natural land barrier between India and China, extend to sea routes that account for the bulk of trade between the nations. **A lack of quality roads around ports, insufficient warehouses, high tariffs and visa restrictions** have contributed to a lopsided and lacklustre trade relationship. **In 2014 it cost \$1,332 on average to export a container from India, compared with \$823 to ship from China.**
- Services trade between China and India remains small. Though India has emerged as a global powerhouse in information technology (IT) and IT-enabled services, language differences create natural barriers to the export of these services from India to China.
- In opinion of some analysts, **both sides are yet to tap their trade potential primarily because the trust between them is fragile and superficial.** India has blocked Chinese investments in sectors such as telecom, ports, and shipping due to security concerns, made it difficult for Chinese employees to obtain visas to work in India. China on the other hand restricts Indian companies from entering many sectors, shows an institutionalized preference for its state-owned enterprises, and provides subsidies to its companies that some claim contravene international trade law.

Steps taken to resolve the trade imbalance

- India's concern on the rising deficit has been discussed with China at various fora, including the highest level of leadership of the two countries. Efforts are on to increase overall exports by **diversifying the trade basket**, with emphasis on manufactured goods, services, resolution of market access issues and other non-tariff barriers.
- The Commerce Ministries of both the countries have signed a **Five-year Development Programme for Economic and Trade Cooperation** in September 2014 to lay down a medium term roadmap for promoting balanced and sustainable development of economic and trade relations. The programme recognises that the trade deficit with China is a matter of high concern for India.
- Against this backdrop and in the spirit of mutual benefit, India and China shall endeavour to strengthen cooperation and gradually achieve bilateral trade balance over the next 5 years.
- The solution is the need to **increase India's domestic competitiveness** by removing infrastructure bottlenecks through accelerated infrastructural development. India has launched its **Sagarmala project** to expedite modernisation of its ports along with their better connectivity with hinterland.
- **Chinese capital and technology** could help India accelerate its infrastructure revolution. China has an abundance of capital looking for attractive investment opportunities. Over the next 5 years, India's infrastructure projects will provide perhaps one of the largest such opportunities.

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- Other way to help eliminate the trade deficit is **to get China's manufacturers to start making goods in India**. So far, Chinese foreign direct investment into India has been miniscule: \$1.36 billion over the past 16 years.
- Earlier during the visit of Chinese President Xi Jinping to India in September 2014, India and China signed 12 agreements in Delhi, one of which will see **China investing \$20bn (£12.2bn) in India's infrastructure over five years**.
- China also agreed to help bring India's ageing railway system up-to-date with high-speed links and upgraded railway stations, set up industrial parks in Gujarat and Maharashtra and give more market access to India to products, including pharmaceuticals and farm products.

OBOR Project

Features-

- **'One Belt and One Road' (OBOR)**, also known as the Belt-Road Initiative (BRI), was unveiled in September 2013 by the President of China Xi Jinping during his visit to Kazakhstan.
 - The **Silk Road Economic Belt (SREB)** is the continental dimension of this geo-strategic realm. It **consists of a network of rail routes, overland highways, oil and gas pipelines and other infrastructural projects**, stretching from Xian in Central China, through Central Asia and Russia to Venice.
 - The **Maritime Silk Road (MSR)** is the maritime dimension and consists of a network of ports and other coastal infrastructure from China's eastern seaboard stretching across South East Asia, South Asia, the Gulf, East Africa and the Mediterranean, embracing Greece and Venice and ending at Rotterdam.
 - The OBOR project also includes a **Digital Silk Road and a Silk Road in Cyber Space**. There is a proposal for a cooperative Internet plus Plan which would link the OBOR countries to a super-fast broadband network.
 - With 58 countries involved along the "One Belt and One Road", it accounts for the economic aggregation of **\$US 21 trillion, with share in the global trade of approx 29 per cent**.
- Both the Road and the Belt **include regional loops and branches** which extend the reach of the emerging transportation networks and also serve to tie the Road to the Belt at critical points. Example- **China-Pakistan Economic Corridor (CPEC)**.
- The initiative is seen as an instrument to create a contiguous land and maritime zone where countries pursue convergent economic policies, supported by physical infrastructure, trade and financial flows. The inclusion of **people to people links** is recognition that soft power will play an important role in creating a congenial political environment for the success of this ambitious initiative.

China's Rationale

- China sees the twin-dimensional initiative **as a long-term project to secure its geo-strategic realm**, which has both a continental and a maritime dimension. It is not just an **economic initiative**. It has **obvious political and security implications**.

Geo-strategic

1. It will **enable China to diversify the routes by which it can secure the transport of oil and gas and other essential goods needed to sustain China's economy**. It enhances the country's energy and economic security and mitigates the risk to transporting fuel and goods through unstable, unsecured or unfriendly channels.
 - For instance, proposed establishment of transport corridors via **Pakistan** (through the Gwadar Port-Karakoram Highway Link), **Myanmar** (through the Kyaukphyu Port-Yunnan rail and

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pipeline Link) and **Thailand (through Kra Isthmus project)** will enable China to reduce its dependency on the **Strait of Malacca chokepoint**.

- **Developing pipelines to get oil and gas directly from Russia and Central Asia to power western China** also reduces its reliance on the volatile Middle East.
2. **MSR** is seen as part of Chinese attempt to reorder Asia and undermine the US influence in the region especially 'the Pivot to Asia' Policy.

Economic-

- 1) OBOR may also be seen as **China's response to the more exclusive mega-economic blocks in the making** such as the Transatlantic Trade and Investment Partnership or TTIP led by the United States.
- 2) The OBOR is part of an economic strategy that will **enable China to deal with the problem of massive overcapacity in its industry**. The infrastructure to implement OBOR will require vast amount of construction materials and capital equipment, sectors where China has vast unused capacity.
- 3) There will also be an incentive **to export skilled and semi-skilled labour** employed in these sectors, also rendered surplus by a slowing Chinese economy.
- 4) One important motivation behind OBOR is **to accelerate the development of the country's relatively poorer western and southern provinces** in particular Sichuan, Gansu and Qinghai on China's western flank and Yunnan on the southern flank.
- 5) Furthermore, such infrastructural investment will **require significant financial flows**. The OBOR initiative is supported by the Chinese led Asian Infrastructure Investment Bank, the BRICS New Development Bank and a \$40 Billion Silk Road Fund.
- 6) China attaches **great importance to promoting financial integration among countries along the OBOR** through the institutions (such as the AIIB and the NDB), the creation of an off-shore Yuan bond market and the spread of Chinese banking in Europe.
 - This aspect is important because it could – and probably already has – **weakened the trans-Atlantic alliance** as reflected in the rush to join the AIIB by several European powers against US opposition.

Views against India joining OBOR

1. The port development under OBOR in India's maritime neighbourhood has the **potential to change the bilateral equation of India further to its disadvantage**. It favours China's trade flows through the Indian Ocean. **This also will lead to trade diversion of Indian goods and services** because of the **easier accessibility to Chinese goods and currency exchange**.
2. MSR is nothing but **an economic disguise to the "string of pearls strategy"**. Although India's poorly-executed neighbourhood policy may be partially responsible, **India sees China's growing profile in the region as an "encirclement"** which would result in a **serious setback to India's traditional concept of the subcontinent as its privileged sphere**.
3. With OBOR, Beijing will **eventually increase her military presence in Indian Ocean and will play a larger part in the security and governance of IOR** which could pose a **challenge to India's stature as a 'net security provider'** in the region.
4. The China Pakistan Economic Corridor (CPEC) **traverses the disputed area of Pakistan-occupied Kashmir (PoK)**. Accepting OBOR means giving de-facto recognition to Pakistani occupation of POK which India legally claims as its territory.
5. **The railway link in CPEC will be of strategic importance**. In the event of conflicts with India it will facilitate Chinese supply of missiles and spare parts to Pakistan. This might **have serious**

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consequences on India's power to negotiate with China on the territory of Ladakh and further cause tensions at border.

6. Keeping competition for African resources between India and China in mind, OBOR could set up **giant Chinese SLOC** in the Indian Ocean. This will **end India's advantage of being a maritime neighbour of Africa** and hence will be detrimental to India's economic interests.

Views in favour of India joining OBOR

- 1.) India's neighbours (except Bhutan) and many other countries have endorsed OBOR. So India **faces a threat of isolation** in its own backyard.
- 2.) **India can only benefit by linking into the production and supply chains of Asia that still hosts the fastest growing economies in the world.** If India chooses to stay out of OBOR, it will seriously hamper India's efforts in increasing its share in global trade and commerce. **Not only is India likely to lose existing and prospective markets, but also see its share in global capital inflows come down.**
- 3.) MSR could be synergistic with India's own ambitious port and coastal development plans – **the Sagarmala project**. A well-ordered system of main and subsidiary ports, which can attract international shipping lines, is **essential to accelerate the 'Make in India' effort** through the generation of export demand.
- 4.) From a strategic perspective, India's involvement in OBOR will help the country, better implement and integrate its "Spice Route" and the "Mausam project".
- 5.) **CPEC** intends to aid the *process of prosperity and stability in Pakistan* which is in India's own security interests. **It offers India an opportunity to pursue the goal of an economic reconnection with Pakistan,** while keeping the political issues running on a parallel track. This is much like *China and Japan maintaining an intense economic engagement whilst dealing with emotive historical legacies and territorial disputes.*
- 6.) **The Northern route via Kathmandu to Tibet** would perform the important geopolitical aim of **reconnecting Tibet to the sub-continent,** as was customary in ancient times. It would **enable northern India and Nepal to export agricultural and consumer products to Tibet, perhaps at competitive prices,** There is also the possibility of an electrical grid which would link Tibet, Nepal and India.
- 7.) **BCIM-EC** offers us the opportunity to reconnect the historic waterway linkages with Bangladesh and **a concrete avenue to "Act East"**. Since China will always be part of any "Act East" initiative, the BCIM-EC is **realistic in being an inclusive group**, as opposed to BIMSTEC, which ostentatiously excludes China.
- 8.) The BCIM-EC also **offers our north-eastern states the opportunity to connect** with the two neighbouring continental economies of ASEAN and China.
- 9.) It is a forum where **India and Bangladesh can – jointly and legitimately – place trans-boundary rivers on the agenda as an item for discussion with China,** and thus provide a platform for all parties to work out a *modus vivendi* on the question of the Brahmaputra waters.

India and Belt and Road Initiative (BRI) Summit

- The **Belt and Road Initiative (BRI)** summit was held in May 2017 in China which was attended by 120 countries, including 29 at the top leadership level. BRI is a revised name for the flagship OBOR Project, a pet project of Chinese President Xi Jinping, which aims to connect the Eurasian landmass and Indo-Pacific maritime routes.
- It was a Great Power moment for China as friends, allies and even adversaries like the United States, Japan, South Korea and Vietnam sent senior representatives to Beijing.

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- On the surface, the BRI, floated by President Xi Jinping in 2013 September and October in Kazakhstan and Indonesia, is based on three principles broadly explained as – **Gong Shang** (negotiate/talk), **Gong Jian** (construct/build) and **Gong Xiang** (share good results). And, it is about **five connectivities** – political, infrastructure, capital, trade and people-to-people exchanges.

India's Stand

- India boycotted the forum to protest **China's routing of the CPEC**, without adequate consultation with India, through Gilgit-Baltistan which India claims but Pakistan occupies.
- India participation would have **weakened its own case on sovereignty** on Gilgit-Baltistan and POK, because it would be tantamount to accepting the Chinese and Pakistani position of POK/Gilgit-Baltistan being "northern Pakistan". More important, it would fly in the face of India's sustained protests against China-Pakistan collaboration on POK since at least 1963.
- The fact that the Chinese have begun to deploy 30,000 "security personnel" to protect the projects along the CPEC route makes it an active player in the politics of the Indian sub-continent.
- India has been emphatic in conveying that India's "One China" policy must be congruent to China's "**One India**" policy", meaning, the Chinese must be sensitive to India's claims in Pakistan-Occupied Kashmir.
- Boycotting the Belt and Road Summit in Beijing was New Delhi's political signal to Asian countries that it is willing to challenge China's economic influence in the region.**
- OBOR in its current form encompasses all of South Asia sans India and Bhutan and enhances China's strategic heft in the same countries where India also has huge stakes including connectivity initiatives and infrastructure projects launched during past three years.
- Beijing did not take Delhi in confidence** when it unilaterally decided to introduce and implement projects in many of the South Asian countries. Such projects in their current form not only have the potential to push the countries into financial crisis having direct bearing on India but also have strategic implications for Delhi during times of conflict.
- India firmly believes that **connectivity initiatives must be based on universally recognized international norms, good governance, rule of law, openness, transparency and equality.**
- In India's view, connectivity initiatives must follow **principles of financial responsibility** to avoid projects that would create **unsustainable debt burden** for communities; balanced **ecological and environmental protection** and preservation standards; transparent assessment of project costs; and **skill and technology transfer** to help long term running and maintenance of the assets created by local communities. Connectivity projects must be pursued in a manner that **respects sovereignty and territorial integrity.**
- This was **a veiled reference to controversies related to Chinese projects in Sri Lanka and Myanmar.**
- China has been lobbying to address Indian concerns, pointing precisely to the existence of the Karakoram Highway as proof that it won't affect Kashmir's territorial status.
- However there is **a competing viewpoint** that India's suspicion of the initiative is not shared globally and that China isn't spending all this money for projects to fail, purely with the intention of reining India in. The IMF and credit ratings agency Moody's have recognized the CPEC's potential to drive growth in the region. Several UN fora have also endorsed the BRI, arguing that connectivity between so many smaller economies is in the larger, global interest.
- But **counter viewpoint** questions China's claim that MSR is a purely infrastructural push to boost maritime trade with its partner countries. The problem has been that there **is a huge gap between China's rhetoric and reality on the ground.** Developments in the South China Sea offer sufficient proof for this. China has set up intelligence and listening posts on the islands in the South China

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Sea in addition to militarizing the islands despite its rhetoric of peaceful development. China operates military helicopters out of these islands and they have also deployed Surface to Air missiles (SAMs) on these islands. Thus, China's rhetoric that BRI is only an economic and connectivity project is a little difficult to believe.

- India has asked China for a meaningful dialogue over the Belt and Road initiative.

ICT angle

- The **creation of information and communication technology (ICT) ecosystems** is the most important element of BRI. In no other area will Beijing's influence on BRI member states be more pronounced than in cyberspace. Because China can supply digital goods at extremely competitive prices.
- All roads from China's digital economy lead to India. Given Beijing's pervasive reach over India's IT ecosystem, BRI policies will profoundly affect New Delhi.
- The Indian response to China's domination of its digital economy should not be to ban Chinese products and services. That would only halt the surge in internet penetration in India, and go against the grain of this government's 'Digital India' and 'Make in India' initiatives.
- If anything, **China's technology giants must be invited to build capacity in India, whether in high end manufacturing, data analytics abilities or through financing R&D in Indian universities.** They must be encouraged to be honest interlocutors and to refrain from exploitative trade activities
- From a **strategic perspective**, it must be ensured that China's creeping influence over cyberspace rules does not pose a challenge for India. Indian players should not end themselves shut out by Chinese competition from the region's digital economies, or at the very least, from their own.
- This resistance cannot be premised on providing loans, products or services for the digital economy at par with China, not when India's own market relies heavily on Chinese players. It should, instead, **be driven by a multilateral effort** — led by India and other major economies like Japan, Singapore and South Korea — **to set norms of governance for cyberspace** in Asia. Such an effort would involve both a high-level understanding on the strategic and military uses of cyberspace, and dialogue between major industrial players on the technical standards and protocols to be adopted by them.

Asia Africa Growth Corridor (AAGC)

- Prime Minister Narendra Modi made the pitch for developing an **Asia-Africa Growth Corridor (AAGC), with support from Japan**, while addressing the annual general meeting of the African Development Bank (AfDB) in Gujarat's capital of Gandhinagar in May 2017.
- **The African Development Bank has welcomed the AAGC vision document.**
- **The AAGC is seen as India and Japan's counter to China's Belt and Road Initiative** plans. The proposal for an AAGC was first mentioned in the joint declaration issued by Prime ministers Modi and Shinzo Abe in November 2016.
- The AAGC Vision Document, jointly crafted by India's Research and Information System for Developing Countries (RIS), Indonesia's Economic Research Institute for ASEAN and East Asia (ERIA), and Japan's Institute of Developing Economies (IDE-JETRO), underscores that this growth corridor is focused on **four priority areas**, including **development projects, quality infrastructure and institutional connectivity, skill development and capacity building, and people-to-people cooperation.**
- The objective is to pursue joint initiatives in various sectors such as health, infrastructure, manufacturing, and connectivity, in **keeping with the development priorities of Africa and the Sustainable Development Goals.**

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- Unlike China's One Belt One Road (OBOR) project, about which India has raised several concerns, the Asia Africa Growth Corridor is conceived as **a more open and inclusive programme** that will be based on more consultations and keep people as the centre piece rather than just trade and economic ties.
- Unlike OBOR which entails development of a land corridor, AAGC will **essentially be a sea corridor linking Africa with India and other countries of South-East Asia and Oceania**. It is an attempt to create a free and open Indo-Pacific region **by rediscovering ancient sea-routes and creating new sea corridors**. The project stakeholders hope the sea corridors will be **low-cost and have less carbon footprint** when compared to a land corridor.
- Apart from developing sea corridors, the AAGC also proposes **to build robust institutional, industrial and transport infrastructure in growth poles among countries in Asia and Africa**. The idea is to enable economies in Asia and Africa to further integrate and collectively emerge as a globally competitive economic bloc.
- **Japan's contribution to the project will be its state-of-the-art technology and ability to build quality infrastructure, while India will bring in its expertise of working in Africa**. The private sector of both countries are expected to play big role by coming together to form joint-ventures and consortiums, to take up infrastructure, power or agribusiness projects in Africa.
- More studies will be undertaken to list the current demands and challenges of economic, socio-cultural and political partnership pertaining to AAGC. Future AAGC studies will make recommendations to the governments of India and Japan and to governments in Africa, South Asia, Southeast Asia, East Asia and Oceania on the way forward for deepening this partnership.

Sino –India Water Sharing Issue

- China's construction of dams and the proposed diversion of the Brahmaputra's waters is not only expected to have **repercussions for water flow, agriculture, ecology, and lives and livelihoods downstream**; it could also become another **contentious issue undermining Sino-Indian relations**.
- **The resource conflict began on June 11, 2000, after a natural dam-burst in Tibet caused a flash flood that resulted in 30 deaths and serious damage to infrastructure in the north-eastern state of Arunachal Pradesh**. The issue dominated reporting on China, but later subsided after satellite imagery confirmed the natural dam. Speculation and suspicion were further stoked by Chinese refusal to divulge information deemed "internal matters" and conflicting information released by government officials.
- Beijing's plans for the Brahmaputra include **two kinds of projects**. The first involves the construction of hydro-electric power projects on the river and the other, more ambitious project, envisages the **diversion of its waters** to the arid north.
- The first unit of the \$1.5 billion, 510-MW Zangmu Hydropower Station project, which is located in the middle reaches of the river, became operational. Once completed – **five other generating units** of this project are due for completion this year – the project is designed to generate 2.5 billion kilowatt hours of electricity annually. It maintains that all these **are run-of-the-river projects** that involve no storage or diversion and that they will not affect the river's downstream flow into northeast India.
- Besides the Zangmu power station, the Chinese government has approved **other hydropower projects** along the Brahmaputra including at **Dagu, Jiacha and Jiexu**.
- There are reports that it may construct a giant hydro-electric project at a place called **Medog** near the Great Bend of the Brahmaputra. This power station, if constructed, will be **twice as big as the Three Gorges Dam** on the Yangtze River, the world's largest hydro power plant. It would have a

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generation capacity of 38-49 gigawatts which is more than India's current total installed hydro power capacity of 33 gigawatts.

- On 30th September 2016, China blocked a tributary of the Brahmaputra as part of larger **Lalho project**, a major hydro-electric project, whose construction began in 2014 which is China's most expensive hydro project. The project on the Xiabuqu in Xigaze, also called Shigatse, involves an investment of \$740 million.

China's urgency

- China's per capita water reserve is approximately 2300 cubic metres – one-fourth of the world's average. China is, therefore, considered as the **13th most 'water-poor' country** in the world with **80 per cent of its cities severely water stressed**.
- More so, **China's northern region possesses only 14.5 per cent of the entire country's water resources**. As water supplies tighten, the water quality is degrading, ecology is suffering, and lands are becoming barren. This threatens the country's economic growth. Thus, the ever-increasing gap in the demand and supply chain in China's northern region has now pushed the country to move forward with its many dam projects.
- China is keen **to divert 150 billion cubic meters (BCM) of water** and 'push' the waters to irrigate northern China. **Of this, 50 BCM would be diverted from the Brahmaputra.**

Concerns

- All of the hydro power stations mentioned above, particularly the area surrounding the Great Bend, are situated in an **earthquake prone region and very close to the geological fault line where the Indian Plate collides with the Eurasian Plate**.
- In 2008 the Three Gorges Dam on the Yangtze River gave way under stress of an earthquake (7.9 on the Richter scale) in the eastern rim of Tibet, resulting in the loss of many lives. **It raised questions over gigantic Chinese projects in geologically unstable areas**; some experts point their fingers at the **high Zipingpu dam**. Their opinion was that the earthquake might have been caused by the stupendous weight of the water of this dam, which was just five kilometres away from the epicentre of the quake and half a kilometre away from the seismic fault line. **In event of any major earthquake in the region, any damage to the proposed dams would wreak unimaginable devastation in downstream areas.**
- Still, its plans have generated apprehensions in India's northeast and in Bangladesh, where the Brahmaputra is a **veritable lifeline and a core part of the cultural life here**. **Due to these projects, Brahmaputra may lose much of the silt which makes the soil of north-eastern India fertile.**
- Fuelling anxiety over the Chinese dams on the Brahmaputra is the impact **that a reduction of the flow of the Ganges has had on millions in the region**. **India's damming of the Ganges has reduced the water flow into Bangladesh. The increased salinity of soil has adversely impacted agriculture and over the last several decades millions of Bangladeshis have been forced to relocate, many migrating to India's northeast.** This migration changed the demographic composition of vast tracts of Northeast India (especially in Assam) and triggered serious ethnic conflicts and insurgencies there. So a reduction in the flow of the Brahmaputra may add fuel to the conflicts already raging in the region.
- More worrying than China's construction of hydropower dams on the Brahmaputra is **the proposed northward rerouting of its waters at the Great Bend**. This diversion would result in a significant drop in the river's water level as it enters India. It will have a serious impact on agriculture and fishing in the downstream areas as the salinity of water will increase. In opinion of some analysts, diversion of the Brahmaputra's water to the parched Yellow river is an idea that China does not discuss in public, because the project implies environmental devastation of India's north-eastern

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plains and eastern Bangladesh, and would thus be akin to a declaration of water war on India and Bangladesh.

- Moreover, the Chinese desire to divert the Brahmaputra by employing “**peaceful nuclear explosions**” to build an underground tunnel through the Himalayas found expression in the international negotiations in Geneva in the mid-1990s on the Comprehensive Test Ban Treaty. China sought unsuccessfully to exempt “peaceful nuclear explosions” from the CTBT, a pact still not in force.

Indian Response

- Despite **calls for greater transparency and consultation**, India is also racing to construct hydropower dams on the Brahmaputra River. While India’s dam building drive is primarily motivated by a desire to take advantage of the river’s hydropower potential and **to establish priority right**, the dams also help to **consolidate India’s territorial claim** on the contested border state of Arunachal Pradesh (known as ‘Southern Tibet’ in China).
- Currently, India has plans for 25 hydropower projects in Arunachal Pradesh. One part of the thinking behind these projects is to implement them before China completes its dam projects. If that happens then India can press its usage rights by what is called **the doctrine of prior appropriation**. Under this legal concept, the first country to use these resources has a claim over them before any other country. In practice, **however, this idea is a non-starter in India**. Of these 25 projects, not a single one has been completed so far. On an average, it takes India 10 years to build a dam of even a modest size; China takes roughly three years.
- India is experiencing a double hit on this front. **Where bureaucratic lethargy and inertia end, environmental activists take over**. In effect, environmentalism now poses a strategic challenge for India. Environmental and other norms are being flouted in the construction of these projects. These could worsen the water flow for the people further downstream in Assam and Bangladesh, deepening existing problems and triggering new conflicts.

Debate over Chinese measures

One point of view-

- The Zangmu hydropower station being **a run-of-the-river project**, the Brahmaputra’s waters will continue to flow to India as before, after their brief storage period is over. As for the other dams that China proposes to build on the river, they are on tributaries like the Nyingchi further to the east from Zangmu and none of these are large storage dams, and so there is no need for India to panic.
- **Enormous technological and other challenges are posed by the difficult terrain** through which the Brahmaputra runs in Tibet – it flows here at an altitude of around 3500 meters above sea level. If the Chinese have to divert its waters to the north, they will have to haul the water up over an altitude of another thousand meters at least. It’s impossible to even think of such a diversion. Besides **the technological challenges**, there are **financial and environmental costs** that stand in the way of implementing the water diversion plan.
- Even if the diversion project goes ahead, its impact on India will not be severe, as the Brahmaputra gets most of its waters after entering India. **It is the Brahmaputra’s tributaries in India and the heavy rainfall here that provides roughly 70 percent of the water volume of the Brahmaputra river.**
- **Experts reject predictions of a Sino-Indian war over the Brahmaputra.** China and India see themselves as **responsible regional and global powers** and a war of any kind between them will not only set back bilateral relations but also damage their reputations internationally. At the moment, this is not a cost that either side is willing to pay.

Counter Viewpoint

- A break in the river between the point of diversion to the turbines and the point of return of the waters to the river can be very long, upwards of 10 km in many cases, even 100 km in some cases; and there would be a series of such breaks in the river in the event of a cascade of projects. Besides, far from being environmentally benign, as often claimed, **a run-of-the-river hydroelectric project “spells death for the river.”** Turbines operate intermittently in these projects, which means that the waters are held back in pondage and released when the turbines need to operate, resulting in huge diurnal variations – from 0 percent to 400 percent in a day – in downstream flows. No aquatic life or riparian population can cope with that order of diurnal variation.”
- Even though the Brahmaputra gathers the bulk of its volume in India, experts warns against complacency. **The 30:70 ratio applies to the rainy season only. Besides, 30 percent of the flows is not an insignificant figure, and even a 10 percent diversion could have serious consequences, for downstream areas.**
- Analysts predict that **“water wars”** could break out between India and China. Upstream dams, barrages, canals, and irrigation systems can help fashion water into **a political weapon** that can be wielded overtly in a war, or subtly in peacetime to signal dissatisfaction with a co-riparian state. Even **denial of hydrological data in a critically important season** can amount to the use of water as a political tool, warn strategic affairs experts.
- In fact, **China has been damming most international rivers** flowing out of Tibet, whose fragile ecosystem is already threatened by global warming. Brahmaputra is not the only river that has contentious projects being built on it by China: **Salween** (involving Myanmar and Thailand) and **Mekong** (involving Cambodia and Vietnam) are two other big rivers where similar disputes exist.

Steps taken-

- In **2002**, China and India signed their **first Memorandum of Understanding** for the provision of hydrological information during the monsoon months, previously discontinued after their 1962 border war. Even a joint expert level mechanism—set up in 2007 merely for interaction and cooperation on hydrological data—has proven of little value
- In October 2013, India asserted the need for a water sharing treaty with China. This came about, following the paranoia generated after the announcement of the 510-MW Zangmu project along the course of the river. However, although Indian Prime Minister Manmohan Singh returned with an agreement on sharing water-related information during the monsoon months, there was no mention of the planned diversion of the Brahmaputra.
- However, **the lack of communication** on the issue is **deepening suspicion and tension**. This underscores the **need for dialogue** that includes all the riparian countries. China must share data with India and Bangladesh on its dam construction and other plans for the Brahmaputra.
- Some have suggested that **a joint India-Bangladesh effort** on the question of China’s damming of the Brahmaputra may be effective. This is unlikely given China’s preference for bilateral approaches to dispute resolution.

What more needs to be done

- **The UN Convention on the Law of the Non-Navigational Uses of International Watercourses** came into force on 17 August 2014, **China voted against, and India and Pakistan abstained** from voting. A significant influence of the Convention is codification of customary international law principles such as ‘equitable and reasonable utilisation’ and ‘the obligation not to cause significant harm’.
- The Convention urges states to cooperate **on the basis of sovereign equality, territorial integrity, mutual benefit and good faith** in order to attain optimal utilisation and adequate

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protection of an international watercourse. Further, it provides for establishment of **joint mechanisms or commissions, adopting measures like regular exchange of data and information**, laying down emphasis on prior notification of planned measures etc. to meet the requirements of the two water sharing principles discussed above.

- In respect to dispute settlement, state parties under this Convention can opt for **negotiation, or jointly seek request mediation or conciliation by a third party, or make use of institutions established by them, or agree to submit the dispute to arbitration or to the International Court of Justice.**
- The Convention further articulates that in case the dispute cannot be resolved in six months through any of the above measures, there will be a compulsory, **impartial fact finding commission**, which will have members from each party to dispute. International disputes on resources sharing may gain from the wide-ranging options available for parties under the Convention.
- **For China and India, the Convention provides a good opening for dialogue.**
- **Transparency** can save time that would be otherwise wasted on reassurance and crisis management. China and India could devote efforts to developing goodwill and relations needed to **establish joint scientific research projects** in the Himalayan region, and more extensive water-data and information sharing norms.
- The dispute will **test the strength and maturity of China and India**, by requiring them to look past their strained history and the nationalist sentiments associated with it. Their response will set a precedent for cooperation in other areas of the Sino-Indian relationship, as well as trans-boundary resource management more broadly.
- **Cooperation in water data-sharing, dam building planning and joint scientific research projects** offer less politically charged opportunities **where deeper people-to-people relationships** can be created. Such initiatives would **not only improve the two countries' perceptions of each other, but also help to develop a common language and understanding of the regional resource and environmental challenges.**
- China's hydro-engineering projects and plans are a reminder that **Tibet is at the heart of the India-China divide.** Tibet ceased to be a political buffer when China annexed it nearly six decades ago. But **Tibet can still become a political bridge between China and India.** For that to happen, water has to become a source of cooperation, and not conflict.

NSG MEMBERSHIP ISSUE

- NSG was established in the wake of India's Pokharan tests in 1974. It is a 48 member grouping that was formed with the aim of ensuring non-proliferation of nuclear weapons and nuclear technology. The NSG first met in November 1975 in London, and is thus popularly referred to as the "**London Club**". The 48 members of the NSG include the five nuclear weapon states, US, UK, France, China and Russia. The other 43 are signatories to the Nuclear Non Proliferation Treaty (NPT). **India is not a signatory to the NPT which it calls discriminatory**
- **Membership of NPT is only a guideline, a consideration, and not a mandatory requirement** while deciding on a country's application.
- India is keen to become a member of the NSG and other export control regimes such as the Wassenaar Agreement and Australia Group as it seeks to significantly expand its nuclear power generation and also enter the export market in the coming years. From India's point of view NSG was formed to deny India access to sophisticated technology.
- It was **civil nuclear deal with US**, concluded in 2008, that paved the way for India's application as a member of NSG. India's commitment to separate its civilian and military nuclear programmes and **its impeccable non proliferation record** along with its ratification of **an Additional Protocol with**

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the International Atomic Energy Agency (IAEA) add to India's credentials for NSG membership. India also changed its export laws to line up with the NSG, MTCR, Wassenaar Arrangement, and Australia Group — the four key export control regimes.

- So India's track-record in observing the provisions of NPT and NSG while not being a member of either body is impeccable. If NSG was able to grant waiver to India in 2008 on the basis of its past performance, it should have no objection to admitting it as a member this time. **Since all decisions at NSG are taken by consensus, any country – small or big – can stand in the way of consensus.**

Benefits of NSG Membership to India:-

- Access to technology for a range of uses** from medicine to building nuclear power plants for India from the NSG which is essentially a traders' cartel. India has its own indigenously developed technology but to get its hands on state of the art technology that countries within the NSG possess, it has to become part of the group.
- With India committed **to reducing dependence on fossil fuels and ensuring that 40% of its energy is sourced from renewable and clean sources**, there is a pressing need to scale up nuclear power production. This can only happen if India gains access to the NSG. Even if India today can buy power plants from the global market thanks to the **onetime NSG waiver in 2008**, still, being out of the elite NSG group has meant that many latest technologies are still out of its reach as it is the NSG members that have the latest and the most efficient technology.
- With access to latest technology, India can **commercialize the production of nuclear power equipment**. This in turn will boost innovation and high tech manufacturing in India and can be leveraged for economic and strategic benefits.
- Having the ability to offer its own nuclear power plants to the world means **spawning of an entire nuclear industry and related technology development**. This could give the **Make in India programme a big boost**. For example, India has signed a civil nuclear energy co-operation pact with Sri Lanka. Currently, this entails training people in peaceful uses of nuclear energy, including use of radioisotopes, nuclear safety, nuclear security, radioactive waste management and nuclear and radiological disaster mitigation. If India gets access to advanced nuclear technologies, it can start building updated versions of its own fast breeder reactor and **sell it to countries such as Sri Lanka or Bangladesh**. Bangladesh is currently looking at buying Russian reactors for power generation.
- Membership of NSG will provide **greater certainty and legal foundation to India's nuclear regime**. This would also provide greater confidence to countries who invest billions of dollars for setting up ambitious nuclear power projects in India.
- Moreover, as India's international political, economic, military and strategic profile and clout increases, **India would like to move into the category of international nuclear commerce rule-creating nations** rather than stay in the ranks of rule-adhering nations. For this, it is essential that India gets due recognition and a place on the NSG high table. It is to be remembered that after India's waiver in 2008, NSG rules in 2011 prohibited sale of enrichment and reprocessing (ENR) technology to the countries which have not signed NPT.

Chinese objections

- India had launched hectic diplomatic activity to explain its position and overcome opposition of a few countries. It has **also reached out to China** to explain that its interest in NSG membership is not guided by any political or strategic considerations but only to facilitate expansion of its clean and green nuclear energy programme.
- **China and at least seven other countries blocked consensus over India's entry in NSG at the elite group's plenary in Seoul in June 23-26, 2016.**

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- **China remained resolutely opposed to India's entry in NSG.** In addition to instigating smaller countries to raise objections, China has itself come out openly in opposition to India's membership. Over the past few months Beijing had issued several statements maintaining that no single country waiver should be granted to India. **It stated that India, in any case, is not eligible to become a member of NSG as it is not a member of the nuclear non-proliferation treaty (NPT),** adherence to which is necessary for the entry. **China has also averred that for non-NPT members some definite criteria should be evolved rather than granting country specific waivers.**
- It also warned if exceptions are allowed here or there on the question of NPT, the international non-proliferation regime will collapse altogether.
- China has also maintained that there are several countries which have reservations about India's membership of the NSG. Further, if only India were to be admitted, **it would disturb the nuclear-arms balance in South Asia** as India will engage in a massive nuclear weaponisation programme. China has said in no uncertain terms that India's membership will jeopardise China's national interests and touch a raw nerve in Pakistan.
- At other times Beijing stated that **Pakistan too has similar credentials to join the NSG.** Chinese diplomats insist **NSG entry to be norm-based**, in other words, whatever rules govern Indian entry should apply to others too. Norm-based entry would, presumably, help Pakistan gain entry, something many in the NSG are certain to resist because of the country's record as a proliferator of nuclear-weapons technology.

Arguments against China's stand

- **Most questions raised by China against India's membership have little validity.** For instance, membership of NPT is not a condition for becoming a member of NSG. It is only a guiding principle to which consideration needs to be given.
- **Pakistan's credentials for NSG membership are highly flawed and inadequate.** Over the last eight years India has separated its reactors which are under IAEA safeguards and those which are not. Pakistan has not undertaken any such exercise.
- India's contention is that its nuclear technologies are indigenously developed and it has a clean non proliferation record unlike **Pakistan whose non proliferation record was tainted with the revelations that its nuclear scientist A.Q Khan sold nuclear technologies to countries such as Iran, Libya and North Korea.** China's non proliferation record too is tainted with allegations that it has helped Pakistan on the sly.
- India maintains that rather than evolving criteria, its performance should be the basis on which the decision on its application should be taken.
- India is not in a position to immediately sign the nuclear non-proliferation treaty and gain access to technologies considering its unstable and unpredictable neighbourhood. It is also unlikely to accede to the Comprehensive Test Ban Treaty (CTBT) that puts curbs on any further nuclear tests.
- **India's track-record in observing the provisions of the NPT and NSG, even though it has not been a member of either body, is impeccable.** If the NSG was able to grant a waiver to India in 2008 on the basis of its past performance, it should have no objection to admitting the country as a member this time as well because of its record in adhering to all its commitments over the last eight years.

India's steps

- In August 2016, during visit of **Chinese foreign minister Wang Yi**, India and China decided to set up **two new dialogue mechanisms: a conversation between India's joint secretary (disarmament), Amandeep Gill and Wang Qun, China's chief nuclear negotiator on the NPT**

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issue which China is using as a block against India; secondly a **dialogue between foreign secretary S Jaishankar and his Chinese counterpart Zhang Yesui on bilateral relations.**

- The first meeting under **NSG-specific dialogue mechanism** was held in New Delhi in September 2016. **China has declared that it has not yet taken a position on any country-specific membership in the category of the non-NPT states. The two sides also agreed to meet for the next round of talks on a mutually convenient date.** China has convened a similar meeting with Pakistan, which is also bidding for NSG membership.
- Prime Minister Narendra Modi and Chinese President Xi Jinping discussed India's hopes for membership of the Nuclear Suppliers Group at a bilateral summit ahead of the **eighth BRICS summit on 15 October 2016.** Since then, India has been constantly engaging and pressing China over NSG membership issue at various levels as well as foras.

Masood Azhar issue

- China has an ambiguous stand on cross-border terrorism which profoundly affects India. Despite suffering terrorist incidents in its Xinjiang province at the hands of Uighur Islamists who have close ties with terrorists groups operating in Af-Pak region, **China refuses to acknowledge the state-sponsored terrorism** emanating from Pakistan into India for strategic reasons.
- The **sanctions regime on "Al-Qaida and associated individuals and entities"**, also known as 1267 Sanctions Committee resolution requires **all States to freeze the assets of, prevent the entry into or transit through their territories by, and prevent the direct or indirect supply, sale and transfer of arms and military equipment to any individual or entity associated with Al-Qaida as designated by the Committee.**
- **The 1267 Al Qaeda's Sanctions Committee that had banned JeM is yet to sanction the Pakistan-based terrorist Masood Azhar because of China's technical holds.**
- Though China is the lone member among the 15-member UNSC to oppose the ban on Azhar, Beijing had claimed that "different views" existed about India's application against Azhar.
- Analysts say that China's decision on Masood Azhar has in part been driven by **its reliance on Pakistan to help counter armed separatists targeting Xinjiang, and to ensure stability in Afghanistan, a country critical to Beijing's One Belt One Road connectivity initiative.** Consequently, on August 3 2016, top military commanders from China, Pakistan, Afghanistan and Tajikistan met in Urumqi, capital of China's Xinjiang province, to form a **"Quadrilateral Cooperation and Coordination Mechanism in Counter Terrorism."**

9th BRICS Xiamen Summit, 3-5 September 2017

- A joint communiqué released at the BRICS summit expressed concern about the regional security situation and listed the Taliban, IS/Daesh, Al-Qaeda and its affiliates, including the Eastern Turkistan Islamic Movement, the Islamic Movement of Uzbekistan, the Haqqani network, Lashkar-e-Taiba, Jaish-e-Mohammad, TTP and Hizb-ut-Tahrir as terror organizations.
- BRICS grouping **unequivocally named Pakistan-based groups — Jaish-e-Mohammad (JeM) and Lashkar-e-Taiba (LeT) — as terror organisations, removed a key irritant in ties between New Delhi and Beijing and stepping up the fight against global extremism.**
- The BRICS declaration **underscores a shift in China's position** on hyphenating its ties with India with its relationship with Pakistan.
- From India's perspective, naming LeT and JeM are **symbolic takeaways** especially since it comes after a tense border standoff at Doklam and also since China has in the recent past blocked the designation of Jaish-e-Mohammad chief Maulana Masood Azhar as a global terrorist at the United Nations Security Council. Beijing has repeatedly blocked New Delhi's move — as well as those by US, UK and France — to list Azhar on technical grounds.

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- The Declaration condemned terrorism in all its forms and manifestations and thus seemed to endorse New Delhi's stand that there can be no distinction between terror groups, which was highlighted when it said in the context of Taliban that there can be no "good terrorists and bad terrorists".
- However, experts say the reference to Jaish-e-Mohammad (JeM) and Lashkar-e-Taiba (LeT) is not a first for Beijing and must be reinforced by a bilateral commitment on terrorism. In particular, they hope the BRICS statement will translate into China removing its block on designating JeM chief Masood Azhar as a U.N. Security Council-sanctioned terrorist when its current hold on the process at the Security Council expires on November 1. It has been 16 years since China and other UNSC countries designated JeM and more than a decade since LeT was similarly designated.
- It is obvious that China's new role in the region, including the Shanghai Cooperation Organisation (SCO) leadership, has given it new responsibilities, and it is significant that this shift also comes post-Doklam.
- Last year's BRICS conference in Goa in October 2017 had seen a major tussle over including the names of Pakistan-based terror groups and the term "cross-border terrorism" in the wake of the Uri attacks. However, two months later, at the **Heart of Asia declaration in Amritsar, a grouping which includes China and Pakistan, also named them in December 2016. But there has been no visible change in China's policy on the ground so far.** The resultant declaration had the same language used in the BRICS Xiamen Declaration.

Meeting between PM Modi and President Xi Jinping on sidelines of BRICS Summit

- The Modi-Xi meeting came amid diplomatic efforts by the two sides to overcome the bitterness caused by the 73-day face-off between their troops in the Doklam area.
- By putting up a united front at the BRICS summit, and proposing a revival of the Panchsheel principles of peaceful cooperation, both leaders have signalled they are trying to put the bitterness of the past few months behind. They agreed to move forward in their ties and to put the relationship on the right track.
- The focus of the bilateral was on **border Confidence Building Measures (CBMs)**, rather than fresh ideas to resolve the festering boundary dispute between the two countries.
- During their meeting, the two leaders agreed that the **two countries should make more efforts, including strengthening cooperation between their security personnel, to enhance and strengthen the mutual trust and to ensure that such incidents do not recur.** With forward-looking approach they reaffirmed that maintaining **peace and tranquillity in the border areas** was a pre-requisite for the development of India-China relations.
- Both countries talked about inter-governmental mechanisms such as joint economic group, security group and strategic group which can help both countries move forward. There was a **reaffirmation of the Astana spirit** that the two sides will not allow differences to become disputes and that China and India are each others' opportunities not threats.
- Analysts say that it remains to be seen whether the constructive start at Xiamen, will strengthen the ties and make it capable of withstanding the regional competitions that India and China are likely to encounter in the future, as they deepen their ties in the Indian Ocean and the Asia-Pacific.
- The thinking driving **India's Act-East policy and China's Belt and Road Initiative** is far from aligned. India's Indo-Pacific doctrine is raising apprehensions in China that instead of pursuit of an independent policy, India is allowing itself to drift into a China-containment mode, with Tokyo and Washington as partners. India has its own concerns about Chinese intentions in the South China Sea and the South Asian neighbourhood, including Sri Lanka, Nepal and the Maldives.

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- China's nod to the inclusion of the Lashkar-e-Taiba and the Jaish-e-Mohammed among the terrorist groups threatening regional stability, and its choosing not to speak of the contentious Belt and Road Initiative at the summit suggested it was heeding India's concerns.
- With the BRICS meet concluded, it is doubly important that Indian and Chinese officials **re-engage in a sustained manner to address all areas of discord** which led to the charged situation at Doklam. They must take several steps such as
 - (a) review where the border defence standard operating procedures failed.
 - (b) the two countries must convene the delayed meeting of the Special Representatives, and add the latest claims and counter-claims over the Sikkim boundary and the India-China-Bhutan tri-junction to the agenda for discussions.
 - (c) It is necessary to see that the much-acclaimed BRICS language on terrorist groups like the LeT and JeM is translated into actionable points as a show of good faith especially when the issue of designating JeM chief Masood Azhar as a global terrorist comes up at the UN Security Council and when the UN's Financial Action Task Force takes stock of Pakistan's actions against the LeT.
- Organizations' such as the Asian Infrastructure Investment Bank (AIIB) and BRICS could supplement interaction between the two countries at the "inter-governmental" level to build a robust relationship in the future.
- It is imperative that the gains of the BRICS summit in terms of the India-China bilateral are further built upon to strengthen bilateral ties.
- New Delhi has concerns that despite the fresh start in Xiamen on the sidelines of the BRICS summit, the leadership changes in China at the 19th party congress in October will impact the trajectory of New Delhi and Beijing ties.

2. INDIA – BANGLADESH RELATIONS

Introduction

- India-Bangladesh relationship exhibits unique civilisational, cultural, economic and social underpinnings. India played a prominent role in Bangladesh's liberation. However since then the bilateral ties have belied popular expectation of uninterrupted cordiality and have largely been challenging with frequent ups and downs.
- Since the restoration of democracy in the 1990s, nature of bilateral ties largely depends upon the party in power. While Sheikh Hasina's Awami League has a friendly attitude towards India, the Bangladesh Nationalist Party (BNP) has been using the India Bangladesh cordiality under Hasina to criticize the government for perceived subservience to India.
- However, relations have been improving considerably since Sheikh Hasina stormed back to power in 2008. In 2010, during Hasina's visit to India, the then Finance Minister Pranab Mukherjee signed a \$1 billion loan deal with the Hasina government to develop railways and communications infrastructure in Bangladesh. This was followed by the two countries signing a 35 year electricity transmission and for the construction of two coal fired plants in southern Bangladesh.
- Despite these initiatives, India failed to build on the momentum provided by Hasina's visit with its failure to implement two major bilateral agreements: a finalization of land boundary demarcation and the sharing of the waters of the Teesta river.
- With the emergence of the Modi dispensation with a resounding parliamentary mandate and a professed **neighbourhood first policy**, the bilateral relationship gained new momentum with the conclusion of **Land Boundary Agreement (LBA)** which effectively settled the contentious issue of exchange of enclaves in adverse possession.

RECENT DEVELOPMENTS

Sheikh Hasina's Visit : April 2017

- The four-day state visit of Bangladesh Prime Minister Sheikh Hasina from April 7 to April 10 has set a new benchmark and is a reassurance of the friendship between India and Bangladesh.
- The major highlights of the visit included **an additional \$4.5-billion concessional line of credit** from India for implementation of projects in Bangladesh, and **another \$500 million for Dhaka to procure defence equipment from New Delhi**.
- India and Bangladesh signed **22 agreements** to boost cooperation in a wide array of sectors, including cyber security, nuclear energy, space, shipping, electricity transmission and energy pipelines and setting up more border haats (temporary markets). Besides, another 14 agreements were signed in the field of private investment and MoUs.
- India would also train 1,500 judicial officers from Bangladesh. India had recently trained 1,500 Bangladeshi civil servants.
- India has added an additional 60 MW of power to the 600 MW already flowing to Bangladesh. The supply of another 500 MW has already been committed from the existing connection. Another 1,000 MW will be offered to Bangladesh once additional interconnection points come up.
- India has also agreed to finance **a diesel oil pipeline from Numaligarh Refinery in Assam to Parbatipur** in Bangladesh. Till the work of the pipeline is completed, high-speed diesel would be supplied by a rail link. The two PMs flagged off, via videoconferencing, the inaugural consignment of 2,200 metric tonnes from Numaligarh.

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- The two sides have also restored bus and train links **between Kolkata and Khulna, and Radhikapur and Birail** and agreed to optimize inland waterways and take steps to put in place a coastal shipping agreement.

Analysis of the Visit

- Throughout her state visit, **India signalled a clear message: India sees Bangladesh's prosperity as a cherished goal and would be a willing partner in this endeavour.**
- India's assurance to visiting Bangladesh Prime Minister Sheikh Hasina of an early resolution to the Teesta water dispute defined both India's commitment to the Teesta water-sharing agreement and the Central government's commitment to working with the West Bengal government to conclude the agreement for which the framework was initialled in 2011.
- India's announcement of further lines of credit of \$5 billion, including \$500 million for defence purchases, **the largest such LoC extended to any country so far**, will bring India's resource allocation to its neighbouring country to a little more than \$8 billion over the past six years.
- In a context where connectivity is the new currency to extend one's influence and where China is taking the lead with its Belt & Road Initiative, India has chosen well to extend funds to rebuild old railway lines, and construct bridges, power plants, ports and roads in Bangladesh.
- The **MoU on a framework for defence cooperation** essentially formalised existing arrangements for defence exchanges, military training and high-level defence visits, while the agreement of cooperation on peaceful uses of nuclear energy endorsed the existing training programmes for Bangladeshi scientists at Indian facilities.
- Plans to revive inland waterway channels are also under way, and hold the potential to increase connectivity with Nepal and Bhutan. Not only will these measures strengthen the bonds with Bangladesh, with which India shares its longest international border as well as historical bonds, they will help India connect to itself, to the benefit especially of the northeastern States.

Defence agreement

- While an umbrella agreement on defence ties encompasses all existing defence cooperation including joint exercises and training, Delhi offer of \$ 500 million worth Line of Credit to Dhaka for buying defence equipment is **first such occasion when India extended a defence related LoC to any South Asian neighbour.**
- Under the proposed bilateral defence agreement, India is willing to cooperate and collaborate with Bangladesh defence forces to set up manufacturing and service centres for the common defence platforms that both countries possess informed persons familiar with the sector. India will equip the Bangladesh defence forces to meet their demand of expert training, along with technical and logistic support. **This will also enable Bangladesh to attain self-sufficiency in defence manufacturing the long run.**
- These defence pacts may also enable Dhaka to reduce its dependence on China which has so far remained principal supplier of defence equipment.
- **Maritime security** will be a key element in the partnership with the two countries facing similar challenges in the Bay of Bengal zone.
- The strategic reality is that the two countries have no option but to pursue economic and security cooperation. The emergence of terrorism as a challenge for both countries is also compelling a change in this regard. Against this backdrop, a defence cooperation agreement serves to consolidate and institutionalise existing bilateral cooperation.
- Officers of the two countries have begun to attend courses at each other's National Defence College. The two armies have regularly held the **"Sampriti" anti-terror joint exercises since 2009.**

MAIN BILATERAL ISSUES

BORDER ISSUES:-

Land Boundary Agreement (LBA)

- India finally delivered on a long overdue promise by carrying out the 100th amendment to its constitution. This comes after the 1974 Land Boundary Agreement and the Additional Protocol signed in 2011. The implementation of the LBA allowed the two neighbours to exchange **enclaves** in each other's territory and also resolved the longstanding problem of land in **adverse possession**. It will also facilitate the resolution of the undemarcated riverine borders.
- The agreement facilitated the transfer of 111 Indian enclaves to Bangladesh and 51 Bangladeshi enclaves to India. As the agreement allows the residents to choose citizenship of either country, nearly 14000 people living in erstwhile Bangladeshi enclaves became Indian citizens while 35000 people living in Indian enclaves embraced Bangladeshi citizenship.

Benefits of LBA:-

- It is of immense **diplomatic significance** as it boosts India's image in the neighbourhood with a perceptible surge in goodwill. It would also shore up Sheikh Hasina's credibility within Bangladesh as she has been often accused of being subservient to India. This would further augment her capacity to take bold policy decisions on regional connectivity, transit rights and trade.
- It **redresses the crisis of image** which India has been facing in Bangladesh due to strident anti India stance of the opposition. The LBA even forced the fiercely anti India Khalida Zia to appreciate the deal.
- It also **redresses the humanitarian concern** as 50000 people were living in those mal-administered enclaves with poor standard of living sans citizenship rights.
- From internal security point of view, it would **help curb illegal activities** as these foreign enclaves were hotbeds of militants and transnational criminal syndicates with BSF and Indian police having no rights to enforce law and order.
- The resolution of enclave issue and undemarcated borders would help **curb illegal trans-boundary movements and immigration** by facilitating the completion of border fencing.
- It would have perceptible economic benefit as illegal trade constitute nearly 60% of regular trade. Thus by placing a tab on cross border smuggling it would definitely help streamline bilateral trade.

Maritime And Territorial Waters

- A long standing irritant hindering greater bilateral cooperation was removed when a United Nations tribunal ruled in favour of Bangladesh and against India regarding **a sea boundary dispute** between the two countries. Both countries welcomed the decision of **The Hague based Permanent Court of Arbitration (PCA)** which concerned a disputed area in the Bay of Bengal. The tribunal awarded Bangladesh nearly 80 percent of an area sprawling over 25,000 sq km (9,700 sq miles). The verdict settled a major part of the disputed EEZ between the two neighbours as the verdict is binding on both parties.
- The decision is likely to expand the available space for bilateral diplomacy between India and Bangladesh. The settlement of the maritime boundary will further **enhance mutual understanding and goodwill** between India and Bangladesh. The permanent court of arbitration also resolved the contentious issue of sovereignty over **New Moore Island** by ruling in India's favour.
- Following the verdicts, Bangladesh has devised **a Blue Economy road map** for the sustainable exploitation of the newly gained maritime territory through extensive upgradation of infrastructure. As a consequence of the recent surge in goodwill **a Memorandum of Understanding on Blue Economy and Maritime Cooperation** in the Bay of Bengal and the Indian Ocean was signed during Modi's visit in 2015.

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- **MoU on use of Chittagong and Mongla ports**, Agreement on Coastal Shipping and MoU between Coast Guards will further enhance closer maritime cooperation and trade and transit facilitation as India intends to use Bangladeshi ports for access to its land locked North East.
- Though many countries like China, USA and EU want to partner Bangladesh for the exploration of Bay of Bengal, India made a breakthrough by signing a Memorandum of Understanding between University of Dhaka, Bangladesh and Council of Scientific and Industrial Research, India for Joint Research on Oceanography of the Bay of Bengal.
- India seeks to counter Chinese inroads in the Indian Ocean by granting reasonable concessions to Bangladesh for closer cooperation. India now has **access to its North Eastern states** through the Chittagong Port which was long considered a part of the Chinese String of Pearls strategy. Bangladesh's EEZ is estimated to hold significant reserves of Oil and Natural gas which India seeks to leverage for its own energy security.
- The resolution of maritime boundary dispute **also removes a key obstacle in the way of BIMSTEC** which will facilitate integrated development of maritime infrastructure for greater economic integration with the ASEAN and Far East. The coastal navigation MoU would improve Trans-shipment facilities, thereby reducing reliance of already overburdened over land infrastructure between the two countries.
- MoU between the coast guards will **facilitate joint patrolling** to check smuggling, human trafficking and piracy.

River Water Sharing Issues:-

- India and Bangladesh share 54 rivers between them, of which Ganga, Brahmaputra, Teesta and Meghna are the prominent ones. However, it is only on the Ganges that the two sides have a functional Hydrological agreement through a **1996 Farakka agreement**.

The Teesta water dispute: An Analysis

- According to the Food and Agriculture Organization of the United Nations (FAO), **the ratio of Bangladesh's external dependency for water is over 90 percent. A fair amount of that water comes through India.**
- Teesta River originates from the waters of the Khangse and Zemu glaciers in the Himalayas in Sikkim. From source to mouth, the Teesta is approximately 414 kilometres, of which 150-odd are in Sikkim, 123 in West Bengal, and the remaining 140 or so, in Bangladesh.
- If India-Bangladesh ties in the 20th century were defined by conflict over sharing the waters of the Ganga, **today the Teesta has become a dominant recurring theme.**
- Of the Teesta's catchment area, **83 percent lies in India; the remaining 17 percent is in Bangladesh.** It is the Bangladesh's fourth largest transboundary river for irrigation and fishing activities. Its catchment area supports 8.5 percent of its population — roughly 10 million people — and 14 percent of crop production.
- As a low-lying nation with a large delta, it is vulnerable to rising seas, global warming and the inward advance of highly saline seawater threatening its ground, freshwater supply, **making the northern districts irrigated by the Teesta critical for the country's overall food security.**
- Over one lakh hectares of land across five districts are severely impacted by upstream withdrawals of the Teesta's waters in India and face acute shortages during the dry season. Bangladesh wants 50 percent of the river's water supply, especially in the months between December and May annually, while India claims a share of 55 percent.
- India also built a Teesta Canal to divert water for irrigation near Siliguri without any consensus between the two countries.

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- Negotiations have been on since 1983, when a preliminary arrangement had allocated 39 percent for India and 36 percent for Bangladesh. A lesser share for Bangladesh takes into account a groundwater recharge that takes place between the two barrages on the Teesta – at Gazaldoba in Jalpaiguri on the Indian side and at Dalia in Lalmonirhat in Bangladesh. The remaining 25 percent was left unallocated for a later decision. Especially because the regular flow of a small quantity of water (in the case of the Teesta, 450 cu secs) is imperative for the life of a river.
- In fact, talks continued for several decades in between, without much headway until 2011 when Delhi and Dhaka reached another agreement — an interim arrangement for 15 years — where India would get 42.5 percent and Bangladesh, 37.5 percent of the Teesta's waters during the dry season. The deal also included the setting up of a joint hydrological observation station to gather accurate data for the future.
- The Teesta water-sharing agreement fell prey to the unpredictabilities of central and state level politics in India. It was cancelled at the last moment during visit of PM Manmohan Singh to Dhaka in 2011 due to opposition from the West Bengal government.
- The **most significant hurdle is the lack of scientific assessment of actual water needs of West Bengal**. Further, Teesta is an inter-state river in India and there is no water sharing accord between Sikkim and West Bengal. Moreover, Sikkim has more hydro power projects on the river and thus needs to be taken on board for any durable water sharing agreement. This is more significant as **water is a state subject** and legitimate demands of states must be addressed.
- With the Teesta agreement in limbo, and a deal on **sharing waters of the Feni river** facing a similar fate, there are murmurs in Bangladesh over creating a multilateral forum for decisions on water sharing of transboundary rivers that include China, rather than enter bilateral negotiations. This is hardly a favourable scenario for India.
- So reaching an agreement on this front is **important for two reasons**. The first is that Bangladesh is primarily an agrarian country and as an upper riparian state, **the onus is on India to not delay it any further**. Secondly, with **Bangladesh going to elections next year**, it is important for Hasina to show some concrete achievements from the country's engagement with India. Otherwise it will fan the already prevalent anti-India sentiments in Bangladesh and drastically reduce the scope for bilateral co-operation.
- A comprehensive accord on Teesta would go **a long way in assuaging the brewing anti India sentiment** in Bangladesh which is exploited by the opposition for political gains. It would also act as leverage for comprehensive transit agreement with Bangladesh. A reconciled Bangladesh would be an active partner in tackling Brahmaputra issue with China. Thus it is about time that the Centre acts in close cooperation with the concerned states to bring the issue to an early closure.

Tipaimukh dam issue

- Tipaimukh dam has been conceived as a hydro-electric project with provision to control floods, and it explicitly states that the project would not involve diversion of water on account of irrigation. This position equates it to a run of the river project, where the water stored in the dam or the reservoir has to be discharged continuously to enable generation of electricity. India says that this project would regulate excess water, control floods in Sylhet district of Bangladesh, western Manipur and southern Assam. The dam will open a new waterway from Haldia port in West Bengal to northeast India via Bangladesh.
- Meanwhile, the civil society in Bangladesh has questioned the nature of the dam in restricting water availability to the Kushiara and Surma rivers which will have an adverse effect on downstream agriculture and fisheries of Bangladesh. Bangladesh also contends that the Article 9 of Ganges Water sharing treaty of 1996 imposes a duty on both sides not to harm each other's water sharing interests is also applicable to other river water sharing issue.

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- Considering Bangladesh's concerns and growing doubts within India about the ecological and environmental sustainability of the project, **the Modi government has accepted that a consensus should be reached between the two sides before moving ahead with the project, thus ruling out the project in its current format.**

India's Rivers Interlinking Project

- With the Modi government exhibiting renewed vigour for the execution of the long overdue river interlinking project, the issue has gained fresh currency in Bangladesh due to its perceived impact on water availability and irrigation potential.
- Any attempt to divert waters of the Ganges and Brahmaputra could have potentially catastrophic impact on approximately 150 mn people of Bangladesh by impacting agricultural practices and per capita water availability.
- Moreover, some of the critical Bangladesh Rivers like Padma and Meghna could experience saline sedimentation and others may shrink in the face of restricted water flow.
- PM Modi, during his visit in 2015, assured that none of the river linking projects in the pipeline involve any of the rivers traversing through Bangladesh and any such project would undertaken after taking Bangladesh on board.
- However, experts claim that like any other lower riparian state Bangladesh could well be a **net gainer** from the river linking exercise. The Himalayan component and the ILR program hinge on the diversion of the Brahmaputra River's waters to the Ganga at the Farakka barrage, which would benefit Bangladesh too. This diversion is possible either through Bangladesh or via India's Siliguri Corridor. But with Bangladesh unwilling to allow the link canal to run through its territory and the alignment via Siliguri "economically unviable" as it "involves large-scale lifting of water," interlinking the Brahmaputra with the Ganga is not possible.
- Project is contemplated to create three waterways between landlocked Tripura and Bangladesh. Interlinking of Howrah and Gomati rivers with Meghna of Bangladesh would facilitate more efficient inland shipping between the two countries, contributing in trade and commerce.
- It will also help Bangladesh to gain from consequent production of electricity from some of the interlinking projects as Bangladesh is keen on expanding its energy imports from India.

ECONOMIC ISSUES:-

Trade:-

- India has been an important trade partner of Bangladesh since its inception but it is only in the last decade that the trade relations grew by leaps and bounds. The two way trade stands at approximately \$7 billion and is set to grow to \$10 billion by 2018 on the back of recent trade and transit agreements which would allow India access to Bangladeshi ports.
- Bilateral trade is yet another area where both the countries will have to negotiate innovative ways to bridge the trade imbalance. The **trade imbalance** against Bangladesh has been a thorny issue in bilateral economic engagement as the opposition BNP uses it as a pretext to fuel anti India sentiment.
- The trade imbalance is likely to persist in the near future even as India has extended duty free access to all but 25 Bangladeshi products. This is more so because Bangladesh continues to be a importer of basic commodities from India. With increasing electricity imports the trade deficit may further aggravate.
- India will have to address the concerns raised by Bangladesh relating to **non-tariff barriers and infrastructural issues**. As a start, the Indian government has approved an increase in the number of border haats which are popular market places that allows traders from both sides to sell their products.

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- India has tried to offset the trade imbalance by providing Lines of Credit and grants. A more fundamental solution will be when Indian companies invest in the SEZs and export manufactured products back to India, redressing thereby the adverse trade balance. While it will help Indian firms take advantage of cheap native labour force, Bangladesh would benefit from employment generation and exports to India.
- Border management, trade facilitation, trade infrastructure and cross border migration remain areas of concern that the two governments have to tackle.**
- India and Bangladesh had inked a Memorandum of Understanding (MoU) in June 2015 — during Prime Minister Narendra Modi's visit to Bangladesh — for cooperation on establishing Indian SEZs in Bangladesh. The plan was **to develop Indian SEZs at Mirsarai (1,005 acres), Bheramara (about 480 acres) and Mongla (200 acres)**. The construction of these SEZs and Indian investment in the zones were to be facilitated through concessional Line of Credit extended by India to Bangladesh.
- Citing constraints, including inadequate infrastructure and lack of uninterrupted power supply at these sites, Indian companies have **expressed doubts about the commercial viability of the SEZs** in the locations. For better connectivity and business prospects, they sought alternative sites close to the Chittagong Port and the capital city of Dhaka — similar to those been allocated by Bangladesh for Chinese SEZs. They also referred to ambiguity and uncertainty regarding incentives offered by the Bangladesh Government to develop the SEZs.
- Indian government promised to address the concerns of Indian companies by taking them up with the Bangladesh Government at the earliest and asked Indian companies not to reject Bangladesh's offer of land and other incentives to build Indian SEZs there.
- Non-Tariff Barriers (NTBs)** are a major obstacle for bilateral trade. The Indian Standard Institute is cooperating with the Bangladesh Standards and Testing Institution (BSTI) for capacity building and quality harmonisation. Perhaps, the two agencies should open a joint office near the border for the quick certification of goods. The Government of India also needs to seriously look into the issue of establishing laboratory facilities near the border to help with the immediate clearance of perishable goods.
- The Bilateral Cooperation Agreement on Cooperation in the field of Standardization will help clear impediments relating to testing, certification, packaging and levelling which hamper business expansion with India.
- The renewal of Bilateral Trade Agreement and Protocol on Inland Water Transit & Trade and signing of MoU on coastal shipping and use of ports would help facilitate trade and transit through each other's territory for greater regional economic integration and connectivity.
- Energy cooperation can be furthered through joint investment and by encouraging power trade.

Energy Cooperation :-

- India has positioned itself as a key player in Bangladesh's quest for energy security. It has been supplying 500MW of electricity since 2013 and is set to supply 100MW more after the completion of **Palatana power project** in Tripura. This project is a glowing example of bilateral cooperation as Bangladeshi port was used by ONGC to ferry heavy turbine and generation equipments.
- Integration of Bangladesh with the Indian power grid will help it avail power supply from Himalayan hydropower projects situated in Nepal, Bhutan and India's North Eastern states. At the same time Bangladesh will help evacuate power to deficit states of remote North East. Besides, India is also executing a 1320 MW thermal power plant in Rampal.
- Indian private sector enterprises like Reliance and Adani power have also engaged with Bangladesh state power development board for setting up of power plants. Reliance Groups \$3

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billion Power plant and a LNG terminal will be the **single largest FDI project in Bangladesh**. Indian refineries are already supplying fuel to Bangladesh and the proposed Friendship Pipeline would further ensure energy security for our neighbour.

Development Cooperation:-

- India has extended a \$2 billion line of credit for the development of connectivity infrastructure and power health and education projects. This comes on the back of \$1 billion soft loan by India in 2014. The fund will primarily be channelized for the upgradation of Roads and ports in Bangladesh, which once completed would transform Bangladesh into a hub for trade, transit and connectivity between south and SE Asia.
- The projects gels well with India's Look East policy as transit through **Bangladesh is crucial for developing land locked NE India into a hub for regional development and trade with ASEAN**. An important milestone in this regard was laid when both nations agreed for leasing of international bandwidth for internet at Akhaura which will help upgrade broadband connectivity in NE India. Implementation of the projects would revitalise the core manufacturing sector industries like steel and cement as India would be exporting most of the raw material under the arrangement.
- Besides power and infrastructure, the two nations are also cooperating in the field of education and health for promoting people to people contact by way of student exchange programmes, upgradation of standards in health sector and creation of Knowledge Economy.
- **A Memorandum of Understanding (MoU) has been signed between India and Bangladesh in February 2017 for undertaking three projects for the sustainable development of the north-east city of Sylhet.** The signing was the follow-up of an earlier MoU which was signed by the two governments in April 2013 for the implementation of sustainable development projects in socio-economic sectors of Bangladesh.
- Under the project in Sylhet, the Indian government will provide financial aid for the construction of a five-storey Kindergarten and High School Building, a six-storey cleaner colony building; and for some development work in Dhupa Dighirpar area at a total cost of around Tk 240 million.
- The Indian government will carry out similar sustainable development projects for Rajshahi at the cost of Tk 210 million. A MoU has recently been signed in Rajshahi in this regard. Indian government also sanctioned an amount of Tk 120 million for the sustainable development of Khulna city

SECURITY ISSUES:-

Illegal Immigration:-

- The riddle of illegal immigration has a pre independence history. However, even after the liberation of Bangladesh there has been a constant influx of immigrants, primarily due to lack of economic opportunities and poor people to land ratio.
- Assam and West Bengal remain the worst affected and Tripura has even witnessed demographic inversion where tribals are now a minority. Porous border and linguistic and racial similarity makes detection even more difficult. **Lack of cooperation from Bangladesh** has further complicated the matter as it refuse to accept the notion of illegal migration from its territory.
- As per various estimates there are close to 30 million illegal Bangladeshi immigrants with most of them concentrated in Assam. This has led to dispossession of tribals, erosion of wages of unskilled labourers and shrinking of livelihood opportunities for the indigenous people leading to stubborn insurgency.
- As majority of the immigrants are Muslims, the whole issue has gained a communal overtone and political currency. Bogey of illegal migration is used to fan communal frenzy with an eye on vote bank.

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- A supposed breakthrough was achieved in 1985 when the **Assam Accord** that was signed by Prime Minister Rajiv Gandhi with the All Assam Students Union and the All Assam Gana Sangram Parishad on Aug. 15, 1985, but it laid down a complex formula that has been near-impossible to implement in the three decades since. The reality is that between 1985 and 2012, according to an Assam government white paper, only 2,442 illegal immigrants from Bangladesh had been expelled from the state.
- A definitive answer on the number of illegal immigrants in Assam will be produced by the **National Register of Citizens (NRC)**. This is only the second time in the past 65 years that the citizens' register is being updated, and only in the state of Assam. However lack of proper identification mechanism and ambivalence on the accepted legacy data threatens the misuse of the exercise to disenfranchise genuine citizens.
- More recently the Supreme court is now directly monitoring, for the first time in India's history, the enumeration of citizens in one part of India, although the actual work is done by the Registrar General of India using the resources of the Assam government.
- Meanwhile, government has taken a number of steps to check illegal migration. Gaps between the border outposts have been reduced and patrolling along the international border intensified. At the same time the construction of border roads and fencing has been accelerated and surveillance equipment provided. The conclusion of LBA with Bangladesh has provided the required impetus to implement the SC order pertaining to border fencing.
- However despite SC's tough stance the issue can't be solved easily as it is rooted in grave socio-economic and political reasons that keep it alive.
- Illegal migration can be **checked only by addressing the root cause**. It is important for Bangladesh's economy to grow at a rate that will reduce the incentives for Bangladeshis to migrate to India. Thus India should step up its efforts to support Bangladesh's development in order to ease demographic pressure. The rising Indo-Bangladesh economic cooperation is a belated step in this direction. The **work permit system** allowing Bangladeshis and others to legally work in India and travel back to their homeland is a good idea to explore.

Drugs and human Trafficking:-

- Bangladesh is increasingly being used as a transit point by drug dealers and the drug mafia, which dispatches heroin and opium from Burma, and other countries of the **golden triangle**, to different destinations.
- The drug syndicate works in close collaboration with the gun runners from south East Asia. The proceeds from drugs trade is used to finance insurgency and terrorism in India's North East and beyond.
- Both countries are working in close collaboration to check the misuse of their territories for drug and human trafficking. A Memorandum of Understanding on Prevention of Human Trafficking was signed in this regard.

Smuggling and Fake currency racket:-

- The porous Indo-Bangladesh border has long been exploited for illegal cattle trade and smuggling of contraband substances. The cattle trade is in turn used to fund terrorist activities in India.
- Pakistani spy agency ISI uses the Bangladesh route to pump fake currency into the Indian economy with the intention of weakening the economic fundamentals and for funding terrorist activities. Bilateral cooperation on this front has witnessed significant improvement since 2008. Last year during PM Modi's visit a Memorandum of Understanding on Prevention of Smuggling and Circulation Fake Currency Notes was signed to further build upon the achievements of the past.

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India and Bangladesh are actively sharing intelligence inputs to help check the flow of fake currency notes.

Anti terrorism/anti Insurgency cooperation:-

- Bangladesh has long been used by anti India Insurgent groups and Pakistani ISI to formant trouble across the country. However the return of Awami League government saw a crackdown on anti India elements. Insurgent groups like ULFA were actively pursued by the state agencies and their key figures, like Arabinda Rajkova, were readily extradited to India. Bangladesh has been cooperating with India to check the activities of anti India terrorist organisations like HuJI which has been behind significant terror attacks in India.
- Bangladesh is itself facing an existential threat from the radical and fundamentalist outfits like Jamat e Islami (JeI) which has a strident anti India posture. **The ongoing war crimes trials** are seen as a litmus test for the ruling dispensation in its **fight to secure Bangladesh's secular social outlook**. The Jamat has a pro Pakistan stance and Pakistan has been trying to undermine the efforts of Hasina government by propping up fundamentalist fringe groups.
- Thus India and Bangladesh are faced with a common enemy which necessitates closer cooperation. **The Shahbagh square show of strength** by the civil society has further bolstered government's efforts to check the growth of fundamentalism which is in line with India's vision of a peaceful and prosperous Bangladesh. The flow of funds from Wahabi charity organizations in Saudi Arabia to fundamentalist elements in Bangladesh-India region, money laundering through India-Nepal and India-Bangladesh region has been identified as common threats to the neighbours.
- MoU on cooperation between the coast guards would help contain sea piracy and the movement of persons through sea.
- **Bangladesh has openly expressed its solidarity with India in urging Pakistan to act on terrorism emanating from its soil. Also, in a bid to isolate Pakistan both the countries have been interacting in forums like ASEAN and BIMSTEC. But a lot more needs to be done to strengthen this partnership.**
- The Pakistan aligned section in Bangladesh is upset with Hasina government because she has downgraded relations with Pakistan and sided with India, in boycotting the SAARC summit in Islamabad. This lobby has not forgiven Hasina for going after the pro-Pakistani Jamaat-e-Islami, whose leaders have been found guilty of war crimes and hanged.
- Hasina government is providing proactive support to India in curbing the nefarious activities of Inter Services Intelligence (ISI) in smuggling of Fake Indian Currency Notes (FICN), drug trafficking and in infiltrating terrorists across the porous India-Bangladesh border.
- The degree of trust and understanding between Bangladesh and India, built on a successful framework of security cooperation, has led to **unprecedented cooperation in intelligence sharing**, as both countries grapple with **radical Islamists**. The violent Islamists have indulged in outright terrorism, motivated by the perverse ideology of the ISIS.
- The Hasina government has successfully conducted anti-terrorist operations against Islamist groups that have grown roots on Bangladeshi soil. Given the long, shared, and porous border, these radical elements frequently flee across the border for seeking refuge, and intelligence coordination plays a vital part in tracking and locating their hideouts.
- Co-operation in this area reached new levels especially after the Burdwan blasts in 2014, when investigating agencies of both countries were provided access to the suspects arrested by the other. More recently after Dhaka Terror attack in July 2016, India undertook investigations on the alleged links of preacher Zakir Naik on the request of Bangladesh government.

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- However, Political parties in Bangladesh, including the relatively secular Awami League, headed by Hasina, have recently indulged in appeasing the moderate Islamists like the Hefazat in domains like the education curricula. This should be discouraged to protect secular credentials of Bangladesh polity.

EXTERNAL INFLUENCES AND DYNAMICS:-

China's Growing Footprints

- India is often seen as a big power with hegemonistic tendencies amongst its neighbours in the subcontinent. Bangladesh, in relation to India, has to take note of the large anti-Indian sentiments on its soil.
- Successive governments in Bangladesh have tried to use China as a counter balance against India. The relationship between China and Bangladesh since 1975 influences Bangladesh to move away from India. Bangladesh maintains a very close relationship with China for its economic and military needs.
- Over the years, the two sides have signed a plethora of bilateral agreements including economic engagements, soft loans, social contacts, cultural exchanges, academic interactions, infrastructural development and military sales at reduced prices. A close relationship with China is one of the most potent ways by which Bangladesh can demonstrate its autonomy from Indian domination, especially when India has found it difficult to make significant progress on thorny bilateral issues.
- China is **Bangladesh's leading trade partner** and has also promised Bangladesh billions of dollars in investments and economic aid.
- Chinese President Xi Jinping's state visit to Bangladesh in October 2016 rendered a string of cooperation documents covering multiple areas as well as a joint statement about the upgrading of bilateral ties to the **'Strategic Partnership of Cooperation'**. **China also signed off on nearly \$24 billion worth of loans to the country — Bangladesh's biggest foreign credit line to date.** The deal comes after of a series of investments made by Chinese companies in Bangladesh in the past several months.
- The \$24 billion credit line serves as a stark reminder to the growing Chinese influence in the region. According to terms of the agreement, China will finance around 25 projects which include the building of power plants, railways and a seaport. China has bagged contracts for building the Padma Bridge and civil construction of **a new deep-sea port at Payra.**
- China's outreach into Bangladesh for infrastructure building is not new, but it has acquired a worrying dimension for India. **Bangladesh's defence assets are primarily of Chinese origin.** China fulfils more than 75 percent defence requirements of Bangladesh, recently sold two submarines equipped with lethal weapons, including torpedoes and mines, to the country.
- With the submarine move, Bangladesh has rightfully staked claim to its due in the Bay of Bengal theatre as a sovereign nation state. This irks Delhi. The China connection in the submarine procurement makes Delhi even more uncomfortable.
- China is keen to carve out an Eastern corridor into the Bay of Bengal as a mirror image of the CPEC. **Bangladesh also supports China's "One Belt, One Road" initiative.**
- Another fact that did not receive much attention is that **for the first time China-Bangladesh energy cooperation exceeded that between India and Bangladesh.**
- The active China-Pakistan lobby in Bangladesh has **vociferously objected to the defence cooperation agreement with India**, and the Bangladeshi media has been inundated with articles opposing the agreement. **However, what is striking is the absence of a similar debate when Begum Khaleda Zia had signed a defence cooperation agreement with China in December 2002.** This lobby projects that defence cooperation with India is a surrender of sovereignty.

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- The reason for that could be the fact that Bangladesh's relations with India and China fall in two completely different categories. **Whereas India is projected as a threat by some, China is seen as a proverbial insurance against India.** Thus, while a defence agreement with China is understandable, such an agreement with India raises questions about the future of India-Bangladesh bilateral relations.
- It is true that China's growing strategic proximity to Bangladesh raise concerns in Delhi, but to conclude that the proposed defence cooperation agreement is a reaction to Sino-Bangladesh cooperation is farfetched.
- However, Bangladesh has not been excessively dependent on any one country – ensuring that it maintains a degree of autonomy in its foreign policy. This requires a delicate balancing act on part of Bangladesh where it can turn the perceived Sino-Indian strategic rivalry in South Asia into benign cooperation for regional development.
- Bangladesh is a key component of **China's One Belt One Road (OBOR) initiative.** It seeks to integrate its relatively underdeveloped South Western region with the Asian and East Asian economies for greater growth through the **BCIM corridor.** This initiative is in line with India's Act East policy where it seeks closer economic integration with the economies of the east. Thus the BCIM could well be a win-win proposition where all the countries would gain from the massive infrastructure boost. The newly create BRICS bank and the AIIB could be leveraged for cheaper funding mechanism.
- Bangladesh's agreement with India allowing the use of **China funded Chittagong port and Mangla port** should be seen as a concerted attempt by Bangladesh to assuage Indian concerns about the so called strategic encirclement through a string of pearls. It is a classic example where China, India and Bangladesh are seen to be benefitting from a connectivity infrastructure in South Asia.
- Similarly, Bangladesh is working in concert with India **to forge greater communication and infrastructure integration within South Asia.** The signing of the **BBIN connectivity agreement,** which will connect India's northeast with its surrounding neighbours, was a vital step in this direction and this sub regional integration will be sure to reap economic rewards. **Bangladesh has been supportive of India's stand on Pakistan supported cross border terrorism** and despite Pakistan's closeness to China, it boycotted Islamabad SAARC summit as a mark of solidarity with India in its battle against terrorism. This only underscores the relative strategic autonomy of Bangladesh.
- Complementing this initiative is an Indian push on **the Bay of Bengal Initiative for Multi Sectoral Technical Cooperation (BIMSTEC)** through economic cooperation and infrastructure build-up. The recent resolution of maritime boundary dispute bodes well for closer cooperation under BIMSTEC for the development of **Blue Economy** infrastructure in the Bay of Bengal. Geo-strategically India is best posited to gain from the bountiful energy resources from the bay.
- Thus it can be concluded that while there are many challenges that threaten to halt and even retard the recent gains in bilateral relationship, **it is in Bangladesh that the Indian and Chinese grand strategy for supra regional economic integration converge.** Geo-political rivalry between the two Asian giants means Dhaka could face mounting challenges in managing a balanced relation with them in years ahead.
- Nevertheless, it is critical for Bangladesh to maintain balanced ties with India and China, preserving the country's national interests. Too much alignment with a single power risks the country becoming a vassal state. A prudent balancing act on Dhaka's part could well transform the strategic rivalry into a robust cooperation for Asian transformation with Bangladesh being the ultimate winner.

3. INDIA – BHUTAN RELATIONS

Introduction

- The traditionally unique bilateral relations, characterized by trust and understanding have matured over the years. The basic framework of India Bhutan bilateral relations is the **Treaty of Friendship and Cooperation signed in 1949 between the two countries**. Until 2007, India exercised significant leverage over Bhutan's foreign policy due to this treaty.
- When Bhutan transitioned from an absolute monarchy to a constitutional democracy in 2008, **the Friendship Treaty was renegotiated to give greater autonomy to Bhutan in its foreign policy and its military purchases**. But Indian investments, technical support and the India–Bhutan free trade agreement mean that India continues to play a key role in supporting Bhutan's infrastructure development and economy.
- PM Narendra Modi's first foreign visit was to India's small neighbour, Bhutan in 2014. The move made it apparent that India acknowledges its solid and special friendship with Bhutan. One reason was strategic, with the landlocked Himalayan country lying on the border with China, just south of Tibet. The other was the large hydropower potential of Bhutan, which has been seen by India as a source of cheap electricity.

Main Bilateral issues

Hydro-electric cooperation

- The major rivers in Bhutan have an estimated potential of 30,000 MW of hydro-power. Given the marginal size of its domestic economy, Bhutan has been mostly unable to exploit much of its hydropower potential on its own. Thus, Bhutan has been looking up to assistance and aid from foreign countries and agencies for its hydro-projects. India has been the most stable and trusted partner amongst all.
- India's investment in hydropower projects in Bhutan since 1960s have undoubtedly been arena providing impetus to the cordial bonding. Hydropower development in Bhutan has been **the cornerstone of India-Bhutan cooperation**. The model consists of India supporting Bhutan in building hydropower projects, by providing finance, a mix of grants and loans, and technical support to design and construct the projects.
- Hydropower in Bhutan, as supported by India, is by far the country's primary source of energy for domestic use and local industrial consumption, and has been a major export and revenue carrier for the last two decades. **Hydropower exports contribute around 40% to Bhutan's revenue and 25% of its gross domestic product**. Bhutan is a net exporter to India while India gets relatively cheap power, thus making hydropower a 'win-win' condition for both sides.
- Three hydro-electric projects (HEPs) totalling 1416 MW, (336 MW Chukha HEP, the 60 MW Kurichu HEP, and the 1020 MW Tala HEP), are already exporting electricity to India.
- For many decades this has been seen as a win-win arrangement and there are plans to expand it massively. While Bhutan's installed hydropower capacity in 2015 was 1608 megawatts, the 2006 India-Bhutan agreement on hydropower, with an additional protocol in 2009, stated that **India would help Bhutan install 10,000 MW of hydro capacity by 2020 and purchase all the surplus power**.
- However, this model now threatens to unravel. One of the most important points coming to the fore is that **economically and commercially, this model is making less and less sense**. The Punatsangchhu I and II and the Mangdechhu projects are under construction, accounting for 2,940 MW of the total 10,000 MW to be generated. However, **not only the commissioning of the projects has been delayed but their costs have been escalated massively**.

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- Hydropower has also contributed **to steep rise in Bhutan's debt**. The challenges are emanating from the growing the debt burden Bhutan carries due to delays in the major hydropower projects. As of July 2017, Bhutan's debt to India for three major ongoing projects: Mangdechhu, Punatsangchu I and II is approximately 12,300 crore which amounts for **77% of the country's total debt and is 87% of its GDP**. While the cost of the 720 MW Mangdechhu project has nearly doubled in the past two years, both Punatsangchu 1 and 2, each of 1200 MW capacity have trebled in cost and been delayed more than five years over the original completion schedule.
- Another issue has been the fact that India is now a power-surplus country, while the demand growth has been slower than expected. Added to this is the government's push for other renewable energies like wind and solar power. **Meanwhile the interest repayments on projects, that are being financed by India as 30% grant and 70% loan at 10% annual interest, are piling up.** Also Bhutan's overdependence on India as the only customer of its hydropower makes Bhutan extremely vulnerable to any fluctuation in India demand.
- These projects are also having **massive environmental impacts** like loss of forest lands, disturbance to wildlife habitat, heavy dust pollution from construction work, damage to water bodies such as streams and ponds, severe stress on water resources in the region etc.
- The considerable amount of voice has been coming up from the environmentalists who critique the viability of the big dams. The issue has been raised in the north-eastern part of India which shares a direct land border with Bhutan. The construction of mega hydropower projects in Bhutan have adverse impact on the lives and livelihood of the people living in downstream areas in Assam and other states in the northeastern parts of India.

Trade

- The Double Taxation Avoidance Agreement was signed in March 2013 between the two governments. Internal procedures for implementation have been completed both in India and Bhutan. The DTAA entered into force on 17 July 2014.
- India is Bhutan's largest trading partner. A free trade regime exists between India and Bhutan. The India-Bhutan Trade and Commerce Agreement were first signed in 1972.
- India and Bhutan have signed an agreement on trade, commerce and transit on 12th November 2016, which provides for **free trade regime** between the countries aimed at boosting the bilateral trade for mutual benefit. It was last renewed on July 29, 2006 for ten years. The validity of this agreement was extended for one year or till the new agreement comes into force through exchange of diplomatic notes.
- India and Bhutan mutually decided to bring into force the 'new' bilateral Agreement on Trade, Commerce and Transit with effect from July 29, 2017.
- The new agreement will further strengthen the bilateral trade relations between India and Bhutan. The agreement also provides for duty-free transit of Bhutanese merchandise for trade with third countries. The bilateral agreement aims at cutting down on documentation and adding additional exit and entry points for Bhutan's trade with other countries.
- In 2015-16, the major commodities exported from India to Bhutan were petroleum products, machine tools, motor vehicles/cars, products of iron and steel etc. while the major imports from Bhutan were power, iron and steel, inorganic chemicals, plastic sheet and film, alcoholic beverages etc.

Bhutan rejects BBIN Motor Vehicles Agreement

- In a major setback to India's regional cooperation strategy, Bhutan's Upper House rejected a move to have the country join the Bangladesh, Bhutan, India, Nepal Motor Vehicles Agreement (BBIN

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MVA), citing environmental concerns in November 2016. Earlier, the Lower House had passed this pact.

- The four South Asian nations signed the BBIN agreement in June 2015 in Thimphu, Bhutan, in what was seen as a significant symbol of sub-regional unity. The sub-regional pact was being seen as an important milestone in Prime Minister Modi's diplomatic agenda to 'Act East' and forge a regional cooperation boosting trade ties in the region. It was India that introduced and pitched for the pact in the 2014 SAARC Summit in Kathmandu, urging the South Asian neighbours to fortify regional economic ties.
- The MVA was proposed to reduce transport costs drastically and foster development of multi-modal transport facilities for a better connectivity between the four countries. It allowed the member states to ply their vehicles in each other's territory for transportation of cargo and passengers, including third country transport and passenger vehicles or personal vehicles.
- However, **there have been reservations among some sections** within Bhutan about the viability of this agreement given that it was a small country.
- Bhutan's reservation on damaging its environment is not unfounded. Tourism is Bhutan's single largest revenue generating industry, and the small Himalayan nation has carefully guarded its pristine natural habitat. It has even worked out a "low-volume, high-value" tourism strategy and maintained its status of an elite tourist destination.
- Threat to environment is not the only loophole in Bhutan's eyes. The land-locked nation finds itself gaining little from the agreement amid a long list of demerits. Bhutanese truckers have raised concerns that large number of foreign transporters plying into Bhutan could eat into the local businesses. Unrestrained influx of vehicles and people could dilute Bhutan's culture and religion and possibly give rise to the crime rate in the region. Also the pact was in conflict with Bhutan's immigration act. Bhutan severely lacks the basic infrastructure of roads, bridges, checkpoints etc to implement the agreement.
- After Bhutan's upper house, the National Council, rejected the bill last November, the only way to get parliamentary approval was to table the draft legislation at a joint sitting of both chambers. A joint parliamentary committee was formed to find a compromise. The committee in its meeting on April 20, 2017 failed to reach an agreement, with all sides sticking to their positions. The Bhutanese government later withdrew the Bill to ratify the pact from the agenda of the upcoming parliamentary session.
- In New Delhi, there is understanding on Bhutan's decision, with the People's Democratic Party government having to keep an eye on parliamentary elections next year. At the initial stages, there was a perception of India that the Bhutan government had not exerted itself as strongly as possible in its outreach activities with various sections. But now, with the BBIN MVA not finding many takers among lawmakers and being genuinely unpopular, the assessment is that any attempt to bulldoze the legislation through would have likely have depleted the political capital of the Tshering Tobgay government ahead of the general elections in 2018 and given fodder to the opposition.
- Meanwhile, with Bhutan out of the picture till the next elections at least, officials in Delhi are working to find out if there was a possible way to operationalise the deal with just Bangladesh, Nepal and India, who are still on the same page.

China Factor

- While India holds an important strategic position in China–Bhutan relations, there is no guarantee that this position is permanent. **Bhutan's position as a small landlocked country situated between two major Asian giants creates an imperative to maintain peaceful ties with both India and China.** The 24th round of China–Bhutan border talks held in Beijing in August 2016 brought several aspects of South Asia's geopolitics into focus. China's increasingly cosy relations

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with Pakistan, and more recently Nepal, have concerned India for many years. The country now appears to be expanding its presence in the Himalayas through negotiations with another of India's neighbours: Bhutan.

- Earlier in 2012, China and Bhutan indicated for the first time the possibility of establishing full diplomatic ties following a meeting between the then Bhutanese Prime Minister Jigme Thinley and then Chinese premier Wen Jiabao on the sidelines of the Rio+20 Conference in Brazil — without India's knowledge. This development was taken very seriously by the Indian government, resulting in the withdrawal of India's petroleum subsidies to Bhutan on the eve of Bhutan's 2012 general election. This led to the defeat of this government in election. India's response was considered by many political strategists as a definitive message to Bhutan.
- **It is to be remembered that Bhutan is also the only country in the region that joined India in its boycott of Chinese President Xi Jinping's flagship project, the Belt and Road Initiative.**

Bhutan's Border dispute with China

- China–Bhutan tensions date back to the Chinese occupation of Tibet in 1951, which was followed by the publication of Chinese maps that claimed considerable territory in central and northwestern Bhutan. This resulted in closer ties between India and Bhutan along with an embargo on cross-border trade with China. Loosely demarcated through much of history, efforts to formally delineate the Bhutan-China date back to 1980, when Thimphu decided to open border negotiations with Beijing. In 1990, Beijing offered Thimphu a swap, saying it would concede its claims to the Pasamlung and Jakarlung valleys in the country's north, if Bhutan would hand over the four enclaves along the Chumbi valley.
- Even though Bhutan is believed to have been initially inclined to take the deal, it soon changed course: in November, 1996, Thimphu's negotiators returned to the table with claims to the western enclaves that were more expansive than those that they had made earlier. Furious, Beijing alleged that India was behind this about-turn. Though both countries signed a 1998 agreement committing them to maintain the status quo, the actual border talks rapidly got bogged down around Bhutan's new claims in Doklam, and broke down completely from 2006 to 2009.
- In these years, Beijing ramped up the pressure, building at least six roads cutting deep into the western enclaves — among them, one cutting through the Torsa Nature Reserve towards the Zompelri ridge, the closest point to the Bhutan-China-India junction where the Royal Bhutan Army is stationed.
- Ever since 2010, a joint Bhutan-China technical commission has been engaged in verifying the border on-ground, in an effort to develop shared 1:100,000 scale maps that would allow the two sides to agree on common landmarks and features to facilitate technical discussions on their claim lines, diplomatic sources said. There has, however, been little forward movement on the substantial disagreements.
- From China's point of view, the most critical of these are over western enclaves, which overlook its highway linking the town of Yatung with Lhasa — a key logistical route for the PLA, which is at a tactical disadvantage in the sector. Beijing has also said it plans to build a railway along the route.
- Though the PLA had long carried out patrols up to the Zompelri ridge, asserting its claims to the territory, the construction of the road marked a physical assertion of its case — and a violation of the 1998 agreement committing both sides to respect the status quo.

(Details Of The DOKLAM Crisis Have Been Covered In The Chapter On SINO-INDIA Relations)

Fallout of Doklam episode on India-Bhutan ties

- While Bhutan has been a strong Indian ally and has stood by New Delhi during the standoff, the last several weeks of standoff have emboldened those voices in Bhutan which **seek a "balanced foreign policy"**, that is, opening of ties with China. In all its statements following the

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disengagement, the Chinese have emphasised their sovereignty over the area. The Chinese offer of a swap for Doklam with disputed areas in the north is bound to be renewed, an offer which has always interested Thimphu.

- As China starts courting Thimphu and as Bhutan starts seeking greater ties with Beijing, it would be unfair to expect Bhutan to choose between India and China. The Bhutanese statement welcoming the resolution of Doklam standoff is a pointer, however mild, in that direction.
- In view of some Bhutanese experts, the Indian Army was deployed on the soil of another country against a third country without proper treaty mandate or unambiguous official invitation to intervene on behalf of the Bhutanese government. The 2007 India-Bhutan Friendship Treaty states that the two countries “shall cooperate closely with each other on issues relating to their national interests.” And that: “Neither Government shall allow the use of its territory for activities harmful to the national security and interest of the other.” Notwithstanding the special security relationship that India and Bhutan have shared over the past several decades, **nothing in the 2007 treaty binds India to send troops to help Bhutan. Nor did Bhutan explicitly request military assistance from India during the stand-off** even though the MEA statement of June 30, 2017 refers to ‘coordination between the two countries’ during the stand-off.
- Bhutan had the option of refusing Indian security assistance, which would have severely complicated matters for India.
- The argument here is not that India does not have legitimate security and strategic interests in Bhutan which would be undermined by the Chinese territorial aggression, but that there is a need to engage in careful scenario-building before India decides to take China on militarily.
- Talks between Bhutan and China on their border dispute — the root cause of the military standoff on the Doklam plateau which ended with the disengagement of Indian Army and People’s Liberation Army troops — are unlikely to take place as scheduled this year despite diplomats having defused the weeks-long crisis. Even if the Bhutan-China border talks are cancelled this year, they are bound to resume next year.
- Beijing, sources said, has not called for this year’s round of negotiations, normally held between June and August, in a move that experts in Bhutan say indicates it is reluctant to publicly concede that its claims of sovereignty over the Doklam plateau have been disputed for several years.
- **Failure to resume negotiations leaves open the prospect that fresh crisis could erupt over disputed regions along China’s Chumbi valley**, a narrow corridor separating western Bhutan from India’s Sikkim, where the PLA has cut roads towards Royal Bhutan Army outposts in Doklam, Sinchulumpa, Charithang and Dramana.
- In view of Bhutanese analysts, India never intervened or even raised its voice in the past, about numerous Chinese incursions into the Bhutanese side, including the more serious road-building activities. This is because they did not affect Indian security, unlike Doklam. Also it was, in fact, Bhutan’s firm and uncompromising stand that the status quo should be maintained as per the 1988 and 1998 agreements, both in its public position and behind the scenes, that allowed the face-saver of a deal for both India and China.
- In the perception of many in Bhutan’s government, the conditions for future crisis remain in place despite August’s disengagement deal. This crisis was never about a road and Troops seeking to use the Doklam road in a war would have been asking to be massacred by Indian positions higher up the ridge, and it would have disintegrated each winter anyway. **The reality is that this crisis emerged from India’s decision to confront Chinese coercive action on the ground.** For obvious reasons, this means the situation remains fluid until an actual border agreement is arrived at.

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- Many herders had been told by PLA patrols to turn back this summer from high-altitude grazing grounds they had used for generations and asserting that the pastures belong to China, not Bhutan — a move that may have been designed to put pressure on Bhutan.

Lessons For India

- The Indian government **must see that Bhutan's sovereignty is no trivial matter**, and avoid frivolous comments on it. The question does matter to Bhutanese people, and although their government had put out a gag request to newspapers on the Doklam stand-off for now, blog posts and social media write-ups by respected commentators indicate there was much disquiet over the idea that Indian and Chinese troops may occupy the plateau in a tense stalemate for months. It cannot have escaped India's notice that the only statement issued by the Bhutanese Foreign Ministry during Doklam standoff made no mention of a "distress call" to India, only of its demarche to China.
- New Delhi would do well **to refrain from differentiating between political factions inside Bhutan**, unlike what it has done in Nepal, Bangladesh and Sri Lanka, and recognize that there is no "anti-India" faction in Bhutan, even if some are calling for the establishment of ties with China.
- India must also be aware that other neighbours were watching the Doklam stand-off closely. It would be short-sighted not to recognize that Bhutan is at one tri-junction with India and China, but Nepal, Myanmar and Pakistan too have tri-junctions (at least on the map) with both countries, and China's reference to "third country" presence in Pakistan-occupied Kashmiris putting a spotlight on all of these.
- Perhaps one of the biggest learnings from the standoff is **for India to reach out much more to the people of Bhutan**. This is all the more important to counter critics who have been attacking India on social media. For example – the rupee is legal tender in Bhutan and equivalent to the Ngultrum, and following the demonetisation decision, thousands of Bhutanese found themselves stuck with cash they couldn't use. Ordinary Bhutanese argue that India should have at least consulted Bhutan in advance to reduce the pain due to demonetization.
- India must calibrate both its message and its military moves in order to keep Bhutan on track with the special ties they share.

4. INDIA – NEPAL RELATIONS

Introduction:

- As close neighbours, India and Nepal share a **unique relationship** of friendship and cooperation characterized by open borders and deep-rooted people-to-people contacts of kinship and culture. There has been a long tradition of free movement of people across the borders.
- The India-Nepal Treaty of Peace and Friendship of 1950** forms the bedrock of the special relations that exist between India and Nepal. Under the provisions of this Treaty, the Nepalese citizens have enjoyed **unparalleled advantages in India**, availing facilities and opportunities at par with Indian citizens.
- India's **core interest** in Nepal is a **united Nepal's peace and stability** which has a bearing on India as well because of the long and open border shared between India and Nepal.
- Bilateral defence relations** have also been robust. India is Nepal's largest supplier of military equipment. Besides, the two militaries cooperate through joint exercise, training and educational exchanges.
- India and Nepal have **several bilateral institutional dialogue mechanisms**, including the India-Nepal Joint Commission co-chaired by External Affairs Minister of India and Foreign Minister of Nepal.
- However the India-Nepal relationship has **often swung from one extreme to the other**. In the last two years alone, this tendency has been in full play, and with unfortunate results for both countries.
- Nepal's extreme dependence on India and the latter's rather overbearing approach, insensitivity to its smaller neighbour's sovereignty and efforts at micromanagement** has undermined friendly relations and generated anti – India sentiment in Nepal. **Vested interest groups** have also fuelled anti-India sentiment to serve their narrow political and economic interests.
- Nepalese political parties have stoked anti-Indian protests to trigger unrest and destabilize governments. **Playing the China card** has also enhances Kathmandu's leverage and helped it gain more from an insecure India.

Recent Developments

PM Prachanda's Visit to India

- Amid the turbulent bilateral relationship after **differences over constitutional promulgation and subsequent road blockade along with rising anti-India sentiments in Nepal**, Prime Minister of Nepal, Pushpa Kamal Dahal 'Prachanda', arrived in Delhi on 15 September 2016 for a four-day official visit with an objective to reset the bilateral relations. This was the second official visit of Nepal's Prime Minister to India that year and **Dahal's first overseas visit after assuming to power in August 2016**.
- The visit opened up a **new chapter** in India-Nepal relations. The outcome of the meeting between the two prime ministers was that bitterness and misunderstanding between two countries would be resolved soon.
- Both the countries vowed to cooperate with each other on economic and security issues. Taking the relationship to a new height, New Delhi and Kathmandu signed **three agreements** on 16 Sept.
- India recognised the new constitution** with a hope that Nepal will successfully implement the Constitution through inclusive dialogue accommodating the aspirations of all sections of Nepal's diverse society.

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- India also signed **a new Line of Credit (LoC) worth \$750 million** for post-earthquake reconstruction. By acknowledging Nepal as a potential development partner, India has agreed to extend **an additional LoC for new projects such as Phase-II of Terai roads, power transmission lines, substations and a polytechnic in Kaski district.**
- Both the countries have **agreed to push for speedy and successful implementation of the ongoing hydro-power projects**, and development and operationalisation of transmission lines with an objective to fulfil energy requirements and revenue generation for Nepal.

President Pranab Mukherjee's Visit to Nepal

- President Pranab Mukherjee visited Nepal in November 2016, the first by an Indian head of state in 18 years to the neighbouring country.
- Mukherjee's visit was first aimed **at restoring the bilateral goodwill** that has faced a rupture over the past year. To tide over the trust deficit following constitution promulgation in Nepal, there has been a series of high level exchanges. The then PM Prachanda and his predecessor K P Oli too visited India in 2016.
- And there was an **unstated geopolitical subtext** to the timing of the visit. Over the past year, China's engagement in Nepali politics has grown. It was backing the former PM K P Oli even as India was keen to see his exit for his unwillingness to address constitutional issues and for propagating ultra nationalism with an anti India tilt. When China did not go ahead with Xi Jinping's visit to Nepal, India was quick to ensure that the moment was not lost - and Delhi could use it its own President to send a message of its own commitment to Nepal.
- Mukherjee emphasized **two key issues** - the need to **rapidly complete Nepal's prolonged political transition** so that it can move ahead with the task of economic development and growth; and **the need to take all sections of society on board**, which will be a reminder - even if it is not spelt out - that this has not yet happened and the constitution needs to be more inclusive and address Madhesi discontent.
- Social media in general and most mainstream media in Nepal through opinion and editorials were critical of President Mukherjee's central message which they felt was close to interference in another country's internal affairs.
- The **significance of Janakpur visit is multi-fold**. One, it emphasizes the shared cultural and civilisational linkages between the two countries. Two, it is also the de facto capital of the Tarai-Madhes region - the centre of a movement for greater rights and representation and the visit is a reminder of the importance India places on the Tarai in Nepal. Three, Janakpur is also at the southern border and the visit will highlight the centrality of cross-border relations, and the **special role of the Tarai in India-Nepal ties**. India sees its security as tied inextricably with the situation in this region because of an open border with heartland states of Bihar and UP.
- Mukherjee then visited Pokhara to spend time with former Indian army personnel. This is indeed **a unique element of the relationship**. In India's Gurkha regiments, young men from Nepal are proud soldiers, hailed for their commitment and bravery. It is a mutually beneficial relationship - for the Indian Army then takes good care of its serving men and pensioners. In Nepal itself, there are over 1.25 lakh pensioners, from some of the country's most marginalized ethnic communities.

Visit of Nepalese President

- Bidya Devi Bhandari, President of Nepal visited India from 17-21 April, 2017. This was the first State visit of the President of Nepal after assuming office of the President in October 2015.
- These exchanges have been useful in ensuring steady progress in co-operative ties across diverse sectors, such as trade, economic investment, water resources, energy sector including power

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trading, defence and security, oil and gas sector, culture and more importantly, people to people ties.

- India has maintained her focus on implementation of ongoing connectivity and development projects, such as tarai roads, cross-border rail linkages, development of Integrated Check Posts (ICPs), cross-border oil pipelines and transmission lines including Upper Karnali and Pancheshwar Multipurpose hydropower projects.
- **The bilateral oversight mechanism** set up October 2016 to monitor and expedite implementation of ongoing projects has met three times already, and has been very helpful in addressing related issues on both sides.
- The energy cooperation between the two countries is witnessing a new high, especially in the backdrop of the India's approval of the Rs 5,720-crore hydro power project (Arun-III) to be set up in Nepal. India supplies 350 MW electricity to Nepal. And Nepalese government has proposed 16 road and bridge projects worth USD 300 million under the line of credit of USD 550 million, which India has agreed to and looks forward to its completion in the coming months.

Main Issues between India and Nepal

Constitutional Question, Madhesi' Issue and Elections in Nepal

- The Madhesi parties, who claim to represent the interests of inhabitants of the southern Terai region who are mostly of Indian origin, have been demanding that the Constitution promulgated in 2015 be amended **to revise the provisions of citizenship and re-demarcation of the provincial boundary** before going to the Local body polls in May 2017. They launched a prolonged agitation between September 2015 and February 2016 against the implementation of the new Constitution which they felt marginalised the Terai community.
- The new constitution, Constitution of Nepal, was amended for the first time on January 23, 2016. The amendment was made particularly to address some of the demands of the agitating United Democratic Madhesi Front (UDMF). Although the amendment did incorporate issues, such as ensuring proportional inclusion of the backward communities, including the Madhesi, in the state bodies and delineating electoral constituencies on the basis of population as raised by the UDMF, the amendment failed to appease the agitating parties.
- The local bodies election taking place after a gap of two decades would empower the people. In May 2017 Nepal began holding its **first local elections in 20 years**, a key stage in the country's post-war transformation from feudal monarchy to federal democracy. Parties representing the Madhesi have already forced several postponements of the local elections, which **are supposed to pave the way for provincial polls and then national elections by January 2018**, when the mandate of the current parliament expires. The first round of elections in provinces 3, 4 and 6 and the second round in provinces 1, 2, 5 and 7 were to be held on May 14 and June 14 respectively.
- In April 2017, Nepal's Madhesi parties struck a deal with the Prachanda-led coalition government under which they would take part in the local body elections in two phases on, May 14 and June 14, after a revised Constitution amendment bill is passed in Parliament through a fast-track process. The Federal Alliance (FA), a grouping of agitating Madhesi parties and ethnic groups, reached an agreement on issues related to Constitution amendment and local polls.
- The agreement made between the government and the FA on the Constitution Amendment Bill on April 21 relates to language, citizenship, Article 274 of the constitution and the number of local units. **The Alliance dropped its demand, for the time being, to redraw the provincial boundaries.** The two sides agreed to form a Federal Structure Review Commission which could be created on the basis of the principle of proportional inclusion.

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- Later Nepal's agitating major Madhesi party -- the Rastriya Janata Party Nepal -- had decided to boycott the first phase of polls, two other Madhesi parties -- Federal Socialist Party and Madhesi Peoples Forum Democratic -- participated in the polls.
- However subsequently these Madhesi parties agreed to participate in the second phase of local-level elections to be held on June 28. It was earlier scheduled to be held on June 14. Local-level elections in the province number two, which is Madhes-dominated, was deferred after mutual consent between Nepal government and Madhesi Parties. **The third round of local-level elections in province number two is slated for 18 September.** Madhesis were earlier divided over participating in the second phase of local body polls, with one faction insisting on taking part in the process to foil the reactionary forces' conspiracy against federalism while other announcing fresh protests to disrupt elections.
- In a major development, **Madhes-based parties in Nepal have finally agreed to join the local polls slated for September 18** - after a meeting with Indian External Affairs Minister Sushma Swaraj in August 2017. Besides taking part in the polls, the Madhes-based parties also agreed to present the constitutional amendment proposal for voting in Parliament, irrespective of whether it is endorsed or not. Though the Madhes-based leaders declined any Indian pressure to join the polls, they say the Supreme Court's verdict to allow the Nepal government to increase the numbers of local units in Province no 2 paved the way for them to join the polls.
- The Nepalese government moved the much-awaited Constitution Amendment Bill on 16 August 2017. It deals with enhanced representation of people from the Madhes region to Parliament and other electoral bodies while separate commissions will be dealing with issues related with local languages.
- The Bill was moved after the top leaders of the three major parties — the Nepali Congress and the Maoist party of the ruling coalition, and the Communist Party of Nepal-Unified Marxist Leninist — agreed in a joint meeting to have the Bill settled through voting by August 21, two days before Prime Minister Sher Bahadur Deuba was scheduled to leave for Delhi on an official trip.
- However the Nepalese parliament failed to endorse the Constitution amendment bill to address the issues of Madhesis as the ruling coalition could not garner two-thirds majority required for its passage.

Water Resources

Potential for cooperation

- In the area of hydropower India and Nepal are complementary. India, with its ever-increasing energy requirements, presents a vast ready market for hydropower for Nepal. Nepal has huge potential for hydropower development and the present status of development is approximately 600 MW, which is less than 2% of its economically feasible potential of 42000 MW.
- Because of the terrain, Nepal also provides the best, if not the only, option for **downstream flood control and dry season augmentation**. With only run-of-the-river projects, in the **summer** when there is peak demand in India, there would be **surplus in Nepal to export** and in **winter** when Nepal is unable to generate much electricity as water levels in rivers go down, she can **import any shortfall**.
- Already in India, power trading between regions is a thriving business. Even with only 4% of India's electricity being traded, the turnover in power trading is Indian Rs 30,000 crores. Such power trading has the potential to make Nepal the richest country in South Asia.

Problems

- The need of co-operation in the hydroelectric sector between Nepal and India has been emphasized by various stakeholders for the last almost five decades. However, there is **very little progress to show on ground so far**. There is a perception in certain quarters that Nepal was not

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given due share in the three major water deals between Nepal and India, namely the **Kosi Agreement, the Gandak Treaty and the Mahakali Treaty**.

- Some **major problems** identified for the tardy progress are –
 - (i) **Lack of co-ordination between government agencies on both sides,**
 - (ii) **lack of pace and direction in the co-operation dialogue**
 - (iii) **complexities arising due to power-water nexus,**
 - (iv) **absence of private participation in the process and**
 - (v) **Non-availability of physical infrastructure in Nepal.**
 - (vi) **Indian insistence on management control and refusal to allow independent assessment of downstream benefits** (Which have induced suspicion in Nepal, encouraging stalling tactics)
 - (vii) **Nepal's inability, amidst its political and governance travails, to take decisions favouring long-term development.**
 - (viii) **As in India, environmental concerns, worries about the displacement of people, and misgivings about large projects in the seismically active Himalayan region in Nepal have militated against large-scale generation of hydro-electric power** (particularly since, in Nepal's case, the power would mostly be exported).
- In this climate of mutual distrust, despite discussions between the two nations on several multi-purpose projects over three decades, little progress has been made on any of them.

Way out

- Here **Nepal can learn from Bhutan** which has financed much of the country's impressive economic growth, political modernisation and social development in recent years **through revenue from Indian-designed hydroelectric projects** on its soil that provide power both to Bhutan and to India's North-East.
- There are thus **two principal points of contention** between India and Nepal: **the issue of water rights** and **the question of the management, control and operation** of the barrage. Nepal being an upper riparian and India a lower riparian state.
- It is important that the two countries seek to arrive at **a common framework of perspectives** on this score. They need to arrive at **a shared understanding on upstream and downstream rights**.
- The **principle of equitable utilisation** emphasises on sharing of downstream benefits. At the same time, **information sharing and co-operation** on water issues is also an important element.
- With respect to the second point of contention, **joint mechanisms need to be evolved for water management and control**. An inclusive approach would forge trust and make both countries accountable for any failure.
- At the same time, one also needs to bear in mind **three other aspects**. **First is the nature of multi-purpose dams**. Detailed studies especially the report published by the **World Commission on Dams** has argued that **single purpose dams are more efficient for flood control**. The role played by dams in flood management is very different from the role they are called upon to play for irrigation purposes and power generation.
- Another point is related to **applying a multi-stakeholder approach**, which involves **expert analyses from the social and environmental dimensions**. It can prove extremely effective in water management issues as it could help in **minimising risks** that could adversely affect the lives of common people in the long term.

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- **Public consultation and a cost-risk assessment** should be must. Multi-stakeholders here would be the **private sector, the state government, representatives of civil society and experts on dams** who take into account the ecological and social aspects.
- The last point is that **water cooperation can be an effective antidote to the irritants in India-Nepal relations**. While Nepal needs the Indian market for exporting hydro-power, India needs Nepal's resources to satiate its agricultural needs and minimise its power deficit. **Problem solving approaches** that can result in win-win outcomes should therefore be the primary aim.
- **Medium-size hydroelectric projects** in Nepal for committed exports can also be started. **Private-public partnership** should be encouraged to speed up the development of the projects. Both governments should encourage these efforts with proper facilities, securities and incentives to the developers.

Floods in Nepal

- Like Indian states of Bihar and Uttar Pradesh, Nepal is also facing massive floods in which more than 150 people have lost their lives. Nepal has blamed India for the same. Nepal accused India of constructing at least 15 dams and embankments along the 12-km stretch of the international boundary.
- It also said that India had not provided compensation to the affected Nepali people whose lands were submerged due to the Koshi Barrage. The Laxmanpur Barrage over the Rapti is another sore point for Nepal, which faces floods in the catchment area of the river.
- Nepal is also unhappy about the tardy pace of progress on the hydel power projects promised by India - Arun III, Upper Karnali and Pancheshwar Multipurpose Project. Many in Nepal stress on India to honour its commitment and execute past agreements, including finalising the Detailed Project Report (DPR) of the 6,000 MW Pancheshwar hydropower project that was signed some 20 years ago. It may not be easy to agree on the DPR.
- Politically and strategically China and Nepal do not concede any more that India has the "first right" over Nepal's water resources. And, Nepal considers it has "special relations" with both its neighbours, not just India.

Recent steps taken

- A **three-tier mechanism established in 2008** to discuss all bilateral issues relating to cooperation in water resources and hydropower has been working well. Regular meetings are being held on and off site.
- In the area of **river training and embankment construction**, Government of India has been providing assistance to Nepal for strengthening and extension of embankments along Lalbakeya, Bagmati and Kamla rivers.
- It is proposed to extend this assistance for construction of embankments on other rivers as well. Started in 2008, with the present assistance, the total grant assistance already disbursed for embankments construction along these rivers stands at NRs. 3,670.66 million.
- **Sapta Kosi High Dam Multipurpose Project** would afford **irrigation and flood control benefits in Bihar** and power generation (15730 MU) of which major portion would be available to India. In addition, development of Inland Waterways through Kosi and Ganga rivers is another important component of the project.
- **Sun Kosi Storage cum Diversion Scheme** forms an integral part of this project which involves construction of a diversion structure across the river Sunkosi near Kurule.
- A **Power Development Agreement (PDA)** for the **900 MW Arun-III hydroelectric project** between India's Satluj Jal Vidyut Nigam Limited and the Investment Board of Nepal (IBN) was concluded in November 2014.

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- Also, a PDA for the **900 MW Upper Karnali hydroelectric project** was concluded between IBN and M/s GMR in September 2014.

Economic relations

- Exports from Nepal to India increased from INR 230 crore in 1995-96 to INR 3713.5 crore (US\$ 605 million) in 2013-14 and India's exports to Nepal increased from INR 1525 crore in 1995-96 to INR 29545.6 crore (US\$ 4.81 billion) in 2013-14.
- According to Trade and Export Promotion Centre (TEPC) of Nepal, Nepal's trade deficit with India widened significantly in the first nine months (Mid July 2016-Mid April 2017) of the current fiscal year driven by massive hike in imports from India. Imports from India jumped 48.2 percent to Rs 473.12 billion. India-based import accounts for 99.17 percent of Nepal's total imports from South Asia. On the other hand, Nepal's export. India alone contributed 97.39 percent to its total export earnings from South Asia. So trade statistics show that Nepal is highly dependent on India for both imports and exports.
- Indian firms are the biggest investors in Nepal**, accounting for about 38.3% of Nepal's total approved foreign direct investments.
- There are about 150 operating Indian ventures in Nepal engaged in manufacturing, services (banking, insurance, dry port, education and telecom), power sector and tourism industries. Some large Indian investors include ITC, Dabur India, Hindustan Unilever, VSNL, TCIL, MTNL, State Bank of India etc.

India's Development Assistance to Nepal

- Government of India provides **substantial financial and technical development assistance** to Nepal, which is a broad-based programme focusing on **creation of infrastructure at the grass-root level**, under which various projects have been implemented in the areas of **infrastructure, health, water resources, education and rural & community development**.
- In recent years, India has been assisting Nepal in development of border infrastructure through **upgradation of roads** in the Terai areas; development of **cross-border rail links** at Jogbani–Biratnagar, Jaynagar-Bardibas, Nepalgunj Road-Nepalgunj, Nautanwa-Bhairhawa, and New Jalpaigudi-Kakarbhitta; and establishment of **Integrated Check Posts** at Raxaul-Birgunj, Sunauli-Bhairhawa, Jogbani-Biratnagar, and Nepalgunj Road-Nepalgunj.
- The total economic assistance extended under **'Aid to Nepal' budget** in FY 2014-15 was Rs. 300 crore.
- Currently, 36 intermediate and large projects such as construction of a **National Police Academy at Panauti**, **Nepal Bharat Maitri Pashupati Dharmashala at Tilganga**, a Polytechnic at Hetauda, and the **National Trauma Centre** at Kathmandu are at various stages of implementation.
- In addition, Government of India's **Small Development Projects (SDPs) programme in Nepal** extends assistance for the implementation of projects costing less than NRs 5 crore (approx.. INR 3.125 crore) in critical sectors such as health, education & community infrastructure development.
- So far, 243 SDPs have been completed and 233 are under various stages of implementation in 75 districts of Nepal, with a total outlay of over Rs 550 crore.
- Till date, India has gifted 502 ambulances and 98 school buses to various institutions and health posts across Nepal's 75 districts.
- Apart from our grant assistance, Government of India has also extended **three Lines of Credit of USD 100 million, USD 250 million and USD 1 billion** to Government of Nepal in 2006-2007, 2011-12 and 2013-14, respectively, for undertaking infrastructure development projects.

China Factor

- India and China have competed for influence in Nepal for decades.
- From China's perspective, Nepal's significance stemmed largely from the fact that it borders Tibet.
- Unsurprisingly then, Chinese engagement with Nepal has aimed at getting it to **crackdown on Tibetan activism** on Nepalese soil or any anti-China activities that may be sponsored by Western powers in Nepal.
- Nepal's importance to China grew in the wake of deteriorating Sino-India relations especially in the context of its **sanctuary to the Dalai Lama and the large Tibetan exile community in India**.
- Nepal's significance in Chinese strategic calculations can be classified as follows-
 - (1) **India's dominating presence in Nepal, so close to restive Tibet**, aroused fear in China that India would stroke unrest in that region and is **the underlying reason for Chinese attempts to weaken India's presence and influence in Nepal**.
 - (2) Nepal also offers China **potential use against India in times of war**.
 - (3) Lastly, China sees Nepal as its **gateway** to the vast South Asian market.
- In April 2014, **a Human Rights Watch report** revealed that Nepal had essentially banned Tibetan refugees from protesting against China by using excessive force, arbitrary detention, intimidation, and intrusive surveillance against them.

Difference of Perception in Nepalese Eye

- Unlike India's turbulent relationship with Nepal, Sino-Nepal relations have been stable. This is largely because Beijing has cultivated all Nepalese regimes, whether autocratic or democratic. This is quite in contrast to India, which has backed anti-monarchy movements and insurgencies in Nepal.
- China's military relations with Nepal have intensified over the last decade. In 2005, when India halted military supplies to Nepal in the wake of King Gyanendra's imposition of emergency rule, China quickly stepped into provide weapons.
- Moreover, **anti-China sentiment in Nepal is less intense** as the people of the two countries do not mingle as much as Nepalese and Indians. The Nepalese like and respect the Chinese for keeping out of Nepal's internal politics.

Growing Chinese Presence :Soft Power Diplomacy

- In 2013, China was the fourth largest market for Nepal's goods, absorbing 4% of its exports and the second largest (15 percent) source of its imports.
- **Sino-Nepalese trade was worth \$23 billion in 2014.**
- Chinese FDI in Nepal has surged in recent years; in fiscal year 2012-13, it touched \$19.39 billion (30.89 percent of Nepal's total FDI) **to topple India as Nepal's top investor**.
- China is also working assiduously to build bridges with the Nepalese people. It has set up Confucius Institutes and Chinese language centres across Nepal with a view to strengthen Nepal's understanding of China and its culture.
- In December 2014, **China increased its official aid to the country by more than five times—from \$24 million to \$128 million between 2015 and 2016**. This increase may have had to do with China and India's ongoing race to expand their trade relations with neighbouring countries and their competition for regional hegemony.
- In October 2015, at the height of the protests by the Madhesi, China opened the border crossing point at Jilung, which links Tibet and Nepal. It was used **to transport petroleum products and**

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other essential items. From November 10 to December 10, China exported nearly 6,000 tons of cargo, valued at \$43.5 million, to Nepal.

- China also pledged **to provide 1.4 million litres of fuel for emergency needs and \$500 million in post-disaster reconstruction to Nepal**, which is still recovering from its devastating earthquake in April 2015.
- **The Chinese fuel sale to Nepal was significant. It marked the end of India's decades-old monopoly over fuel sales to Nepal.**
- In November 2015, Nepal began **accelerating the development of its northern trade routes with China**, such as the expansion of the Dhulekhel–Tatopani section of the Araniko Highway. It was built in 1970 with Chinese assistance, but it has been closed since the earthquake. The plan is to convert it from a two to four-lane highway.
- Nepal-China relations had **acquired an unprecedented boost during the tenure of the previous K. P. Oli-led government**. This was the period in which some important agreements were signed with the China on trade and transit, trans-border connectivity, extension of Chinese railway to Kathmandu and Lumbini and exploration of oil and gases among others. Most outstanding of all, Nepal signed **a trade and transit treaty with China** enabling it to gain access to China's port of Tianjin breaking the monopoly of India for giving transit access for Nepal to sea.
- Nepal had also expressed its commitment to be a part of China's One Belt One Road (OBOR) Project.
- The Chinese Defence Minister and State Councillor General Chang Wanquan undertook a three-day official visit to Kathmandu from March 23 to 25, 2017. Chang's visit was **the first defence ministerial visit** since the two countries established diplomatic relations in 1955 occurred just a day before Prachanda's scheduled visit to China.
- The visit saw China offer a grant assistance of USD 32.3 million to the Nepal Army (NA) for the purpose of strengthening its capacity to deal with natural calamities and providing it equipment for United Nations peacekeeping missions in high conflict zones. The latest grant **is ten times higher than China's previous military assistance to the NA in the post-Monarchy period.**
- The visiting delegation also discussed holding the first ever military exercises by the armies of the two countries.
- During **visit of Nepalese PM Prachanda to Beijing** for attending the Boao Forum for Asia Annual Conference 2017 in March 2017, no substantial agreements were signed between two countries. According to observers, China's main purpose was to send the message that it continues to engage with Nepal. Prachanda, meanwhile, was also in a hurry to visit China to correct his pro-India image. In Nepal's domestic politics, Prachanda was facing charges of being close to India and giving less priority to China. Prachanda himself has confessed that there was some level of mistrust between Nepal and China, which his visit helped to dispel.
- President Bhandari's departure to Delhi **coincided with the ten-day long Nepal-China joint military exercise, the first in history, in Kathmandu**. China has promised continuity and support to the Nepal army in combating terrorism, and for keeping peace.
- The first ever joint military drill between Nepal and China -- **Sagarmatha Friendship-2017** – was held at Nepal Army's Para Training School in Maharajgunj in Kathmandu in April 2017. In view of experts, for Nepal, the joint military exercise has a deeper significance. It shows that Nepal moves forward in its pursuit of a balanced diplomacy among major powers.
- During visit of Chinese Vice- Premier Wang Yang in August 2017, Nepal and China signed three different agreements — a Rs 2-billion project for joint exploration of petroleum, natural gas and mines; Rs 15-billion project for upgradation of Arniko highway built in the 60s that remains

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dysfunctional following 2015 April earthquake; and for building a bridge along the Kerung-Rasuwarahi road, currently under construction. The two sides also agreed to invite more Chinese investment in Nepal.

- China also announced a \$1 million package for instant relief to the flood victims as Nepal faces its worst floods in the past three decades. China's support to the flood victims came even before the Nepalese government was able to make preliminary estimates about the loss of life and property as the ravage continued.
- Interestingly, Wang Yang had a one-on-one with K.P. Oli, former prime minister and chairman of the Communist Party of Nepal-United Marxist Leninist. Wang's closed-door meeting with Oli, who is perceived to be pro-Chinese by the Indian establishment, is seen as a brazen diplomatic response to Indian Foreign Minister Swaraj heaping praise on PM Deuba and CPN- Maoist Centre leader Pushpa Kamal Dahal. Their alliance, she had said, contributed a lot to building democracy in Nepal.
- **China has already pledged USD 8.3 billion towards building roads and hydel power projects in Nepal against India's commitment of USD 337 million.**
- **China's courting of Nepal over the Doklam issue** has added another dimension to what is the most serious Sino-Indian border stalemate in decades. China has reached out to the Nepal government on the Doklam issue in Delhi and also in Beijing and Kathmandu.
- On India's part, External Affairs Minister Sushma Swaraj went to Nepal to attend BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) ministerial meeting. She met the top leadership of the country and discussed Doklam. But, the statement from Nepal after two high-profile visits from both its neighbours proclaimed neutrality on the matter.
- As Doklam standoff continued, Nepal's Foreign Minister Krishna Bahadur Mahara declared in August 2017 that Nepal did not support any of its neighbours in this case. Nepal does not want to be dragged into the boundary dispute between India and China and it should be resolved through peaceful diplomatic means. **His statement signals China's growing strategic depth in Nepal.**
- The diplomatic race between India and China becomes significant as there are **two Doklam like tri-junctions in Nepal - one at Kalapani-Lipulekh** in western Nepal and the other at **Jhinsang Chuli** in eastern Nepal. Jhinsang Chuli remains snow-capped throughout the year and has been less contentious.
- Beijing is seeking to play on Nepal's fears of Indian aggression in the disputed **Kalapani area**. Nepal may be under pressure to seek a review from India and China of their agreement in 2015 to develop Lipulekh Pass in the disputed Kalapani area as a trade transit point. Unlike as in Doklam, which is a border dispute between China and Bhutan, India is party to the Kalapani territorial dispute along with Nepal. Nepal accuses India of having forcibly occupied territory in the Kalapani area including the Lipulekh Pass.
- Kathmandu still resents the fact that PM Modi and President Jinping decided to mention Lipulekh in their joint statement of May 2015 without the two countries having consulted Nepal.
- China is also actively supporting the anti-India groups in Nepal asking for a **Greater Nepal** by the re-integration of Indian territories of Kumaon and Garhwal (in Uttarakhand), parts of Himachal Pradesh and Jammu and Kashmir. These regions were ceded by Nepal to British India in 1816 by the Treaty of Sugauli.
- Reports from Beijing suggested that Chinese President Xi Jinping would be visiting Kathmandu in October 2017. Xi Jinping's visit to Nepal seems to have been planned by Beijing to shift the tilt of the diplomatic balance.

Hydel cooperation with China

- China's latest deal with Nepal to build another largely Chinese owned dam project in that landlocked Himalayan country highlights its growing success in clinching major infrastructure contracts in India's backyard to advance its economic and foreign policy interests.
- Maoists, communists and nationalists in Nepal have seriously impeded hydropower development in partnership with India, which they portray as a regional hegemon. China, however, does not face such opposition, which explains why the new deal over the planned **750-megawatt West Seti Dam** does not constitute the first Chinese hydropower project in Nepal.
- While dressing its investment in the cloak of economic aid, China is imposing stiff commercial terms on Nepal, plus taking majority project ownership upfront. For example, its State-run China Three Gorges Corporation will have a 75% stake in the West Seti Dam, in mid-west Nepal.
- India, as the subcontinent's largest energy consumer, has sought to incentivise a sub-regional energy grid. Yet, the vast majority of its own Himalayan hydropower projects have been delayed, suspended or shelved, largely due to grassroots opposition. Although India has employed water cooperation as a tool of its diplomacy with Nepal, including extending credit on concessional terms, the political dividends have been meagre.
- Another significant fact is that **Nepal has several water treaties with India but none with China**, which has dammed the Karnali just before it enters Nepal, and which is planning to build a cascade of five dams on the upper reaches of the Arun. The construction of that cascade, by diminishing flows into the Ganges, could affect India's Ganges water-sharing arrangement with Bangladesh, with India being forced by the treaty's terms to bear the shortfall in downstream flow volumes.
- In view of experts, In fact, the integrated development of the Ganges basin demands trilateral institutional collaboration between Nepal, India and Bangladesh, with the cooperation extending to energy, transit and port rights.
- However, the picture has been muddled by China's entry as an important player in the Nepalese hydropower sector and its dam-building activities in Tibet. **Beijing is steadily increasing its clout in Nepal at India's expense.**

India's still strong Influence

- While China's influence in Nepal has been expanding in recent decades, it is in view of some experts, nowhere near matching India's influence there. **The India-Nepal Treaty of Peace and Friendship of 1950**, geographic terrain, ethnic and cultural similarities, etc. have contributed to India's still considerable influence in Nepal.
- Although Nepal has transit treaties with India and China, it is with India that the bulk (98%) of its trade with third countries is conducted.
- Its **extreme dependence on trade with and via India** has left Nepal vulnerable to pressure from India. The economic blockades imposed by India in 1989 and unofficially in 2015 caused severe fuel and other shortages and crippled the Nepali economy.
- To ease the hardship caused by the 2015 blockade, the Nepali government reached out to China for fuel. However, **China was able to meet only a tiny fraction of Nepal's fuel needs.**
- However in view of some experts, by **playing the Chinese card**, Nepal has exposed a **hollowness** of this card for the **simple reason China cannot be an alternative because of geography and costs.**
- It does seem that Tianjin can at best provide Nepal with another option to conduct trade with third parties. However, **it cannot replace or even undermine seriously the importance of Indian ports in Nepal's trade due to several reasons-** .

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- (1) It is because Tianjin port is located **3,000 km away** from Nepal while Haldia port is **just 1,000 km** away from the Indo-Nepal border. So Distance and Cost overruns cast doubts over its economic feasibility.
- (2) Also, India has offered Nepal use of additional port- Visakhapatnam port.
- (3) India also has a **strong transport infrastructure** already in place that facilitates Nepal's trade with and through India. In addition to the Raxaul-Birgunj railway, which has been operational since 2005, two other rail lines linking the two countries are under construction and more are in the pipeline.
- (4) India and Nepal already have **25 border crossing points** and two integrated checkpoints which is more than that with China. Two more checkpoints are under construction.
- (5) Despite China's formidable capacity, expertise and experience in infrastructure building, especially in the Himalayan region, **treacherous terrain and hostile weather do not favour China's trans-Himalayan ambitions. Building rails and roads here will not be easy.**
- (6) Also most of the mountain passes between the two countries are **snow-bound throughout the year**. The financial cost of hauling cargo across the Himalayas will be huge.
In contrast, **routes from Nepal to India run seamlessly across plains**. In addition to a less daunting terrain, travel and trade between India and Nepal is facilitated by a **porous India-Nepal border**. Thus, the advantage is still with India and is likely to remain so in the foreseeable future.
- (7) Also, the Chinese seem reluctant as greater engagement with Nepal will mean more traffic, of both people and goods, with Tibet. China apparently doesn't want that since the border could then serve **as a new conduit for Free Tibet activists**, It feels Tatopani border outpost has been misused by Free Tibet activists.

No room for complacency

- However, India would be prudent not to ignore the long-term implications of the transit agreement. China is chipping away at India's influence in Nepal and Kathmandu is welcoming it.
- Roads and rails linking China with Tibet have expanded enormously over the last couple of decades and **Beijing is considering extending its Tibet railway up to the Nepal border**. And Nepal is eyeing multiple train routes to Chinese manufacturing hubs. This is bound to boost the volume of Nepal's trade with and via China.
- Like India, China too has its advantages. One is its **deep pockets** which India cannot match when it comes to investing in projects. The second is that unlike India, **China does not face hostile sentiment** among the Nepali masses. This severely undermines India's influence in Nepal. China's relations with Nepal, in contrast, are less troublesome.
- The prevalent anti-India sentiment has resulted in the people generally preferring China.
- Also the new agreement on **upgrading of the existing roads in Nepal leading up to the Chinese border and the new rail agreement** connecting Tibet with the main cities in Nepal. The Chinese seem to realise that sooner or later they will have to open up Tibet to the outside world; it's not a matter of if but when.

Steps which India should take

- Most Importantly, Delhi will need to **improve its diplomacy vis-à-vis Nepal**. India's big behaviour toward its smaller neighbours is costing it heavily.
- India must realize that its coercive diplomacy, intended or unintended, declared or undeclared, has its limits. It should not focus on micro-management in Nepal, rather facilitate healthy democratic conventions with its rich experience in democracy and managing diversity to strengthen nascent Nepalese democracy.

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- In fact one of the necessity is to strive hard **to remove its negative perceptions in minds of ordinary Nepalese** by showcasing its 'elderly brother's concern' which is sensitive and respectful to Nepal's sovereignty while helping in its developmental needs significantly.
- To counter China's inroads in Nepal, India will have **to act speedily to improve its poor over land infrastructure** in the Himalayas. It is several decades behind China in this regard.
- India must accept that the old Nehruvian idea of an exclusive 'sphere of influence' is outdated. It must realise that the only way India can improve its relations with its small neighbours is **through greater economic cooperation**.
- Also India should explore the possibility of trilateral cooperation between India, China and Nepal for mutual benefit. But for this to materialise, **the Indian establishment has to be more comfortable with the idea of Nepal's greater engagement with the rest of the world**.

PM Deuba's visit to India, August 23-27, 2017

- PM Sher Bahadur Deuba arrived on his first foreign trip to India on a five day trip after assuming power. The visit also took place at a time when both the countries are celebrating 70 years of establishment of their diplomatic ties.
- After wide ranging talks with Deuba, India stressed on closer cooperation between the security and defence forces of the two countries in order to avoid misuse of the open border between India and Nepal. It emphasized that defence ties and assistance in security is an important aspect of bilateral partnership. Nepal assured that it would not allow any activity against its friendly neighbour.
- Acknowledging that there were issues in the implementation of the Constitution, Deuba expressed confidence that a Constitution encompassing the views of the people from all sections and ethnicities would be a reality. India expressed confidence that Nepal would take into consideration aspirations of all its citizens in the implementation of the Constitution.
- **Both PMs reviewed the progress in the relationship and signed eight agreements**, including a post-earthquake construction package. In particular, **building basic infrastructure in Nepal and strengthening rail connectivity between the two countries emerged as a major cornerstone of Deuba's visit**. The two sides agreed to identify at the earliest, projects under the \$ 750 million Line of Credit for post-earthquake reconstruction. India allocated \$ 200 million for irrigation projects and \$ 330 million for development of roads from LoC of \$ 550 million.
- While the railway line from Jayanagar to Janakpur and from Jogbani to Biratnagar Custom Yard will be completed by 2018, the two sides also agreed on early completion of the Field Location Survey of the remaining three cross-border rail links: New Jalpaiguri to Kakarbhitta, Nautanwa to Bhairahawa, and Nepalgunj Road to Nepalgunj. This, in turn, would further enhance growth, development, trade and people-to-people interactions.
- The two countries also agreed to cooperate on 'standardisation and conformity assessment' of products sold in each other's territories, on the building of **a cross-border bridge over the Mechi River in eastern Nepal**.
- The two leaders jointly inaugurated the Kataiya- Kusaha and Raxaul-Parwanipur cross border power transmission lines. India also announced an additional 100 MW of power to Nepal, apart from the current 350 MW.
- The two sides also agreed on development of **the Ramayana and Buddhist tourism circuits** through better connectivity.
- Flood management and irrigation projects were a focal point in the talks between the two countries. India had announced Rs 25 crore of immediate flood relief assistance for Nepal.
- India stressed on greater coordination between the agencies of India and Nepal on flood management and said the two sides must work towards a long-term solution, taking into

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consideration each other's interests. While India expressed the hope that the Detailed Project Report for the **Pancheshwar project** on the Uttarakhand border of the Indian side would be finalised soon, PM Deuba stressed that it would help in flood control and crop irrigation.

- Nepal informed India that the land acquisition issues for **Arun III irrigation project** had been addressed and invited PM Modi for the ground-breaking ceremony.

Analysis of the visit

- The Modi government's renewed focus on enhancing economic and infrastructural ties with Nepal can be **attributed to China's huge investment in the infrastructure**, energy and other sectors of Nepal and the fraught relationship between India and China due to the Doklam crisis.
- Another reason for India to foster close engagement with Kathmandu is to ensure **political stability and promotion of democratic forces in Nepal** and also to make certain, according to some experts that **the current Nepali Congress and other like-minded parties come to power in the next general elections in November this year**.
- There are concerns in India that KP Oli's return to power could damage India's interests. This can be gauged from the fact that Oli had expressed his anger at the presence of Indian media, following the April 2015 earthquake. Subsequently, in September 2015, Nepal accused India of supporting the Madhesis protesting against the new Constitution. In March 2016, Oli secured major projects under the framework of the Belt and Road Initiative. Soon after the meeting between Sushma Swaraj and Deuba early this month, Chinese vice Premier Wang Yang held a meeting with Oli. **Delhi believes that a victory for Oli's party would mean the return of Beijing in Kathmandu politics and the installation of a potentially unfriendly regime**
- However Deuba's comment defending China in New Delhi was perhaps a clearest indication that India can no longer take even its supposedly closest friends in Kathmandu for granted. These days, it is not just UML and Oli that China is cultivating; it now has deep penetration in all major political parties in Nepal.
- To **ensure that the interests of the Madhesis**, who have close cultural and family ties with the people of Bihar and Uttar Pradesh, are reflected in Nepal's new Constitution is another compelling factor for the Modi government to sustain the dialogue with its neighbour.
- Later Nepalese Prime Minister Sher Bahadur Deuba described his recent state visit to India as successful and criticized the opposition for making unwarranted comments on his talks with the Indian leaders. He said Constitution promulgation and implementation is internal matter of Nepal and asserted that he had not mentioned anything about the domestic affairs of the country while in India.
- There has been strident criticism in Nepal of the 46-point statement, that followed the signing of the eight-point MoU during the visit, and **Deuba's commitment to amend the constitution to address the grievances of the Rastriya Prajatantra Party, a Madhes-based political group**. Critics are questioning Deuba's decision to commit in Delhi that he will re-introduce the defeated bill. In view of some experts in Nepal, Deuba also apparently failed to convince New Delhi that more than a dozen embankments India unilaterally built on its side of the border cause floods in the Madhes area every year and need immediate review and correction. All that Delhi said was there will be more consultation and cooperation.
- In their view, India badly needs to tell Nepali people that the post-earthquake blockade, which put them into hardship, was an aberration and unfortunate. On the whole, it can be said that PM Deuba's visit has **infused new trust and confidence** in the relationship and it should be hoped that shared historical, cultural, economic security and other linkages will help the two countries further boost their bilateral ties.

5. INDIA – PAKISTAN RELATIONS

Introduction

- Since the coming to power of the Modi government, India-Pakistan relations have been marked by the familiar trend of periodic short warmth followed by extended chill in bilateral ties in wake of a major terrorist attack in India fomented by Pakistan based terrorist groups.
- The on-and-off resumption of dialogue process has become more of a pattern between the strained India-Pakistan relations. Kashmir has been and shall remain a sensitive issue, crucial to the relationship that the two nations share. The development of bilateral ties over the past one year can be analysed under the following heads-

Recent political visits

- **The Ufa declaration** in July 2016, issued after meeting of both Prime Ministers on the sidelines of the SCO summit, laid out a roadmap but it was interpreted differently by the two countries. India insisted that talks would be sequenced and limited to discussing terror between the two NSAs, LoC between the two DGMOs and so on. The NSA-level talks in Delhi in August were thus shelved when Indians were not willing to allow the Pakistani NSA to meet Hurriyat leaders.
- India and Pakistan broke the logjam in their ties during External Affairs Minister Sushma Swaraj's visit to Islamabad for attending the '**Heart of Asia Conference**' in December 2015.
- **This was the first visit by an Indian foreign minister to Pakistan in three years.** In their joint statement, Ms. Swaraj and Pakistan's Foreign Affairs Advisor Sartaj Aziz condemned terrorism and resolved to cooperate to eliminate it. The joint statement also notes that Pakistan had given assurances on an early completion of the Mumbai trial.
- Both sides, accordingly, agreed to a '**Comprehensive**' **Bilateral Dialogue**, and directed the Foreign Secretaries of their respective countries to work out the modalities and schedule of the meetings. In fact, the Comprehensive Bilateral Dialogue, as it has been christened now, **includes all issues of the Composite Dialogue, plus counter-terrorism, humanitarian issues and religious tourism.**

PM Modi's visit to Pakistan, 25 December 2015

- PM Modi made a surprise visit to Lahore on his return journey from Moscow and Kabul. It was a historic visit, the last visit to Pakistan by an Indian prime minister was in 2004 by Atal Bihari Vajpayee. The Prime Ministers discussed bilateral relations, particularly on how to improve people-to-people ties and also the upcoming talks between the Foreign Secretaries.
- **The involvement of Pakistani NSA Gen. (retd.) Janjua showed** that unlike in the case of Atal Bihari Vajpayee's 1999 visit to Lahore which could not succeed owing to the non-involvement of the powerful military lobby of Pakistan, Mr. Modi and Mr. Sharif had taken Gen. Janjua **on board to send a positive signal to the Pakistan military establishment.**
- By making the journey from Kabul to Lahore, PM Modi tried to transform Afghanistan from a battlefield between India and Pakistan into a facilitator of good relations.
- This visit was an example of personalised diplomacy by Indian PM who has staked his reputation to improve ties with Pakistan keeping his 'neighbourhood first' policy in mind. Also it raised fresh hopes of a new beginning in the chequered relations between the two countries.

The Pathankot & Uri Terror attacks and aftermath

- Like Kargil, the hopes of a new era in bilateral relations were dashed with the terror attack on Pathankot Air force base by terrorists belonging to Jaish-e-Mohammad on 2nd January 2016. It came nearly a week after Modi-Sharif bonhomie and was a serious setback to the peace process.
- Pakistan used to be in a denial mode after terror attacks in India but **its attitude after Pathankot assault was different**. Pakistan's promptly acknowledged evidence India handed over on the attack and it decided to not attempt to deny the possibility that terrorists from its soil were behind the assault. Pakistan took action against JeM cadres by arresting them and constituting a Joint Investigation Team (JIT) to probe Pathankot attacks which was hosted by India. The JIT team found it hard to come to any conclusion, as according to them, India had rejected the request to access witnesses inside the military airbase
- Meanwhile India also **moved UN 1267 Sanctions Committee to put Maood Azhar on the UN list of proscribed terrorists**. But India's attempts were thwarted by China which put a technical hold on this designation.
- Bilateral relations were furthered marred by the **capture of an alleged Indian spy Kulbhushan Yadav** in the province of Balochistan and the debate on India's involvement in provoking trouble in the region.
- Even as the Kashmir valley continued to witness unrest since July 2016 due to deaths of security personnel as well as civilians, matters took an interesting turn when **Prime Minister Narendra Modi invoked Balochistan and Gilgit in Pakistan-occupied Kashmir (PoK)**.
- Terrorist attack at the army camp at Uri was perceived as **an attack on India's pride and self-respect**. The public opinion in the country was surcharged with a desire to take revenge and punish Pakistan through a suitable strong response.
- Since Uri attack, India has taken a number of steps to counter Pakistan's ambiguity over cross border terrorism like **decision to review MFN status to Pakistan, review of Indus Waters Treaty, diplomatic offensive against Pakistan at regional and international for a like G20, BRICS, SCO etc as well as carrying out surgical strike**.
- India has decided to **review the Most Favoured Nation (MFN) status** given to Pakistan in 1996 under the WTO's General Agreement on Tariffs and Trade (GATT). It said that this decision is based on security and trade interests, asserting that **terror cannot be the commodity exported**. However withdrawing the MFN status **would not hurt Pakistan much** as the volume of bilateral trade is insignificant.
- India adopted the strategy of **an all-out diplomatic blitz** to name, shame and **isolate Pakistan at various global platforms**. At the **G20 Summit in Hangzhou** in September 2016, India called for isolating **"one single nation in South Asia"** that is spreading agents of terror in the region, at the United Nations General Assembly by describing Pakistan as **the Ivy league of terrorism** while at the 8th BRICS Summit at Goa (2016) India called Pakistan as **"mother ship" of terrorism**.
- India boycotted 19th SAARC meet to be held at Islamabad and it was supported by other SAARC nations like Afghanistan, Bhutan and Bangladesh. Experts have interpreted the Indian decision to boycott SAARC meet **as part of India's mission to create a regional alternative in South Asia minus Pakistan**.
- In a sense we already have sub-regional cooperation which has been far more successful like BBIN which has Bangladesh, Bhutan, India and Nepal as its members.
- India successfully carried out **surgical strikes** targeting launch pads for terrorists across the Line of Control (LoC) on September 28, 2016. India's bold step dismantled the status quo that has existed since Pakistan started sponsoring cross-border terrorism. For the first time, India has eschewed

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strategic restraint and **moved across the Line of Control (a line it did not cross even during the Kargil conflict)** sending the message that any further misadventure from Pakistan will bear escalating costs. The surgical strike shows **Pakistan that it must now consider potential Indian responses in the future** and the nature of those responses may be unpredictable. It sets a precedent that could potentially have a growing deterrent effect on Pakistan and **this is perhaps the most enduring implication of the strike.**

- Since then India has consistently **maintained that terror and talks cannot happen together** and it has made cessation of cross border terror by Pakistan as a precondition for having meaningful talks. It has urged Pakistan to take concrete steps to crackdown on terror groups like the LeT and the JeM that are responsible for attacks inside India as well as take actions against people involved in the Mumbai attack, the Pathankot attack and other attacks. **It rejected China's offer of mediation by insisting that any talks can happen only within the bilateral framework.**
- India expects the international community to enforce international mechanisms and mandates concerning terrorism emanating from Pakistan, which continued to be the single biggest threat to peace in the region. Despite being inducted as permanent members of the SCO at its Astana meet, there wasn't any meeting between the two Prime Ministers.
- The matrix of India-Pakistan bilateral ties has become much more complex by their changing dynamics with global powers like China, USA and Russia along with regional partners like Afghanistan, Iran, Turkey et.
- This period has witnessed **repeated violations of ceasefire by cross-LOC shelling** by Pakistan which leads to loss of property as well as life of civilians in border areas and of soldiers. Indian troops have been giving a fitting response to this cross border shelling.

India's policy options on Pakistan's support to Cross Border Terrorism

- Pakistan has been adept at playing the dual role of promoting terror as well as combating it. **Its links with terrorism are both strategic and tactical.** Strategically, it will not abandon its deeply-rooted jihadi links that keep India under pressure. Tactically it can take steps to defuse pressure to end terrorism from its soil. Its **recent move to curb Jamaat-ud-Dawa chief Hafiz Saeed's activities by naming him under the Anti-Terrorism Act (ATA)** is one such ploy. Pakistan has constantly argued that there is no evidence to link Hafiz Saeed with terrorism. It has treated his designation by the UN as an international terrorist and the \$ 10 million US bounty on his head with contempt by giving him freedom to stage massive rallies calling for jihad against India and the West. He has been placed under house arrest at least four times, and as the government will not produce any evidence against him, he gets released by the courts. This pretence will, therefore, go on.
- India, in view of some experts, is in bind on how to deal with Pakistan terror problem. This is not because of any alleged shortfalls in its Pakistan policy. **Indian peace lobbies assert that there is no alternative to a dialogue and that we can choose our friends but not neighbours. But these are clichés** and not political strategies for achieving foreign policy goals.
- At various times India has been trying hard to justify reaching out to Pakistan in popular perception. Its mounting internal problems, including domestic terrorism, the difficult economic situation and the argument that India should not turn its back on liberal elements in Pakistan have led it to pragmatically explore the possibility of improving ties.
- **Pakistan, however, remains fixated on Kashmir.** It continues to nurture jihadi groups targeting India. It is expanding its nuclear capacity and frequently threatens to use nuclear weapons against India. It abuses the provisions of the Indus Waters Treaty (IWT) to stall permissible Indian projects. It will not normalise economic ties with India. It has remained fundamentally stubborn on all issues and uses the dialogue mechanism only to seek one-sided concessions, backed by the use of terror. **At the international level, the exposure of Pakistan's terrorist affiliations wins India**

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understanding of the terrorism challenge it faces today as well as counter-terrorism cooperation, but not on the merits of the Kashmir issue.

- The Indian government has to fashion its Pakistan policy based on these hard realities. **Broadening options in dealing with Pakistan is the new strategy.** India has taken strong steps in this direction. By mentioning Baluchistan in his 2016 Independence Day speech PM Modi put Pakistan on notice about its own internal vulnerabilities. **The public disclosure about surgical strikes across the LoC after the Uri attack has removed the constraint imposed on India's forces,** even during the Kargil war, not to cross the LoC. Now they can retaliate at a time and place of their choosing undeterred by Pakistan's nuclear threats.
- India has threatened to use the most powerful, asymmetric instrument in India's hands to pressure Pakistan on terrorism: the Indus Waters Treaty (IWT). The government has announced India's intention to exercise its full rights under the Treaty. The option to suspend the Treaty if Pakistan's terrorist misconduct persists remains an option. India dealt firmly with the World Bank and have rejected US and UK concerns on the functioning of the IWT.
- Even if India were successful in changing China's stand on proscribing Masood Azhar and India's membership of NSG, **it does not impair Pakistan's capacity to carry out its proxy war against India.** China's motives seem to be a mixture of its growing arrogance, its determination to use Pakistan to box India in, its way of signalling its primacy in Asia and to remind India on the limits of what the US can deliver to it in international forums without China's consent.
- It might be advisable, therefore, not to pander to China's growing sense of self-importance by lobbying with it directly on Masood Azhar and the NSG membership and, **instead use the space provided to more openly oppose the China-Pakistan Economic Corridor, assert the illegality of China's presence in Pakistan Occupied J&K and generally increase pressure on Pakistan on several fronts, besides working to isolate China on both these issues more starkly in the relevant forums.**
- The early signals sent by India on Baluchistan, surgical strikes and the IWT therefore need stronger relaying to change the calculus of all parties. **Equally importantly, our internal consensus on pursuing this course has to be strengthened.**

Balochistan Issue

- In a significant shift in policy on Pakistan, Prime Minister Narendra Modi made a **reference to the Baloch freedom struggle in his 2016 Independence Day speech,** saying the people in the conflicted Pakistani state of Balochistan, as also in Gilgit and Pakistan-occupied Kashmir, had reached out to him. The reference came a few days after the Prime Minister vowed to take up atrocities by the Pakistani government in these three areas on the international stage, when he spoke to an all-party delegation about the situation in Jammu and Kashmir. Since then PM Modi had received many messages on social media from Baloch groups and Kashmiris around the world and in Pakistan thanking him for his support.
- The Prime Minister's decision to raise Balochistan in his speech was **unprecedented** as India has rarely referred to the freedom movement in the state, and has consistently denied any assistance to Baloch nationalists group as alleged by Pakistan. While India claims Gilgit-Baltistan and PoK as its territory, the government has always steered clear of referring to Pakistan's internal troubles in Balochistan.
- Modi's focus on Balochistan is **a sea change from the Sharmel-Sheikh joint statement (2009)** where Pakistan forced through a reference to Balochistan which was vociferously opposed by Indian Parliament, forcing then PM Manmohan Singh to disown the statement. From there to openly acknowledging the struggle of the Baloch people, India is making a very different political statement.

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- While the External Affairs Ministry had **referred to Pakistani government bombing its people in Balochistan in December 2005**, and then criticised the killing of Baloch leader Nawab Akbar Shahbaz Khan Bugti in an airstrike in 2006, the Prime Minister's reference was **both rare and on a new level**. On that occasion, India had even asked its High Commissioner to visit Gilgit-Baltistan, but never followed it up at the time.
- India's ambassador and permanent representative to the United Nations (UN), **raised Balochistan issue for the first time at UN** on Sept. 14, 2016 when he accused Pakistan of systematically abusing and violating the human rights of its own citizens, including in Balochistan.
- Pakistan reacted strongly by saying India crossed the red line and was raking up Balochistan issue to cover up the gross violations of human rights in Kashmir. It only proves Pakistan's contention that India through intelligence agency RAW has been fomenting terrorism in Balochistan.
- PM's statement was welcomed by Baloch Separatist leaders and some expatriate Baloch freedom fighters. Brahumsdagh Bugti, founder-leader of Baloch Republican party said that he expected India to play the same role in Baluchistan as it did in erstwhile East Pakistan.
- Balochistan, Pakistan's largest province comprises almost 43 per cent of the total area of Pakistan and is strategically the most important region of the country. It is bestowed with valuable minerals, including vast reserves of copper, gold and natural gas deposits, but its people are least developed as compared to other provinces. Balochis have accused Islamabad of deliberately keeping the region underdeveloped and denying it a fair share of the revenues of natural gas. They also accuse Pakistani establishment of trying to change demography of Baluchistan and of gross human rights violation by its security forces.
- Since British India's partition in 1947, there have been five uprisings in Balochistan against the state of Pakistan which has brutally suppressed the political aspirations of the Balochis. The disappearance of a large number of political activists followed by their brutal killing has further exacerbated the situation.
- There are several separatist groups active in this region and the Baloch Liberation Army (BLA) being the strongest among them. The current round of uprising started with the killing of popular Baloch leader Nawab Bugti by the Musharraf regime in 2006.
- **This province is an integral component of the proposed \$46 billion CPEC and Gwadar port as the terminal point. It is also core of Pakistan-Iran Gas pipeline.**

Analysis

- Some Experts contend that PM's latest statement will **escalate the verbal conflict** between the two countries. Both governments are addressing domestic constituencies and not giving up much space for diplomacy, which is much needed. **It would give Pakistan an opportunity to internationalise the Kashmir issue.**
- By invoking Balochistan, experts believed India **was reminding Pakistan of its own internal troubles**. Others consider **it a long overdue and more realistic approach to Pakistan**. Through frequent mentions of human rights violations in Balochistan, India will now look to isolate Pakistan globally.
- **There is the China factor, too.** The Balochi activists hailing Modi's statement were marking their opposition to the China-Pakistan Economic Corridor (CPEC) which passes through Baluchistan and which has been consistently opposed by India. **At a strategic level, India also recognises that by internationalising the Balochistan issue it is increasing the costs for the China-Pakistan Economic Corridor.**
- **However**, in view of some experts, there **is a limit to India's option vis-à-vis Baluchistan**. For all of Pakistan's brutality there, the US has made it clear that it doesn't support Balochistan's

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independence. More importantly, even Iran, which shares the border with Balochistan, isn't likely back the idea, because that would mean unrest within Iran which has a sizeable ethnic Baloch population. Under the plea of human rights, India is unlikely to practice assertive diplomacy in favour of the Balochi freedom fighters.

- Raising PoK/Gilgit is eminently justified as both are subjects of UN Security Council resolutions, bilateral agreements and an Indian parliamentary resolution. It is also an area seeing enhanced Chinese presence and is the route for the China Pakistan Economic Corridor (CPEC), thus assuming great strategic significance. **With China refusing to halt its activities in the region, it is a signal to both Pakistan and China that their actions will not go uncontested and India must have a voice in CPEC, linking it to the settlement of the Kashmir issue.**

ICJ Verdict In Kulbhushan Jadhav Case

- Kulbhushan Jadhav, an Indian national, was arrested by Pakistan counter-terrorism officials for allegedly working as a spy for the Research and Analysis Wing (R&AW) and on the charges of terrorism and sabotage by Pakistan on Iran border on March 3, 2016.
- On April 10, 2017 Jadhav was awarded capital sentence by a Pakistan military court for alleged espionage. **The issue has snowballed into a flash point for India-Pakistan relations.**
- Categorically dismissing the charge that Jadhav was a spy, India maintained that he was kidnapped by Pakistani authorities from Iran where he had legitimate business interest.
- India had challenged the verdict in the **International Court of Justice (ICJ)**, the top UN court, accusing Pakistan of **violating Vienna Convention on Consular Relations 1963** by failing to provide Jadhav with consular access despite repeated Indian requests. This it said was in breach of international human rights laws. Besides, Jadhav was convicted in a sham trial without giving him opportunity to defend himself properly. India sought the suspension of the death sentence awarded to Kulbhushan Jadhav by the Courts in Pakistan.
- On the other hand, Pakistan questioned the jurisdiction of ICJ in this case and stressed that it turned down all Indian requests seeking consular access to Jadhav because as a 'spy', he did not qualify for consular support under Vienna Convention. Pakistan also argued that **a 2008 consular agreement between India and Pakistan** superseded the Vienna Convention, as all cases of security or political prisoners would be decided on "its merit". Since Jadhav was a spy, the merit of the case in this case implies that it would not give Indian embassy officials consular access to Kulbhushan Jadhav.
- On May 18, the ICJ rejected Pakistan's arguments and in its interim order stayed Jadhav's death sentence until the ICJ's final judgment in the case. The Court upheld India's stand about non- grant of consular access to Kulbhushan Jadhav was a violation of the Vienna Convention. ICJ also observed that the Pakistan should inform the court about the steps taken to implement the order and that these provisional measures are binding and create international legal obligations for the country to which they are addressed.
- The ICJ had fixed time limits for the filing of the initial pleadings in the case. The court had fixed June 13 and September 13 for India to file its documents, while Pakistan was allotted December 13 to file counter-documents in the contentious Jadhav case.
- Even after the ICJ order, Pakistan has turned down all Indian requests seeking consular access to Jadhav and is also sitting on a request for a visa to Jadhav's mother for travelling to Pakistan to meet her son.
- His mercy appeal is pending before the Pakistan's Chief of army staff, after his earlier plea was rejected by the military's appellate court. If the army chief declines his appeal, Jadhav would still be eligible under Pakistani law to make a request to Pakistan President.

Analysis

Implications for India

- **This verdict poses a serious challenge for the already strained India-Pakistan relations.**
- India's gambit of approaching the International Court of Justice (ICJ) in the Kulbhushan Jadhav case paid off and its order was **a big diplomatic victory to India**. However India's success over ICJ jurisdiction and urgency of matter is only a preliminary step and all issues are open for adjudication at the final stage.
- The order is **historic**. This is because the last time in 1999, when the two countries went to the world court over shooting of a Pakistani military plane by India – the ICJ said that it had no authority to decide the case. But 18 years on, the ICJ in changed circumstances has come to a different conclusion.
- For India, this interim verdict is a victory. India has **not only saved its citizen from the gallows but also its image of not being the meddlesome actor in Balochistan in Pakistan**. Mr Jadhav was allegedly arrested from Balochistan.
- There's **a flip side** to the story too. The approach to the International Court of Justice (ICJ) on Kulbhushan Jadhav **goes against conventional thinking in India to date of keeping disputes with Pakistan out of international fora**. This was the lesson learnt from the fate of the application to the United Nations Security Council (UNSC) in January 1948 on the Pakistani invasion of J&K.
- Since then, the government of India's approach has been to try and limit exposure of bilateral issues to outside influences, legal or otherwise. The Simla Agreement further reinforced this point of view. India's only reference to the ICJ was a defensive one and to prevent Pakistan from raising the overflights issue in 1971 in another multilateral body- the International Civil Aviation Organization.
- In view of some analysts, it appears Pakistan's minimal objection towards ICJ's jurisdiction is because India has given it **a chance to open up several other issues in front of the international court**. Thus by going to the ICJ India may have opened up a Pandora's Box and given Pakistan an opportunity **internationalize Kashmir dispute** by approaching ICJ for deciding Kashmir dispute as well. India can no longer object to ICJ's jurisdiction in this case.
- However this point is contested by other experts who contend that **India's acceptance in 1974 of the ICJ's jurisdiction was made subject to a number of exceptions**. These have precluded Pakistan from bringing in issues pertaining to J&K or others before the ICJ. The expectation now therefore is that the focus will remain on the consular case alone and no precedent will be set outside the consular domain.
- The ruling may have come in India's favour but there's a gap that this order does not address. **On the core issue of granting consular access to Jadhav, the court was silent** thereby allowing Pakistan to save face at the ICJ's interim verdict. In the days to come the only comfort for him will be that he will not be hanged soon.
- By refusing to acknowledge **the 2008 bilateral agreement on consular access**, India could have well just terminated that agreement. The agreement is critical for the fate of many Indian fishermen who end up straying into Pakistani waters year after year as it called for the exchange of prisoner lists and consular access.
- After this ruling, nothing stops Pakistan in future from approaching the world court for consular access for Pakistan terrorists arrested by the Indian security forces. And if read with the world court's dismissal of Pakistan's argument that Vienna Convention on Consular Relations doesn't apply to people suspected of terrorism, there are implications for India.

Implications for Pakistan

- For Pakistan, this move represents a challenge. First, this is a change from India's reluctance in approaching multilateral legal fora on bilateral disputes. Second, it will be on the defensive since a retrograde military court martial has been used to summarily award a death penalty to a foreign national. Most of all it will be in a dilemma on whether to contest the Indian move on grounds of jurisdiction or similar procedural basis. To do so will mean diluting its longstanding position that third party or international mediation can help in settling disputes with India.
- Then, Pakistan will consider whether it should present the evidence it claims it has for scrutiny before a more impartial process than a summary court martial. This too is risky given the lengths it has gone to convince its public that an Indian hand explains all its travails in Baluchistan.
- **The present case has wider implications.** The mainstreaming of military courts in Pakistan is a symptom of the civil military imbalance which periodically erupts in Pakistan. That the ICJ hearings will coincide with this ongoing tussle in Islamabad adds more dramatic force to the proceedings. This verdict could trigger fresh round of bickering between the Nawaz Sharif government and the military. While the military establishment wants to send Jadhav to the gallows, the civilian government is under an international obligation to protect him till the case is finally decided
- Secondly, **Pakistan's efforts to bolster its international image as a crucible for terrorism have involved blaming India for the backlash it has inevitably suffered.** This too will now come under scrutiny. Most significantly, however, the case represents an India Pakistan contestation on an international platform where India has taken the initiative to go to save the life of one of its citizens. In itself the step opens up many possibilities from different points of view in the otherwise repetitive terrain of India Pakistan relations.
- The **lack of investigative support from Iran** on the Kulbhushan Jadhav case has raised questions about the overall state Tehran-New Delhi security cooperation, say experts. Iran has nothing to gain in getting involved in the case of Kulbhushan Jadhav and perhaps that is why it did not respond to Indian request for information on how he was nabbed by Pakistan. In their view, Iran is uncomfortable with India's growing proximity to Saudi Arabia and the UAE and its non-cooperation on the case of Mr. Jadhav is indicative of a larger bilateral problem.

Review of Indus Water Treaty (1960) by India

- Declaring that "**blood and water cannot flow together**," Prime Minister Narendra Modi had held a meeting in September 2016 to review the treaty in the backdrop of the terror strikes, including the Uri attack.
- After that meeting, officials had announced that the government has decided to suspend further talks and increase the utilization of rivers flowing through J&K **to fully exercise India's rights under the pact.**

Provisions of IWT

- The Indus Waters Treaty is a water-sharing arrangement signed by former Indian Prime Minister Jawaharlal Nehru and General Ayub Khan on September 19, 1960, in Karachi. The treaty gave the three "**eastern rivers**" of Beas, Ravi and Sutlej to India for use of water without restriction. The three "**western rivers**" of Indus, Chenab and Jhelum were allocated exclusively to Pakistan. New Delhi is under obligation to let the waters of the western rivers flow, except for certain consumptive use, with **Pakistan getting 80% of the entire water of the six-river Indus system. The Indus Waters Treaty (IWT) reserved for India just remaining 19.48% of the total waters.**
- India can construct storage facilities on western rivers of up to 3.6 million acre feet, which it has not done so far. India is also allowed agriculture use of 7 lakh acres above the irrigated cropped area as on April 1, 1960. It allowed India to use them for irrigation, transport and power generation, while laying down precise do's and don'ts for India on building projects along the way.

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- The IWT permits run of the river projects and require India to provide Pakistan with prior notification, including design information, of any new project.
- Under the treaty, in case the parties fail to resolve water disputes through bilateral means, the aggrieved party has the option **to invoke the jurisdiction of the ICA or the neutral expert under the auspices of the World Bank.**
- **IWT is considered as the world's most generous water-sharing treaty.** It is the only inter-country water agreement embodying **the doctrine of restricted sovereignty**, which compels the upstream nation to forego major uses of a river system for the benefit of the downstream state.
- The IWT has been **a symbol of India-Pakistan cooperation** and has survived the three wars of 1965, 1971 and 1999 as well as various tense stand offs between the two countries. Regular Exchange of river flow data has kept away Pakistani fears and insecurities.
- There have been consistent calls in India that the government scrap the water distribution pact to mount pressure on Pakistan in the aftermath of audacious Uri terror attack.

Arguments for scrapping IWT

- The Indus Waters treaty has been an issue since its inception. **Jammu and Kashmir believes that it is at a loss** and the concessions given to Pakistan are more than it should have been given. By gifting the state's river waters to Pakistan, the treaty has hampered development there and fostered popular grievance.
- Although the IWT permits modestly sized, run-of-river hydropower plants and prior notification does not mean the other party's prior consent, Pakistan has **construed the condition as arming it with a veto power over Indian works.** To keep unrest in J&K simmering, it has objected to virtually every Indian project. Its obstruction has delayed Indian projects for years, driving up their costs substantially.
- Pakistan has for over a decade now been pursuing a "water war" strategy against India. This strategy centres on repeatedly invoking the IWT's conflict-resolution provisions to **internationalise** any perceived disagreement so as to mount pressure on India.
- In its latest move to corner India, Pakistan has initiated steps to haul it before a **seven-member international arbitral tribunal in The Hague** for pursuing two hydropower projects in J&K, **Kishanganga on Jhelum and Ratle Hydroelectric projects on Chenab**. Twice before in the past decade, Pakistan triggered international intercession by similarly invoking the treaty's conflict-resolution provisions.
- Similarly, Pakistan has been flagging concern over designs of India's three other hydroelectricity projects -- Pakal Dul (1000 MW), Miyar (120 MW) and Lower Kalnai (48 MW) -- being built/planned in the Indus river basin, contending these violate the treaty.
- The treaty has been a success **mainly because of India**, which has continued to uphold the pact even when Pakistan has repeatedly waged aggression and fundamentally altered the circumstances of cooperation. **International law recognises that a party may withdraw from a treaty in the event of fundamentally changed circumstances.**
- So India can **dissolve the lopsided but indefinite treaty.** The Anti-Ballistic Missile Treaty was also of indefinite duration but the US unilaterally withdrew from it after Russia opposed its revision.
- **The water card is probably the most potent instrument India has in its arsenal - more powerful than the nuclear option, which essentially is for deterrence.** The Indus is Pakistan's jugular vein. If India wishes to improve Pakistan's behaviour and dissuade it from exporting more terrorists, it should hold out a credible threat of dissolving the IWT.

Argument against

- By imperilling one of the few treaties that has successfully governed how water is shared between any nations, India may have **opened the floodgates to a new and potent source of conflict** between India and its arch rival and in so doing, have set a bad example for the rest of the world. It could only **end up worsening future distributional conflicts** over water in the sub-region.
- Any Indian attempt to put a squeeze over water flowing to Pakistan suffers from **two infirmities**. First, there is no way to control the fast flowing waters of the Indus, at least in India unless India builds dams and forces its citizens J&K to undergo the trauma of massive displacement. Second, Pakistan is bound to approach an international tribunal to contest India's construction parameters. **The possibility of litigation slowing down the pace of work** coupled with the extremely difficult terrain will mean it will take an **enormous amount of the nation's resources to build a single dam**.
- Pakistan's agricultural economy is effectively a bet on the Indus waters. In a scenario where the sixth most populous country, with nuclear weapons and one of the largest standing armies in the world is torn apart by lack of water, could have dangerous ramifications on all of South Asia
- Unilateral abrogation of the treaty will **severely undermine Delhi's hard-won reputation as a responsible rising power**. It would come back to bite India as it seeks membership in the Nuclear Suppliers Group and a greater voice on the international stage.
- Its actions as an upper riparian country run the risk of **seriously undermining its position as a lower riparian state vis-à-vis China**. On the Brahmaputra, India has stakes in institutionalising norms of first-user rights, joint management and consultative processes. If it chooses to renege on its own international obligations, India's chances of getting China to invest in process-oriented, institutionalised norms in a trans-boundary basin will become less realistic.
- A planned move to abrogate international obligations will **send negative signals to Dhaka, Kathmandu and Thimphu**. It is likely to lessen confidence in India's credentials as a leader with an inclination to design regional norms of benefit-sharing. **It would further reinforce the perception that India has a strong unilateralist streak**.

Way out

- Some scholars have asserted that even within the provisions of IWT, India has enough leeway to utilise the waters of Western rivers in a manner to convey a strong signal to Pakistan without violating treaty provisions. The plan is for India **to exercise its legal rights under the treaty to the maximum capacity**. Under IWT India is allowed to irrigate 1.332 million acres for irrigation; it irrigates around 800,000. So now a plan will be made to irrigate the rest. It also has plans ready with a virtual procession of dams planned on the Jhelum and the Chenab with names like Sawalkot, Dul Hasti, Pakuldul, Gyspa and Bursar.
- The populations of both Pakistan and India are no longer same, and populations will only increase more by the middle of 21st century, making review of the treaty vital. The IWT also didn't take into account the impact of climate change. Its amendment also becomes important as people in disputed Kashmir are seeking a greater say in the affairs involving their natural resources.
- Pakistan and India must consult each other on all major projects on the Indus river system that might have cause a hostile environmental impact across borders. Both nations must improve domestic water management and encourage less water intensive crops. Improved infrastructure could help plug power distribution losses while both countries need to increase rain water harvesting projects wherever possible as well.
- Pakistan and India could jointly build dams and share benefits. This could lower their tensions over water sharing. They can also reduce their reliance on hydro-electricity by adopting solar energy instead.

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- They also contend that as in the case of Baglihar and Tulbul (navigation project), both sides have shown the willingness to listen to a referee. **It would be best to allow impulsive tempers to subside than open up a time-tested settlement on an emotive issue like water.**
- **As a change in India's stand, it participated in meeting of Permanent Indus Commission (PIC) under the aegis of Indus Water Treaty held in March 2017 in Pakistan.** The World Bank has assured its continued neutrality and impartiality in helping India and Pakistan find an amicable way forward during talks over issues related to two of India's hydroelectricity projects under Indus Waters Treaty.

Conclusion

- Both nations need to understand that by robust bilateral cooperation, both nations stand a chance of gaining a great deal by engaging in the field of trade, investment etc. As a prerequisite Pakistan must stop its policy of state-sponsored cross border terrorism and act against anti-India elements with an iron hand. This alone has the potential of restoring trust between them and provide conducive environment for resuming stalled peace talks.
- It is important to note that Pakistan's Army is driven by strategic choices and politico-economic rationale which the decision-makers in New Delhi need to analyse and understand, and then reach out to the generals in Rawalpindi accordingly.
- Regional cooperation is essential to assist Afghanistan in tackling terrorism and initiate peace talks with the Taliban, as it shall be in the larger interest of ensuring peace and prosperity in the South Asian region.
- However, the political differences create a major hurdle particularly on the economic front. There is need to strengthen the visa system in order to implement more people to people contact by having cultural, educational and economic exchanges.
- The **trust deficit** between both nations needs to be worked on not only by engaging in positive problem-solving discussions but also taking effective action towards it. Hence, there is no short term solution to the strained relations between the two countries and a large number of issues exist that can be tackled through a step-by-step approach by constant initiatives from both sides.

6. INDIA – SRI LANKA RELATIONS

Background

- The relationship between India and Sri Lanka is more than 2,500 years old. Both countries have a legacy of intellectual, cultural, religious and linguistic interaction.
- Bilateral exchanges at various levels over the past year and significant progress in implementation of developmental assistance projects for the Internally Displaced Persons (IDPs) and disadvantaged sections of the population in Sri Lanka has helped further cement the bonds of friendship between the two countries.
- Both countries share a broad understanding on major issues of international interest and regional importance.

Political Relations:

- Political relations have been marked by high-level exchanges of visits at regular intervals. In May 2017, Indian PM had visited Sri-Lanka. Before that, the Sri Lankan PM and President have visited India several times.
- India and Sri Lanka are working together on many regional and multilateral forums such as SAARC, BIMSTEC etc.

Trade and Investment

- Sri Lanka is India's second largest trading partner in SAARC. India in turn is Sri Lanka's largest trade partner globally. Trade between the two countries grew particularly rapidly after the entry into force of the *India-Sri Lanka Free Trade Agreement* in 2000.
- The two countries are negotiating Economic and Technical Cooperation Agreement (ETCA), which would further deepen their economic partnership. Bilateral trade in 2014 amounted to US \$ 4.6 billion. Exports from India to Sri Lanka in 2014 were US\$ 3977 million, while exports from Sri Lanka to India were US \$ 625 million. Sri Lanka has long been a priority destination for direct investment from India. India is among the top four investors in Sri Lanka with cumulative investments of over US\$ 1 billion since 2003.
- The investments are in diverse areas including petroleum retail, IT, financial services, real estate, telecommunication, hospitality & tourism, banking and food processing (tea & fruit juices), metal industries, cement, glass manufacturing, and infrastructure development (railway, power, water supply).
- The notable Indian investments committed in the past few years are: ITC Ltd., hotel project, Shree Renuka Sugar to set up a sugar refining plant at Hambantota, Dabur to set a fruit juice manufacturing plant, South City, Kolkata for real estate development in Colombo, Tata Housing project for real estate development and NTPC-CEB Joint Venture Coal Power project.
- The last few years have also witnessed an increasing trend of Sri Lankan investments into India. Significant examples include Ceylon Biscuits (Munchee brand), Carsons Cumberbatch (Carlsberg), Brandix (about US\$ 1 billion to set up a garment city in Vishakhapatnam), MAS holdings, John Keels, Hayleys, and Aitken Spence (Hotels), apart from other investments in the freight servicing and logistics sector.

Developmental Cooperation

- The Government of India initiated a robust programme of assistance to help the Internally Displaced Peoples at the time of humanitarian crisis. India also assisted in revival of agricultural and economic activities in areas affected by the conflict.

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- Various developmental cooperation projects included:
 - Construction of houses for Internally Displaced Persons (IDPs),
 - Repair and upgradation of the tsunami-damaged Colombo-Matara rail link,
 - Establishment of Vocational Training Centre's, construction of a Cultural Centre at Jaffna,
 - Setting up a 500 MW coal power plant at Sampur,
 - restoration of Thiruketheeswaram Temple,
 - Establishing an Agricultural Research Institute in the Northern Province, and
 - Expanding the scholarship program for Sri Lankan students to pursue their higher studies in India.
- India also continues to assist a large number of smaller development projects in areas like education, health, transport connectivity, small and medium enterprise development and training in many parts of the country through its grant funding.

Defence and Security

- India and Sri Lanka also enjoy a growing defence relationship built on extensive training and Service-to-Service linkages. The commonality of concerns of both countries, including with respect to the safety and security of their sea lanes of communication, informs their bilateral exchanges in this field.
- They had agreed to institute an annual defence dialogue between the two governments. Both have signed **Treaty on Mutual Legal Assistance on Criminal Matters** and **Agreement on Transfer of Sentenced Prisoners**. The two sides also signed an **Agreement on Combating International Terrorism and Illicit Drug Trafficking** and a Revised Double Taxation Avoidance Agreement.

Cultural Relations

- The Cultural Cooperation Agreement signed by the Government of India and the Government of Sri Lanka on 29 November, 1977 at New Delhi forms the basis on which the periodic Cultural Exchange Programmes between the two countries are signed and implemented.
- The Indian Cultural Centre in Colombo actively promotes awareness of Indian culture by offering classes in Indian music, dance, Hindi and Yoga. Every year, cultural troupes from both countries exchange visits.
- In 2012, India and Sri Lanka also commemorated the 2600th year of the attainment of enlightenment by Lord Buddha (SambuddhatvaJayanthi) through joint activities.
- Education is another important area of cooperation between India and Sri Lanka. India now offers about 290 scholarship slots annually to deserving Sri Lankan students which benefits not only regular undergraduate studies but also provides opportunities for higher research.
- In addition, under the Indian Technical and Economic Cooperation Scheme and the Colombo Plan, India offers nearly 200 slots annually to Sri Lankan nationals for short and medium term training courses in a wide variety of technical and professional disciplines.
- Tourism also forms an important link between India and Sri Lanka. In 2013, out of the total 1274,593 tourists, 208,795 were from India constituting 16.38% of the total. Sri Lankan tourists too are among the top ten sources for the Indian tourism market.

Issues between India and Sri Lanka

The Kachchatheevu Issue:

- a) Kachchatheevu, a 'barren island' lies about 15 km from Rameswaram and 20 km north of Neduntivu off the Jaffna peninsula and is just 1.5 km from the International Boundary Line in Sri Lankan waters after the 1974 agreement.

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- b) Sri Lanka (then Ceylon) claimed that Kachchatheevu belonged to it because the Portuguese and later the British rulers of Sri Lanka exercised jurisdiction over it from Colombo. India argued that the island formed part of the land of the Raja of Ramanathapuram.
- c) In 1974 an agreement was signed between India and Sri Lanka. The 1974 Agreement while ceding Kachchatheevu to Sri Lanka, also protects traditional fishing rights enjoyed by Indian fishermen to fish in and around Kachchatheevu.
- d) Unfortunately these traditional rights were also given away when the maritime boundary agreement delimiting the Gulf of Mannar and the Bay of Bengal was signed in 1976.
- e) The fishermen in Tamil Nadu feel, with justification, that the two agreements have struck a death blow to their livelihood. The Island's importance stems from the fact that the sea around it is rich in white and brown prawns and other varieties of fish.
- f) On 2009, Tamil Nadu Government declared that the area is controlled by the Sri Lanka against the original pact of allowing Indian fishermen to access the water of Sri Lanka. This resulted in escalation of tensions.
- g) The problem continued to grow and prop in at times whenever fishermen move in to the Sri Lankan sea area. In 2010 the Sri Lankan government issued a notice to the Tamil Nadu government saying the Indian court cannot nullify the 1974 agreement.
- h) However in June 2011, the new Tamil Nadu government led by Jayalalithaa filed a petition in Supreme Court seeking the declaration of the 1974 and 1976 agreements as unconstitutional on the ground that cession of Indian territory to another country should be ratified by parliament through amendment of the constitution. There was another petition filed by DMK later, on the same issue. The petitions are pending in the Supreme Court of India.
- i) It is not disputed that India must be bound by its international commitments but the violations of international maritime and humanitarian laws by Sri Lanka and its navy has escalated the issue. If not legal, a diplomatic solution to the dispute can bring an end to this contentious issue which has been an unwanted thorn in the ties of both the nation.

The 'Tamil' Issue

The 'Tamil Issue' in Sri Lanka has formed the bedrock of India-Sri Lanka relations, since its independence in 1948. The nearly three-decade long armed conflict between Sri Lankan forces and the LTTE came to an end in May 2009. During the course of the conflict, India has supported the Government of Sri Lanka to act against terrorist forces. At the same time, it has conveyed its deep concern at the plight of the mostly Tamil civilian population. The need for national reconciliation through a political settlement of the ethnic issue has been reiterated by India at the highest levels.

Fishermen issue

Background:

- Both Indian and Sri Lankan fishermen have been fishing in the Palk Bay for centuries. Problem emerged only after the maritime agreement was signed by India and Sri Lanka in 1974.
- In fact, initially the 1974 agreement did not affect fishing on either side of the maritime border.
- In 1976, through exchange of letters, both India and Sri Lanka agreed not to engage in fishing activities into each other's waters.
- However, fishermen of both the countries continued fishing in the Palk Bay peacefully until 1983, when the Eelam war broke out and fishing in the area was banned. The Indian fishermen given their dependence on the Palk Bay for livelihood would still enter into these waters, often at the cost of heavy price and valuable lives.
- The problems of Indian and Sri Lankan fishermen in the Palk Bay appear everlasting. The attributable causes are the instances of Indian fishermen being prevented from fishing, facing

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harassment and arrest by the Sri Lankan Navy (SLN), and also the nearly 200 deaths resulting from SLA operations involving interdictions and firings on suspicion of the Indian trawlers aiding LTTE and gun running while fishing in the area, as reported over the past decade.

Why Indian Fishermen Enter Sri Lankan Water for Fishing?

- There is **absence of value fish** in Indian waters, whereas the Sri Lankan side of the Palk Bay is rich in marine resources.
- Though there are plenty of resources available on the offshore areas of the Indian waters, but due to **lack of deep sea fishing capability** Indian fishermen prefer to fish in the Palk Bay.
- Sri Lankan Tamil fishermen from the country's northern province could not freely fish during the last three years of the Fourth Eelam War (2006-09) because the Sri Lankan Navy had imposed security restrictions, particularly on night fishing. It was during this period that the area of activities of the Indian fishermen is alleged to have increased.
- The fishing boats do not have technologies such as GPS which can tell the exact location of the boat. As a result, many Indian fishermen cross the international boundary unknowingly.

Why Sri Lanka is irritated?

- There are, at present, nearly 1,900 Indian trawlers fishing in the Palk Bay within the Indian maritime zone (some venture beyond into the Sri Lankan zone). This is against less than half the number of Sri Lankan fishing boats normally operating in the area, and generally confined to the Sri Lankan side.
- The Indians mostly fish at night for shrimp, with the trawlers originating from coastal Tamilnadu. Moreover, their use of gill nets and synthetic nets has caused severe damage to the ordinary nets of Sri Lankan fishermen. Besides Indian fishermen use trawlers which are considered harmful for marine ecology and are also banned in Sri Lanka.
- The capacity of Indian trawlers, use of synthetic nets and the extended area of their operations seem to have adversely affected the livelihood of nearly 30,000 fishermen families of Sri Lanka's northern province.
- While approximately 50,000 fishermen households primarily depend on the existing pattern of fishing for their daily earnings the dependence of Sri Lankan fishermen on fishing in their maritime zone area is significantly more acute because, the present overall economic conditions in that country's northern province, is still quite adverse. The Sri Lankan fishermen refused to have any kind of understanding with the Indian fishermen until and unless bottom trawling is completely stopped.
- Sri Lanka's Ministry of Fisheries and Aquatic Resources Development is of the same view and has asked the Sri Lankan Navy to be strict with the Indian fishermen crossing the maritime boundary line. Even if detained Indian fishermen are released as a goodwill gesture, the trawlers confiscated from them will not be released.

Steps taken so far:

- The Tamil Nadu Government has reportedly sanctioned Rs. 52 crore for improving deep sea fishing capability and has sought additional deep sea fishing package from the Central Government. India has asked Sri Lanka to deal with the issue in a humane manner as livelihood of a large number of fishermen is involved.
- India has also requested Sri Lanka to refrain from firing at the Indian fishing vessels or killing the fishermen. The issue has been discussed by the leaders of the two countries at every high level meeting. Two rounds of talks were also facilitated between the fishing communities of the two countries. As the Sri Lankan fishermen refused to have any further dialogue until bottom trawling is

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stopped by the Indian fishermen, both the countries have decided to find the solution at the official level.

Way Forward:

- It is alleged that there is a strong nexus between the trawler owners and the politicians who do not want to stop the business of trawling. This nexus must be broken by displaying a strong political will from Indian side.
- New Delhi should work out an arrangement with the Sri Lankan government wherein the rights of both the countries' fishermen are protected within the respective territorial jurisdiction. If this is not done, the welfare of the Sri Lankan Tamils, which different governments of India have endeavoured to promote as part of a decided long-term policy, will be compromised.
- As a concomitant measure, the incumbent Tamil Nadu government has to be taken into confidence and induced, albeit with a modicum of pressure, to reign in its fishermen from encroaching into the Sri Lankan zone.
- We must note the fact that Tamil Nadu's fishermen are not allowed to freely operate in the coastal waters of adjoining (newly created) Andhra Pradesh state either. It is the same situation vis-à-vis Andhra fishermen's conventional jurisdiction off the Orissa coast. Indian fisher folk normally observe such territorial limitations and there is no reason why they should not do so apropos northern Sri Lanka.
- The Centre and the state government in particular should initiate comprehensive and effective measures towards providing alternative means of livelihood for fishermen. Unless their dependence on fishing in the Palk Bay decreases, it will be difficult to curb the natural tendency of Indian fishermen to intrude into Sri Lankan territorial waters.
- The governments in New Delhi and Colombo should also agree to a protocol to be observed by their patrolling naval forces, to the effect that, immediately after fishermen trespassers are apprehended, they are handed over to the governmental authorities of the country the fishermen concerned belong to or originate from.
- The Government of India may also exercise caution in dealing with the fishermen issue owing to the interest shown by China, of late, towards assisting Sri Lanka in strengthening its fisheries and aquatic infrastructure.
- China has already decided to support a Fisheries & Aquatic Research and Development Centre in Sri Lanka's southern province at Matara – Mirissa. While on the face of it, this developmental cooperation is welcome, the fallout should not lead to Sri Lankan over-dependence on China in the fisheries domain, particularly in areas of the Palk Bay and the sea periphery of Sri Lanka.

Conclusion:

A resolution of the fishermen's problems, their periodic arrests, impounding of their vessels –on both the Indian and Sri Lankan sides – may not be possible only through coercive measures and maritime deployments of the Indian Coast Guard and Navy and Sri Lankan Navy. The underlying causes of fishermen trespassing the sea boundary have to be attended to.

China's influence in the island nation

- The increasing dependence on China for investment and military aid curtailed Sri Lanka's ability to limit Beijing's influence in its economic and maritime policy. China has been keen to push its economic and infrastructure proposals to the Indian Ocean states.

Chinese presence in Sri Lanka:

- In comparison to India, bilateral trade between China and Sri Lanka stood at US\$4 billion in the same time frame, but with a higher rate of growth. A Sri Lanka–China FTA is also on the anvil.

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- While India is one of the top four investors in Sri Lanka, with cumulative investments of over US\$1 billion since 2003, China is the largest investor by far with nearly US\$15 billion in funding and investment in 2016 alone.
- Most of the government and private investment by China is in major infrastructure projects — especially ports and airports. China's interest in Sri Lanka is largely attributable to its strategic location on the route of China's Belt and Road Initiative.

Why India is worried?

- China's 'string of pearls' strategy is an attempt to expand its influence in South Asia, which is closely watched and monitored by India.
- China's flagship projects in Sri Lanka are the Hambantota Port Development and the Colombo Port Project, both located at strategic points in global sea trade. Large projects like these make it easier for Beijing to draw Sri Lanka into its 21st Century Maritime Silk Road project — part of the Belt and Road Initiative.
- The growing presence of China in Sri Lanka had overshadowed India – Sri Lanka relationship in recent times. It had forced the relationship between India and Sri Lanka to be centred around economic cooperation and security concerns while overlooking political matters.
- For example, protecting the Tamil populations from the excesses of the army after the collapse of the Liberation Tigers of Tamil Eelam (LTTE) was an important concern for the south Indian state of Tamil Nadu. But important political issues have been overshadowed by the 'China factor' — the major reason for stress between the two countries.
- Sri Lanka is viewed as a geo-strategic hub by many analysts and can play a role in maintaining freedom of navigation. The Hambantota port is situated at the southern tip of Sri Lanka, which is closer to the busiest shipping lanes of the world a few nautical miles just outside the port. Chinese presence at this port is seen by some experts as a Chinese strategy for military presence in the Indian Ocean.

India regained its position in Sri Lanka:

- Colombo's backslide toward Delhi began during Sri Lanka's 2014 election campaign. The opposition used allegedly corrupt deals made between Rajapaksa and Beijing as a campaign tool.
- With the change in government in Sri Lanka, the relationship between these two countries flourished once again. This can be seen from the recent high-level visits.
- Sri Lankan Prime Minister Ranil Wickremesinghe's recent visit to India signified a new high in India–Sri Lanka relations. This was his third visit since his government came to power in 2015 and it laid the foundation for long-term collaboration.
- In the last couple of years India has focused on countering the growing presence of China in Sri Lanka by developing infrastructure. According to the government of India, Sri Lanka has been one of the major beneficiaries of India's development credit, to the tune of US\$2.6 billion including US\$436 million in grants.
- There are also talks of upgrading the India–Sri Lanka FTA to include a new trade pact called the Economic and Technological Cooperation Agreement (ETCA), which is expected to be signed by the end of 2017. The ETCA is proposed to enhance trade in services, investments and technology cooperation with India's five fastest growing southern states — Karnataka, Tamil Nadu, Kerala, Andhra Pradesh and Telangana.
- Also, Delhi's cultural diplomacy, underpinned by 'in-country insight' played an important role. During PM Modi's visit, he garnered favor with Sri Lanka's Sinhalese majority by visiting and worshipping at Buddhist holy sites. This continued the 'Buddhism diplomacy' employed in his 'act East' approach, reaching out to Buddhist neighbors.

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- Tamil welfare helped India to endear itself to both Sri Lankan and Indian Tamils. Knowing that Sri Lankans often suspect that India's Tamil-Nadu state controls Delhi's Sri Lanka policy, Modi has tried to claw back policy control and reclaim the narrative; highlighting that ancient Indo-Lankan ties stretch deeper than the war.

Conclusion:

- So far, the Sri Lankan government has been able to strike a balance in its relations with both India and China. Sri Lanka's financial engagement with China is deep and covers a vast gamut of activities — it depends on China for its developmental needs. Yet given the high level of regular interactions and ministerial-level meetings between Sri Lanka and India, their relations have stabilised too and are at an all-time high.
- Despite Chinese dominance in Sri Lanka, India has managed to make its own mark, realising that Sri Lanka needs to be treated as an equal partner. The renewed trust factor and the recent visit of Prime Minister Wickremesinghe has laid the foundation for a new era of friendship and cooperation between India and Sri Lanka.

13th amendment in the Constitution of Sri Lanka

- The Sri Lankan Parliament passed the Thirteenth Amendment to the constitution in November 1987 with the objective of creating provincial councils based on the provisions of the Indo-Sri Lanka Accord of July 1987.
- In this regard, Article 18, 138, 155 and 170 of the 1978 Constitution were amended and Chapter XVII A consisting of Article 154A to 154T and Eighth and Ninth schedule were added by the Thirteenth Amendment.
- The Thirteenth Amendment to the Constitution provides for:
 - The establishment of Provincial Councils
 - The appointment and powers of the Governor of Provinces
 - Membership and tenure of Provincial Councils
 - The appointment and powers of the Board of Ministers
 - The legislative powers of the Provincial Councils
 - Alternative arrangements where there is a failure in the administrative machinery
 - The establishment of the Finance Commission.
 - Tamil as an official language
 - English as a link language
 - The establishment of the High Court of the Province
- However there are practical problems in devolving land, police and financial powers to the provinces and the Government has stressed that the structure that is implemented should be acceptable to all parts of the country.

13th Amendment Plus

- After the defeat of the LTTE, Sri Lankan President Mahinda Rajapaksa had given assurance to India as well as the international community that the government would go beyond the Thirteenth Amendment to devolve substantial powers to the Tamil majority areas under '**13th Amendment Plus.**'
- However, President Rajapaksa never made it clear what exactly he meant by '13th Amendment Plus.' Rajapaksa had also talked about creating an upper house to the parliament or a senate to ensure more minority participation.

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- However, given the continuing opposition of the Sinhala nationalist parties to the Thirteenth Amendment, Rajapaksa Government wanted to dilute the amendment by not implementing the provisions, which provide limited land and police powers to the provincial council.
- As of now, the final decision has been left to the Parliament Select Committee appointed for reviewing the provisions of the Thirteenth Amendment.

India's Position on 13th Amendment

- India emphasises on a meaningful devolution package, based on the 13th Amendment, to create necessary conditions for a lasting political settlement of the Tamil problem in Sri Lanka.
- India also has practical reasons to lay emphasis on the implementation of the amendment. Around one lakh Tamil refugees from Sri Lanka are living in India. Until and unless political reconciliation is achieved in the North and East, voluntary repatriation of these refugees will not be possible.
- India is providing development and security assistance to Sri Lanka. The economic engagement between the two countries has also increased over the years. Therefore, it should not be assumed that India's emphasis on the implementation of the 13th Amendment has in anyway stalled the growth of the Indo-Sri Lankan ties.
- The new government though has expressed its intention to find a sustainable solution to the Tamil problem, but several political parties currently supporting the government are known to have opposed the 13th Amendment in the past.
- The fate of the amendment, therefore, remains uncertain. India, however, still needs to pursue the new government to find a political solution to the lingering Tamil issue, based on the 13th Amendment, as it is in the long-term interest of both the countries.

Economic and Technical Cooperation Agreement (ETCA)

Background:

- India and Sri Lanka entered into free trade agreement in 2000. To deepen the economic relation further, both countries started to negotiate Comprehensive Economic Partnership Agreement (CEPA) as CEPA would have liberalized trade in services and investment.
- However, the CEPA negotiations faced increasing opposition within Sri Lanka, particularly by the business community. During the previous Sri Lankan government - when relationship between India-Sri Lanka reached at an all-time low - the negotiation took back seat and almost died.
- With the Change in government and new momentum in closer bilateral ties, India is pushing for a new trade pact called the Economic and Technological Cooperation Agreement (ETCA).
- The ETCA agreement seeks to boost cooperation in technical areas, scientific expertise and research amongst institutions, boost standards of goods and services able to compete on the global market and improve opportunities for manpower training and human resource development.

The objectives of this Agreement are:

1. To strengthen and advance the economic, trade, investment and technology cooperation between the two parties;
2. To promote further liberalization of trade in goods, liberalizing trade in services between the two Parties and gradually establish fair, transparent and facilitative trading, investment and investment protection mechanisms;
3. To expand areas of economic cooperation and establish a cooperation mechanism.

Benefits:

- It would help in developing a stronger economic relation between these two countries as the proposed ETCA would be an improvement over the existing Free Trade Agreement (FTA).
- In bilateral trade, it has been observed that nearly 60 per cent of Sri Lankan exports were making use of the FTA whereas 90 per cent Indian exports did not use the channel. Hence, the agreement, when signed, would be of mutual benefit to both countries as it seeks to include the service sectors within its ambit.
- ETCA is likely to strengthen Foreign Direct Investments (FDIs) by both private individuals and private institutions. Current FTA does not cover investment and hence creates a negative sentiments among private investors of both countries.
- Currently, Sri Lanka is feeling the heat to achieve the targets set by the IMF under the Extended Fund Facility. Not only that, Sri Lankan economy has a huge external debt and majority of funds are being utilized in debt servicing at present. In this backdrop, FDI could play a major role in helping the country to reach these targets as well as to ensure the growth of Sri Lankan economy.
- According to PM of Sri Lanka, ETCA has the potential to promote growth of USD 500 billion sub-regional economy.
- BREXIT may negatively affect Sri Lanka's exports to the EU and hence, ETCA has the potential to compensate the loss.
- India is planning to send professionals into the IT sector and Ship building, where there is a need for expertise and higher levels of training. These are also sectors that could boost Sri Lanka's exports.
- Properly exploited, ETCA can bring down the cost of trade between India and Pakistan drastically as the ETCA will enable Indian manufacturers to set up factories in Sri Lanka to export their products to Pakistan, China and other countries with which Sri Lanka has or is planning to have Free Trade Agreements. At the moment, Indo-Pak trade is 150 percent more expensive than China-US trade.

Criticism:

- Certain sections of Sri Lanka continue to view skeptically the proposed ETCA as they claim that it would deny job opportunities for Sri Lankans with an influx of Indian job seekers to Sri Lanka.
- Opposition political parties in Sri Lanka have raised concerns about the agreement saying it will not benefit Sri Lanka and the issue has gained a political significance.
- Currently, there is a huge imbalance in bilateral trade between these two countries. Last year, the bilateral trade was \$4.6 billion, of which Indian exports were valued at about \$ four billion and Sri Lankan exports — \$645 million. Given the fact that FTA was unable to remove this distortion, many analysts feel that the proposed ETCA will further increase the deficit as India has strong service sector.
- The fear of an Indian influx is widespread and deep despite India's assurances that ETCA would not involve the movement of natural persons or personnel.
- But Sri Lankans say that Sri Lankans would be motivated to employ less expensive Indian professionals rather than their own high priced ones. Also, many services can be rendered without physical movement of personnel.
- Sri Lanka is at present facing a major balance of payments (BOP) crisis. Hence, it would be difficult for the Sri Lankan government to push for the economic pact.
- There are differences as to when ETCA should be signed. The Sri Lankan government wanted to sign by December 31 but the Indian Minister of Commerce made it clear to them, on her visit to

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Colombo last, that there should be no time frame as the concerns of both sides have to be addressed to their satisfaction.

Way Forward:

- Non-Tariff Barriers (NTBs) in India are one of the factors for trade deficit and India should try to address this by gradually reducing these barriers. Simultaneously, India should help Sri Lanka in upgrading their National laboratories to meet the internationally recognized norms for their goods and services.
- Intellectual property rights protection and cooperation, financial cooperation, trade promotion and facilitation, customs cooperation, and e-commerce cooperation can further allay their fears.
- Both countries should focus on promoting trade and investment facilitation and industry exchanges and cooperation.

Conclusion:

- While India is looking at the ETCA as a mechanism to enable it to participate in the post-war economic development of Sri Lanka through Indian investments in select areas, the Sri Lankan government is wanting to use ETCA to become part of the Indian supply chain, exploiting India's "Make in India" movement. It is a win-win situation for all.
- Also, India has assured that it will not thrust anything on Sri Lanka. Indian Prime Minister has said twice that Indian economic cooperation will be based on Sri Lanka's needs and priorities.
- Hence, the two countries should keep on negotiating to reach a consensus on diverging issues.

7. INDIA – MYANMAR RELATIONS

Introduction

- India shares a historical relationship with Myanmar marked by deep rooted ethnic, cultural and religious ties.
- Bilateral ties started improving in the 1990's under the direct military rule of SLORC/SPDC (1988-2010) which marked close Indo-Myanmar cooperation in the domains of counter-insurgency and border management.
- The latest phase begun in March 2011 when, under a **new constitution**, Myanmar embarked on a protracted transition from military rule to responsible democratic governance.
- The recent election of a National League for Democracy (NLD) government, seen as **Myanmar's first democratically elected government in five decades** has added salience to the bilateral relations as Myanmar is considered **as the gateway for India's politico-economic forays into South East Asia and beyond**. The success of the Act East policy is contingent upon the bilateral relationship and cooperation in regional forums viz BIMSTEC, ASEAN etc.

Imperatives for closer cooperation:-

- Being a nascent multicultural democracy, Myanmar naturally wants to learn from India's experience of institution building and national consolidation.
- A close coordination to **ensure security in the areas along our border**, and sensitivity to each other's strategic interests, will serve the interests of both our countries. Cross border insurgent groups are common security threat and thus require greater collaboration.
- Myanmar is also India's bridge to the larger ASEAN market and an integral part of Prime Minister Modi's "Act East Policy". **The Kaladan Multi Modal Transit Transport Project**, which will open the waterways for transport of goods in the region, forms an important part of Delhi's connectivity aims. It would invigorate the economic development of India's underdeveloped North Eastern region by transforming it into an economic hub.
- India's commitment for investment in transnational highway connectivity projects would give a boost to infrastructure development in Northern and Western Myanmar.
- India is concerned about China's strategic forays into Myanmar and the Indian Ocean. A democratic Myanmar under Suu Kyi too wants to curtail the pervasive Chinese presence fostered during the junta regime. Thus it signifies a meeting of minds.
- The two governments have also been on the same page in regard to forging **regional and sub regional cooperation**. They favour a strong United Nations as a key factor in tackling global challenges and advocate **UN reform**, including expansion of the Security Council in order to make it more representative, credible and effective. India greatly appreciates Myanmar's consistent support for the former's bid for permanent membership of Security Council.
- Myanmar has been consistently appreciative of India's deepening engagement with ASEAN, particularly its assistance to CLMV countries. Further, convergence in developmental domain has driven both countries towards strengthening sub regional cooperation through BIMSTEC and MGC.

Ties during Modi regime- The Emergent Dynamics:-

Political Dynamics

- With the restoration of democracy, compared with Beijing, New Delhi currently enjoys an advantage in strengthening its ties with Myanmar. Previously, China strongly backed military rule in Myanmar

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while the West vigorously ostracised it. Consequently the nation's domestic public opinion holds a relatively negative attitude toward Beijing. Therefore, in terms of ideology, India seems to have fewer barriers to developing its relations with Myanmar.

- The present regime in Myanmar is engaged in a delicate balancing act to attain a balance in its relationship with both India and China. Aung San Suu Kyi, Myanmar's state counsellor, made China her first destination after taking over as foreign minister.
- External Affairs Minister Sushma Swaraj's visited Myanmar in August 2016 where Myanmar's leaders assured India that they would not allow the country's territory to be used by anti-India militants. Her visit came days after Indian soldiers clashed with NSCN-K militants in Nagaland who were trying to sneak in from Myanmar.
- This visit came as India battles the distrust which was generated as a result of India's dealings with the erstwhile junta regime which miffed Suu Kyi in the past. Swaraj's visit assumed importance in view of **China's active mediatory role in the ethnic conflicts of Myanmar**, a declared priority for Suu Kyi, and its investment in massive economic projects.
- The visit had geopolitical salience as Myanmar is the **only Southeast Asian country that India shares a land boundary** with and it is an important cog in the NDA government's "Act East" policy.
- President of Myanmar, Htin Kyaw's visited to India in September 2016 which was followed by Suu Kyi's State Visit to BRICS-BIMSTEC Outreach Summit held in Goa in October 2016. Both countries **condemned terrorism** in all its forms and manifestations.

PM Modi's Visit to Myanmar, September 5-7, 2017

- This was Prime Minister Narendra Modi first bilateral visit to Myanmar. This follows upon his earlier ASEAN-related visit in November 2014 and former Prime Minister Manmohan Singh's visit in May 2012.
- Though overdue, taking into account Mr. Modi's 'Neighbourhood First', 'Act East' and diaspora policies, **international and domestic developments** since then have clarified the political context of the visit to an extent not possible earlier. These include the impact of elections in Myanmar that brought Aung San Suu Kyi's **National League for Democracy (NLD) to power**, the finalization of China's Belt and Road Initiative (BRI) and its assertiveness in the South China Sea; the India-China border stand-off; and Myanmar's agony over the peace process, **the Rohingya issue** and the economy.
- Prime Minister Narendra Modi held talks with State Counsellor Aung San Suu Kyi. And declared that **India shared Myanmar's concerns over the violence in the Rakhine state and asked all stakeholders to preserve the country's unity and territorial integrity**. Hundreds have died since Rohingya militants raided police posts in Myanmar's Rakhine State last month.
- Ms Suu Kyi thanked India for taking a strong stand on the terror threat that Myanmar faced recently and said that together India and Myanmar can ensure that terrorism is not allowed to take root on their soil or on the soil of neighbouring countries.
- India and Myanmar signed 11 agreements in a range of sectors, including one on maritime security cooperation, to further strengthen their multifaceted partnership. These included an agreement for sharing white shipping information to improve data sharing on non-classified merchant navy ships or cargo ships and one between the Election Commission and Union Election of Myanmar, the national level electoral commission of Myanmar
- **India and Myanmar have decided to step up counter-terror cooperation and information sharing.**
- India also announced grant of gratis (No Cost) visa to Myanmar citizens.

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- The PM visited Bagan, where the Archeological Survey of India has done a splendid job of restoring the Ananda temple, a jewel among all Bagan pagodas. He also went to Yangon where the highlight was his meeting with the large Indian diaspora, many of whose forefathers came to Myanmar in the 19th or early 20th century.
- Prime Minister Narendra Modi wrapped up his Myanmar trip with visits to the grave of last Mughal emperor Bahadur Shah Zafar and the 2,500-year-old Shwedagon pagoda, considered to be the pinnacle of Myanmar's cultural heritage. Shwedagon Pagoda is considered to be the most sacred and impressive Buddhist site for the Myanmarese people. He also performed puja at the Kalibari Temple.

Analysis of the visit

- The visit also took place against the backdrop of uncertainties in the future India-China relationship caused by the now defused Doklam stand-off and the BRICS summit. Sensitive to its location between the two Asians giants, Myanmar is keen to leverage the growth potential of good relations with Asia's two fastest growing economies. But it **is also wary of its economic dependence on China**, characterised by a largely extractive relationship focussed on natural resources and access to the Bay of Bengal that could form part of its ambitious BRI.
- **The shadow of China thus loomed large over the visit.** Myanmar would welcome closer economic ties with India to balance and offset its domineering ties with China.
- The big takeaways of his first bilateral were **the fast-tracking of a host of long-pending projects.** New Delhi will upgrade the Yagyi-Kalewa road for Rs 177 crore, which is part of the India-Myanmar-Thailand highway. A new border crossing will be opened in Manipur's Moreh, which is a flourishing trade post for people of both countries. India will also assist building an airport in the country.
- India has upgraded three hospitals in Myanmar and committed to building a new hospital in Nay Pyi Taw.
- **India-Myanmar joint statement during Prime Minister Narendra Modi's visit didn't include any reference to the refugeesituation.** New Delhi's support for the security operations comes at a time **when Nobel Laureate Suu Kyi is under international pressure after the exodus of thousands from the Rakhine state into Bangladesh**, many of them accusing the military of large-scale arson
- India's stand of supporting Myanmar over Rohingya issue is viewed a strategy of not adversely affecting its ties with Myanmar when Suu Kyi is increasingly under pressure over the Rohingya crisis, which UN secretary general Antonio Guterres warned could lead to ethnic cleansing and regional destabilisation.
- When India and Myanmar decided to broaden the bilateral security and counter-terrorism partnership, the drivers were **New Delhi's concerns over ISI infiltration into the ranks of Rohingyas and Yangon's fight against the Rakhine terrorists** .
- India and Bangladesh, through their joint counter-terror cooperation, have recently discovered that the ISI had allegedly played a key role in masterminding a terror attack in Myanmar's Rakhine state terror attacks that killed several members of Myanmarese Army ahead of Prime Minister Modi's visit. India-Bangladesh-Myanmar may now move toward trilateral info-sharing mechanism to counter this threat in the region.

Economic Relations

- Economic cooperation is the **single most important factor** in Indo-Myanmar relationship as it is considered as India's gateway to the East Asian market since long. The Act East policy further underscores this component. Trade grew **from \$424 million in 2004-05 to \$2 billion in 2014-15**. Bilateral trade between the two countries has, for long, remained at around \$2 billion. On the other

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hand, China, being the largest trading partner of Myanmar, enjoyed bilateral trade worth \$25 billion in 2013-14.

- **Trade imbalance** in the ratio of about 4:1 is unfavourable to India. However considering the economic potential of the two neighbours the trade volume is insignificant.
- Both commercial trade and investments stand on narrow bases, primary agricultural and forest products from Myanmar in the case of trade, and oil and gas in case of investments, underlining a strong need to expand, diversify and upgrade commercial ties in ways that also contribute to Myanmar's development needs and meet India's \$3 billion trade target set in 2012.
- Critical to this trade are **Indian imports of beans and pulses** that play a vital part in our food security and Myanmar's economy. Standing at around a million tonnes and \$1 billion in value, over 90% of which is exported to India, it is vital to Myanmar's farmers and foreign exchange earnings, greater even in the value of its exports of rice to China that are prone to periodic restrictions, tough inspections and crackdowns on informal trade at the Myanmar-China border. Past attempts to open a limited market for Myanmar rice in India as an alternative to China, have floundered on vested public distribution interests in India and should be re-opened. There is also the issue of **restrictions imposed by India limiting the import of pulses** following a steep fall in domestic prices in India.
- At the moment, Indian investment falls way behind that of China. **While Indian investments for 2015-2016 were estimated at \$224 million, Chinese investment over the same period totalled over \$3 billion.**
- India ranks **fifth among Myanmar's import sources and 10th among foreign investors.** Barring a few outfits, large Indian business groups are conspicuous by their absence. Chinese, Singaporean, Korean, Japanese, Thai and Vietnamese businesses have actively seized business opportunities in Myanmar.
- Admittedly, the regulatory and economic environment has to evolve in Myanmar to enhance the comfort levels of business enterprises. But to wait for everything to fall in place could be too late. Several prized hotel properties in Yangon, for instance, have already been picked up. Indian businesses could invest in the power, steel, automobiles and even textile sectors in Myanmar. Economic cooperation pertains to a vast area covering trade, border trade, investment, energy, infrastructure and other joint projects.
- Myanmar itself is keen to reduce its dependence upon China and look for alternatives. Unlike Chinese investors, there is not much resentment against Indian investors either in Southeast Asia or Africa, since they generate local employment.
- A number of important infrastructural projects such as the **India-Myanmar-Thailand trilateral highway** and the **Kaladan multimodal project**, are being expedited are bound to improve connectivity between India and Myanmar, and from there to the rest of Southeast Asia. There are also plans to further strengthen air connectivity.
- It is not just Myanmar, however. India's economic ties with ASEAN in general and **the CMLV (Cambodia, Myanmar, Laos and Vietnam)** countries in particular, have witnessed a sharp rise. Bilateral trade between India and CMLV countries was just \$460 million in 2000, and increased to \$11.85 billion by 2014. Of India's total trade with ASEAN, over 15 percent is with CMLV countries, which have less developed economies compared to the fellow ASEAN members. **India intends to extend the trilateral highway to other CMLV countries** to accelerate economic integration. It only underscores the recent dynamics of our engagement with South-East Asia, of which Myanmar is the spring board.
- With Myanmar's government trying to encourage foreign investment, and with the recent removal of U.S. sanctions, it is likely to emerge as an important investment destination. **Given the**

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geographical proximity to India, strong political links between both countries and the growing angst against Chinese businesses, Indian investors have a chance to take the lead in Myanmar.

- India is also encouraging companies to invest in Myanmar. A **Rs. 5 billion (\$75 million) Project Development Fund** has been approved by the Government of India for encouraging Indian investments in CMLV countries. The Tata group has been very strategic in not restricting its business operations to natural resources. In seeking to enter areas like the information technology (IT) and agricultural sectors it has sent a clear message that, **unlike Chinese companies, Indian companies are not merely interested in grabbing natural resources and are keen to create opportunities for locals and help in capacity building.**
- Thus learning from its experience from Afghanistan, Indian approach is to posit itself as not merely the exploiter of Myanmar's resources but **a partner in the development of Myanmar and its people.**
- Indian companies like ONGC is actively working to develop off shore **Gas and Oil fields in Myanmar** and at the same time investing heavily in social sector infrastructure development projects. Eg- India is assisting Myanmar in building Schools and community centres in the communally restive Rakhine state through assistance for promoting interfaith harmony. Thus the focus is on building a relationship grounded in the society by projecting India's soft power which will set us apart from the perceptibly exploitative approach of the Chinese.

Development Cooperation:-

- **Capacity building and development cooperation** are twin prongs of the growing India-Myanmar development partnership.
- A number of bilateral agreements in the areas of capacity building, health, culture, and development, and one on maritime security are operational, building on **India's nearly \$2 billion development partnership** with Myanmar so far. These cover large directly funded and executed high value capacity and human development projects like the **Myanmar Institute of Information Technology in Mandalay**; more modest ones in industry, IT, health, entrepreneurship and language training; small border area development projects in Chin and Naga areas of Myanmar; and soft lines of credit for other infrastructure projects amounting to nearly \$750 million. Much of this still remains to be utilized.
- The Advanced Centre for Agriculture Research and Education set up in collaboration with India's ICAR is a fine example of pooling research efforts on pulses and oilseeds.
- **No other country has committed as much in grant-in-aid to Myanmar as India.** These include four major connectivity projects running into hundreds of millions of dollars — **the Kaladan multi-modal corridor, repair of 69 bridges on the Tamu-Kalewa road and the construction of the 120-km Kalewa-Yargyi corridor**, both of which are part of the India-Myanmar-Thailand trilateral highway, and the Rhi-Tiddim road in the Chin state bordering Mizoram.
- Unfortunately, the projects have not been completed in time. As a result, India has not got due credit. When they are all completed and fully operational by about 2020, they will amount to a substantial mass and base for an expanded relationship.

China Factor

- China and Myanmar often refer to their ties as a *paukphaw* (sibling) relationship, which conveys both its deep and asymmetric nature. China's currently has several important interests in Myanmar-
- First and foremost, **China desires stability in its 2,200km border with Myanmar which is both frequently plagued by ethnic conflict, drug trafficking and HIV/AIDS and also hosts the multi-billion dollar border trade critical to its southwestern Yunnan province as well as the over two million estimated Chinese nationals in Myanmar.**

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- Second, Beijing wants to **protect its lucrative investments in Myanmar**. China alone accounts for **nearly half of Myanmar's foreign direct investment** and **more than a quarter of its trade**, with Chinese companies involved primarily in the country's extractive and hydropower sectors critical to Beijing's development
- Third, China views **Myanmar as significant geopolitically**, because it is **a gateway to the Indian Ocean**, thereby mitigating Beijing's overreliance on the Straits of Malacca. The ultimate prize in this regard is a \$2.5 billion, **800-kilometre Sino-Myanmar oil and gas pipeline project from the west coast of Myanmar into China**. This pipeline reduces China's dependence on the Straits of Malacca by one third and cut 1,200 kilometres off the normal route .
- Lastly, Myanmar is also **a vital partner within the Association of Southeast Asian Nations (ASEAN)**, and Beijing has looked to it for support on regional issues like the South China Sea and joint patrols along the Mekong River.
- Each of these four key interests has been directly threatened since Burma's reformist turn in 2011. Billion-dollar infrastructure projects backed by Beijing, like the \$3.6 billion Myitsone dam and the Letpadaung copper mine, have been suspended due to rising anti-Chinese sentiment among opposition parties and the public at large.
- Stronger U.S.-Myanmar ties- as evidenced by the gradual lifting of sanctions and Naypyidaw's participation in the Cobra Gold military exercises- have reinforced Chinese fears about Washington's desire to contain it.
- Meanwhile, the Kachin conflict flaring in northern Myanmar has been a growing border stability concern for Beijing with artillery shells landing inside China earlier this year leading to strong rebukes from the Myanmar government.
- Unlike its competitors, China's position of negotiator in the internal peace process of Myanmar automatically gives it a significant role in the country's internal dynamics, enhancing Beijing's position in future bilateral negotiations.
- A government-appointed commission is to soon make a recommendation on the fate of the **\$3.6 billion, China-financed Myitsone Dam in Myanmar**. The Myitsone Dam is among the largest of many Chinese-financed energy and mining projects approved by the military junta that ruled Myanmar until 2011.
- It is especially contentious because it would be the first dam to cross the Irrawaddy River, the mythic cradle of civilisation for Myanmar's ethnic Burman majority. While officials said the dam would provide Myanmar much-needed cash and electricity, critics said it would cause irreparable harm to the river, destroy fish stocks downstream and displace thousands of villagers. But perhaps the most incendiary objection was that under the deal struck by the ruling generals, 90% of the dam's electricity could go to China.
- The dam's developer, State Power Investment Corp., has already spent \$800 million. The money was borrowed from commercial banks, so the cost keeps growing as the loans accrue interest. Officials close to Ms. Suu Kyi have said that negotiations were under way for Myanmar to pay China, or apply the money to other projects, if the dam is not built.
- **In geopolitical terms, New Delhi sees Myanmar as a buffer state with China, and therefore cannot be controlled by major powers like China.**
- Myanmar is a crucial link to **Bangladesh-China-India-Myanmar (BCIM) Economic Corridor** (within the Belt and Road initiative), and has worked jointly with China on oil and natural gas pipelines and port construction. India is thus worried that Myanmar may become a convenient corridor for China to the Indian Ocean, which can **threaten India's national security and its peculiar interests in the Indian Ocean waters**.

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- India perceives **China's Comprehensive Strategic Cooperative Partnership with Myanmar**, forged during the Junta regime, as a formidable plank in its '**String of Pearls**' strategy to encircle India. China's presence at the Coco's Island has been a matter of concern for decades
- The recent outreach under Modi regime's Act East policy appears to have infused renewed vigour to bilateral defence cooperation. The meeting of mind comes in the backdrop of **mutual apprehension of a resurgent China** and **cross border insurgency** coupled with rise of extremist ideologies.
- In the light of the above imperatives India and Myanmar announced in 2015 that they would deepen their defence cooperation. In fact, India's defence cooperation with Myanmar dates back to the late 1990's when both nations jointly conducted Operation Gold Bird (1995) and Operation Leech (1998) against insurgent groups and cross border gunrunners.
- Defence cooperation between the two neighbours has grown since Myanmar's political reforms under President Thein Sein, which resulted in Myanmar becoming less exclusively reliant on China. This has witnessed a significant strengthening through a series of regular visits at high levels, provision of training facilities, visits by naval ships, supply of equipment and, above all, a continuing dialogue on professional matters and strategic issues.
- A joint consultative commission, chaired by Indian External Affairs Minister Sushma Swaraj and her counterpart Wunna Maung Lwin announced a **defence assistance program** which will see India help the Myanmarese Army and Navy modernize. The announcement comes mere weeks after Indian commandos entered Burmese territory, with tacit approval of Myanmar Government to pursue rebels after they attacked Indian army troops.
- Specifically, the joint statement notes that both Countries will fight the scourge of terrorism and insurgent activity in all its forms and manifestations. The statement emphasizes the role of the **Regional Border Committee** in monitoring insurgent activity across the Indo-Myanmar border.
- In February, 2016, the navies of the two countries signed the standard operating procedure (SOP) **for India Myanmar Coordinated Patrol (IMCOR)** which will facilitate smooth conduct of coordinated patrols between two friendly neighbours. The signing of the pact formalizes a key part of ongoing maritime cooperation between India and Myanmar, which both share a long maritime boundary in the strategically significant Andaman Sea and Bay of Bengal. Myanmar is **just the third country** with which India has signed such a formal agreement on maritime coordinated patrols, with the other two being Indonesia and Thailand.
- India is slated to **supply Offshore Patrol Vessels (OPV) to Myanmar** which further underscores Modi government's capability and willingness to boost the naval capabilities of its neighbours.

Socio-cultural dynamics:-

- Indo-Myanmar cultural relations are rooted in a shared Buddhist heritage and a common struggle for freedom which shaped our consciousness. Myanmar is home to 2.5 million-strong Indian diaspora, settled mostly in Yangon and Mandalay.
- **Buddhism** – The Sarnath-style Buddha statue donated by the Indian government to people of Myanmar and installed at the Shwedagon Pagoda premises remains a shining symbol of cultural and civilisation connect between the two countries. **Leveraging the common Buddhist heritage is an important component of Modi regime's policy in Myanmar and beyond as it forms the core of India's soft power projection in South East Asia.**
- A closer look would suggest that China is no competition for India in the spiritual business. Given Beijing's inability to grant full religious freedom at home and the continuing hostility towards the Dalai Lama amid the restiveness in Tibet, China will always find it hard to realise the full potential of its Buddhist soft power. India, in contrast, just needs to end the prolonged neglect of its Buddhist heritage and begin to invest in preserving and promoting it.

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- Modi's focus on Buddhist heritage nicely complements his focus on infrastructure, accelerated economic development through the promotion of tourism within the country and across its border. The future connectivity of Indian Buddhist circuit with the Buddhist sites across Asia could go far in securing the greater subcontinent's Buddhist heritage – from Afghanistan to Sri Lanka and from western China to southern Myanmar.

Rohingya Issue

- Myanmar has been under severe attack from the international community in recent times for what is being considered as '**genocide**' against the Rohingya Muslims.
- Considered by the United Nations as the "most persecuted minority group in the world", the Rohingyas are a stateless group of people concentrated in western Myanmar, and facing brutal assaults from the Burmese state and military. Since October 2016, frequent reports have come in of the Burmese army burning down Rohingya villages, rapes and murders of the nature of 'ethnic cleansing'.
- Faced with the savagery, about 300,000 Rohingya Muslims from Myanmar have rushed into Bangladesh for refuge. This is not the first time that this group has been seeking shelter from the Bangladeshi government on account of being brutally persecuted at home. Last time a mass exodus of the Rohingyas happened was in 2012 when communal clashes erupted between them and the Rakhine Buddhists who were later represented by the Burmese Army.
- While Bangladesh remains their favourite destination for decades now, they have been seeking out refuge in other neighbouring countries as well. According to a UN report, at present around 5,500 Rohingya refugees have been registered in India and are living in makeshift camps under precarious conditions, though Indian government estimates this figure to be around 40,000.

Why are the Rohingyas hated in Myanmar?

- While Buddhism happens to be the religion of the majority in present day Myanmar, the region is believed to have been home to a thriving multi-ethnic society in the last 2,000 years.
- The Rohingyas trace back their ancestry to those who were brought into western Myanmar (referred to as Arakan previously and as Rakhine at present) by the British colonial government when they took over Burma in 1824. Majority of them belonged to Chittagong in present day neighbouring country, Bangladesh and were brought over by the British to work as farm labourers.
- The massive rate at which they entered Arakan was a cause of great resentment among the local population, among whom a strong sense of nationalism developed. Soon after the Second World War, the British departed and with them a large population of Indians who had been brought in also followed. However, soon enough, communal clashes started taking place between the local Buddhist population and the Muslims from Bangladesh who stayed on.
- Several among them formed groups demanding either an autonomous state for themselves or the discretion to join the newly formed East Pakistan. Over time Rohingyas went on to acquire the status of foreigners in the newly-formed state dominated by Buddhists.
- **In 1982, the Burmese government passed a Citizenship law** that gave national citizenship to only those Burmese who could prove having ancestors residing in the country before British colonial rule. This was the strongest case of institutionalised discrimination against the Rohingyas. They found themselves classified as 'associate' citizens.
- The rules laid out for 'associate' citizens **deprived the Rohingyas of holding any government office and several other citizenship rights**. Further clauses of discrimination restricted their movements and even marriages and birth rates within the community were closely monitored and inhibited. With the change in citizenship rules, frequent cases of armed struggles erupted that

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aimed at destroying Muslim villages and mosques, followed by mass outflow of Rohingyas into neighbouring countries, especially Bangladesh and India.

- A further confusion with their status in Myanmar is the denial of their Burmese identity by the Rakhine Buddhists. According to majority of the Buddhists, 'Rohingyas' is a fabricated religious identity. Citing historical documents and ancestry records, they claim that there was never any community by the name 'Rohingya' in the Burmese past.
- Whether or not the claims of the Buddhists are authentic is yet to be verified by scholars and historians. What is certain though is that since the 1950s a unique cultural and linguistic community did gain recognition in western Myanmar who consider themselves as 'Rohingyas'.
- Interestingly, while Bangladesh considers them to be unwanted refugees from Myanmar, the latter perceives the Rohingyas as erstwhile migrants from Bangladesh, leaving this group of about one million people to float in mid air, without a legal citizenship in any country.
- In October 2016, three border posts on the border of Myanmar and Bangladesh were attacked by a group of Islamic militants leading to the death of nine policemen. The attack, that was reported to have been carried out by **Rohingya Solidarity Organisation**, was soon followed by a counter terrorism insurgency carried out by Myanmarese Military.
- On August 25-26, 2017, coordinated attacks by Rohingya militants under a recently formed **Arakan Rohingya Salvation Army (ARSA)** against government and security outposts in northern Rakhine state led some of the worst violence involving Rohingya militants and the Myanmar security forces. It triggered a full-fledged international crisis.
- The attacks and clearance operations against it have resulted in some 400 (and mounting) deaths, mostly Rohingya; widespread arson and burning of villages allegedly by both sides; displacement of thousands within Rakhine state and across the Naf river to Bangladesh; and severe disruption in food and humanitarian supplies.
- The government, however, has denied any allegations of rapes and assaults asserted those attacked were Jihadists and that the military lock down is a means to ensure state security against extremist organizations in the region.
- Myanmar leader Aung San Suu Kyi blamed "terrorists" for a huge misinformation on the strife in the north-western State of Rakhine calculated to create a lot of problems between different countries and with the aim of promoting the interests of the terrorists. Myanmar was counting on China and Russia, both permanent members of the Security Council, to block a UN resolution on the crisis.

Response of International community

- While Human Rights Watch has called the military crackdown on Myanmar a case of 'ethnic cleansing,' the UN's office of Human Rights has declared that the crisis in the South East Asian country 'could tantamount to crimes against humanity'.
- Bangladesh stressed on the need for the international community to intervene and put pressure on Myanmar to address the exodus. In a span of two weeks, almost 300,000 Rohingya have crossed over to Bangladesh from the northern Rakhine state in Myanmar, putting Bangladesh under immense strain and compelling the refugees to find shelter in squalid, unsanitary camps scattered along the Myanmar-Bangladesh border.
- Muslim nations like Malaysia has recalled its ambassador from Myanmar and Maldives announced the cessation of all its trade ties with Myanmar. Tens of thousands in Russia's Muslim-majority republic of Chechnya marched in support of the Rohingya, and large protests were held in Australia and Indonesia. Pakistan's Foreign Ministry also issued a strongly worded condemnation of the violence against the Rohingya.

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- The assault on the Rohingyas has been fast gaining attention from Jihadists around the world, making the ground ripe for extremism. The West has been particularly wary about the possibility of a breeding ground for religious terrorism as a response to Myanmar's brutality and has been urging neighbouring Muslim majority countries to strongly resist the repression of the Rohingyas.

India's stand

- Even as Delhi has maintained a cautious stance, it has been receiving Rohingya refugees and allowing them to settle in different parts of the country over the years particularly after the communal violence in Rakhine state in 2012. In December 2012, External Affairs Minister Salman Khurshid visited Rakhine state and donated \$1 million for relief in the violence hit state.
- But since the renewed conflict in Rakhine over the past few months, the Modi government has **unequivocally condemned the terrorist attacks** of August 2017 when the security forces and Ms. Suu Kyi herself face heightened international criticism on the handling of the issue.
- Besides, New Delhi announced imminent plans for deportation of 40,000 Rohingya as they were illegal migrants. In the Supreme Court the government refused to revise its stand on deporting Rohingya immigrants in India. It insisted that Rohingyas are illegal immigrants and they will be deported as per law.
- The only concern India has is the stand that would be taken by Myanmar. In the past Myanmar had refused to accept and recognise them as their citizens.
- In a show of solidarity with Myanmar, **India dissociated itself from the 'Bali Declaration'** adopted at the 'World Parliamentary Forum on Sustainable Development' held on September 7, 2017. This was because it carried inappropriate reference to the violence in Rakhine State. India reiterated its stance that the purpose of convening the Parliamentary forum was to arrive at a mutual consensus for implementation of SDGs (Sustainable Development Goals) which required inclusive and broad-based development processes.
- **Not being a signatory to the 1951 United Nations Convention on the Status of Refugees or its 1967 protocol**, India would not be in breach of any international law in turning away the Rohingya people. Nor does it have a domestic law for refugees.
- India rejected criticism of its deportation plan by reminding critics that India does not need lessons in compassion as it has taken in hundreds of thousands of refugees in the past.

Factors guiding India's response

- Delhi's silence emanated from its focus on engaging with the new regime in Myanmar while letting Western governments, activists and OIC take the lead on pressuring Aung San Suu Kyi.
- Under the neighbourhood first and Act East policies, **Myanmar assumes a key role to connect with southeast Asia**. India's criticism of the military junta for its suppression of the democracy movement in the 80s and 90s had an adverse impact on the bilateral relationship for years. As Delhi invests in its eastward drive, as its rivalry with China grows in many theatres, **upsetting the Myanmar regime is seen as a strategic mistake**. And given how strongly the entire Myanmar establishment feels about the issue, any criticism will be taken with great offence.
- India has **real security interests too**, which depend on the goodwill of the Myanmar regime. In 2015, for instance, following an attack by Naga rebels on a security convoy in Manipur, Indian forces carried out a covert raid across the border - with the quiet nod from Yangon. Delhi does not want that trust to be eroded.
- The Rakhine state in Myanmar's northwest is politically sensitive and is also important to both India and China. It is the **starting point of the much-delayed \$484-million Kaladan multi-modal transport projects** that aim to connect Myanmar to India. India also wants to see the political transition succeed, and believes that as a nascent democracy, Myanmar be given 'the benefit of

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doubt'. Also For Modi regime's domestic audiences, the Rohingya issue is also less salient than, for example, the persecution of Hindus in Bangladesh.

- Infiltration from Rakhine State of Myanmar into Indian territory besides being a burden on the limited resources of the country also aggravates the security challenge. **Rohingya's radicalisation** is now real and **New Delhi's is concerned over ISI infiltration into the ranks of Rohingyas and Yangon's fight against the Rakhine terrorists.**
- India is well aware of this risk, and after **the 2013 Gaya terror attack** targeting Buddhists, intelligence agencies drew a link with the atrocities against Rohingyas.
- India and Bangladesh, through their joint counter-terror cooperation, have recently discovered that the ISI had allegedly played a key role in masterminding a terror attack in Myanmar's Rakhine state terror attacks that killed several members of Myanmar Army ahead of Prime Minister Modi's visit.
- **India-Bangladesh-Myanmar may now move toward trilateral info-sharing mechanism to counter this threat in the region.** So it is on the cost-benefit scale that India has come to a conclusion that supporting Myanmar is preferable.

Criticism of India's stand over deportation

- India has big power aspirations, and to that end at least, it must act like one. Indian Government's plans to deport the Rohingya makes India and Indians seem small-minded and insecure, rather than a nation with a long and confident record of compassion towards people seeking safe haven from persecution in their own countries.
- They face the challenge of survival and the prospect of persecution if they return to Myanmar. If we abandon the Rohingya, we abandon the idea of India as a home of refugees and hospitality. A country which offered a home to the Parsis, the Tibetans, the Afghans and the Jews cannot turn a little minority of helpless people back.
- It weakens India's moral authority to speak for minorities in other parts of its neighbourhood. Interestingly Nepal, Bhutan and Sri Lanka joined the Bali declaration which India opted out.
- The world does not expect Myanmar's other big neighbour, China, to be vocal about the atrocities being committed, but as the upholder of democratic values, India has a unique opportunity **to demonstrate statesmanship and regional leadership** by mediating a solution to the Rohingya crisis on the basis of a report Kofi Annan Committee set up by none other than Ms. Suu Kyi.
- There may be radicalised Rohingya, and the ARSA is said to have links with the Lashkar-e-Toiba. But it is the job of the intelligence and security apparatus to weed out the bad, so that there is no branding of an entire community.

Shift in India's stand

- However, on September 9, 2017 India expressed its "deep concern" about the situation in Rakhine State and the outflow of refugees from that region and also **urged Myanmar to handle the situation with restraint and maturity.** New Delhi asked Myanmar to focus on the welfare of the civilian population as well security forces and underlined that it is imperative that violence is ended and normalcy in the State restored expeditiously.
- **India's shift in position on the Myanmar issue, for the first time in recent months, was prompted by a series of requests from the Bangladesh government.** The Indian High Commission in Dhaka had shared an assessment about the pressure faced by the Bangladesh government and the need for India to shift its tough stand.
- Concern over the Rohingyas is a humanitarian problem. But that has been overlaid with a security problem given that they are a vulnerable population. Pushing Rohingyas from one country to another will not resolve either of them. The need is for a political solution to the crisis, and improved

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mechanisms to address the security dimension. In view of some experts, India must lead the way, working with Bangladesh, Myanmar, Laos, Cambodia and Thailand.

Challenges to Bilateral ties

- **Insurgency and volatility** in north and west Myanmar may derail India's infrastructure push for regional connectivity which may prove to be a drag on the still unfolding Act East policy.
- Over decades of closer ties with the military junta, **China has emerged as the single largest investor in Myanmar**. Although the situation appears to reverse under the new regime, still China will remain the most significant player for the time being.
- The rising **Buddhist Nationalism** in Myanmar is a threat to the already fragile inter-community relations. The persecution and resultant migration of ethnic **Rohingyas** threaten **the stability of Rakhine state, the home to Sittwe and Kaladan projects**. It also threatens to compromise the efficacy of BIMSTEC as Bangladesh is bearing the brunt of Rohingya influx.
- Despite successful elections the military still controls key government positions which signify that the democratic transition is still a work in progress.
- The **inordinate delay in project execution** by Indian agencies undercuts Myanmar's confidence in Indian capabilities making them susceptible to further Chinese inroads

Conclusion:-

- Myanmar's balanced engagement with China and India on BCIM and BIMSTEC would be central to the strategic balance of power in South East Asia.
- **India should forge a bold strategic vision for bilateral relations**, taking advantage of the consensus cutting across political parties and civil and military pillars of Myanmar's polity towards stronger ties with India and project India's economic and strategic footprint in the region between the Bay of Bengal to the South China Sea.
- Key elements of this vision could be **greater attention to emerging political forces**, ethnic states and the peace process as part of our democratic political outreach; **converting our investments in the Trilateral Highway and the Kaladan (including their expeditious completion) to fuller trade and investment corridors and use Indian investment in the Greater Mekong Sub-region as an arm of our foreign policy** with a focus on agriculture, agro-industries and light industry; **a broader development partnership reaching to the grassroots with the help of civil society**; specific prongs in our 'Act East' policy through the Northeast and Bodh Gaya as a pilgrimage centre; and a new political approach to the IIG issue (Indian Insurgent Groups) beyond an intelligence-based approaches.
- Border trade through Tamu/Moreh and Rhi/Zhokhowthar needs to become more formalised with truly single-window clearances and easier currency arrangements. The border haats can energise exchange of local produce. Cross- border bus services can promote people-to-people connectivity. Cross-border trade in services can be boosted in sectors like medicine, diagnostics, or even education and training for which there is a large market.
- Strengthening the border region cooperation project, implemented by India in Myanmar's Chin and Naga areas, can help India in securing political — and other — support at the local-level in Myanmar. Such development initiatives could also prompt Myanmar to collaborate more in tackling the insurgency issue in Nagaland — particularly in a post-Khaplang scenario.
- **Thus with a mix of prudent economic engagement, insightful regional strategic posturing and effective employment of soft power India-Myanmar relation can effectively negotiate with the challenges to forge a sustainable win-win relationship**

8. INDIA – USA RELATIONS

Introduction

- India-U.S. bilateral relations have developed into a **"global strategic partnership"**, based on shared democratic values and increasing convergence of interests on bilateral, regional and global issues. The emphasis placed by India on development and good governance has created opportunity to reinvigorate bilateral ties and enhance cooperation under the motto --- **"Chalein Saath Saath: Forward Together We Go"**, and **"Sanjha Prayas, Sab ka Vikas" (Shared Effort, Progress for All)** adopted during the summits of leaders of both countries in September 2014 and January 2015 respectively.
- Regular exchange of high level political visits** has provided sustained momentum to bilateral cooperation, while the wide-ranging and ever-expanding dialogue architecture has established a **long-term framework** for India-U.S. engagement. Today, the India-U.S. bilateral cooperation is **broad-based and multi-sectoral**, covering trade and investment, defence and security, education, science and technology, cyber security, high-technology, civil nuclear energy, space technology and applications, clean energy, environment, agriculture and health. Vibrant people-to-people interaction and support across the political spectrum in both countries nurture our bilateral relationship.
- The relationship between the world's two biggest democracies is becoming ever closer, a step towards fulfilling ex-U.S. President Barack Obama's prophesy that India and the United States would form **"one of the defining partnerships"** of the 21st century.

Political Relations:

- Under the tenure of Obama and Modi, bilateral dynamic has been on upswing. Obama made two visits to India, the most by any sitting president. Both sides elevated the Strategic Dialogue between their Foreign Ministers to **Strategic and Commercial Dialogue of Foreign and Commerce Ministers**. The frequency of high-level visits and exchanges between India and the U.S. has gone up significantly of late. There is frequent interaction between the leadership of the two countries, including telephone calls and meetings on the sidelines of international summits. A hotline has been established between the Prime Minister's Office and the U.S. White House.
- During his visit to USA in June 2016, PM Modi, became **the fifth Indian prime minister to address a joint session of Congress** lawmakers who increasingly see in India a democratic counterweight to China in the Asia Pacific. The shared ideals and common philosophy of freedom shape the bedrock of their ties. Washington designated New Delhi a **"Major Defence Partner"** under which the United States will continue to work toward facilitating technology sharing with India to a level commensurate with that of **its closest allies**.
- Both countries also finalised the text of the Logistics Exchange Memorandum of Agreement (LEMOA). USA also agreed to support to India's **Make in India initiative** and to the development of robust defence industries and their integration into the global supply chain. They announced the creation of a \$20 million U.S. - India Clean Energy Finance (USICEF) and of a joint \$40 million U.S. - India Catalytic Solar Finance Program.

PM Modi's visit to USA, June 25-26, 2017

- PM Narendra Modi visited USA for his first bilateral meeting with the new U.S. President Donald Trump. Prime Minister Modi and President Trump jointly declared that bilateral ties between India and the U.S would continue to grow, seeking to dispel the notions that the latter's election to the White House on a nationalist agenda might have a negative impact on the relationship.

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- A joint statement made **terrorism the cornerstone of mutual cooperation** between the two countries. The statement went beyond the usual American position – it pulled up Pakistan and **echoed India's concerns over China's Belt and Road initiative**.
- It declared the responsibility of Pakistan to ensure that its territory is not used to launch terrorist attacks on other countries and asked Pakistan to expeditiously bring to justice the perpetrators of the 26/11 Mumbai, Pathankot, and other cross-border terrorist attacks perpetrated by Pakistan based groups. It also stressed that **terrorism is a global scourge** that must be fought and terrorist safe havens rooted out in every part of the world.
- It affirmed their support for a **U.N. Comprehensive Convention on International Terrorism** that will advance and strengthen the framework for global cooperation.
- India appreciated the United States designation of the Hizb-ul-Mujahideen leader Syed Salahuddin as a **Specially Designated Global Terrorist** as evidence of the commitment of the United States to end terror in all its forms.
- It also supported bolstering regional economic connectivity through **the transparent development of infrastructure and the use of responsible debt financing practices, while ensuring respect for sovereignty and territorial integrity, the rule of law, and the environment**, which **echoes India's position on China's Belt and Road Initiative**.
- The joint statement issued during Modi's visit was the first time the United States and India have together come out publicly against China's debt financing, connectivity projects, and human rights record. This irked China, and it has warned India against getting close to the United States.
- Both countries would take measures to strengthen their partnership in the Indo-Pacific region; the language on this is much softer than earlier. They reiterated the importance of respecting freedom of navigation, over flight, and commerce throughout the region; and called upon all nations to resolve territorial and maritime disputes peacefully and in accordance with international law. **This is more in line with Mr. Trump's line on China.**
- Additionally, in a demonstration that Trump and Modi managed to keep the U.S.-India momentum on regional and global issues going during their first meeting, **North Korea came up as well**. Trump thanked India for "joining us in applying new sanctions against the North Korean regime." This appeared to be an acknowledgement of India's decision in May to suspend most types of trade with the Pyongyang regime. The Indian move will no doubt be seen as an important success for the Trump administration's policy of applying "maximum pressure" on the Pyongyang regime. **India is one of North Korea's most significant trading partners; in 2015, it was Pyongyang's second largest export destination after China.**
- The joint statement **emphasized the need for development in Afghanistan** and was appreciative of Indian efforts in this regard. The statement also announced that Washington would co-sponsor the India-Afghanistan Export, Trade and Investment Fair in September 2017. The US has cleared the sale of **22 unmanned Guardian drones to India**, with the deal, estimated to be worth \$2-3 billion, being termed as a game changer as it operationalises the status of India as a 'major defence partner.'
- The Indian Navy had made the request for this intelligence, surveillance and reconnaissance (ISR) platform last year. This is interpreted **as the first very significant sign of the Trump administration being more result oriented in its relationship with India compared to Obama administration**. Both countries agreed to build on the implementation of the **"White Shipping" data** sharing arrangement. The agreement allows countries to share data on maritime traffic and domain awareness.
- From next year **liquefied natural gas (LNG) from the U.S. will start flowing to India**. It is expected that in the next few years the Indo-U.S. LNG trade will be in excess of \$40 billion. The

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India-U.S. civil nuclear deal, which was due to see the conclusion of the NPCIL-Westinghouse agreement for six reactors by June 2017, appears to be on hold for the moment, India hoping that Westinghouse, which has filed for bankruptcy, will be “back in business” by the end of 2017. Instead of the direct reference to funding the project by the “U.S. Exim Bank” in 2016, there was only a reference to “related project financing.”

- **Climate change and climate justice issues** were not present given Trump’s unilateral decision to pull the United States out of the Paris climate agreement. In view of experts, the omission signifies discord, not apathy, on climate, and lies in stark contrast to the productive U.S.-India talks of recent years.
- **The H-1B visa issue** was also missing in the one-on-one talks between the two leaders and also in discussions by the delegations from both sides. Trump’s “Buy American, Hire American” executive order of April 18 called for a review of existing immigration rules to alter the H-1B visa system of which India is the biggest recipient.
- Both sides had agreed to eschew these contentious issues – climate change and the H-1B visa program to ensure smooth first meeting of both leaders.

New Bilateral format

- In the face of major global challenges such terrorism, bilateral defence ties and the security in the Indo-Pacific region, Modi government and the Trump administration have decided to establish **a new dialogue between the defence and foreign ministers of the two countries**. The new dialogue format between the two countries is likely to be “2 by 2”, which is similar to the India-Japan 2+2 dialogue format between foreign and defence secretaries of the two countries.
- The US has strategic consultations in this format with key partners and allies including Australia, Japan and the Philippines.
- The purpose of the dialogue is to put defence and security issues at the forefront and centre of the relationship between India and US. Both India and U.S. felt that the present format of the **Strategic and Commercial Dialogue** is not living up to its promise and potential, despite the efforts to put together scheduled meetings of four top ministers in both governments.
- The two countries will have **a separate dialogue on commercial issues**, which will not include the foreign ministers. Till last year, trade and commercial issues were discussed in the Strategic and Commercial Dialogue and the Trade Policy Forum. The first Strategic and Commercial Dialogue was held in 2015 in Washington and the second in New Delhi last year. It was seen as an elevation of the US-India Strategic Dialogue in place since 2009 and which focused on regional security, economic cooperation, defence, trade and climate challenges.
- Interestingly, the announcement of the new two-plus-two dialogue to “enhance peace and stability across the Indo-Pacific region” comes against the backdrop of a spike in tensions between India and China with the Asian giants engaged in a military face-off on the Doklam plateau in Bhutan. It also comes amid reports of American disenchantment with China over its inability to rein in North Korea’s nuclear and ballistic missile programmes.
- In addition, there are **Ministerial-level dialogues** involving home (Homeland Security Dialogue), finance (Financial and Economic Partnership), commerce (Trade Policy Forum), HRD (Higher Education Dialogue), Science & Technology (Joint Commission Meeting on S&T) and energy (Energy Dialogue).

Defence Relations

- Defence cooperation has become the **“central pillar” of the India-US relationship**. It started with the signing of ‘New Framework for India-U.S. Defence Relations’ in 2005 and the resulting intensification in defence trade, joint exercises, personnel exchanges, collaboration and cooperation

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in maritime security and counter-piracy, and exchanges between each of the three services. **The Defence Framework Agreement was updated and renewed for another 10 years in June 2015.**

- India in recent years has emerged as one of the most important export markets for the U.S. defence industry, with defence trade volume **surpassing \$13 billion dollars** in the past decade. Major sophisticated weapon procurements include CH-47 Chinooks, AH-64 Apaches, C17 Globemasters, and C-130J Super Hercules Aircraft etc.
- **Bilateral dialogue mechanisms** in the field of defence include mainly Defence Policy Group (DPG), Defence Joint Working Group (DJWG), Defence Procurement and Production Group (DPPG), Joint Technical Group (JTG), Military Cooperation Group (MCG) etc.
- At the heart of improved U.S.-India relations over the last couple of years has been progress on the **Defence Trade and Technology Initiative (DTII)** that was launched in 2012 with the goal of breaking down bureaucratic barriers and other obstacles to enhancing defence trade.
- During President Obama's Visit to India in January 2015, the two sides have announced six "path finder" projects, including co-developing jet engine technology and aircraft carrier systems and co-producing Raven unmanned aerial vehicles and specialized intelligence gathering and reconnaissance equipment for military transport aircraft, mobile electric hybrid power sources, helmet mounted digital displays for aircraft and helicopter pilots, high energy lasers, and chemical and biological warfare protection gear for soldiers.
- **It also helped India join the Missile Technology Control Regime (MTCR) after India agreed to join the Hague Code of Conduct, dealing with the ballistic missile non-proliferation arrangement in June 2016.** MTCR membership will enable India to buy high-end missile technology and also enhance its joint ventures with Russia.
- In February 2017, **Recognising India's status as a 'Major Defence Partner'**, the US has made necessary changes in its export control laws that would benefit India by facilitating smoother transfer of technologies and arms to it. The new rule that makes necessary changes in the export control laws creates a presumption of approval for Indian companies seeking to import Commerce Department-controlled military items, except Weapons of Mass Destruction-related goods.
- This means that only under the rarest circumstances will India be denied licenses. This will promote smooth transfer of Defence technologies to India which will be at par with other US defence allies.
- The rule will make business substantially easier for Indian companies in the defence sector, especially those partnering with American companies. This gives Indian companies and US companies operating in India the ability to be reactive in real time to meet their supply chain needs,
- India will be able to buy surveillance drones from other countries like the American Predator drones (e.g.the Avenger drone). The US might also consider exporting UAVs, Reaper and Global Hawk, which have been key to counter- terrorism efforts in countries like Afghanistan, Pakistan and Yemen. ISRO will now have access to restricted high-end technologies for developing its cryogenic engines in order to enhance space exploration.
- According to defence experts, Indian Air Force needs around 200 medium weight category aircraft. Keeping that in mind, **Tata Group and American aerospace giant Lockheed Martin signed a deal in June 2017, to jointly produce the combat-proven F-16 fighter jets in India**, boosting Prime Minister Narendra Modi's 'Make in India' plan. Under the deal, Lockheed will shift its Fort Worth, Texas plant to India without directly affecting American jobs, a campaign pledge of Trump who has vowed to put "America First".
- US firm Boeing's F-18 is in the race to sell deck-based fighters to the Indian Navy, and is competing with French, Swedish and Russian firms. A global tender is expected in 2018. U.S. lawmakers and bureaucrats, in general, have been enthusiastic supporters of proposals to sell these fighters to India, and are now presenting **them as deals that could reduce America's trade deficit with**

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India and create more jobs in America than they relocate – issues that are on top of Mr. Trump's agenda.

Military Exercises

- The two countries' military exercises had grown in scope and complexity. **The two countries now conduct more bilateral exercises with each other than they do with any other country.** An Indian Navy ship took part in **Rim of the Pacific (RIMPAC) exercise** in 2014 for the first time which was followed in July 2016. The RIMPAC is the **world's largest international maritime warfare exercise** held biennially during June and July of even-numbered years from Honolulu, Hawaii. It is hosted and administered by the United States Navy's Pacific Fleet (headquartered at Pearl Harbor) in conjunction with the Marine Corps, the Coast Guard, and Hawaii National Guard forces.
- The United States, India, and Japan kicked off the annual trilateral exercise - Malabar 2017 which were conducted in Bay of Bengal from 10 to 17 July 2017. The timing of the exercise was significant as it took place in midst of the Doklam standoff between India and China. The Malabar exercises, which initially began as a bilateral naval exercise between the United States and India back in 1992, expanded to include Japan as a permanent member in 2015.
- As part of the ongoing Indo-US defence cooperation, a joint military training, Exercise **Yudh Abhyas - 2017** was conducted at Joint Base Lewis McChord, Washington, USA from 14 to 27 September 17. Exercise Yudh Abhyas is one of the largest joint running military training and defence corporation endeavors between India and USA. This will be the 13th edition of the joint exercise hosted alternately between the two countries .The annual exercises were started in 2004.
- According to Indian Army officials, it is **one of the longest running joint military training exercises in its history.** It provides an ideal platform for security personnel of the two countries to share their experiences on counter-insurgency operations, especially in the mountainous region.

LEMOA and other Agreements

- Technical Arrangement between the Indian Navy and the United States Navy concerning Unclassified Maritime Information Sharing was signed in May 2016. The Arrangement would allow sharing of unclassified information on White Shipping between India and the US as permitted by respective national laws, regulations and policies, and provides a framework for mutually beneficial maritime information.
- India's change of mind on what the Pentagon calls the foundational treaties – LEMOA, BECA, and CISMOA has been a welcome surprise. These agreements formalise the sharing of logistical facilities and align communication protocols between the US military and their partners, greatly enhancing the range and capabilities of both forces in joint humanitarian or security missions.
- **Logistics Exchange Memorandum of Agreement (LEMOA)**, was signed in August 2016

Significance of LEMOA

- LEMOA would allow mutual support for refuelling, supplies, and spare parts and is an important sign of both sides overcoming bureaucratic and other logistical hurdles in the pursuit of closer cooperation. The agreement **formalises an ad-hoc arrangement already in practice** and furthers India-US military-to-military cooperation. The agreement, put simply, provides access to each other's military facilities for fuelling and logistic support on a reimbursable basis.
- It provides for easier access to supplies and services for the military forces of the two countries when they are engaged in specific types of activities. These **activities are limited to joint military exercises, training, port calls and humanitarian missions** and other military activities that both sides mutually agree to undertake. **It does not give the US automatic access to Indian military bases or to logistical support**, but simply smoothens existing practices. There is a misperception that this was an agreement signed by US allies and signing this would therefore make India one

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too. In reality, LSA has been signed by around 100 countries, many of which are not US allies.

- Another misperception about the LSA has been that signing it will make India a party to America's conflicts and policies, especially in West Asia and East Asia. But this is not true either: Indeed, even most countries formally allied with the US have not been dragged into these wars, let alone those simply signing the LSA.
- India has in the past provided logistic support to the US. During the 1990-91 Gulf War, the Chandra Shekhar government provided overflight rights to US planes, and even permitted refuelling, but revoked it after protests. During the 2004 Tsunami, US support came handy with India lacking the capability to provide assistance to the affected areas. Experts say the agreement will aid such humanitarian assistance in future.
- In one of the more concrete benefits, **LEMOA strengthens India's outreach to areas that were not typically within its reach**. With one aircraft carrier in operations, India's capacity to undertake far sea operations has been fairly limited. Signing LEMOA opens up opportunities such as gaining access to US military bases in Djibouti and Diego Garcia. Indian arrangements with the US for such access open up new options in beefing up India's logistics capacity for missions in the Indian Ocean. Though India can access such facilities and logistics even now, again, this has to be done on a case-by-case basis, which LEMOA does away with.
- Lastly, **it is politically symbolic** — a sign signifying the state of India-US strategic ties. In view of some experts India should remain independent of both lest China take a more antagonistic line with India. But China's behaviour has been antagonistic even before, and its behaviour is part of the reason why LEMOA is symbolically important.

Criticism of LEMOA

- Opposition parties fear that helping the US military, even logistically, would **draw India into wars that the US is fighting in Asia Pacific and West Asia**. Such a step, they say, would seriously dent India's non-aligned position in these conflicts. The agreement may cause serious misgiving among India's traditional partners and time tested allies, regionally and globally. The Modi government has compromised on Indian sovereignty and surrendered its strategic autonomy by signing such an agreement.
- Because the Indian Navy and the Indian Air Force rarely stretch their reach beyond the Indian Ocean region in the one case and the western border with Pakistan in the other case, **it is mostly the US military that will be reaping the benefits**. Indian basing will permit deployed American forces to pull longer, more sustained naval and air operations in the extended region to realize US policy goals.
- Russia will necessarily begin distancing itself from India and there will be no incentive for Moscow to treat India and the Indian armed forces as other than a cash-cow. Depending upon just how intimate the Indo-US embrace is, **Moscow would be averse to risk Indians handling cutting edge weapons platforms** such as the Akula SSN when there is every likelihood of US defence personnel getting access to them. Moscow may have no hesitation in joining the China-Pakistan nexus to form a formidable strategic triad as counterweight to the India-US tandem.

Other areas

- With LEMOA behind them, the United States and India still have a lot to look forward to. The other two foundational agreements aside, New Delhi will no doubt be looking for clarity on where defence technology cooperation will go with its new found MDP status.
- In this direction, the creation of the India Rapid Reaction Cell in the Pentagon, the first country-specific cell of its kind, for simplifying defence collaboration, is another small but significant step toward overcoming bureaucratic bottlenecks.

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- The understanding to share aircraft carrier catapult-launch technology and design capabilities will enable the two navies to operate a complementary set of deck-based platforms (P-8I patrol aircraft; E-2D Hawkeye early warning aircraft; F/A18E/F Super Hornet fighters - if agreement on co-production in India is reached) that will enable the two navies to operate separately but synergistically across the Indian Ocean domain.

Counter-terrorism and internal security

- Cooperation in counter-terrorism has seen considerable progress with intelligence sharing, information exchange, operational cooperation, counter-terrorism technology and equipment.
- **India-US Counter-Terrorism Cooperation Initiative** was signed in 2010 and A **Homeland Security Dialogue** was announced during President Obama's visit to India in November 2010 to further deepen operational cooperation, counter-terrorism technology transfers and capacity building.
- The Arrangement between the Multi Agency Centre/Intelligence Bureau and the **Terrorist Screening Centre** of the FBI for the exchange of **Terrorist Screening Information** was signed in June 2016.
- As per this Arrangement, India and the US shall provide each other access to terrorism screening information through the designated contact points, subject to domestic laws and regulations. The Arrangement would enhance the counter terrorism cooperation between India and the US.
- The U.S. has already finalised such agreements with 30 countries and the Terrorist Screening Centre has details of 11,000 terror suspects on its database, including nationality, date of birth, photos, finger prints (if any) and passport number.
- The proposal was initially made by the U.S. in 2012, but had made little progress due to objections raised by security agencies. Initially The Research and Analysis Wing (R&AW) and Intelligence Bureau (IB) had opposed giving the United States unhindered access to the database of terror suspects in India. However, later, the security agencies came to the conclusion that there was no disadvantage in entering into the proposed pact with TSC. **The Intelligence Bureau will be the nodal agency and designated as the Indian party to the agreement.** It was agreed that while signing the pact, it must be ensured that privacy issues are taken care of.
- With the signing of the key pact, India has formally entered into the US **Homeland Security Presidential Directive-6 (HSPD-6)**, which will enable it to access 'unclassified biographic information of known and suspected terrorists' maintained by the US on a reciprocal basis.

President Trump's New Afghanistan policy

- Unveiling a new strategy for South Asia in August 2017 that has many elements of continuity from the past, President Donald Trump said the U.S troops would stay in Afghanistan for an open-ended period of time and America would no longer tolerate Pakistan's policy of harbouring terrorist.
- The US military will have **more operational autonomy** to pursue terrorists, and commanders have been given authority to attack whenever they chose to. A core pillar of the new strategy is **a shift from a time-based approach to one based on conditions**. In opinion of some experts, America is looking at the possibility of a military presence in Afghanistan that is similar to what it has in South Korea - more than six decades now.
- America would be open to negotiations with Taliban, if Taliban pursues the path to peace and political legitimacy through a negotiated political settlement to end the war
- Through this policy USA is insisting that Pakistan must "do more" to rein in Islamist militants or face possible sanctions, such as cutting aid or revoking its status as a major non-NATO ally. Singling out Pakistan which often gives safe haven to terrorists, President Trump said, that the current practice

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of Pakistan receiving American aid and giving shelter to terrorists that target American soldiers cannot go on any longer.

- America's strategic partnership with India will deepen in South Asia and the Indo-Pacific and USA demanded that **India make more financial contribution for the stabilisation of Afghanistan**. The President linked this demand to India's trade surplus with America saying, India makes billions of dollars in trade.

India's Response

- India has welcomed United States President Donald Trump's new policy on Afghanistan, saying his move will help target "safe havens" of terrorism in South Asia. **American call for an end to Pakistan's involvement in terrorism in Afghanistan and its support for an Afghanistan-led peace process addressed a core concern of India. USA's policy ended distinctions like 'good Taliban' and 'bad Taliban'.**
- India welcomed the move to have an Afghanistan-led and Afghanistan-owned peace process to ensure peace and stability in Afghanistan. By asking the Afghans to take charge of their internal affairs, President Trump has vindicated the position that India first took in the 1980s and have maintained ever since.
- India responded that it shared concerns of the U.S. government and is committed to supporting the government and the people of Afghanistan in their efforts to bring peace, security and stability and prosperity in their country. India has been steadfast in extending reconstruction and development assistance to Afghanistan in keeping with its traditional friendship with its people and will continue these efforts.
- The U.S. needs to ensure better security situation for the Indian development work to have the expected impact and it should also bring in Japan, the European Union and others into the developmental framework of Afghanistan.
- **Afghan officials welcomed Trump's message, but Pakistanis accused him of "bullying" their country despite its history of cooperating with the United States in foreign conflicts.**
- In view of some experts, **Trump's comments about India were more unsettling for Pakistanis than his threats to Pakistan.** The U.S. calling for a deeper Indian footprint in Afghanistan sets off alarm bells across Pakistan. It will cause very real fear. For Pakistan, USA has betrayed Pakistan by reaching out to India, which Pakistan views as a persistent threat to its existence.

Analysis of new policy

- The new strategy shifts the perspective from which the US sees Afghanistan. For a start, Trump has included all of "South Asia" in his world-view, which essentially means that the US will focus much more on the safe havens that Pakistan has been providing to terrorists including the Taliban, Al Qaeda and ISIS, but also the Lashkar-e- Toiba and the Haqqani Network, which specifically target Indian assets in that country.
- **Trump has rightly taken the obsessive focus away from talks with the Taliban.** This new strategy virtually endorses the long held stand of Afghan establishment, both current and previous, which has time and again sought to make America understand that the ongoing civil war in Afghanistan is largely a result of Pakistan's decision to keep its northern neighbour unstable.
- India's positive response does not mean that Delhi is unaware of the enduring impulses in Washington to forgive Rawalpindi's transgressions in Afghanistan. Whatever the US president might say, there are large sections of the US deep state that caution against a radical shift in US policy towards Pakistan. Few countries have got away so long with what Trump has accused Pakistan of doing- double speak on terrorism. If the US has tolerated this for the last 17 years, Delhi has good reason to be cautious in its assessment of what the Trump Administration can compel the Pakistan Army to do today.

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- Despite this skepticism, the changes taking place in the US regional policy cannot be overlooked. After all, **Trump has said something about Pakistan in public that his predecessors were not willing to**. If the previous administration acquiesced in Pakistan's double dealing on terror, Trump has threatened Rawalpindi with consequences if it does not change its behaviour.
- It is equally important for Delhi **to note the shift in Washington's thinking on the Indian role in Afghanistan. USA acknowledges India's importance and its significant role in stabilizing Afghanistan, but wants it to do more, especially in the area of economic assistance and development**. Until recently, Washington believed that India's rivalry with Pakistan is part of the problem in Afghanistan. Today USA might be betting that by invoking a larger Indian role in Afghanistan, it might add to the pressures on Pakistan to cooperate with the US.
- By not asking India to contribute to the military front directly, the U.S. has spared New Delhi of a major responsibility.
- While India must prepare for the possibility of the US slipping back to its old ways on Pakistan, Delhi's current emphasis must be on taking advantage of the Trump discontinuity in the American policy towards the Subcontinent. **A positive Indian approach would involve three elements — economic, security and diplomatic.**
- First, India **must ramp up its economic diplomacy** in Afghanistan to bring immediate benefits to Kabul amidst the deteriorating conditions in the country. Second, Delhi must **step up security cooperation with Afghanistan**, especially in the training of its police and armed forces and intelligence sharing. Third, on the diplomatic front, India **must counter the emerging argument that Trump's new approach will intensify the "Indo-Pak rivalry" in Afghanistan** and the old one that Kashmir holds the key to peace in Afghanistan.
- Delhi must remind the world of India's commitment to regional cooperation with Afghanistan and Pakistan, in an atmosphere free of terrorism.

Economic relations

- Economic relations seem to have grown substantially between India and the United States. India-US trade stood at \$114 billion in 2016, more than doubling from \$45 billion in 2006. US exports were \$42.0 billion and imports were \$72.8 billion. The resultant trade deficit with India was \$30.8 billion in 2016. **US is the second largest trading partner of India.**
- US exports to India support more than 260,000 jobs in America, while investment from Indian companies supported more than 52,000 jobs in the US in 2016. **The two-way investment between the US and India in 2016 was nearly \$40 billion.**
- There is still plenty of room to grow and during Prime Minister's visit to the U.S. in September 2014; **the two sides set a target to increase bilateral trade in goods & services to \$500 billion.**
- Both countries are investing more in each other's economies. More and more US companies are setting up shop in India as Indian companies are expanding their business beyond the Atlantic. The high rate of economic growth and projection for coming years indicate that India will continue to be a preferred investment destination.
- 10 sectors like aerospace and defence, banking, financial services and insurance, chemicals, dedicated freight corridors, energy and infrastructure ports and inland waterways, oil and gas, pharmaceutical and digitisation, etc. have immense potential not just for domestic growth, but also for strengthening India's position as a global business hub.
- During Prime Minister Modi's visit in September 2014, it was decided to establish an India-US Investment initiative, with a special focus on facilitating FDI, portfolio investment, capital market development and financing of infrastructure and an US-India Infrastructure Collaboration Platform to

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deploy cutting edge U.S technologies to meet India's infrastructure needs. Both these dialogues have held meetings in 2016.

- US firms will be lead partners in developing Allahabad, Ajmer and Vishakhapatnam as Smart Cities. USAID will serve as knowledge partner for the Urban India Water, Sanitation and Hygiene (WASH) alliance with to help leverage business and civil society (Gates Foundation) to facilitate access to clean water, hygiene and sanitation in 500 Indian cities.
- However in opinion of some analysts, India-U.S. Economic relationship is one area that has not seen expected results after Modi's first two years. Although data available from the U.S. Bureau of Economic Analysis shows an upward trend in trade and investment ties, there is a growing feeling among political and economic observers that bilateral economic relationship has reached a plateau
- A comparison between the couple of years of bilateral economic data drive home this point. According to the U.S. Department of Commerce's data, bilateral trade volume stood at \$95 and \$101 billion respectively in 2012 and 2013, with a net increase of \$6 billion dollars between 2012 and 2013. However, years following these improvements have been modest: \$104 and a little over \$114 billion in 2014 and 2016. The slow pace at which U.S. - India economic ties have expanded under Modi regime is concerning.
- However, there are several other issues that will plague relations. US government engages India to address the concerns of the US business community regarding India, including tariff and non-tariff barriers, subsidies, localisation policies, restrictions on investment, and intellectual property concerns that limit market access and impede US exporters and businesses from entering the Indian market.
- The first is subsidies. Washington recently won a case against India at the World Trade Organisation that prohibited the Indian government from giving preferential treatment to domestic solar panel manufacturers. US firms are also pushing Washington to act against subsidies the Indian Space Research Organisation gets from the government for its Polar Satellite Launch Vehicle programme.
- A second hurdle is intellectual property. In several sectors, India has brought its laws into alignment with US and international norms yet there remain significant differences in philosophy. Pharmaceuticals is one such field, where Indian courts have been hostile to the US practice of evergreening patents, instead seeing a social dimension to the industry. India has also had disagreements with the United States on its agricultural subsidies and food security programme.
- A sector-specific yet politically potent point of friction is nuclear energy. India's nuclear liability laws were found to beat odds with international norms. The Indian side came up with a convoluted mechanism to bypass its own law without losing face and satisfied Washington but private companies are still uncomfortable with the provisions. As a result, a number of nuclear energy projects have stalled across the country; GE has flatly refused to participate in the Indian nuclear energy market as long as the present law stands, despite Westinghouse agreeing to start constructing 6 power plants.

Energy and Climate change

- **The U.S.-India Energy Dialogue** was launched in May 2005 to promote trade and investment in the energy sector, and held its last meeting in September 2015 in Washington DC. Investment by Indian companies like Reliance, Essar and GAIL in the U.S. natural gas market is ushering in a new era of India-U.S. energy partnership.
- From next year **liquefied natural gas (LNG) from the U.S. will start flowing to India**. It is expected that in the next few years the Indo-U.S. LNG trade will be in excess of \$40 billion.
- As a priority initiative under **the PACE (Partnership to Advance Clean Energy)**, the U.S. Department of Energy (DOE) and the Government of India have established **the Joint Clean**

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Energy Research and Development Centre (JCERDC) designed to promote clean energy innovations by teams of scientists from India and the United States, with a total joint committed funding from both Governments of US\$ 50 million.

- An MoU was signed between the Ministry of Petroleum and Natural Gas, and the Department of Energy of the United States of America for Cooperation in Gas Hydrates in June 2016. It aims to increase the understanding of the geologic occurrence, distribution, and production of natural gas hydrates along the continental margin of India and in the US.
- As China, US ratified Paris climate deal in September 2016, **India, which accounts for 4.1 per cent of the emissions, ratified the Paris Agreement on Climate Change** on 2nd October 2016, the 147th birth anniversary of Mahatma Gandhi. India is the 62nd country to ratify the agreement. The agreement will enter into force one month after 55 countries that account for 55 percent of global emissions ratify the agreement.
- This ratification of landmark Paris Agreement put an end to the saga of divergence of opinion between India and USA over historic responsibility for climate change causation and issue of climate justice. US had reiterated its commitment of helping to mobilise \$100 billion fund for helping developing countries in climate finance.
- However this cooperation was short lived. President Trump announced **US pull out from Paris Climate Agreement in June 2017** fulfilling his key election campaign promise and blamed Paris deal for giving undue advantage to India and China at the cost of the United States' interest. According to him, the Paris agreement would lead to a redistribution of American wealth to other countries and transfer of American jobs abroad. His predecessor Barack Obama had argued that by promoting a global climate regime, the U.S would create wealth and jobs at home. He had showcased the Indian and Chinese endorsement of the Paris accord as a key diplomatic success of his presidency.
- According to President Trump, under the agreement, China will be able to increase these emissions by a staggering number of years –13 years and India makes its participation contingent on receiving billions and billions and billions of dollars in foreign aid from developed countries while US stood to gain nothing. **America has stopped contributing to the Green Climate Fund set up under the Paris agreement to support developing countries meet their commitment.**
- The announcement concluded intense internal debate in the Trump administration and ignoring protests from American closest allies in Europe and Canada. It drew strong condemnation from leaders and environmentalists from across the world.
- Experts said that the Trump administration's withdrawal from the pact **jeopardizes financing for mitigation and control efforts** by smaller nations and stokes fears that other countries may abandon their pledges to reduce emissions along with the United States.
- It also **dramatically undermines the chances of further progress in years ahead:** the commitments contained in the Paris accord are not enough to prevent catastrophic rises in global temperatures, and much deeper emissions cuts would be needed. The U.S. withdrawal is bound to badly damage the accord's credibility and the chances of keeping the rest of the world focused on the tough choices ahead.
- **India however remains committed to the Paris agreement to tackle climate change despite stand taken by other countries.** PM Modi, during a joint press interaction with German Chancellor Angela Merkel, just a few days back, had remarked that it would be a "crime" to spoil the environment for future generations and that there is an underlined the need to protect biodiversity.
- Experts say that India should play its own lead role, say in solar and other non-fossil energy generation and various adaptation actions, but without being stampeded into a role mandating an equality between it and non-US developed countries just because of the US withdrawal.

Space cooperation

- A bilateral **Joint Working Group on Civil Space Cooperation** provides a forum for discussion on joint activities in space, including (i) exchange of scientists; (ii) OCM2, INSAT3D collaboration; (iii) Cooperation on Mars mission; (iv) nano-satellites; (v) carbon /ecosystem monitoring and modeling; (vi) feasibility of collaboration in radio occultation; (vii) Earth Science Cooperation; (viii) international space station; (ix) global navigation satellite systems; (x) L&S band SAR; (xi) space exploration cooperation; (xii) space debris mediation.
- NASA and ISRO are collaborating for **India's Mars Orbiter Mission and for a dual-band Synthetic Aperture Radar (NISAR)**.

Science & Technology (S&T)

- The India-U.S. S&T cooperation has been steadily growing under the framework of U.S.-India Science and Technology Cooperation Agreement signed in October 2005. There is **an Indo-U.S. Science & Technology Joint Commission**, co-chaired by the Science Advisor to U.S. President and Indian Minister of S&T. The U.S. attended as the partner country at the Technology Summit 2014 at New Delhi.
- Collaboration between the Ministry of Earth Sciences and US National Oceanographic and Atmospheric Administration has been strengthened under the 2008 **MOU on Earth Observations and Earth Sciences**. A "**monsoon desk**" has been established at the U.S. National Centres for Environmental Prediction.
- India's contribution of \$250 million towards **Thirty-Meter Telescope Project** in Hawaii and **Indian Initiative in Gravitational Observations (IndiGO)** with **U.S. LIGO Laboratory** are examples of joint collaboration to create world class research facilities.

Diaspora

- The 3.5-million-plus strong Indian American community is an important ethnic group in the U.S., accounting for about 1% of the total population in the country. Indian American community includes **a large number of professionals, business entrepreneurs and educationalists** with increasing influence in the society. With two Indian Americans occupying high level posts of Governor and several representatives of the people, the Indian Diaspora has assimilated into their adopted country and is acting as a catalyst to forge closer and stronger ties between India and USA.

Points of friction

- The blossoming of ties with the U.S. has become an important diplomatic asset for India. The new warmth in relations, however, has failed to ease Indian concerns over America's regional policies, including on Pakistan, Afghanistan and terrorism, or address complaints of Indian information technology and pharmaceutical industries about U.S. practices, especially non-tariff barriers or pressurising India to do more on climate change and human rights,
- On the other hand, U.S. lawmakers complain about India's loose approach to **intellectual property** and limits on foreign investment.
- The complexity of the U.S.-India partnership is underlined by the fact that the U.S. has little experience in forging close strategic collaboration with a country that is not its treaty-based ally. All of America's close military partners are its treaty-linked allies. **India is a strategic partner, not an ally, of America.**
- So there are several points of friction between the world's two largest democracies, to be sure.

IPR Issues

- Intellectual property (IP) protection remains a sticking point in the budding relation between Washington and Delhi. India and the United States feel differently about IP protection. Vast social and economic differences often lead to different regulatory approaches; the U.S. favours strong

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protection for its corporate interests, while especially in pharmaceuticals, India reserves the right to compel firms to license their IP in service of broader health care goals. In the past, these practices have made Western firms reluctant to invest in Indian industry and infrastructure. The Novartis case in 2013 is one such example.

- India insists that its IP practice conforms with the requirements of the TRIPS (Trade Related Aspects of Intellectual Property Rights) regime, and that it retained the sovereign right to apply its regulatory scheme as the government saw fit.
- United States has **pressured India to toughen its IP protections** at both the commercial and the political levels. The US administration is committed to the idea that IP represents the asymmetric advantage of the U.S. economy, and that the protection of IP can ensure the U.S. position at the top of the world economic food chain. In return for stronger IP protection, the United States has dangled foreign direct investment (FDI) and trade access to the U.S. market, as well as atmospheric security commitments.
- While sales of military hardware and know-how (such as with the EMALS carrier launching system) have avoided some of these problems, regulations on the Indian defence industry have led to other issues, including a reluctance on the part of U.S. firms to commit to investment and technology transfer.
- As intellectual property issues become more salient in the defence sector, the U.S. and India may run into more problems, even on hard security questions. Then again, the U.S. has plenty of carrots to offer, and may succeed in bringing Indian IP practice into greater accord with its own.

H1-B Visa issue

- Indians are the top beneficiaries of one of the United States' most popular work visas, the H-1B. **They account for about 70% of the visas awarded annually**, most of them going to workers from India's \$150 billion tech industry.
- But the H-1B visa has become a very sensitive subject under Trump, who has repeatedly accused tech companies in the U.S. of using the program to replace Americans with cheaper foreign workers.
- His "**Buy American, Hire American**" executive order in April called for a comprehensive review of H-1B visas to ensure visas go to the "highest paid" applicants.
- The prospect of change is making Indian outsourcing firms increasingly nervous. Those restrictions would make it harder and more expensive for Indian professionals to apply and receive them. Cutbacks to the number of H-1B visas issued would harm big Indian outsourcing companies such as Infosys and Wipro, whose executives argue that the visa program helps American companies cut costs and ultimately hire more Americans.
- **Modi reiterates his government's view that Indian techies are needed to address America's skills shortage, but criticism of the H-1B program goes way beyond Trump.**
- In view of American experts, Trump actually is reflecting a view that is fairly widely held- that the present structure of the H-1B program is no longer working as it was designed to work.

'America First' or 'Make in India'

- Since taking office in 2014, Modi has been trying to boost India's manufacturing industry, under a program called "Make in India." His government has been encouraging foreign companies to set up production locations in the country, and many -- including several top U.S. firms -- have done so.
- **Apple recently began assembling iPhones in India**, while defence manufacturing giant Lockheed Martin (LMT) will make and export F-16 fighter jets from the country if it wins a big order from the Indian Air Force. Ford said in November that it will be the first automaker to import vehicles to the U.S. from India -- starting in 2018.

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- **The potential for a clash between "Make in India" and Trump's pledge to put "America First" by bringing jobs and manufacturing back to the U.S. is obvious.** While Trump has criticized other big trading partners such as Mexico, China and Germany, he has not yet called out India, barring a veiled reference to import duties on Harley Davidson that the motorcycle giant doesn't actually pay.
- India's off the radar screen a little bit for some of those kinds of issues. The Trump administration is also reviewing trade agreements with countries, including India, with which the United States runs a trade deficit. **Trump's goal of reducing America's trade deficit could soon place India -- which has a \$30 billion trade surplus with the U.S. -- in the focus.** This was clearly outlined in his recent new policy on Afghanistan.
- In view of Experts, India is unlikely to commit to relaxing import restrictions further.

Strategic cooperation

- Although both India and the United States have come a long way in defence cooperation, one cannot shake the feeling that both sides are still hedging from a complete commitment. India has lost no opportunity to stress that the signing of the foundational agreements with the United States will in no way erode its sovereignty, that it is happy to conduct numerous maritime joint exercises but will not be persuaded to conduct joint patrols, and that India sees itself as a friend and partner of the United States but not quite an ally. On the American side, senators questioned the wisdom of a bill that proposed elevating India to the status of a Nato ally in all but name given that the South Asian country did not see itself in that role.
- Close counter-terrorism and intelligence cooperation between the U.S. and India remains hobbled by America's continued pampering of the Pakistani military and its rogue Inter-Services Intelligence agency. There are doubts whether the U.S. would fully share actionable intelligence on terrorist threats emanating from Pakistani soil against India because that would prompt India to pursue one of two options that Washington wouldn't like — either India counteracted the identified threat on its own or urged the U.S. to do it. David Headley affair in 26/11 attacks is a stark reminder.
- Washington has been promising to help facilitate India's admission to the Nuclear Suppliers Group, the Australia Group and other U.S.-led export-control regimes — a promise reiterated when Obama last visited India. However, the U.S. has **invested little political capital** thus far to promote India's inclusion in these cartels. An emboldened China has now emerged as the principal opponent to India's membership, especially in the NSG.

China factor

- India's other adversary, China, also poses a geopolitical challenge for America. Both the U.S. and India are keen to work together to control the potentially disruptive effects of the rise of an increasingly assertive China. The recent upsurge in the strategic partnership between the two countries have led many to perceive that **the rationale being containing China** that has the potential to threaten both India and the United States.
- As China increasingly takes steps to establish claims to contested areas in the **South China Sea** -- through which about half the world's merchant ships sail -- the U.S. has been placing increasing emphasis on the need to maintain freedom of navigation. In its view, India has an important role to play as a net security provider and guarantor of an open and rules-based maritime order across the Indo-Pacific.
- India is already assuming responsibilities in securing the India Ocean region. A strong India-U.S. partnership can ensure peace prosperity and stability from Asia to Africa and from Indian Ocean to the Pacific. In opinion of some analysts, siding with US in its containment policy of China has its own drawbacks which India should be mindful of. While joining such an alliance against China, India has to be unrealistically optimistic to get the Chinese nod for India's NSG membership.

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Moving India from previous regime's balancing act to a pro-American tilt, Modi has made it almost certain that China will harden its opposition to India's application to join the exclusive club for years to come. NSG membership will not be the only casualty in Modi's push for joining American led alliance against China. Modi's gambit may also cost India's quest for permanent seat at the UN Security Council. China is the only permanent member with a veto that has not come out openly supporting India's bid. If Modi hopes to bring a change in China's position, that will be only possible by working with Chinese leadership, not by being part of a military alliance against it.

- Given **President Trump's policy flip flops with China**, President Barack Obama's "Pivot to Asia" policy may be a thing of the past. Under both Obama and Bush, security in Asia and the rise of China were central elements of strategic ties with India. **In 2015, Obama and Modi unveiled a joint strategic vision for the Asia-Pacific and the Indian Ocean region.** At first it seemed that Trump would pursue a newly minted aggression with Beijing when he questioned the "One China" policy by recognizing Taiwan as a separate entity. His secretary of state threatened a blockade in the South China Sea. And then there was the famed Trumpian Twitter angst about China.
- But just as abruptly Trump did an about-face. **His U-turn on China extended to U.S. attendance at the One Belt, One Road (OBOR) initiative in Beijing.** India boycotted the meeting, objecting to the China-Pakistan Economic Corridor (CPEC) passing through territory India regards as sovereign. Realizing that in the Age of Trump, it can make no here-and-now assumptions about the United States, the Modi government has strategically diversified its diplomatic outreach, reaching out to Germany, France and Japan.
- Washington has **not criticized China's \$46-billion infrastructure-building CPEC plan** to use Pakistan as its land corridor to the Arabian Sea and the Indian Ocean. The U.S. **seeks to counter China only where it directly challenges American power**, as in the Pacific **while remaining neutral on China-India disputes** as happened recently in Doklam.
- In southern Asia, by contrast, U.S. policy regards China as a virtual partner, including on Pakistan and Afghanistan. The softness Trump has shown for Beijing, coupled with China's protective cossetting of Islamabad, also raises doubts about how much India can expect the United States to speak up on Pakistan-backed terrorism. Trump's tough line in his **new Afghanistan Policy** is of little relevance to India if it does not translate into punitive pressure on Pakistan and include extremist groups.
- Also India risks being sucked into containment of China and do bidding of USA while ignoring its own national interests. **China is the world's second largest economy and future superpower** with which India has an unresolved boundary dispute. So India stands to benefit by **pursuing an independent foreign policy which** gives priority to a deeper economic and strategic engagement with China while maintaining robust relations with USA on its own merit, rather than getting unnecessarily entangled in Sino-US rivalry.

Conclusion

- There is clearly much more that the two sides will have to work on, especially on India's integration into various multilateral economic groupings. And the challenge will be to keep the momentum going even after the change of administration in Washington.
- However, as the recent history of India-U.S. ties shows, when the political winds shift their course, it is ultimately the defence and economic ties that keep bilateral relations afloat. It is precisely these areas, particularly the economic component of the bilateral, that the Indian government must emphasize in its future policy toward the United States. India enjoys bipartisan support in the US, and Washington a hesitant embrace in Delhi. There will always be swings and roundabouts but it seems to have dawned on both countries that the geopolitics of this century is best navigated as friends than estranged democracies.

9. INDIA – JAPAN RELATIONS

Background:

- Exchange between Japan and India is said to have begun in the 6th century when Buddhism was introduced to Japan. Indian culture, filtered through Buddhism, has had a great impact on Japanese culture, and this is the source of the Japanese people's sense of closeness to India.
- After World War II, in 1949, Indian Prime Minister Jawaharlal Nehru donated an Indian elephant to the Ueno Zoo in Tokyo. This brought a ray of light into the lives of the Japanese people who still had not recovered from defeat in the war.
- Japan and India signed a peace treaty and established diplomatic relations on 28th April, 1952. This treaty was one of the first peace treaties Japan signed after the World War II.
- Ever since the establishment of diplomatic relations, the two countries have enjoyed cordial relations. In the post World War II period, India's iron ore helped a great deal Japan's recovery from the devastation.
- Following Japanese Prime Minister Nobusuke Kishi's visit to India in 1957, Japan started providing yen loans to India in 1958, as the first yen loan aid extended by Japanese government.
- A transformational development in the economic history of India was Suzuki Motor Corporation's path breaking investment in India in the early 1980s that revolutionized the automobile sector, bringing in advanced technology and management ethics to India.
- Japanese Official Development Assistance (ODA) also continued to flow helping to supplement the work of the Indian government and helping to plug the gaps in economic development.
- A test of the reliability of Japan as a friend was witnessed in 1991, when Japan was among the few countries that bailed India out of the balance of payment crisis.

India - Japan: Imperatives for better ties:

- **Strategic –**
 - China remains an unspoken factor in India – Japan relation. China follows '**cabbage**' strategy which involves "asserting a claim, launching furtive incursions into the coveted territory, and erecting – one at a time – cabbage-style multiple layers of security around a contested area to deny access to a rival."
 - Japan has a boundary dispute with China over Senkaku island in East China Sea. In November 2013, China suddenly announced the creation of an Air Defence identification Zone (ADIZ) over the Senkakau/Diayou islands in East China Sea.
 - India has been at the receiving end of China's attitude since Independence particularly in Ladakh and Arunachal Pradesh. Incursion in Depsaang Valley and Doklam incident are few examples of Chinese aggression in Indian territories.
 - The Indo-Pacific region has been on the geostrategic radars of both countries as from time and again both countries have expressed their commitment to "freedom of navigation and unimpeded commerce based on the principles of international law."
 - Both country's insistence on increased engagement between India's 'Act East Policy' and Japan's 'Open Indo-Pacific Strategy' further makes them a natural partner.
 - In Japan's vision, partnership with India occupies top priority in the backdrop of shifting equations of power:

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- a. India is likely to be strong a naval power and has the potential to become a security provider in Southeast Asia.
- b. India is expected to fill the vacuum made by declining US power. It is evident from the significant role played by India in U.S' **Pivot to Asia** policy.
- c. India is perceived by Japan as trustworthy. India has exercised restraint in use of military power as a strategy in the past.

• Security –

- India and Japan have large Exclusive Economic Zones and maritime interests (including safe passage of Japanese oil tankers plying from the Persian Gulf to Strait of Malacca through Arabian Sea, Indian Ocean and Bay of Bengal under protection from Indian Navy and the Coast Guard).
- There is a need for enhanced cooperation in capacity building, technical assistance and information and data sharing between their respective agencies and to undertake anti-piracy measures in the high seas.
- Terrorism in all its forms and manifestations is a common concern for both the countries. The Islamic State group has labelled Japan as an enemy which poses a threat to Japanese internal security as a series of big international events – such as 2019 Rugby World Cup, as well as the 2020 Summer Olympics and Paralympics - are scheduled in Japan.
- India is more experienced in this sphere, and therefore a good counter-terrorism partner for Japan.

• Economic –

- PM Shinzo Abe is trying to jump-start a Japanese economy that has been stalled for two decades, and badly needs new sources of exports and revenue for ailing Japan Inc. India, with its 1.2 billion increasingly wealthy consumers and bottomless investment opportunities, can provide just what Japan requires.
- Prospects of a new economic order illustrated by RCEP and TPP further pushes Japan towards India.
- India has significant reserve of rare earth metal which is badly needed for the Japanese economy which uses these minerals to manufacture different products.
- Japanese workforce is ageing. In this case, it is looking towards India for the supply of young workforce to revive its economy.
- Earlier in 2010, the Chinese government had blocked exports to Japan of a crucial category of minerals (rare earth metal) used in products like hybrid cars, wind turbines and guided missiles and thereby crippling the Japanese economy. Later, Indian government started to supply this mineral to Japan.
- The decision of Japan to reduce its increasing healthcare costs on account of its ageing population and switch over to a higher share of generic medicines provides opportunity for both countries as India is strong in generics.
- India's railways modernization and expansion plans open up commercial opportunities for Japan.

• Multilateral imperatives –

- Both countries need their mutual support on crucial global issues including the issue of climate change, countering terrorism, reform of the United Nations Security Council (UNSC).
- In 2016, China refused to accept the verdict on South China Sea, passed by International Court of Justice. This threatens the sanctity of multilateral institutions.

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- Both, India and Japan have expressed their commitment towards multilateralism.

Bilateral Relation:

- The beginning of the 21st century witnessed a dramatic transformation in bilateral ties. During Prime Minister Mori's path-breaking visit to India in 2000, the Japan-India Global Partnership in the 21st century was launched providing the much-needed impetus for the trajectory of relations to soar to new heights.

Political relation:

- With the establishment of "Global Partnership between Japan and India", the ties were strengthened in diverse filed, including identifying strategic convergences.
- Since Prime Minister Junichiro Koizumi's visit to India in April 2005, Japan-India annual summit meetings have been held in respective capitals.
- The joint statement signed by Prime Ministers Manmohan Singh and Shinzo Abe in 2006 upgraded the relationship to a **Global and Strategic Partnership** with the *provision of annual Prime Ministerial Summits*. A Comprehensive Economic Partnership Agreement (CEPA) between Japan and India was concluded in 2011.
- *Emperor Akihito and Empress Michiko* were on a week-long visit to India from in December 2013. This visit was significant as Japanese emperor and empress rarely visit any place outside Japan.
- In September 2014, Prime Minister Narendra Modi paid an official visit to Japan. It was then agreed that Japan-India relationship was upgraded to "**Special Strategic and Global Partnership.**"
- In December 2015, Prime Minister Abe paid an official visit to India. The two Prime Ministers resolved to transform the Japan-India Special Strategic and Global Partnership into a deep, broad-based and action-oriented partnership, which reflects a broad convergence of their long-term political, economic and strategic goals.
- They announced "Japan and India Vision 2025 Special Strategic and Global Partnership Working Together for Peace and Prosperity of the Indo-Pacific Region and the World" a joint statement that would serve as a guide post for the "new era in Japan-India relations."
- In November 2016, Prime Minister Modi paid an official visit to Japan and had a summit meeting with Prime Minister Abe. In this summit meeting, the two leaders hoped that the two countries would lead the prosperity and stability of the Indo-Pacific region as a result of coordinating the "Free and Open India and Pacific Strategy" and the "Act East" policy.
- Under the **Parliamentary exchanges programme** between India and Japan, the Sasakawa Peace Foundation (SPF), in collaboration with the Confederation of Indian Industry (CII), has been organizing the visit of Members of Parliament since 2004.
- Japan has entered into one of its kind civil nuclear deal with India and welcomed India's accession to Missile Technology Control Regime (MTCR) and the Hague Code of Conduct against the Ballistic Missile Proliferation (HCOC).
- It has also reaffirmed its support towards India becoming full member of the remaining three export control regimes (namely the Nuclear Suppliers Group, Wassenaar Arrangement and the Australia Group).

Economic and Commercial Cooperation

- In the economic sphere, the complementarities between the two countries are particularly striking:
 - (i) Japan's ageing population (23% above 65 years) and India's youthful dynamism (over 50% below 25 years);
 - (ii) India's rich natural and human resources and Japan's advanced technology;

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- (iii) India's prowess in services and Japan's excellence in manufacturing; and
- (iv) Japan's surplus capital for investments and India's large and growing markets and the middle class.
- (v) India's strength in the software sector that lends synergy to Japan's excellence in hardware.
- India-Japan signed **Comprehensive Economic Partnership Agreement (CEPA)** in 2011, which seeks to eliminate around 94% of the tariffs between Japan and India within 10 years.
- Such initiatives were supplemented in the year 2014 by the "**India-Japan Investment Promotion Partnership**" signed during Prime Minister Modi's visit to Japan for the bilateral summit.
- During the visit of Prime Minister Modi to Japan in September 2014, PM Shinzo Abe pledged \$35 billion in investment in India's public and private sectors over the next five years. The two countries also set a target of doubling Japanese FDI and the number of Japanese firms in India by the year 2019.
- Both the countries also remain engaged in negotiations for the creation of a "Regional Comprehensive Economic Partnership" (RCEP), which seeks to promote regional supply chains and is crucial for India's Act East policy. During the 2015 annual summit, the Japanese government also extended its support for India's candidature as a permanent member of the 'Asia Pacific Economic Cooperation' (APEC), a forum where India has had observer status since 2011.
- **Japanese ODA**, for long the backbone of the bilateral relationship, continues to provide long-term loans for India's infrastructure development. Japanese ODA supports India's efforts for accelerated economic development particularly in priority areas like power, transportation, environmental projects and projects related to basic human needs.
- *New Delhi metro network* has been realized with the Japanese assistance which helped to conceptualize and execute the prestigious Delhi Metro Project. The Western Dedicated Freight Corridor (DFC), the Delhi-Mumbai Industrial Corridor with eight new industrial townships, the Chennai-Bengaluru Industrial Corridor (CBIC) are all mega projects on the anvil, which will transform India in the next decade.
- The Japanese government has expressed its interest in enhancing infrastructure investment projects such as India's Mass Rapid Transit Systems (MRTS), Ahmedabad metro, upgradation of ship-breaking yard at Alang Sosiya in Gujarat along with development of industrial cities in Gujarat and Maharashtra and integrated industrial townships in UP and Madhya Pradesh.
- Japan has agreed for the development of Varanasi on the pattern of Kyoto 'Smart City'.
- **Northeastern Indian border region and Andaman and Nicobar Islands:**
 - Japan has also undertaken the crucial task of funding US\$ 744 million road building project in the northeastern Indian border regions of Assam, Meghalaya and Mizoram.
 - Like northeastern India, Andaman and Nicobar chains due to its separation from the mainland remain undeveloped. In this respect, New Delhi for the first time is planning to allow foreign investment in the archipelago.
 - Since India has a border dispute with China, it cannot accept Chinese investment in Northeastern region. Further, India does not want Chinese investment in Andaman Nicobar Islands as these islands hold a significant strategic importance in the region.
 - The proximity of these islands to the Malacca Strait place them in a strategic position with regards to surveillance of the crucial sea lines of communication.
 - Furthermore, about a third of India's Exclusive Economic Zone also lies around the Andaman and Nicobar Islands, which occupy an important position in India's "Act East" policy and maritime security strategy.

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- Therefore Indian government is engaging with Japan for upgrading civilian infrastructure on these islands. The first project being discussed in this respect is a 15-megawatt diesel power plant on South Andaman Island.
- Japanese government showed keenness to support India's varied initiatives such as "Make in India," "Digital India," "Skill India," "Clean India" and "Smart City" through sharing of its advanced skills and technologies and active mobilization of investments including Official Development Assistance (ODA).
- **Bilateral trade** between the two countries more than doubled between 2006-07 and 2012-13. However, total trade has come down to \$ 13.48 billion in 2016-17 from a peak of \$ 18.5 billion in 2012-13.
- The negative or slow growth in trade with Japan is a matter of concern for India in view of the fact that there is high potential for faster progress on goods and services trade. The share of India-Japan bilateral trade in Japan's total trade has been hovering around 1 per cent but it is in the range of 2.05 to 2.34 percent of India's total trade in the last five years.
- Regarding investment, India has been ranked as the most attractive investment destination in the latest survey of Japanese manufacturing companies, conducted by the Japan Bank for International Cooperation (JBIC).
- **Japanese FDI** in India has increased in recent years but it still remains small compare to Japan's total outward FDI. In terms of cumulative FDI inflows into India, Japan is now India's third largest source of FDI. Japanese FDI in India grew exponentially from US\$ 139 million in 2004 to all time high of US\$ 5551 million in 2008 due to mega deals particularly acquisition of Ranbaxy by Daichi Sankyo.
- Japanese FDI into India for 2016-17 stands at \$ 4.71 billion. Japanese FDI into India has mainly been in automobile, electrical equipment, telecommunications, chemical and pharmaceutical sectors. The situation regarding FDI is likely to improve especially on the back of active economic engagement between the two countries through increased number of agreements and memorandum of understanding (MoUs). Important example in this respect are initiatives such as the MoU for Transport and Urban Development signed very recently as well as the Social Security Agreement (SSA) between India and Japan, which is made operational from October 2016.
- Japan expects India for improving the business environment, including the easing of regulations and the stabilization of the system. India established the "**Japan Plus**" office in the Ministry of Commerce and Industry in October 2014 as a "one-stop" location for resolving problems faced by Japanese companies.
- India decided to introduce the **Shinkansen system** in December 2015, when Prime Minister Abe visited India. The Japan's Shinkansen system is in a highest class of High-Speed Railway systems around the world in terms of its safety and accuracy.
- In terms of human resource development in the manufacturing sector in India, Japan announced its cooperation of training 30,000 Indian people over next 10 years in the **Japan-India Institute for Manufacturing (JIM)**, providing Japanese style manufacturing skills and practices, in an effort to enhance India's manufacturing industry base and contribute to "Make in India" and "Skill India" Initiatives.
- Japan will cooperate on supporting strategic connectivity linking South Asia to Southeast Asia through the synergy between "Act East" policy and "Partnership for Quality Infrastructure."

Cooperation in Security Fields

- India-Japan bilateral relationship in the field of defence and security cooperation jump-started during Japanese Prime Minister Abe's visit to India in August 2007. Since then, both the countries

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have issued 'Joint Declaration on Security Cooperation' (2008), its 'Action Plan' (2009) and signed an agreement which permitted the Indian Navy and Japan Maritime Self Defence Forces (JMSDF) to engage in joint training on a regular basis (2012).

- Japanese Prime Minister Shinzo Abe talked about the '**Diamond Concept**' in December 2012. As part of this concept, he visualized the United States, Japan, Australia and India to form a security "diamond" under which these countries were to collaborate to ensure peace and stability in the Indo-Pacific.
- During Prime Minister Singh's visit to Japan in October 2008, two leaders issued "the Joint Declaration on Security Cooperation between Japan and India". There are also various frameworks of security and defence dialogue between Japan and India including "2+2" Dialogue, Defence Policy Dialogue, Military-to-Military Talks and Coast Guard-to-Coast Guard cooperation.
- At recent summit meetings, two Prime Ministers appreciated Japan's regular participation in the Malabar Exercise and the entry into force of the two Defence Framework Agreement concerning the Transfer of Defence Equipment and Technology and concerning Security Measures for the Protection of Classified Military Information.
- Departure in Japan's policy position on transfer of defence equipment and technology has raised India's hopes about new vistas of high-end defence technology cooperation. While considerable progress was achieved in strengthening defence cooperation, negotiation in the Joint Working Group (JWG) on the Utility Seaplane Mark 2 (US-2) have not yielded any significant result.
- Possession of these aircrafts (US-2) is crucial for India to better surveil its Exclusive Economic Zone (EEZ) in the Arabian Sea and Indian Ocean Region (IOR), ensure speedy response to incidents near the Andaman and Nicobar Islands and assist other countries in the region.
- All together, India-Japan defence and security cooperation signal a new level of strategic partnership between the two countries, which is complementary to India's 'Act East Policy' and Japan's focus on freedom of navigation in the South China Sea. In recent times, such a bilateral partnership becomes much more significant given China's growing military assertiveness in the South China Sea and uncertainty over US's future role and policy in the Indo-Pacific region.

Science & Technology and Cultural Cooperation

- The Science & Technology Cooperation Agreement between India and Japan was signed in November 1985 with Ministry of Foreign Affairs Japan and Department of Science & Technology, India as nodal agencies on behalf of the two governments.
- The cooperation picked up its momentum after establishment of India-Japan Science Council (IJSC) in the year 1993. The IJSC activities include collaborative research projects sessions, academic seminars, and exploratory visits by scientists from both countries and **Raman-Mizushima lecture series**.
- Another important cooperation under the new science and technology initiative between JST and DST is a theme based activity. The initial theme was information and communication technologies (ICT) under which several projects were supported during 2006-2012. The *current theme* for JST-DST collaboration is **on biomedical research**.
- A cultural agreement was signed between India and Japan on 29 October 1956. The Vivekananda Cultural Centre in Tokyo was inaugurated during the visit of ICCR President on 25 September 2009. The Centre offers classes on Yoga, Tabla, Bharatanatyam, Odissi, Sambalpuri, Bollywood dances and Hindi and Bengali languages.
- The year 2012 marked the 60th Anniversary of the Establishment of Diplomatic Relations between Japan and India. Various cultural events took place both in Japan and in India to promote mutual

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understanding between the two countries, under the theme of “Resurgent Japan, Vibrant India: New Perspectives, New Exchanges.”

- During the visit of Prime Minister Modi to Japan in November 2016, the two Prime Ministers agreed to mark the year 2017 as a year of Japan-India friendly exchanges to further enhance people-to-people exchanges between Japan and India. The year 2017 also marks the 60th anniversary since the Cultural Agreement came into force in 1957.
- In recent years, there has been a change in the composition of the Indian community with the arrival of a large number of professionals. These include IT professionals and engineers working for Indian and Japanese firms as well as professionals in management, finance, education, and S&T research who are engaged with multinational as well as Indian and Japanese organizations.
- The Nishikasai area in Tokyo is emerging as a “mini-India”. The community is engaged in a range of cultural and social activities. Their growing numbers had prompted the opening of two Indian schools in Tokyo and Yokohama.

Challenges:

Economic

- There is considerable scope for increased Japanese investment in India. Japanese companies have been conservative while dealing with India. Japanese investment in India is much below its potential. Japanese investors often face red tapism, issues related to taxation, corruption etc. in India. The slow growth in trade with Japan is also a cause of concern for India in the view that both countries have signed CEPA in 2011.
- India has highlighted various issues which need to be addressed by the Japanese side for providing greater market access to Indian products in Japan, especially items with high potential like marine products and pharmaceuticals. India also sought recognition of the Indian organic standards by Japan to overcome sanitary and phyto-sanitary barriers.
- In December 2016, Japan has dragged India to the World Trade Organisation's Dispute settlement body for adopting safeguard measures on imports of iron and steel products. Japanese policy makers kept on stalling the India-Japan **civil nuclear cooperation** for long. It was only in 2017 that both countries were able to finalise the civil nuclear deal. Not only did it affect India's energy security but it also created hindrance for Japanese investment.

Strategic

- Although there is an ongoing defence and security dialogue between the two countries, practical cooperation on these issues has yet to reach its full potential. In India, there remains hesitation in deepening defence cooperation because of the China factor.
- Both India and Japan are **energy** deficient countries. Both rely upon imports of hydrocarbons from the Middle East/West Asia. The bilateral energy dialogue includes energy efficiency and conservation, renewable energy, coal, electricity, etc. This dialogue needs to show tangible results.
- The two countries' respective relationships with China. That is, the stronger that Japan-India cooperation becomes, the more China may feel that it is being contained. Despite concerns over China's assertiveness in the Asia-Pacific region, Beijing remains a vital economic partner for both Tokyo and New Delhi.
- There is difference in interpretation over freedom of navigation (FON) in EEZs. Both Japan and India acknowledge the importance of FON, but India's position on FON is at least as – if not more – restrictive than China's, as recognized in a DOD report.
- In its 1995 declaration upon its treaty ratification, New Delhi claimed that UNCLOS does “not authorize other States to carry out in the EEZ and on the continental shelf military exercises or manoeuvres... without the consent of the coastal State.”

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- India even protested when the U.S. conducted survey operations in India's EEZ in 2001. The difference in interpretation is an obstacle for closer multilateral and bilateral cooperative relationships over peaceful use of the maritime domain, including the South China Sea and the Arctic Sea, and in convincing China to respect rules and norms.
- Ensuring peace and stability in Afghanistan continues to be a challenge for the international community. While ISIS has yet to pose a major threat in the country, Kabul continues – despite considerable international support – to face various challenges in the fields of both security and reconstruction.
- In addition to the above challenges, there is uncertainty about the future of the Japan- India relationship after Prime Ministers Abe and Modi step down from office, since it was under their strong leadership that the relationship gained so much momentum. As long as China keeps up its assertiveness, Japan and India are likely to continue deepening their strategic relationship.
- It must be noted, however, that while there is strong support for greater economic ties in Japanese and Indian business circles, the impetus for a stronger security relationship has not been quite as strong.
- A challenge for India is to correct the lopsided trade and calibrate China's market access to progress on bilateral political, territorial and water disputes, or else Beijing will fortify its leverage against India. After all, China does not shy away from making efforts to block the rise of India and Japan, including by stepping up military pressure on them and opposing the expansion of the UN Security Council's permanent membership.
- **People to people** contacts between India and Japan need to increase further. There are very few Indian students studying in Japan as compared from China. Clearly, Japan needs to make its universities and institutions of higher learning more attractive to Indian students. Interaction between the two countries has largely remained at the intergovernmental level.

Way Forward:

- India and Japan should ensure that the **United States maintains its Presence in the Asia Pacific** and that a Deeper Japan-India Partnership Complements the Japan-U.S. Alliance. It remains unclear how President Trump's "America First" principle will impact political and economic dynamics in the Asia-Pacific region and the international community more broadly. Uncertainty about his foreign policy priorities has heightened concern among U.S. allies and partners.
- **Deepen the Japan-India Partnership Steadily, Not Expeditiously** – Japan and India need to grasp the opportunity of this unique Abe-Modi "bromance" and speed up their efforts to deepen the bilateral relationship. In this respect, institutionalizing the relationship is a must. However, a more cautious pace is needed if the momentum in the relationship is to be sustained. As noted, the Japan-India partnership is still at an early stage. There are also many uncertainties regarding the United States, including its diplomatic and economic relationship with China and Russia. China could perceive efforts to quickly bolster Japan-India ties as the beginning of containment. Therefore, Tokyo should have patience and strengthen its partnership with New Delhi steadily over time, rather than expeditiously rushing toward an alliance-like partnership.
- **Engage India in Seeking "a World Free of Nuclear Weapons"** – Japan should continue its support for India's entry into the Nuclear Suppliers Group (NSG). India's admission would enable the country to commit to the international non-proliferation framework.
- **Take a Dual Approach toward China** – Despite China's assertiveness in the Asia Pacific, the country remains an important economic partner for both Japan and India. Tokyo and New Delhi therefore need to take dual hard-and-soft approach toward Beijing, differentiating economic cooperation from security-related issues.

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- **Seek a Well-Balanced Security Contribution from India** - Together with the Japan-U.S. alliance, the Japan-India partnership can provide public goods for the benefit of regional and global peace and stability. This, in turn, will depend on the efficiency of Japan –India relationship. To maximize the effectiveness and efficiency of the Japan-India relationship, Japan should seek a well-balanced contribution from India for regional and international security issues. This can be done by focusing on following factors:
 - Japan and India should clarify the division of roles. With regards to capacity building assistance for maritime security and HA/DR, Japan can focus on providing defence equipment to select navies and coast guards as well as improving information sharing networks. India, on the other hand, could concentrate on providing skills related to hydrographic surveys, in which India excels.
 - Japan and India should strengthen military interoperability. Thus far, cooperation between their navies and coast guards has progressed at a faster pace than the other services. Their ground forces and air forces need more opportunities to operate with one another.
- **Widen Support for Bilateral Cooperation across the Policy Spectrum** - While India and Japan are holding summit meetings and vice-minister/secretary-level “2 plus 2” dialogues regularly, they are still lagging behind on minister-level meetings. Furthermore, as the Andaman and Nicobar Islands illustrate, there is a growing need for Japan and India to link economic development and security issues. Road building projects in the northeastern Indian border regions of Mizoram, Assam, and Meghalaya also have strategic significance. Therefore, the two countries should hold minister level “3 plus 3” dialogues that include officials in charge of economic development.
- At the other end of the spectrum, **people-to-people ties** need to be strengthened among the general public. Tokyo and New Delhi should encourage the Japanese and Indian peoples’ understanding of the strategic importance of their bilateral relationship.
- Japan should provide funds for Japanese universities to hold more English-taught courses in order to draw more students from overseas, including India as well as other Asia-Pacific countries. Tokyo also needs to encourage more Japanese students to study in India. These measures would enable Japanese and Indians to interact more extensively and exchange views on issues like the Japan-India security relationship.

Conclusion:

- Over the past few years, consistent engagement between India and Japan has transformed the bilateral relationship into a significant, broad-based and strategically oriented one. Both the countries have been intent on strengthening ties in both economic and defence domain and work towards influencing the future Asia-Pacific landscape.
- Both countries are also wary of China’s growing presence as well as the vacuum, which can be created by a declining US involvement in the region especially given uncertainty over US’s future foreign policy.
- India and Japan also look to complement each other economically with Japan providing India with capital and technology and finding new markets in the process.
- More importantly, Japan’s initiatives such as its keenness to invest heavily in India, amending of constitution to allow defence relations with India, playing a role in India’s high-end infrastructural development and making drastic exemption to enter into an extremely crucial and significant civil nuclear deal with India are all signs of a much stronger India-Japan relationship in the future.

India-Japan WTO Dispute

Japan has dragged India to the World Trade Organisation’s Dispute settlement body for adopting safeguard measures on imports of iron and steel products.

What Is The Issue?

- India has imposed minimum import price (MIP) on imports of certain iron and steel products. India argued that it has imposed MIP due to growing imports from steel surplus countries like China, Japan and Korea with predatory prices which is badly hurting the domestic industry since Sept 2014.
- India clarified that it has adopted the WTO-compliant measures like anti-dumping duty which can be used to overcome the issue of cheap imports of commodities.
- According to the WTOs dispute settlement process, the request for consultations is the first step in a dispute settlement. As Japan has filed the case, it will do bilateral consultations with India on the issue.
- Consultations give the parties an opportunity to discuss the matter and to find a satisfactory solution without proceeding further with litigation.
- After 60 days if consultations fail to resolve the dispute, the complainant may request adjudication by a panel.
- India and Japan implemented a Comprehensive Economic Partnership Agreement in 2011. It gave easy access to Japan in the Indian steel market. Indian industry has time and again demanded to take out the steel sector from the pact. But it can happen only after both the sides agree to do the same.

INDIA-JAPAN AGREEMENT FOR COOPERATION IN THE PEACEFUL USES OF NUCLEAR ENERGY

- The India-Japan Agreement for Cooperation in the Peaceful Uses of Nuclear Energy entered into force on July 20, 2017.

About the agreement:

- The Agreement was signed on November 11, 2016 in Tokyo during the visit of the Prime Minister to Japan.
- Under the agreement Japanese firms will supply nuclear materials, equipment and technologies to India for peaceful and non-explosive purposes.
- The companies also provide support services for designing, building and operating reactors.
- A landmark civil nuclear cooperation deal between India and Japan provides for collaboration between their industries in the field came into force after the eight months of final agreement. The deal took over six years of negotiations to finally see the light of day.
- The memorandum signed on civil nuclear energy cooperation is more than just an agreement for commerce and clean energy. It is a shining symbol of a new level of mutual confidence and strategic partnership in the cause of peaceful and secure world.
- The deal allows Japan to export nuclear technology to India, making New Delhi the **first non-NPT signatory** to have such a deal with Tokyo.
- Japan is a major player in the nuclear energy market and an atomic deal with it will make it easier for US-based nuclear plant makers Westinghouse Electric Corporation and GE Energy Inc. to set up atomic plants in India as both these conglomerates have Japanese investments.
- *According to the agreement*, Japan will also assist India in nuclear waste management and will undertake joint manufacturing of nuclear power plant components under the 'Make in India' initiative.

Significance:

- This agreement is a reflection of the strategic partnership between India and Japan and will pave

the way for enhanced cooperation in energy security and clean energy.

- The agreement seeks to promote full cooperation between the two countries in the development and uses of nuclear energy for peaceful purposes on a stable, reliable and predictable basis.
- India signed a landmark nuclear deal with the US in 2008, clearing the path for the country to source nuclear power plants and technology from international markets. But with Japanese companies in possession of critical technologies an accord with Japan was pivotal for India.
- The deal is significant as it will help guarantee Japan's continued support to India's civil nuclear programme.
- The deal is also likely to revitalize Japanese nuclear majors that are yet to recover from the setback of the Fukushima accident.
- The nuclear issue in many ways was a constraint. It was preventing India and Japan from engaging in a more robust and wide spectrum manner. The deal will bring Japan into the Indian nuclear market where France and Russia have already have a strong presence.

India-Japan nuclear agreement: a termination clause

- Like in the India-US civil nuclear cooperation agreement, a termination clause is built into the agreement with Japan.
- According to the clause the countries reserve the right to terminate cooperation if India conducts a test as it would violate the September 2008 statement. But it won't be easy as termination would be a politically and commercially cumbersome process as:
 - A joint security assessment would have to be made on the reasons leading up to any such provocative action. It would also be taken into account whether there was a provocation by another country's action for such a move.
 - A safety assessment would have to be carried out on the impact of any cessation of cooperation. This means a determination on whether any facility's safety would be compromised by stopping supplies.
 - Finally, there is a **right to return clause**, which essentially means if all material supplied under the cooperation, would have to be returned. While this right is recognized, the cost would have to be borne by Japan.
- India currently has a moratorium on nuclear testing and intends to foster stronger commercial ties with these countries in sector. Deeper the connect, more complicated the termination.

10. INDIA – ISRAEL RELATIONS

Introduction

- India-Israel relations have been sensitive and controversial in much of their relationship history. India recognised Israel in 1950, but established full diplomatic relation only in 1992.
- India's attitude towards Israel has been guided more by **diplomatic prudence** rather than moral basis. There were several reasons for this change of policy by India:
 - (a) **Soured Relations with Arab world:** India's largely pro-Arab stance in the Middle East had not been adequately reciprocated and rewarded by the Arab world. India has received no worthwhile backing from Arab countries in the resolution of problems it faces in its neighbourhood, especially Kashmir. There have been no serious attempts by the Arab world to put pressure on Pakistan to reign in the cross-border insurgency in Kashmir. On the contrary, Arab nations have firmly stood by Pakistan, using the Organization of Islamic Cooperation (OIC) to build support for Islamabad and jihadi groups in Kashmir. If Arab nations, such as Jordan, have been able to keep their traditional ties with Palestine intact while building a new relationship with Israel, there is no reason for India not to take a similar route, which might give it more room for diplomatic manoeuvring in the region.
 - (b) By 1992, **with the end of cold war and collapse of Soviet Union**, there was an urgent need for better relations with the sole superpower USA. Developing relations with Israel would be an important gesture for closer economic cooperation with Washington.
 - (c) There were big advantages in developing closer ties with Israel which included cooperation in the spheres of agriculture, industry, trade, science and technology and defence.
- Since then, India-Israel relations have blossomed in the short period of nearly a quarter century into close military, economic and strategic ties. Both countries took a fresh look at each other and found substantial interaction in various fields ranging from economic, agricultural, scientific to defence.
- Keeping India's wider strategic interests in perspective, successive Indian governments since the early 1990s have walked nuanced line between expressing genuine concern for the Palestinian cause and expanding its commercial and defence ties with Israel.
- Over the years, the Indian government has toned down its reactions to Israel's treatment of Palestinians. India has also begun denouncing Palestinian suicide bombings and other terrorist acts in Israel, something that was seen earlier as rather justified in light of the Israeli policies against the Palestinians. India is no longer initiating anti Israel resolutions at the United Nations.
- At crucial times, when India needed Israeli help, it got it unreservedly. Israel was willing to continue and even step up its arms sales to India after other major states curbed their technological exports following India's May 1998 nuclear tests. Israel provided India with much needed imagery about Pakistani positions using its UAVs during the India's Kargil war with Pakistan in 1999. That was ultimately instrumental in turning the war around for India. Israel also provided humanitarian relief to India following a devastating earthquake in 2001.
- When India was planning to undertake a limited military strike against Pakistan in June 2002 as part of "Operation Parakram," Israel supplied hardware through special planes.

Imperatives for closer cooperation

- The common threat to national security emanating from their neighbourhood in form of **cross-border terrorism** especially in the era of globalisation of jihadi politics necessitates a closer

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cooperation between them. Both countries have been victims of terrorist violence for decades and have fostered closer cooperation to counter this threat.

- Israel is a reliable ally of India especially as seen in regional dynamics of South Asian geopolitics. Unlike major powers' ties with Pakistan (like USA, China and even Russia), Indo-Israel ties will never be hyphenated with Indo-Pakistan relations. India is assured of strong Israeli support in this region including vis-à-vis China.
- As a rising power with **world's fastest growing economy**, India offers immense opportunities for mutually beneficial ties for Israel ranging from a huge market, innovation, science and technology, agriculture and attractive investment destination. Conversely, Israel's **technical prowess** in defence, dual use high technology, dry land agriculture, water management, technical education etc. make it an indispensable partner for accelerating India's economic development and security.
- India offers crucial diplomatic support to Israel in international arena where it is often isolated over many issues. Also India's geopolitical position makes it a gateway for Israel to South Asia, South-East Asia and East Asia where India's standing as a responsible power is of great benefit for Israel.

Constraints to bilateral ties

- **Lack of bipartisan support** in India over ties with Israel is a major stumbling block. It is largely attributed to the unresolved Palestine dispute which soils Israel's image for electorally significant large Muslim population in India.
- **India's huge reliance on Arab countries and Iran for energy security**, diaspora interests, security and connectivity issues forces it to have a nuanced approach for ties with Israel so as not to offend these countries. This regional power play dynamics circumscribes India's choice vis-à-vis Israel.
- Israel's ultra aggressive style of military action in which it uses disproportionate force against weak adversaries and the consequent collateral damages including high civilian casualties makes it untenable for India. Besides, Israel's isolation at the international stage where it is part of few international groupings also constraints India's policy options.

Ties during Modi regime

Political ties

- Israeli policy makers and analysts have often expressed displeasure at the lack of high-level political interactions with Indian leaders, despite the robust strategic engagement between the two countries.
- Israeli PM Benjamin Netanyahu, who has met Modi twice in the past year and a half, has said that **"sky is the limit" that can be achieved between the two sides with "limitless" potential.**
- There have also been **other contacts between senior Indian and Israeli political leaders** since the Modi government assumed office. Israeli Defence Minister Moshe Ya'alon visited India in February 2015, **the first visit by an Israeli Defence Minister** since the establishment of diplomatic ties in 1992.
- The **first-ever Indian President's visit to Israel and Palestine** between October 12 and October 15 in 2015 was a marked departure from New Delhi's standpoint. The Modi government still has to deal with the **same constraints that have historically shaped Indo-Israeli relations**: India's **energy security** and also the **fate of the millions of Indians working in the Gulf** are dependent on India's relationship with West Asian states.
- **Critics have argued that India's growing relations with Israel dilutes its commitment to the Palestinian cause.** However, the fact remains that flourishing ties with Israel has not changed India's stance on the conflict and it continues to support the realisation of a sovereign and the

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independent state of Palestine. Nonetheless, **it has also become sensitive to Israeli security concerns.**

- This is evident in New Delhi's voting pattern on matters relating to the conflict at the United Nations. In both 2015 and 2016, India abstained from voting on a resolution calling for Israel to face the International Criminal Court for war crimes committed during its Gaza offensive. The abstention was a shock to the Palestinians. At the same time, India voted for a resolution on the creation of a database of companies operating within illegal Israeli settlements, a move which could facilitate the Boycott, Divestment, and Sanctions (BDS) movement against Israel. India appears to be **maintaining its balancing act** of Palestinian solidarity in tandem with cordial relations with Israel.
- **Hence, India is at times seen as a suitable international interlocutor to facilitate negotiations.** Given that India has friendly relations with all countries in the region, has good ties with both Israel and Palestine and vital stakes in the Middle East, it can use diplomatic channels to emphasize to all stakeholders the need for the resumption of the peace process.
- The Palestinian side has on many occasions urged India to be more active along with other international players to facilitate Israel-Palestine negotiations. New Delhi has, however, so far kept away from any active involvement in the peace process.
- There are indications that the Modi government is rethinking New Delhi's hands-off approach toward the Middle East peace process. For example, **India sent the prime minister's special envoy on counter-terrorism, Asif Ibrahim, to the Paris Peace Conference in January 2017,** underlining its preference for the resumption of the peace process and indicating its willingness for involvement.
- In October 2016 in a dramatic turn, India changed its vote at UNESCO on a pro-Palestine resolution that questioned Israel's claim and criticised it for excavations inside the walled city. While in April 2016, India voted in favour of the motion, in October it changed its vote to an abstention.
- A visit to Palestine in November 2016 by Minister of State M.J. Akbar for the first ever Joint Commission meeting was also seen as a move to smooth ruffled feathers over both the UNESCO vote as well as the upcoming visit of the Israeli president in same month.
- **Israeli President Reuven Rivlin's visit in November 2016** was the first such visit by Israeli head of state to India in nearly 20 years. It a sign of growing partnership between the two nations. The last Israeli president to visit India was Ezer Weizman, in January 1997.
- Rivlin was accompanied by a large government and business delegation and he visited the Centre of Excellence in Agriculture in Karnal, Haryana and the 'Aqwise' water treatment plant in Agra, both set up and run with Israeli support.
- He also jointly inaugurated the Agro Tech 2016 in Chandigarh with President Mukherjee. Further, India signed contracts worth USD 1.4 billion with Israel Aerospace Industries to purchase two Phalcon/IL-76 AWACS and 10 Heron TP UAVs.
- **The four-day (May 14-17, 2017) visit to New Delhi of Palestinian President Mahmoud Abbas** came at a crucial time. This is his fifth visit to India but the first since May 2014 when Prime Minister Modi came to power.
- The timing of Abbas's visit to India was significant at many levels; most importantly because PM Modi was all set to undertake a maiden visit to Israel in July which was not to be accompanied by a customary visit to Palestine. So experts believed that Abbas's visit was a balancing act.

ANALYSIS OF PM MODI'S VISIT TO ISRAEL: July 4-6, 2017

- Prime Minister Narendra Modi's visit to Israel from July 4-6 was a significant milestone. It was the first-ever historic visit of an Indian Prime Minister and takes place **as the two countries mark 25**

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years of establishment of diplomatic relations. Israeli PM Ariel Sharon came to India during Vajpayee regime in 2003.

- He visited Yad Vesham, the Holocaust Memorial. He paid homage to the soldiers in Haifa cemetery that contains the graves of Indian soldiers who had died during the First World War. He also unveiled a plaque commemorating **Major Dalpat Singh**, known as the 'Hero of Haifa' for his critical role in the liberation of the city during World War I.
- **The outcome is an impressive joint statement which elevated the relationship to a 'strategic partnership'.**

Key agreements signed

India and Israel signed seven agreements to increase cooperation in key sectors like space, agriculture and water conservation.

- A Memorandum of Understanding (MoU) was signed for setting up of USD 40 million worth **India-Israel Industrial Research and Development (R&D) and Technical Innovation Fund**.
- In the water sector, two agreements were signed to increase co-operation on water conservation and state water utility reform in India.
- In the agriculture sector, the two countries have agreed for India-Israel Development Cooperation – a three-year work programme in agriculture from 2018 to 2020.
- Separate MoUs were signed on cooperation in GEO-LEO optical link and cooperation in Electric Propulsion for small satellites. They also agreed for cooperation regarding cooperation in atomic clocks.
- Indian and Israeli companies entered into agreements **to bid jointly for defence contracts for the Indian military and locally build the systems under "Make in India."**
- Bharat Forge and Israel Aircraft Industries (IAI) have signed an MoU to expand the joint venture that the companies are establishing as part of a February 2017 agreement meant to develop, build, market and manufacture selected air defence systems and light weight special purpose munitions.
- The new MoU covers the establishment of a maintenance centre for selected advanced air defence systems in Hyderabad in Telangana in India.
- Dynamatic Technologies, IAI and Elcom signed a strategic teaming agreement for industrial cooperation and local production of Unmanned Aerial Systems (UAS) in India.

Analysis of the visit

- **The political message of the trip is clear** – India is no longer uneasy in dealing with Israel as was the case in the past. Whether this was due to possible impact such relationship would have on domestic politics or on the vast Indian Diaspora is a matter of perception.
- **Every country pursues its foreign policy to maximise its own national interests.** Egypt and Jordan have peace treaties with Israel. Qatar had hosted an Israeli trade office for many years. There have been reports of contacts and **back channel links between several Arab countries** and Israel. India realizes Israel is no longer a pariah with her having a working relationship with conservative states such as Saudi Arabia and United Arab Emirates.
- **PM Modi had already undertaken visits to the United Arab Emirates, Saudi Arabia, Qatar and Iran before embarking on his trip to Israel.** Receiving Palestinian President Mahmoud Abbas in Delhi in May 2017 eased the necessity of skipping a visit to Ramallah while visiting Israel.
- **India has finally de-hyphenated its relationship with Israel and Palestine, engaging with the two arch-rivals separately and on mutually beneficial terms.**

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- In a clear departure from the Indian practice of keeping Palestinian leaders prominently in the loop, Mr. Modi made a point of not visiting the Occupied Territories. The departure was more prominent in the joint statement, that contained a short paragraph on the “Israel-Palestine” peace process, with no reference to UN resolutions, the two-state solution, or even the need to resume talks, that Mr. Modi had spoken of during the visit of Palestinian President Mahmoud Abbas to India just a couple of months ago.
- Defence ties have long underpinned Indian-Israeli relations. **India is Israel's top destination for arms exports, buying 41 per cent of Israel's arms export between 2012 and 2016.** But a string of deals signed reflected wider cooperation that could benefit Indian companies seeking advanced technologies and could pave the way for Israeli firms to access millions of consumers.
- Indian companies looking to get access to higher-end technologies than what was available domestically could **then make acquisitions in Israel. It's a good complementary relationship between the two countries.**
- It is worth remembering that during a visit to Beijing in March, Mr. Netanyahu had also described Israel's relationship with China as ‘a marriage made in heaven’. An Israel-China comprehensive innovation partnership with an outlay of \$300 million has been launched.
- Fortunately, there is enough content in the India-Israel relationship though successful summitry depends on personal chemistry between leaders. Both sides have agreed to establish a task force to ensure implementation of the announcements made. This will ensure that the relationship stays on track and Mr. Netanyahu's return visit in 2018 is a success.

Defence ties

- **Defence continues to be a “central pillar” of the bilateral relationship.** Next to Russia and the United States, Israel is one of the largest arms suppliers to India with annual sales worth over \$1 billion. In fact in past decade, Israel has been India's fifth largest defence exporter.
- Israel has sold radar and surveillance systems as well as electronic components for military aircraft and has helped India's defence itself through training in counterterrorism methods. In November 2011, India's elite Cobra Commando unit bought more than 1,000 units of the Israeli X-95 assault rifle to use in counterinsurgency operation. Also in 2011, India placed orders for four advanced Israeli Phalcon AWACS planes (airborne warning and control systems).
- Indeed, under the Modi government, **India and Israel have ramped up their cooperation on security and defence matters.** In late 2014, the Indian Navy opted to purchase the Barak-1 missile, manufactured by Israel Aerospace Industries. Later that year, India opted for Israel's **Spike anti-tank guided missiles** over the United States' competing Javelin offering along with 321 missile launchers.
- Indian and Israeli warships successfully tested **the jointly developed Barak 8 long-range surface-to-air missile system** during November-December 2015, which will now serve as a missile defence shield for warships and key facilities such as offshore oil platforms. It was joint venture of DRDO and Israeli aerospace Industry (IAI).
- In July 2016, the medium range missile (MR-SAM) for the IAF was successfully test launched from a mobile launcher in the Integrated Test Range (ITR) at Chandipur. In September 2016 India successfully test fired a new, long range surface-to-air missile (LRSAM) jointly developed with Israel from a defence base off Odisha coast in a bid to galvanise its air defence capabilities. Many Indian industries like BEL, L&T, BDL and TATA group of companies besides other private industries have contributed to the development of a number of subsystems which have been put into use in this flight test.
- India has already deployed **Israeli unmanned aerial vehicles (UAVs)** along the rugged mountains of Kashmir for surveillance, as well as on the disputed border with China. In September 2015 the

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government approved the Air Force's request to acquire **10 Heron TP drones** at an estimated Rs. 2,620 crore from the state-owned Israel Aerospace Industries (IAI). These drones can be fitted with weapons to engage targets on the ground for counter insurgency operations internally as well across the borders, including attacks on terrorist hideouts in mountainous terrain.

- Israel also wants to be a **key player in the “Make in India”** initiative, especially in defence manufacturing through technology transfers and joint research, technology start-ups and cyber-security.
- Indian firm Reliance Defence and Israeli firm Rafael Advanced Defence Systems signed a cooperative agreement worth an estimated \$10 billion at Defexpo India on March 30, 2016. As per the agreement, Rafael and Reliance will cooperatively produce air-to-air missiles, various missile defence systems, and surveillance balloons for the Indian military. The undertaking is projected to provide employment for 3,000 Indians at a facility in Madhya Pradesh.
- India successfully tested the Israeli-made **SPYDER quick-reaction surface-to-air missile** in May 2017. The Indian Air Force (IAF) is planning to deploy this system on its western border.
- **In April 2017, India signed a \$2 billion deal with an Israeli firm for advanced medium-range, surface-to-air missiles (MRSAMs), the largest such deal for the Israeli industry.** This will provide the Indian army the capability to shoot down aircraft, missiles and drones at ranges of up to 70 km.
- Three Indian naval ships, destroyer INS Mumbai, frigate INS Trishul and tanker INS Aditya, made a goodwill visit at the Haifa port in May 2017 to mark 25 years of full diplomatic relations between the two countries.

Irritants

- **Prolonged delay** in delivering weapon systems as well as few unsettled cost issues – as reflected in AWACS deal have been one of India's prime complaint against Israel.
- Israel's **reticence in transfer of technology** as encountered in Barak 8 missiles was also a significant irritant. India continues to suffer delays in getting the Israeli Barak 8 SAM (surface-to-air missile) system into service. This should not be happening because Barak 8 entered Israeli service in 2013.
- The **growing Israeli-China Defence ties** are a cause of worry for India. The recent inauguration of a top Israeli defence company's factory in China has negated some 15 years of spirited Indian diplomacy to thwart the two from defence cooperation that enters the realm of joint research and development. With active US help, the Atal Bihari Vajpayee Government had forced Israel to return Chinese advance payment for AWACS. Though this deal was for civilian sector, yet the Chinese breakthrough in poaching companies exclusively equipping the Indian armed forces is the second strategic set back in the defence sphere after Russia-Pakistan deal for supply of Mi-35s attack helicopters.
- The increasing competition for lucrative Indian defence market between Israeli and American companies may result in USA blocking transfer of defence technologies to India by Israeli companies, most of which use technologies which are either copied US technologies or funded by US.

Counter-Terrorism

- In January 2012, India and Israel stepped up their counter-terrorism coordination strategy. The two countries also signed an Extradition Treaty and a pact on Transfer of Sentenced Prisoners. Both countries signed an intelligence-sharing agreement in July 2014, hoping to fight radical Islamic extremism in the region together. Joint working Group on counter-terrorism meets periodically.

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- India eyes advanced Israeli foliage penetrating radar capable of detecting human and vehicular activity in dense forests. In the Indian use case, the radar would be a handy monitoring tool for the porous Line of Control with Pakistan, the de facto boundary in the disputed territory of Kashmir. Israeli radars could considerably improve intelligence, surveillance and reconnaissance of the difficult terrain.
- This would help India plug leakages in LOC to prevent infiltration and incidents like Pathankot and Uri attack. There is thus immense scope for collaboration on border security sphere.

Trade & Investment

- The trade and investment relationship has grown impressively in the last few years. From US\$ 200 million in 1992 (comprising primarily trade in diamonds), bilateral merchandise trade has diversified and reached US\$ 5.19 billion in 2011. However, the past few years have seen a decline in total trade due to the global economic recession. In 2014, the bilateral trade stood at US\$ 4.52 billion. Trade has grown to over \$5 billion in 2015.
- India is Israel's tenth largest trade partner overall, and Israel's third largest trade partner in Asia after China and Hong Kong. In recent years, the bilateral trade has diversified into several sectors such as pharmaceuticals, agriculture, IT and telecom and, homeland security.
- During April 2000-November 2013, FDI from Israel into India was US\$ 73.7 million. The data does not capture FDI flows from Israel to India that come through USA, Europe and Singapore. Israeli companies have invested in India in energy, renewable energy, telecom, real estate, water technologies, and are also setting up R&D centres or production units in India.
- The two countries are **negotiating a free trade agreement**, and have been trying to encourage greater investments from the other. The success of Indian and Israeli information technology companies has particularly led to interest in collaboration in that sector.

Agriculture and Water Management

- In 2006, Israeli and Indian ministers of agriculture signed a long-term cooperation and training deal, which has since been supervised by field experts from Mashav, an international development program of Israel's Foreign Ministry.
- In 2008, the two nations started a \$50 million shared agriculture fund, focusing on dairy, farming technology and micro-irrigation. This constituted the Agriculture Cooperation Agreement. In 2011, India and Israel signed an agreement to foster cooperation on urban water systems, which came after more than a decade of joint research, development and shared investment in the countries' respective water technologies.
- With Israeli's help under Agricultural plan for cultivation of Mediterranean crops, Rajasthan **produced more than 100 tonnes of olives in 2014**.
- In May 2013, Israel announced that it will help India diversify and raise the yield of its fruit and vegetable crops by offering the country advanced technology and know-how. Israel will help set up 28 centres of excellence across India focussed on specific fruit and vegetable crops. By 2015, 10 **Centres of Excellence** operated throughout India offering free training sessions for farmers in efficient agricultural techniques using Israeli technological expertise and know-how with focus on mangoes, pomegranates and citrus fruits and the idea is to expand to flowers, bee keeping and dairying.
- In June 2013, a delegation of 16 high-ranking Indian officials of the water authorities of Rajasthan, Karnataka, Goa and Haryana came to Israel and visited wastewater treatment plants. As India faced major water crisis in April-May 2015, there is lot to learn from Israel's expertise at successfully implementing water conservation technologies including drip irrigation. Israel is a global leader in drip irrigation and has pioneered **dry land agriculture** especially citrus fruits.

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- Israel has also offered to help the Indian government with a project to clean the Ganga.
- On 3rd December 2015, Indian government has given approval on Memorandum of Understanding (MoU) between India and Israel **in the field of water resources management and development cooperation**. The bilateral cooperation will benefit both the countries in strengthening the techniques in efficient use of water, micro-irrigation, recycling/re-use of waste water, desalination, aquifer recharge and in-situ water conservation techniques. A Joint Working Group shall be formed to monitor the activities to be carried out in fulfilment of the MoU.

People to People Contact

- There are approximately 80,000 Jews of Indian origin in Israel. The majority is from Maharashtra (Bene Israelis) and relatively small numbers from Kerala (Cochini Jews), Kolkata (Baghdadi Jews) and North East (Bnei Menache).
- Besides, there are about 10,000 Indian citizens of whom about 8000 are care givers while others are diamond graders, IT professionals, students and unskilled workers.
- India is a popular tourist destination of Israelis. Every year, over 40,000 Israelis visit India for tourism and business.
- Both governments also encourage collaboration among Universities and Educational institutions involving faculty and student exchange programmes, joint academic research, fellowships, Industrial R & D in IT and electronics, promoting innovation etc.
- During his visit to Israel, PM Modi while addressing Indian-Israelis recalled several Jewish Indians who had served in India, including General JFR Jacob, and hundreds of Indians who worked to “make the desert bloom” in Israel in farming jobs. He also referred to Baba Fariduddin, who had travelled to Jerusalem in the 13th century, calling him a symbol of the fact that while India and Israel have had full diplomatic ties for 25 years, they go back “hundreds of years” in history.
- India announced easing of the rules for applying for Overseas Citizen of India cards for Israeli citizens of Indian origin. PM Modi also met Moshe Holtzberg, the boy who lost his parents in the 2008 Mumbai terror attacks to symbolise the common threat to both nations.

Potential for deeper engagement

- Israeli companies, with their acknowledged strengths in technology and products, would clearly benefit from Indian partnership as they sought to scale up for markets or production. Israeli companies have invested in India in **renewable energy, telecom, water technologies, and R&D**. Indian companies have invested in Israel in **drip irrigation, pharmaceuticals, waste water treatment**.
- **As a water-challenged state, Israel recycles 90% of its water, and 95% of sewage is processed for agricultural use, making it virtually a closed water cycle.**
- Given Israel's strengths in innovation and its having, despite its small population base, **the second largest number of start ups in the world (after US)**, Indian companies have also taken stake in such ventures and in R&D. The two governments have worked to finance and promote scientific collaborations, and Indian companies are now beginning to partner with Israeli universities and scientific institutes for development and commercialization of technologies.
- **Defence and homeland security** have also been among the critical pillars of the relationship. The regular exchanges of senior leadership in this field, the purchase of critical equipment and co-development of technology are a reflection of high-level mutual confidence. Israel is seen as a reliable partner.

11. INDIA – RUSSIA RELATIONS

Introduction

- Relations with Russia are a **key pillar of India's foreign policy**, and Russia has been a longstanding time-tested partner of India.
- Russia could perhaps be seen as **India's only definitive "strategic" partner in its truest form**, and this unique relationship has developed over decades.
- India and Russia are celebrating **the 70th Anniversary of establishment of diplomatic relations** between India and the erstwhile USSR (now Russian Federation) in 2017.
- Since the signing of "**Declaration on the India-Russia Strategic Partnership**" in October 2000, India-Russia ties have acquired a qualitatively new character with enhanced levels of cooperation in almost all areas of the bilateral relationship including political, security, trade and economy, defence, science and technology and culture.
- During the visit of the Russian President to India in December 2010, the Strategic Partnership was elevated to the level of a "**Special and Privileged Strategic Partnership.**" **This partnership is an anchor of peace and stability in the region and the world.**
- Under the Strategic Partnership, several institutionalized dialogue mechanisms operate at both political and official levels to ensure regular interaction and follow up on cooperation activities. Annual Summit meeting between the Prime Minister of India and the President of the Russian Federation is the **highest institutionalized dialogue mechanism** under the Strategic Partnership. So far eighteen Annual Summit meetings have taken place alternatively in India and Russia.
- There are regular high-level interactions between the two countries. **Two Inter- Governmental Commissions - one on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC)**, co-chaired by the External Affairs Minister (EAM) and the Russian Deputy Prime Minister (DPM) and another on **Military Technical Cooperation (IRIGC- MTC)** co-chaired by Russian and Indian Defence Ministers, meet annually.
- During PM Modi's visit to Russia in December 2015, India and Russia signed 16 agreements, including manufacturing of Kamov 226 helicopters and Russian-designed nuclear reactors in India. Agreement on manufacture of Kamov 226 helicopter in India is the **first project for a major defence platform under the Make in India mission.**
- Russian President Vladimir Putin visited Goa **from 15-16 October 2016** for the **17th Annual Summit**, which resulted in 19 documents related to cooperation in defence, space, information security, foreign policy, trade & investment, hydrocarbons, shipbuilding, railways, and science and technology. Prime Minister Modi and President Putin also adopted a Joint Statement "Partnership for Global Peace and Stability" and a "Roadmap of Events" to celebrate the 70th anniversary of the establishment of the diplomatic relations between India and Russia in the year 2017.
- During this Summit, the sides **concluded agreements on supply of S-400 air defence systems, construction of frigates under Project 1135.6 and shareholders agreement on the formation of joint venture to manufacture Ka-226T helicopters in India. Russia also agreed to consider leasing Akula-II nuclear-powered submarine to India for \$2 billion.**
- Russian Minister for Industry and Trade, Denis Manturov visited India in March 2017 and signed deals worth US \$ 1.4 billion during his visit to Mumbai. Russian side also signed a Term Sheet with TATA Power for developing a coal field in Kamchatka during this visit. Minister of Defence. Arun Jaitley attended the 6th Moscow Conference on International Security on 25-26 April 2017.

PM Modi's visit to Russia, June 2017.

- PM Narendra Modi visited St Petersburg in Russia for the 18th India-Russia annual summit as well as the St Petersburg International Economic Forum.
- Both countries reaffirmed their “special and privileged strategic partnership” and discussed ways to smoothen bilateral relations **in wake of recent divergences**. Besides their respective concern over their growing ties with USA and China, currently there are divergences between New Delhi and Moscow on concerns on terrorism emanating from Pakistan and Afghanistan as well with Russia favouring a role for the rebel Taliban in a future Afghanistan against the rise of the Islamic State in the war-torn country. **That Russia did not back India's demand to name two Pakistan-based terror groups as perpetrators of terrorism** against India last year at the Goa Brics (Brazil-Russia-India-China-South Africa) summit did not go down well with India.
- Putin tried to assuage some of India's concerns by declaring that Russia is respectful toward all Indian interests and it does not have any tight military relations with Pakistan. He also **declared terrorism as unacceptable** and Russia will always support India in fight against terror.
- **Putin also highlighted that uniqueness of Russia's ties with India by pointing that there is no other country in the world that Russia has “deep cooperation” in delicate areas such as missiles. He also assured that Russia's trust-based ties with India will not be diluted by Moscow's growing ties with Pakistan and others.**
- The highlight of the visit was India and Russia concluding a much-awaited pact for **setting up the last two units of the Kudankulam nuclear power plant** with Moscow's help. The general framework agreement (GFA) and credit protocol for units 5 and 6 of the Kudankulam nuclear plant was among the five pacts signed.
- The reactors will be built by Nuclear Power Corporation of India Ltd (NPCIL) and Russia's JSC Atomstroyexport, a subsidiary of Rosatom, the regulatory body of the Russian nuclear complex. Each of the two units will have a capacity to produce 1,000 megawatt (MW) of power. One 1,000MW nuclear power plant in Kudankulam is operational while another 1,000MW capacity plant is expected to go on stream later this year. Two others of equal capacity are under construction.
- Both countries decided to give a "new direction" to their defence cooperation. They decided to hold **the first tri- Services exercises, named 'Indra-2017', this year and start joint manufacturing of frigates, adding on to the co- production of Kamov-226 military helicopters**. The frigate project also involves creating shipbuilding infrastructure at the Goa Shipyard that has been nominated by the defence ministry, with the Navy likely to procure engines and other parts from Ukraine to complete the four frigates.
- Another contract was signed between JSC (Russian Railways) and the Ministry of Railways on the preparation for the implementation **of the high-speed service at the Nagpur-Secunderabad section.**
- Before this visit, the Indian government in May gave **a special 'one-time exemption' of the Banking Guarantee (BG) clause** to the sanction-hit Russian defence entities to clear a project for upgrading and overhauling of a Kilo class submarines in Russia. The arrangement to waive the BG clause was made by accepting a sovereign guarantee from Russia for the project. A US imposed banking sanction had put critical military contracts with India in the lurch with Russian companies unable to furnish guarantees from Indian banks that are mandatory to secure military tenders.
- This renewed engagement between the two countries will infuse the relationship with some much needed trust and confidence. In particular, recent defence and other agreements have sent a strong message that New Delhi continues to view relations with Moscow an indispensable element of India's foreign policy.

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- Second, India and Russia agreed to strengthen the defence partnership in line with the **“Make in India”** program. So while only the public sector has been involved in defence cooperation between the two countries to date, and the Russian defence establishment has treated India as a market for licensed production, the new initiatives will encourage joint manufacturing of defence products in India and motivate the private sector to play a role in developing a strong defence manufacturing base in India. This will ultimately reduce India's reliance on defence imports.
- Prime Minister Narendra Modi met Russian President Vladimir Putin again on the sidelines of the SCO meeting in Astana and later at the BRICS Summit in Xiamen in September 2017. They discussed ways to boost bilateral trade and investment, especially in the oil and natural gas sector. **Russia's support was crucial for India to have prevailed on China to include the names of Pakistan based terror groups - Jaish-e-Mohammad and Lashkar-e-Taiba (LeT)- in the Xiamen Joint statement released at this summit.**

Defence ties

- Defence ties constitute **the core of Indo-Russian ties** where India has longstanding and wide-ranging cooperation with Russia in the field of defence. India-Russia military technical cooperation has evolved from a simple buyer - seller framework to one involving **joint research, development and production of advanced defence technologies and systems**. BrahMos Missile System, as well as the licensed production in India of SU-30 aircraft and T-90 tanks, are examples of such flagship cooperation.
- The major defence agreements include acquisition of five S-400 *Triumf* advanced air defence missile system, 1.5 billion USD leases of 12,000-tonne Akula-class nuclear submarine nuclear powered submarine, a IL-78 multi-role tanker transport by India and the joint upgrading of the SU30MKI and Kamov 28.
- Designed to counter air attacks and protect major strategic installations, the S-400 could plug holes in India's air defence system. The first 8,140-tonne Akula Class Nuclear submarine - renamed as INS Chakra - was leased from Russia in 2011 for a period of 10 years
- As per the Defence ministry sources both the countries will sign agreement for the futuristic fifth generation fighter aircraft (FGFA) or the Perspective Multirole Fighter (PMF) soon.
- Squeezed by Western sanctions, Putin appears to be turning to the old-trusted friend India as a fast-growing outlet for exports and also benefit from Modi's 'Make in India' drive to regain Russia's market share. Russia seems already worried about the US pushing several big-ticket items for co-production and co-development in India. Clearly, Modi's overt message last year that Russia is unable to satisfy the growing 'Make in India' demand appears to have been noticed in Moscow.
- The two countries also hold **exchanges and training exercises between their armed forces annually**. The joint military exercise **Indra 2016** was held in the Ussuriysk District in Vladivostok from 22 September -02 October 2016. The annual bilateral naval exercise Indra – Navy took place off the coast of Vishakhapatnam on 14-21 December 2016.

Irritants

- Some major issues of dissonance have appeared between the two countries over the last few years. The first concerns the rapidly expanding ties between India and USA **especially the growing defence relationship between India and USA**. India has so far been heavily dependent on Russian armaments with more than 60 per cent of its weapons being sourced from Russia.
- The frequency and comfort level in meetings between Modi and US President are perceived to be higher than with Putin. As against this, meetings between Modi and Putin have been more formal and limited to annual Summits and BRICS and SCO Summits.

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- Russians were complaining about the **Americans overtaking them as the number one arms supplier to India**. That the United States has emerged as the largest supplier of arms and equipment to India could not have gone unnoticed in Russia, just as Russia's reaching out to China and Pakistan with significant defence deals has not gone unnoticed in India. **Experts contend that Russia's waning influence in India's defence market may result in further alienation of Russia from India's strategic plans. Russia's arms sales offer to Pakistan has been cited as fallout of this policy.**
- **Although in absolute terms Russia is still the largest supplier of defence equipment to India**, its share in overall imports has progressively declined. Most recently, India's reported decision to sign the three "foundational" defence Agreements with USA, viz., Logistics Support Agreement (LSA), Communications Interoperability and Security Memorandum of Agreement (CISMOA) and Basic Exchange and Cooperation Agreement (BECA) for Geo-spatial Cooperation, has surfaced as a cause of serious concern for Russia.
- **Indo-US Defence Trade and Technology Initiative (DTTI)** in particular, seeks to go beyond a transactional defence relationship by freeing India from import dependency through co-production and co-development in several big-ticket items that are aimed at boosting India's security and economy. It hopes to create jobs and make India a competitive defence exporter.
- Russia feels that **India is virtually entering into a military alliance with USA, which will severely restrict Russia's ability to share sophisticated defence technology with it.**
- Indians on their part were frustrated by the Russian failure to meet delivery schedules, Quality control, tendency to increase costs, and reluctance to transfer technology and supply spares. The late delivery of *INS Vikramaditya* was a case in point.
- *In fact, ties with Russia had started drifting during the Manmohan Singh era, with deals inked on defence and nuclear issues remaining only on paper. New Delhi is impatient about the progress being made in two joint flagship projects – the stealth Fifth-Generation Fighter Aircraft (FGFA) based on PAK-FA or Sukhoi T-50 and the Multi-Role Transport Aircraft (MTA) based on Il-214.*
- The most recent stumbling block to a successful continuation of the FGFA project has been **Russia's unwillingness to share sensitive aircraft technology** with India. New Delhi is demanding a full scale transfer of technology in order to boost India's domestic fighter manufacturing capabilities. India wants a guarantee that India will be able to upgrade the fighter jet in the future without Russian support, which would require Moscow sharing source codes (sensitive computer code that controls the fighter jet's various systems — the key to an aircraft's electronic brains). In addition, the FGFA should directly support India's advanced medium combat aircraft (AMCA) program—a separate Indian fifth generation fighter project.

Potential –

- **Globally no other pair of countries – apart from USA-Israel- has enjoyed this type of defence relationship.**
- India and Russia need to tie up the loose ends of these and other joint projects to strengthen bilateral defence ties. *It should be remembered that India has opted for diversification of its arms import basket since long. It has sourced British Aircraft carrier, French Jaguar and Mirage aircrafts, German submarines, Swedish Bofors Guns etc. In past several international sanctions and its inability to pay hard cash for defence purchases tilted balance in Russia's favour.*
- It should be emphasized that "Make in India" also aims at having India emerge as an essential player in the global defence market. India is forecast to spend \$250 billion over the next decade upgrading its military and Russia wants to seize the opportunity to become a major part of this mission, expressing its readiness to work jointly with India on defence manufacturing. The boost to

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defence engagement will also help India contain the growing engagement between Russia and Pakistan.

- Both countries have rich experience of collaboration in production of military equipment in India such as MiG-21, MiG-27, Sukhoi Su-30MKI, Brahmos, naval ships etc. In fact the international competition in this segment is low due to the transfer of technology clauses where Russia is more than ready as compared to other countries and thus has a natural edge over other countries. So both countries need to tap over this rich legacy of cooperation to iron out differences over FGFA and other such projects.
- Besides, India can also be **a hub for service of Russian built aircrafts and submarines** which are in service with various other countries and also supplying spares to these machines with joint venture projects in India.

Economic Relations

- One of the biggest handicaps in bilateral ties is the **limited and stagnant trade** between the two countries. Despite being close partners for decades, the underdeveloped economic ties are a stark contrast.
- According to Russian Federal Customs Service data, bilateral trade during in 2016 amounted to US\$ 7.71 billion (decline of 1.5 % over 2015), with Indian exports amounting to US\$ 2.39 billion and imports from Russia amounting to US\$ 5.32 billion. Major items of **export from India** include pharmaceuticals, tea, coffee and tobacco, nuclear reactors & boilers, machinery and mechanical appliances, organic chemicals, and electrical machinery and equipment.
- Major items of **import from Russia** include pearls, precious and semi-precious stones & metals, nuclear power equipment, electrical machinery and equipment, mineral oil & products, iron & steels, and optical, precision and surgical equipment.
- **Clearly, for India and Russia, the challenge is to shift from largely defence oriented ties to promoting greater economic and trade partnership for long term interests.** Making economic partnership as strong a pillar as other pillars of the strategic partnership between India and Russia is a key priority for the two governments.
- **In December 2014, the leaders of the two countries set a target of US \$ 30 billion bilateral trade by 2025.** A few important steps/projects that could provide a major boost to bilateral trade are: Operationalisation of the "Green Corridor" project between the two countries which has already reached an advanced stage; implementation of the International North South Transport Corridor, and the signing of an FTA between Indian and the Eurasian Economic Union (EaEU).
- The Inter- Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC) is the apex G2G forum to review economic cooperation
- **Connectivity** was a major theme of discussion during **the 21st session of the IRIGC-TEC in September 2016.** Implementation of the International North South Transport Corridor (INSTC) project and the launch of the '**Green Corridor**' project for customs facilitation are major steps towards better connectivity and trade facilitation. Cooperation between Indian and Russian railways in the field of dedicated freight corridor, modernisation of railway stations, and training of railway personnel emerged as a new area to broaden cooperation in transports & logistics.
- Indian companies are closely engaged with Russian partners to develop cooperation under the **Russian 'Pharma 2020 programme'**. On the sidelines of the Commission's meeting, an Indian company Wockhardt and a Russian company PharmEco have signed an agreement for joint project for insulin production in Russia under the Pharma 2020 programme.
- In December 2016, Eurasian Economic Union (EaEU) approved the decision to start negotiations between India and the EaEU for signing an FTA. Russia is the top producer of rough diamonds in

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the world while India is the global hub for cutting and polishing the gemstones. So a **direct diamond trade** between them instead of routing it through diamond hubs of Antwerp and Dubai becomes attractive proposition. In this context, during President Putin's visit in December 2014, Russian company ALROSA signed 12 agreements with Indian companies to significantly increase direct supplies of rough diamonds to India.

- **Indian investments in Russia are estimated to be about US\$ 13 billion** which include Vankorneft and Taas-Yuryakh Tass fields; Imperial Energy Tomsk; Sakhalin I; Volzhsky Abrasive Works Volgograd; and Commercial Indo bank. **Russian investments in India total about US\$ 16 billion, including the acquisition of the ESSAR Group**, Kamaz Vectra in Hosur; Shyam Sistema Telecom Ltd, Sberbank and VTB. **The acquisition of ESSAR group by a consortium led by Russian Company Rosneft for \$13 billion has become the largest FDI project in India.**
- Earlier, both sides had expressed their desire to raise the level of investments in each other's countries to US \$ 15 billion (each way) by 2025. Based upon current figures it appears that the target will be achieved almost eight years earlier than planned.

Potential

- Russia's economy is struggling, a result of the economic sanctions imposed on it by the West over its incursions into Ukraine, exacerbated by a sharp decline in oil prices and the costs of Moscow's military involvement in Syria. So productive economic collaboration will be a win-win situation for them.
- The Putin administration sees India as one of the fastest growing economies in the world – as a country that could alleviate Russia's economic problems. From India's point of view, its Make in India initiative would welcome Russian companies from the public and private sectors.
- In fact, Russian firms have shown a willingness to invest in India in construction, major infrastructure projects such as **dedicated freight corridors and industrial clusters, smart cities, and engineering services, sharing technologies and skills.**
- At the same time, Indian companies are exploring major investment options **in Russia, especially in natural resources such as coal, fertilizers, hydrocarbons, minerals, and rare earth metals.**
- **India should seek opportunities for Indian firms to occupy the space in the Russian market vacated by Turkish and other European companies.** India already enjoys a niche market in pharmaceuticals, fertilisers, agriculture, and leather products. With Russia restricting imports from the West, India could upscale its export of food, dairy and meat items, footwear, rubber goods, furniture, lightening equipments, poultry etc.
- To give some further relief to Moscow in its sanction ridden economic woes, **Indian dairy companies** are keen to enter the Russian market, which will allow Russia to deal with its growing food crisis, specifically milk. Currently, Russia is using its relations with Belarus to get around European Union (EU) sanctions, using Minsk as the middleman to plug its gaps.
- **Indian businessmen regularly complain about their business experience in Russia, in particular the language barrier and stiff travel regulation, which impede interactions.** To address these concerns, the two countries signed a protocol on 24 December 2015 to simplify visa procedures for businessmen to promote smoother and greater movement of businessmen. Along with this, Russia has to address the **issue of non-tariff barriers** to facilitate smooth export of Indian products in Russian market.
- Both countries should **reinstate the Soviet era Rupee-Rouble exchange** between them which had resulted in India emerging as the biggest trade partner of former USSR in developing world. This will be in tune with reality also as Russia is short of dollars due to economic sanctions and Russian importers preferring all locations where they do not need to pay in dollars.

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- Also Russia is having similar mechanism of Rouble-Yuan exchange mechanism with China. Absence of similar mechanism hampers India despite its products being more cost effective. So it is incumbent on both countries to devise a mutually beneficial robust conversion formula keeping existing constraints in mind
- Given the important role of **International North-South Transport Corridor** in improving the efficiency of bilateral ties by significantly reducing transit time and freight costs, both sides should work together to conclude the necessary multi-lateral arrangements and outreach to step up the use of this corridor at the earliest.

Energy ties

- With one of the world's largest reserves of hydrocarbons, **Russia can be a critical source of energy security for India**. On the other hand, **with post Ukraine crisis sanctions and fall in energy prices, Russia is eager to include India, the world's 3rd largest oil importer and 4th largest oil consumer, in what is called Russia's 'Energy Pivot to Asia'**.
- Hydrocarbons are an active area for exploring cooperation between the two countries. In May 2014, ONGC and Rosneft signed an MoU for bilateral cooperation in subsurface surveys, exploration, appraisal and hydrocarbons production in the offshore Arctic region of Russia.
- In December 2015, Tata Power signed an agreement with the Russian Ministry of Far East Development for investment projects in energy sector in the region.
- In June 2016, an Indian Consortium of Oil India Ltd., Indian Oil and Bharat Petro Resources Ltd. (subsidiary of BPCL) signed with ROSNEFT a Sales Purchase **Agreement for acquisition of 23.9 % in Vankor oil block, which was followed by acquisition of 15% in Vankor by OVL** for which all formalities were completed on 31st May 2016.
- The next step is likely to be ONGC's JV with Rosneft –led Sakhalin-1 LNG project in Russia's Far East which is designed to produce 5 million tonnes of frozen gas starting in 2018. OVL is also believed to be in talks with Rosneft to acquire an interest in two oilfields in East Siberia.
- **During the 21st session of the IIRGC-TEC** on September 2016 in New Delhi. India and Russia launched an industry level Working Group – led by Gazprom, biggest Russian gas company, and a consortium of Indian oil and gas companies – **for creating an 'energy bridge'** between the two countries through possible gas pipelines for direct gas delivery from Russia to India.
- "Energy Bridge" between the two countries, which is based on robust civil nuclear cooperation, LNG sourcing, partnership in the Oil and Gas sector, and engagement in renewable energy sources. Due to huge complementarities in their interests, much bigger energy deals can be expected in future.

Nuclear cooperation

- **Unlike other bilateral civilian nuclear deals signed by India, Russian-Indian collaboration in nuclear sphere is multi-pronged and is not limited to NPP construction**. Russia has now become the first one to start construction of a nuclear plant that is fully compliant with Nuclear Liability Act.
- Recently, India-Russia ties reached a new landmark in nuclear energy cooperation with the dedication of Unit 1 of the Kudankulam nuclear power project jointly inaugurated by Prime Minister Narendra Modi and President Vladimir Putin through video conference in August 2016.
- Both sides also agreed to work together on the remaining stages of the recently agreed 4 more reactors at Kudankulam, 3, 4, 5 and 6. The other 8 reactors will be set up at alternative site in Karnataka or Andhra Pradesh.
- There are joint projects in nuclear science and on other aspects of nuclear fuel cycle. Russian and Indian scientists effectively cooperate in research at the Russian Joint Institute of Nuclear Research in Dubna and within framework of such international projects like ITER.

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- During PM Modi's visit to Russia in 2015, **both countries agreed to manufacture nuclear plants parts in India under Make in India Scheme**. Apart from saving forex, it will also be able to cut down timeframe for construction of atomic reactors.
- Russia has also proposed to involve India in **building Russian-designed power plants in third countries** including training of personnel in other countries like Bangladesh, Vietnam and Sri Lanka. This is in particular due to logistical issues where New Delhi is much closer to these countries than Moscow. This cooperation is to be extended to joint extraction of natural uranium and production of nuclear fuel and atomic waste elimination. Since India has generated lot of goodwill among IOR countries, it is in better position to market the nuclear power plants of Rosatom – the state-owned Russian Nuclear utility.
- Expanding their cooperation in civil nuclear energy, India and Russia are collaborating to set up **25 integrated irradiation centres** in India to reduce agricultural losses. A bilateral agreement in this regard was signed on the sidelines of the BRICS Business Forum in the national capital in October 2016.
- According to estimates, **post-harvest losses in food and food grains are around 40-50 per cent**, primarily due to insect infestation, microbiological contamination, physiological changes due to sprouting and ripening, and poor shelf life. The wastage of fruits and vegetables alone is about Rs. 60,000 crores annually. Including cereals, meat, pulses and flowers, the annual loss is estimated to be Rs. 2, 50,000 crores. Irradiation centres will help reduce this wastage.

Science & Technology

- Indian and Russian railways have signed agreement **on high speed rails in India and modernization of railways** while Solar Energy Corporation of India signed a MoU with Russian counterpart for **constructing solar plants in India**.
- The prospects for promoting start-ups in nanotechnology for applications in aerospace and defence could boost 'Make in India' initiative.
- To gain from **India's observer status in the Arctic Council** where Russia is a permanent member, both sides have agreed to facilitate scientific cooperation to study the challenges like melting ice, climate change, marine life and bio-diversity facing the rapidly –changing Arctic region.
- The **joint research programme** will now be expanded to include various innovative high technology sectors and their commercial applications in frontier areas like environmental science, power sector including alternative sources of energy, energy efficiency and energy security, affordable diagnosing equipment for healthcare and agriculture. **India can benefit immensely by tapping Russian expertise in high technology areas.**

PAKISTAN FACTOR

- After decades of frosty ties, Russia has finally begun to reach out to Pakistan. Economic, political and even defence ties are growing between the two countries that were on opposing camps during the Cold War.

Recent Developments

- Russia's reaction to losing Indian helicopter deals and MMRCA fighter jet deals to the United States and France was to make its displeasure known by a sudden affinity to bolstering Russia-Pakistan ties. Russian defence Minister Sergei Shoigu, who is very close to Putin, visited Islamabad in 2014, the first Russian defence minister to visit Pakistan since 1969, a trip that saw both countries sign defence agreements including the sale of Mi-35 "Hind E" attack helicopters, a variant of the type also operated by India.

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- Moscow and Islamabad were in talks to sell its top of the line Sukhoi 35 fighter jets to Pakistan (India operates the Sukhoi 30MKI variant). Both of these developments naturally created ripples in the Indian strategic and defence affairs discourse.
- Both countries **signed an agreement on military technical cooperation in 2014**. The Russian-Pakistani Consultative Group on Strategic Stability is actively working. These meetings are attended by high-level officials from the foreign and defence ministries of both countries.
- Russian state-owned construction company Rostekh Corporation is planning to build a 680-mile gas pipeline in Pakistan in 2017 at an estimated cost of \$2.5 billion. It will be **Russia's first large-scale project in Pakistan since the 1970s**.
- Pakistan helped Russia to ensure its food security, when after a self-imposed food embargo against Western countries, Russia needed to find food suppliers. Pakistan started supplying Russia with agricultural products.

India's reaction

- India has expressed its displeasure with Russia's growing ties with Pakistan which it considers **as a wrong approach**. It warned that India's ties with Russia are likely to be affected if Moscow continues to expand military relations with Islamabad which is **a state that sponsors and practises terrorism as a matter of state policy**.
- Criticising Pakistan-Russia ties, Indian Ambassador to Russia warned of "problems" ahead in bilateral ties in an interview with Ria Novosti, the Russian official news agency in October 2016. His comments mark the **third occasion** in less than a month when India officially conveyed unhappiness over the growing Pakistan-Russia ties after both countries held **the first ever joint military exercise in Pakistan's northwest**. Russian embassy in India denied that this exercise was going to be held in Gilgit-Baltistan region which is legally claimed by India.
- Russia **condemned the September 18 terror strike in Uri** which claimed the lives of 19 Indian soldiers but **went ahead with the military exercise** with Pakistan even as India blamed Pakistan for not acting against the terror modules.
- However, these concerns have been played down by the Russians who maintain that they hold similar military drills with other countries of the region as well.

Imperatives for Russia-Pakistan cooperation

- Several factors are responsible for this rapprochement between Russia and Pakistan-
 - (a) **Shared security interests** are drawing Pakistan and Russia closer together, as evidenced by Shoigu's announcement that joint military exercises and security cooperation will become a routine feature of their bilateral relationship. The main purpose of these exercises is to share experience in counter terrorism, counter narcotics and anti-piracy.
 - (b) Russia viewing Pakistan as **critical to the stability in its backyard** especially in case of negotiated settlement with Taliban which has backing of Russia's strategic ally China. Islamabad is also keen to have Moscow's and Beijing's involvement in Afghanistan. The three have met several times to discuss conditions in Afghanistan
 - (c) India's growing proximity with USA and displacement of Russia as biggest supplier of weapons by USA.
 - (d) Post Ukrainian crisis sanctions and decline in energy prices have forced resource export dependent Russian economy to explore new markets to tide over economic recession.
 - (e) Lucrative defence market of Pakistan offers Russia an opportunity to diversify its arms export basket the same way India is diversifying its arms import basket. Besides, it also offers huge opportunity to Pakistan to reduce its dependence over US for getting sophisticated weapons.

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- (f) Another key concern for Moscow is the **drug-trafficking** emanating from Afghanistan and illegal substances ending up in Russia – a threat that's leading the Russians to team up with Beijing and Pakistan to control drug production in Afghanistan.

Analysis

One viewpoint

- Some Indian experts regard it as a Moscow tactic to 'arm twist' India and stop it from diversifying its defence procurement sources.
- That Russia has sought a normal relationship with Pakistan since the end of Cold War has not been a secret. So is the fact that Indian diplomacy often prevailed over Moscow to limit Russian ties with Pakistan. Moscow's reluctance to defer to Indian sensitivities this time suggests that a new phase in India-Russia relations is finally with us.
- **That a sovereign has no permanent friends or enemies is part of traditional wisdom around the world.** Nothing illustrates this more than the evolution of Russia's ties with China and Pakistan. Few countries in the non-Western world have done more damage to Russian interests. The Chinese alignment with the West from the 1970s and the Pakistani jihad against Moscow in the 1980s were central to the defeat of the Soviet Union in the Cold War.
- The possibility that Russia will get closer to Pakistan under China's influence and **the possibility of transfer of Russian technology to Pakistan** via China cannot be ruled out. Russia has allowed China to export aircraft, for instance the 50 JF-17 "Thunder fighter" planes that use Russian engines—something which it would not have allowed earlier.
- **India is also apprehensive of Russia transforming its stance on Kashmir.** So far Moscow has supported India by voting for New Delhi at the UNSC. But during his visit to Islamabad, Russian defence Minister Sergey Shoigu was reportedly appreciative of Pakistan's efforts to tackle terrorism. This is **quite a shift from an earlier stance**, when Moscow was critical of the country's establishment utilizing extremist groups to achieve its strategic goals.
- **That Russia did not back India's demand to name two Pakistan-based terror groups as perpetrators of terrorism** against India last year at the Goa BRICS (Brazil-Russia-India-China-South Africa) summit did not go down well with India.

Counter viewpoint

- Russia has the sovereign right to choose its friends. Nor should Delhi assume that Russia's current orientation – warmth to China and hostility to the West – is a permanent one. At a moment of great turbulence in great power relations, Russia is rightly jockeying for position. This demands that Delhi must stop taking Moscow for granted. It must focus instead on reconstituting the partnership with a country that will remain a powerful force in Eurasia, on its own merits.
- **If US military aid to Pakistan for more than six decades did not come in the way of the current upswing in defence trade between India and the United States, there is no reason why Russia's strategic benevolence towards China and Pakistan should be a serious factor influencing India's defence trade with Russia.**
- India cannot allow Russia to drift apart. Russian-origin tanks, armoured vehicles, missiles, submarines, aircraft, helicopters, aircraft carrier, ammunition, and other assorted systems, constitute the backbone of India's military capability. Going by the past experience, these will remain in service for the next several decades. If nothing else, **Russian support will be crucial for ensuring operational serviceability of the equipment, including repair, refit and upgrades.**
- Even Russia cannot afford to consider scaling down its defence trade with India. **Russia needs to sustain its huge military industrial base. China and Pakistan have limited potential as export markets.** As an important player in contemporary international politics and anxious to regain its

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past glory, it will not serve Russia's interest to pull out all the stops to align with China, which will benefit more from such an alignment, or with Pakistan, which has a dubious record of spawning extremism all over.

- Therefore Russia is unlikely to jeopardize relations with New Delhi for Pakistan. After all, India isn't only its largest defence customer; Moscow also sees the sub-continent as **a potential energy export destination**. India is the fourth largest energy consumer in the world in coal, oil and natural gas.
- In fact, in this fast changing multipolar world, both countries need each other more than ever. For instance India provided **crucial diplomatic support** to Russia over Ukraine, Crimea and Syria where it was internationally isolated. Russia still provides India with crucial **cutting edge technology** in defence, nuclear and dual use technology without any strings attached like US.
- These imperatives will drive continued close Indian-Russian engagement into the foreseeable future.

Russia's Growing Proximity With China

- The significant expansion of Russia's economic, security and political ties with China, begin to pose a problem for India. The Sino-Russian partnership is becoming a lot deeper than that between India and Russia. Even in the defence domain, where Russia once privileged relations with India, China is rapidly becoming an important partner for Moscow.
- What began as Moscow's manoeuvre for position a decade and a half ago gathered steam when China started to look for an ally when US announced pivot to Asia and acquired more solid form when Russia responded to China's overtures to gain political and economic support in face of western hostility post-Ukraine crisis. It now looks to be a strategic choice to align with Beijing amidst Western attempts to isolate and punish Russia over Ukraine. Russia's decision to sell sophisticated weaponry to China has resulted from its view of its own national interests of the time as well as its overall economic and geopolitical compulsions.
- India has **failed to capitalize on Russia's pivot to Asia**. Only China seems to have benefited by intensifying economic and political ties with Russia. China has bailed Russia out through a series of big energy deals. This has also helped Russia significantly by offsetting its reliance on the European market. Russia's cooperation with China has since intensified. Here, it is worth mentioning that India had missed a similar opportunity soon after the Soviet collapse. China has gained increased access to Russia's vast natural resources including the much publicised **30-year gas contract worth \$400 billion** between them. The bilateral trade has increased to \$90 billion in 2014.
- Russia has not cautioned China from being belligerent either in South China Sea region or stopping incursions in Indian side. **The China-Russia joint naval exercise in the South China Sea in September 2016** takes on new significance after a landmark ruling against China's claims in the region. This implies **tacit Russian endorsement of China's claim in South China Sea** which is at variance with India's stated position of unhindered freedom of navigation in international shipping lanes including South China Sea.
- China has incorporated Russia **as integral component of its OBOR policy** which aims at increasing Chinese influence over the Eurasian Region. **Putin attended the recent 'One Belt, One Road' summit in Beijing despite his concern that China is using that project to displace Russia as the dominant influence in Central Asia.**

Implications for India

- As Russia and China draw closer, they are bound **to put more pressure on India to back their positions at multilateral forums** like the BRICS and the United Nations on a range of global

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issues. Delhi also knows that Beijing is now the senior partner to Moscow, and that the alliance with Russia will end up **improving China's bargaining power with the US**.

- New Delhi's main concern is not really Sino-Russian trade - much higher than Indo-Russian business - but **the nature of defence cooperation** between Moscow and Beijing. While most of the weapons China purchased from Russia – Amur submarines and S 400 air defence systems - will seemingly be used in the East and South China Sea, there's a growing apprehension that the deployments may be changed in a way that's detrimental to Indian security.
- The possibility that Russia will get closer to Pakistan under China's influence and **the possibility of transfer of Russian technology to Pakistan** via China cannot be ruled out. Russia has allowed China to export aircraft, for instance the 50 JF-17 "Thunder fighter" planes that use Russian engines—something which it would not have allowed earlier.
- Russia has also agreed to sell its frontline fighter jet Su-35 to China overcoming its inhibition of Chinese mastery at copying advanced Russian technology by **reverse engineering** which may help China's ambitious J-31 programme which is facing teething troubles. Russia has also ignored China's boosting up Pakistan's nuclear programme by rerouting some of the Russian Supplies.
- India fears **growing Western alienation will result in Russia getting closer to China**. So New Delhi will continue to project its support for Russia multilaterally, such as abstaining from voting at the UN over Crimea or 'not supporting' Western sanctions on Russia. In turn Russia – also trying to avoid over dependence on Beijing – will try to secure a greater role for India at the Shanghai Cooperation Organization (SCO) and close alignment with the BRICS countries.
- India needs to work on gaining some more influence with Russia in order to stop it giving too much leverage to China. It must also work for normalization of Russia-USA relation as Russia will become more reliant on China is its relation with US led block continues to deteriorate.
- The **unfavourable trade balance between Russia-China and slowing down of Chinese economy** along with India becoming one of the World's fastest growing economy may give a window of opportunity for both India and Russia to shore up their economic ties to add more substance to their bilateral relations.

Russia-Pakistan-China Axis on Afghanistan

- On 27th December, 2016 Russia hosted representatives of China and Pakistan to discuss developments in Afghanistan and agreed upon a flexible approach to remove selected Taliban leaders from United Nations sanctions list to facilitate peaceful dialogue between Kabul and Taliban movement.
- This for the first time that Russia, India's "all-weather friend" joined Pakistan and China to collectively ask the UN Security Council to lift the sanctions against select Taliban leaders, signalling the growing convergence of these countries over Afghanistan. This decision has come as an unpleasant surprise for India.
- Russia is of the opinion that Afghanistan could become a safe haven for ISIS, from where it would be able to pose a serious threat to Russia. China, on the other hand, too is worried about the growing influence of ISIS threat in its Xinjiang province. Both Russia and China have found Pakistan an important interlocutor who could perhaps manage the Taliban in a way that it could be a force against ISIS.
- The relationship between Moscow and Taliban has surged in recent years to an extent where the two have also shared intelligence about the ISIS. For Russia, the Taliban is a local nuisance and has given up the idea of global jihad whereas the ISIS are the global jihadists.
- However, **the reasons behind Russia, China and Pakistan triumvirate** can be traced back to India's growing proximity with U.S. and to defy United States influence in the region. Moscow has

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been critical of NATO pulling out of Afghanistan because it feels there could be dire security consequences, which might spill over to Russia's immediate neighbourhood. Another key concern for Moscow is the **drug-trafficking** emanating from Afghanistan and illegal substances ending up in Russia.

- India have long considered the Taliban as Pakistan-backed and supported militant group and have maintained that any distinction between 'good' and 'bad' Taliban is untenable and is fraught with risks for stability of the region. Russia has historically supported this position on the Taliban, an organization which emerged from the mujahideen resistance that was at the front in the fight against the Soviet Union in the 1980s. India and Russia also worked together through the 1990s to prop up the Northern Alliance in the north of Afghanistan as a counter to the Taliban.
- However, Afghan government has strongly reacted against Russia's attempt to bolster Taliban's credibility. In December 2016, Afghan President Ashraf Ghani asked the United Nations to add the Taliban's new leader to its sanctions list indicating his deep frustrations with the stalled peace process being midwifed by Pakistan. Reacting to these discussions among the troika in Moscow, Afghan Foreign Ministry Spokesman said that even if well-intentioned, absence of Afghanistan from the discussions raised questions about the purpose and intent of such meetings.
- On December 29th, 2016, the Afghan government rejected the call by the three countries to delist some Taliban militants to foster a peace dialogue and said that the Afghan people alone can decide on removing Taliban leaders from UN sanctions lists.
- Afghanistan's stand is in conformity with India that it is not possible to differentiate and say that some Taliban are better. Both the countries agree that Taliban having ties with Pakistani security establishment is the biggest threat to Afghanistan. India is also wary of any peace process brokered by Pakistan.
- In of India's strong concerns, Russia's association with Pakistan has kept expanding and growing. On 4th December 2016, in Heart of Asia-Istanbul Process Meeting in Amritsar, **Russian special envoy on Afghanistan stated that allegations by India and Afghanistan against Pakistan of providing sanctuaries to supporting terrorists are baseless.** This was preceded by Russian military supplies to Pakistan and joint military exercises just ten days after the Uri attack by terrorists supported and aided by Pakistan army and its spy agency ISI.
- India would, therefore, expect Russia to be cognizant and mindful of India's core concerns and interests particularly with respect to terrorism emanating from Pakistan. However, this does seem to be happening. As Russia works with China and Pakistan to engage the Taliban, jettisoning its historic animosity to the group, **India might find itself regionally isolated.** India would be hoping that United States and Afghanistan will heed its advice on Afghanistan and stand up strongly against the China-Pakistan-Russia axis to manipulate regional strategic realities to serve their short-term ends. **President Trump's new Afghanistan policy offers hope for India to think so.**

TOWARDS BETTER TIES- Druzhba-Dosti partnership

- **India and Russia are natural allies.** It is in the interest of both countries to have vibrant relations.
- Modi and Putin need to **give much greater personal attention** to building and strengthening the India-Russia partnership. Prime Ministers from Nehru to Vajpayee have been the driving force behind the successful engagement with Russia. **But Putin and Modi have to build closer chemistry, at least to the level of what is being seen between Putin and Xi Jinping.** Their track records prove that they have the vision and capacity to once again achieve heights in bilateral relations earlier witnessed during the Soviet times.
- India needs to be mindful of the risk of relying totally on the **US, which could restrict access to civil-military technologies and snap all cooperation should India decide to lift its self-imposed moratorium on nuclear weapons testing.** New Delhi also cannot ignore the

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geostrategic calculations, where the US can never replace Russia politically and operationally in case of a national crisis. Moscow, in the past, effectively checkmated any misadventure by China or Pakistan to undermine India's territorial integrity. **Russia's diplomatic support to India in the context of the issue of Kashmir cannot be lost sight of, especially when the traditionally strong US-Pakistan relationship and China-Pakistan nexus still persists.**

- India also should not forget Russian assistance in civil nuclear and civilian space programmes, especially when others had shunned nuclear commerce with India. **So better ties with Russia is pivotal to India's core national interests.**
- There is a huge potential in regard to joint development/co-production of equipment and defence research and development. This is going to be the key to closer engagement between the two countries in the backdrop of the 'Make in India' push by the Indian government. BrahMos is a successful example of what this potential can achieve.
- India also needs to sensitise Russia of the potential damage that Russia's supply of lethal armaments like MI 35 attack helicopters and SU 35 aircraft to Pakistan can have on relations with India as all such equipment is ultimately used by Pakistan against India.
- Finally for New Delhi only a blockbuster deal i.e., for laying the proposed \$40 billion long-distance oil and gas pipeline from Russia to India can turn around the trade prospect to touch over \$100 billion. Energy diplomacy can replace the waning defence business and bring rationality to Indo-Russian relations.
- On the other hand, Moscow should understand that **India's ties with Russia are not comparable to India's engagements with other powers.** Russia offers little traction for investment, business and education. For sure, the size of the Indian diaspora in Russia—needed to push for stronger ties—is tiny compared to elsewhere.
- Russia should change its diplomatic style too. **Exchange of visits among reputed and established Think Tanks of the two countries needs to be stepped up. Collaboration between educational institutions also needs to be promoted**
- Russia should rectify discrepancies and update the scope of cooperation with India. **Russians are not strangers to the Indian market, bureaucracy and style of doing business in India.** Their experiences in India have ranged from managing heavy industries and nuclear plants to producing SU-30 aircraft, T-90 tanks and BrahMos missiles.
- Russia should also **step up its investments in India**, which currently stands at around USD 3 billion. Barring a few firms like Sistema, Rusal and others, no major Russia giant has ventured in India. The good news is that apart from Sukhoi, the energy giant Rosneft is seeking investment avenues in **India's potential solar energy market** and is promising to produce up to 20,000 MW. Russian investments are also needed in areas other than diamonds, information technology and pharmaceuticals.
- Clearly, **the political trust and comfort level with Russia has not disappeared** despite all the rhetoric over India's growing closeness to the United States and Russia's increasing proximity to China and Pakistan. In fact, in spite of all the proclivity of inching towards the West, Indian public statements are still in favour of Russia. **As Modi himself told Putin, "Even a child in India, if asked to say who is India's best friend, the reply will be Russia."**
- India must pursue good relations with Russia, Europe and America, with each on its own merit. Keeping these in separate compartments and having a clear sense of India's own interests will be the new challenges in Delhi's engagement with great powers.

12. INDIA – CENTRAL ASIA RELATIONS

Introduction:

- Central Asia region is extending from the Caspian Sea in the west to the border of western China in the east.
- It is bounded on the north by Russia and on the south by Iran, Afghanistan, and China.
- The region consists of the former Soviet republics of Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, and Turkmenistan.



Salient features:

- None of the five Central Asian States had to fight for its independence from the Soviet Union. Freedom was granted to these countries as a gift. They were not confident about their financial and economic viability and survival as independent states. Hence they were the last to declare their independence from Soviet Union.
- All these countries are landlocked.
- All Central Asian States are rich and well-endowed potentially with mineral and hydroelectric resources.
- Kazakhstan has the world's second largest reserves and is the world's largest producer — 23,000 tons of uranium in 2014. It has almost all minerals on Mendeleev's table including iron-ore, coal, oil, gas, gold, lead, zinc, molybdenum etc. in commercially viable quantities.
- Uzbekistan has large reserves of gas, uranium and gold.
- Turkmenistan is endowed with world's fourth largest reserves of natural gas. Tajikistan is blessed with huge hydroelectric potential. Kyrgyzstan is rich in gold and hydroelectric power.
- Track record of these countries on socio-economic development is mixed. Kazakhstan with its vast mineral resources has done better than others. Kyrgyzstan and Tajikistan lag behind. Uzbekistan and Turkmenistan remain closed and controlled societies.

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- Uzbekistan is a potential leader in Central Asia, but has difficult relations with its neighbours, namely Tajikistan and Kyrgyzstan on water issues, and Kazakhstan to become the pre-eminent power in the region.
- Religious extremism, fundamentalism and terrorism pose challenges to these societies and to regional stability.
- Issues like water security, borders, environmental degradation and migration have become acute.
- Central Asian republics face serious threat from illegal drug trade emanating from Afghanistan.

Background:

- Relations between India and Central Asia are ancient and civilisational. India has been connected closely with Central Asia through the Silk Route from circa 3rd century BC till 15th century AD when the sea route from Europe to India was discovered.
- The Silk Route connected India with Central Asia not only for transportation of goods and wares like silk, textiles, spices etc. but was an effective channel of exchange of thoughts, ideas, religion and philosophy.
- Buddhism travelled over this route from India to Central Asia and from there to West China in contemporary Xinjiang region.
- In medieval times, Babar came from Fergana Valley after losing his kingdom to try his fortune in foreign lands.
- During the Soviet period culture, music, dance, movies and literature bound the Soviet Republics closely with India.
- Political contacts grew and expanded with frequent exchange of visits. Visit by Pundit Jawaharlal Nehru, the first Prime Minister of India accompanied by his daughter Indira Gandhi to Almaty, Tashkent and Ashgabat in 1955 brought the region closer to India.
- Popularity of iconic Bollywood stars like Raj Kapoor, Nargis, Mithun Chakraborty and others brought India into the homes and hearts of common people of this region.
- Bilateral relations however suffered considerable neglect in the 25 years after emergence of these countries as independent States in 1991.

SIGNIFICANCE OF CENTRAL ASIA FOR INDIA:

Energy Security:

- With India projected to become ever more reliant on imported energy, reducing dependence on the Middle East and cultivating alternative sources of energy has become a vital concern.
- Central Asia contains vast hydrocarbon fields both on-shore and off-shore in the Caspian Sea. These are home to an estimated 4 per cent of the world's natural gas reserves, and approximately 3 per cent of oil reserves.
- Most of these resources are found in Kazakhstan, Turkmenistan, and Uzbekistan, although Tajikistan and Kyrgyzstan also have potential for generating hydro-electric power.
- Central Asia has reserves of uranium ore plus the potential for its enrichment; so the region could be tapped as a source of uranium for India's civilian nuclear programme, which would in the long term help diversify its energy base.
- Over the past decade, India's state-owned Oil and Natural Gas Corporation (ONGC) has sought to invest in Kazakhstan, which has three of the world's richest oilfields. ONGC acquired sizeable stakes in the Alibekmola and Kurmangazy oilfields in Kazakh owned areas of the Caspian Sea.
- More recently ONGC attempted to buy a share of US company ConocoPhillip's holding in the Kashagan oilfield. However, although the Indian Government has begun investing in oil fields in

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Central Asia, its policy on how to transport this oil to the Indian market or work out oil swap deals is still evolving.

- Accessing the oil and gas from Central Asia remains the major difficulty. Besides connectivity, its prohibitive cost is also the major issue of consideration.
- Offers of oil swap deals such as that offered by Turkmenistan is now being thought over. This offer is for oil swap involving Iran and Turkmenistan. Iran does not have enough oil in the northern parts of the country. So, Turkmenistan is offering to give Iran oil from Caspian in the north, expecting it to give India oil in the south.
- Also, the Indian government has been engaged in the 1680 km-long Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline.

Geostrategic Importance

- The emergence of predominantly Muslim but, in fact, multi-ethnic and multi-religious CARs has added a new strategic dimension to the geopolitics of the whole of Asia and more so, for the countries located in its immediate neighbourhood.
- The geostrategic location of the Central Asian states has made this region extremely pivotal. CARs lie at the crossroads of Russia, the Middle East, South Asia and the Far East. Any geopolitical changes in the region inevitably have its significance and impact on several states in the neighbourhood.
- Central Asia lies at the strategic junction between two nuclear powers, Russia and China, and at the interface between Russia and the Islamic world. It shares borders with Afghanistan, which is a major source of spreading religious extremism in the region.
- Central Asia is of great strategic importance to India .Being placed in the middle of the Eurasian Continent, Central Asia is one of the most convenient routes of transit.
- Also, given the Kashmir angle, India cannot be walled off from the political developments which take place in the Central Asian region. Any advance by Islamic extremist groups in the CARs could invigorate similar elements active in Kashmir.

National Security and Stability in the region:

- The focus of relationship between the Central Asian Republics (CARs) and India can be defined by the importance of Central Asia for peace and stability in the region.
- India sees this region as a source of religious extremism and is concerned to check the rise of radical Islamist groups which may present a terrorist threat.
- The transnational nature of these groups, including links with the Taliban and other militant groups in neighbouring countries, generates a high degree of unease in India.
- The rise of ISIS and its capabilities to radicalize people in this region poses significant threat to India as well.
- What is of interest to India and other nations in this region is the volatile situation in Afghanistan. Peaceful and stable Afghanistan is a prerequisite for the whole regions stability.
- These security concerns are compounded by the proliferation of drug-trafficking in Central Asia. Weak border management and high levels of corruption, coupled with the failure to stem opium production in Afghanistan, have made drug-trafficking an extremely lucrative industry.
- Central Asian region also remains highly vulnerable to the smuggling of fissile material for WMD. For example, the border and customs checkpoints in Kazakhstan have no special detection equipment for intercepting nuclear material. This region lies between two nuclear superpowers – Russia and China and also its neighbours, the two new nuclear powers, India and Pakistan.

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- Uzbekistan has the world's third largest uranium deposits. Tajikistan also has uranium reserves and the capability of enrichment. Kyrgyzstan, meanwhile, has a lot of nuclear waste left over as a legacy of the former Soviet Union.
- Thus, in this region there is a serious threat of the proliferation of Weapons of Mass Destruction (WMD) Routes, which have been created for other illegal trafficking, can also be used for transporting components of WMD.
- Over the past decade, New Delhi has sought to enhance its security assets in the region, notably through the acquisition of a first foreign military outpost in Tajikistan. Tajikistan is of particular concern for India since only a narrow 20 km stretch of Afghan territory separates it from Pakistan-administered Kashmir.
- India began to refurbish the airbase at Ayni in 2004.
- In July 2011, the Indian Defence Minister visited Kyrgyzstan and announced plans to open a joint military research centre there, as well as an initiative to train Kyrgyz soldiers to serve in UN peacekeeping missions.
- When India's Vice-President visited Tajikistan in April 2013, both governments stressed the importance of cooperation in dealing with anticipated security threats from Afghanistan, and India has established Joint Working Groups on Terrorism with Tajikistan and Kazakhstan.
- In 2017, India became a full member of Shanghai Cooperation Organisation (SCO). The SCO is one of the most prominent multilateral bodies with regard to Central Asia, and the issue of counter-terrorism regularly features on the agenda of SCO summits.

Commercial Interest:

- Both India and Central Asia have economic complementarity in terms of resources, manpower and markets. These diverse resources can be pooled for a broader regional cooperation in Asia and to realise the potential of both the regions fully.
- Central Asia offers a relatively untapped market for Indian consumer goods as consumers in the region have little to choose from highly priced, imported Western products or cheap but lower-quality Chinese manufactured goods that have flooded the region.
- Indian tea and pharmaceutical industries have already acquired a foothold in the Central Asian market. Potential for Indian investment and expertise in the areas of IT, banking, construction, and food processing is still untapped.
- There is also scope for India to assist Central Asian states in developing small and medium-scale enterprises.
- The Central Asian republics have rich natural resources in form of huge hydrocarbon resources, large amount of mineral deposits, extensive hydel power potential and vast stretches of arable lands, to fulfil the demands of the growing Indian economy.
- Currently, India provides limited assistance in some of these areas as part of its long running ITEC (Indian Technical and Economic Cooperation) Programme.
- In recent years, the Indian Government has also begun to assist Indian entrepreneurs and business chambers to organise trade fairs under its CIS programme, and a joint business council has been set up with Kazakhstan.
- On his April 2013 visit to Tajikistan, India's Vice President signed deals to expand bilateral cooperation in IT, energy, health, education, trade, commerce, mining, and agriculture, while there are also plans to collaborate with Tajikistan in establishing an IT centre of excellence and a Central Asia e-network. The government is focusing on connectivity to boost the trade and investment scenario in this region. Land route options through Iran and Turkmenistan are also being explored.

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- Three party agreement on international transit of goods between Turkmenistan, India and Iran signed in February 1997 at Tehran is still critical as it would enable the movement of goods from Indian ports to Bandar Abbas in Iran and then on to the Central Asian region by road and rail.
- New Delhi, Moscow and Teheran signed an agreement in September 2000 for sending Indian cargo to Russia through a corridor known as International North South Transport Corridor (INSTC).

Reasons for low level of trade:

- Issue of connectivity - The communication links are also problematic and at present the region is connected only through air links. While three of the five Central Asian countries are well connected with India today, with Tajikistan being the only country without an air link with India, there is a lack of satisfactory surface routes, banking channels, etc. which hamper expanding trade with Central Asian countries.
- Indian manufacturing and investment companies are very apprehensive about entering the new, unfamiliar markets of Central Asia.
- This is due to the rather daunting conditions prevalent in this region. One of the main impediments is the non-availability of hard currency and lack of conversion facility service.
- Presence of China, destabilised Afghanistan, hostile Pakistan are also creating unfavourable condition for the Indian investment in this region.

Geopolitical Interest:

- Another point that needs to be highlighted here is that today the Central Asian region has become an area of immense importance to Europe, US, China, and Iran.
- The US is trying to undermine Russian and Iranian gains; China has committed billions of dollars for the development of Central Asian oilfields to fulfil its future energy demands.
- Europe wants to extend its influence by means of NATO expansion. All this is likely to bring in high-stakes power politics in Central Asia.
- India's ability to access Central Asia is vulnerable because Pakistan's geography – and at times its deliberate policy of obstruction – cuts India off from the region.
- This obviously has implications for India and it must consider ways for its strong and rooted presence in the region though with utmost caution.
- Equally significant in geopolitical terms – though very different in terms of history and future outlook – is India's relationship with China. China's long land border with the Central Asian states and its massive economic muscle gives it considerable leverage in the region.
- China has outpaced India throughout Central Asia in terms of volumes of trade and investment, energy acquisitions, and the building of transport and infrastructure networks.

Significance of India for Central Asian Countries:

- India's democratic political trajectory can be looked to when the authoritarianism of the Central Asian regimes that emerged from independence are no longer able to respond to the needs of their societies for modernization and stability.
- India and Central Asia are potentially very compatible in economic terms and Central Asia would like to access southern seas. The Central Asian Republics industries are in a primitive stage that cannot cater to the requirements of the end users. Although Chinese goods have flooded the market, Indian goods can offer alternate option to the end consumers.
- The Central Asian markets are in dire need of skilled labour, trained professionals and corporate sector qualified man –power. India can meet the needs of the respective countries.

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- The Central Asian states need to slow down their absorption into the Chinese economic world, and India is a good, but still potential counter-balance.
- India's good relations with Russia as well as with the United States also agree with Central Asia's multi-vectorial strategies.
- A consequence of the multi-vectored policies of the Central Asian states is their desire to engage India in a mutually beneficial and comprehensive relationship. This inclination on their part is strengthened by their experience of the negative effects of the intense power play that is taking place in Central Asia. India can play a positive role in the Central Asian environment where regional states are hard put to maintain balances between other major players.
- India has a shared history, traditions, folklore, superstitions, cultural similarities and sensibilities stretching over on a span of more than one thousand years with Central Asian Republics. The widely spoken Urdu language in the sub-continent developed out of the interaction of different Central Asian Republics with the people of undivided Hindustan.

India's Strategic Vision for Central Asia

- During the post-1971 era of close Indian-Soviet relations, cultural exchanges flourished between India and the Central Asian republics. India's political contacts with the region thus far had been through its close strategic relationship with the former Soviet Union.
- With the rise of non-traditional threats and challenges in Central Asia, India relied on Russia to protect and safeguard the new states against the tide of extremism. Hence, India did not object to the stationing of the Russian-led CIS peacekeeping force on the Tajik-Afghan border, which was seen as in India's interests.
- In the early nineties India had launched its economic reforms. As this happened, the parameters of Indian policy broadened beyond South Asia. Its desire now to play a larger role energized its approach to Central Asia.
- Far from using the Soviet collapse as a springboard for developing new relationships with the states of Central Asia in acknowledgement of new realities and in recognition of the need to develop new priorities, India chose to focus on recasting New Delhi's relationship with the new Russia.
- It was not until May, 1993, that India's Prime Minister visited Central Asia, specifically Uzbekistan.
- India was slow to capitalize on these serious expressions of friendship from the Central Asian side. Only in the early 2000s did it do so in earnest, with the pace further accelerating after the middle of the present decade.
- This shift from the earlier regional engagement policy was largely shaped by the need to prevent Pakistan from developing an anti-India coalition with the Central Asian states. India's larger geostrategic rethinking gained more urgency by fresh forays into the region by China and America.
- India's strategic approach lies in the development of strong ties with the countries of Central Asia along the energy and security vectors. Central Asia fit into India's Asian vision as New Delhi see Central Asia as part of India's extended neighbourhood.
- The Indian leadership's basic premise is that a broad-based and integrated Asian security and economic community will best be able to deliver peace, stability and prosperity while accommodating the overlapping global aspirations of India and China. Indian ties with the Central Asian countries are based on a grand vision for a cooperative and synergistic economic and security relationship.

India's Place in the Evolving Policies of the Central Asian Republics

- India's historic character, size, population, economic and military strength make it a natural bulwark against fundamentalist extremism and a factor for peace and stability in Asia. Therefore, even

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though India is described as a second-tier player in the Central Asian arena, it can still play a significant role.

Political Relation:

- The pace of political, diplomatic, and economic engagement, has increased in the last few years.
- India's diplomatic thrust in the region got a boost after Prime Minister Manmohan Singh visited Uzbekistan in April, 2006. He signed agreements relating to education, IT, the oil and gas sector, light industry, agriculture, mineral resources, and pharmaceuticals.
- In July, 2006, the Prime Minister met the President of Kazakhstan and stated that – Kazakhstan is an important economic and political partner of India and is interested in expanding its bilateral cooperation.
- In April, 2008, Vice President Hamid Ansari visited Turkmenistan and Kazakhstan, both of them significant countries from the standpoint of hydrocarbon reserves as well as being important elements in the north-south transportation corridor.
- In 2015, PM Modi visited all the five countries of Central Asia in one go. His visit once again highlighted the importance of Central Asian region from Indian point of view.
- Joint working groups between India and Uzbekistan and India and Tajikistan meet regularly.
- India offered to help establish a training institute for gas technology in Tashkent, along the lines of the Jawaharlal Nehru IT Centre in the Uzbek capital that was inaugurated by Prime Minister Dr. Manmohan Singh in 2006.

Multilateral Engagement:

- At a multilateral level, India has supported the objectives of SCO. India has gained the membership of SCO in 2017 and is keen to play a constructive and active role in it.
- India is also a member of the Conference on Interaction and Confidence Building Measures in Asia (CICA) – a Kazakh-sponsored initiative of eighteen Asian nations that includes the Central Asian states (minus Turkmenistan).
- India's potential participation in the Eurasian economic Union (EEU) will be an added advantage. India is speeding up the signing of a free trade agreement (FTA) with the Eurasian Economic Union, which include Belarus, Kazakhstan, Russia, Armenia and Kyrgyzstan.

Security Cooperation:

- Central Asian states and India share the goals of security and stability in the region, and the curtailment of drug trafficking and terrorism.
- India has been cooperating in these areas both at the bilateral and multilateral levels. It has Joint Working Group (JWG) on Combating International Terrorism with Uzbekistan; a JWG with Tajikistan on counter-terrorism; and a JWG on international terrorism and other types of crimes with Kyrgyzstan.
- India's multi-faceted relationship with the Central Asian states includes limited engagement in the sphere of defence. The key components of the IndoCentral Asian defence relationship has been in the sharing of intelligence, training and assistance, the servicing and upgrading of military hardware, and India's import of transport aircraft from Uzbekistan.
- In 2001, India established a hospital in Tajikistan to treat anti-Taliban Northern Alliance fighters.
- India has also constructed an airfield at Ayni, northwest of Dushanbe, and provided infrastructure assistance to the Military Training College in Dushanbe itself.
- India has purchased six Uzbek-manufactured IL-78 air-to-air refuelling aircraft and entered into a further agreement for Indian transport aircraft to be repaired at Tashkent.

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- Troops from Uzbekistan have also trained in counterterrorism exercises conducted at India's Counter-Insurgency Warfare School.
- The Indian navy is acquiring spare parts for thermal and electrical torpedoes from Kazakhstan and Kyrgyzstan and there is a degree of collaboration with Kazakhstan on research and development of underwater naval armaments.

Energy Ties:

- ONGC has been able to obtain exploration rights for hydrocarbon reserves in Turkmenistan off its Caspian Sea coast and it also has a limited presence in Uzbekistan's oil and gas sector.
- In 2011, OVL acquired 25% stake in the Satpayev Offshore block in the basin.
- India has also been keen to invest in the hydropower sector in Kyrgyzstan and Tajikistan and transport the surplus energy through a power grid extending via Afghanistan and Pakistan to India.
- In 2015, during PM's visit, a long term deal to supply Uranium was signed between India and Kazakhstan. This is the second such agreement between Astana and Delhi since 2009. According to previous such agreement, which ended in 2014, Kazakhstan supplied more than 1760 MT of Uranium ore in 2010-14.
- Another significant energy project is the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project which starts from Turkmenistan's giant Galkynysh gas field.
- The work on this project has been started and the leaders of the four countries participated in the 'ground breaking' ceremony for the pipeline in 2015.

Economic cooperation:

- Back in 2003 India launched a 'Focus: CIS Program' to promote economic engagement with the CIS countries, including the Central Asian states, but progress to date has been limited.
- Economic cooperation with the Central Asian nations remains at a low level and has yet to see significant volumes. India's total trade with the Central Asian states in 2014 was US\$ 1.6 billion.
- India is negotiating a free trade agreement (FTA) with the Eurasian Economic Union. India has also formed a joint study groups with Kazakhstan on the feasibility of an FTA for expanding economic linkages between India and Kazakhstan.
- During the visit of PM Modi in 2015, India established a Joint Business Council with Kazakhstan. , the largest trading partner of the country in the region.
- A key area of cooperation between India and central Asia is pharmaceuticals and healthcare. There is a great demand for Indian pharmaceutical products in the region.
- India has competitive advantage in the global market in this field. Some of the Indian companies exporting pharmaceutical products to central Asia are Claris Life Science, Ranbaxy, Dr. Reddy Labs, Lupin laboratories, unique Laboratories and Aurobindo Pharma.

Development Cooperation:

- India began to provide development assistance to the Central Asian countries soon after the dissolution of the Soviet Union in 1991, when the independent nations of Tajikistan, Turkmenistan, Kyrgyzstan, Kazakhstan and Uzbekistan emerged.
- Development cooperation efforts in the CAR have operated in two phases. The first phase, from the early 1990s until 2004, focused on Lines of Credit that financed development and manufacturing projects. During this phase, grants were utilized primarily to finance drought relief programs and provide humanitarian assistance such as supplying anti-tuberculosis medicines to Tajikistan and Uzbekistan in 2001.

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- The second phase, which began in 2004, has seen a shift in Indian assistance to the CARs, with grants constituting the bulk of development cooperation and a marked reduction in the commitment of LOCs to the region.
- Given that, South Asia and Central Asia are two of the least integrated regions in the world and trade between India and CAR countries averaged at 0.1 percent of India's overall trade between 2000 and 2012, it is not surprising that development cooperation efforts between the two regions have remained rather limited.
- There are plans to set up a medical and educational E-Network for the five countries in the Central Asian region based on the model of the Pan African e-Network.
- The Indian Technical and Economic Cooperation (ITEC) programme was started in 1964 as a form of bilateral assistance and capacity building through training programmes, study tours, technology transfers and, in some cases, aid for disaster relief.
- Popular programs include information technology, management, journalism, diplomacy, entrepreneurial programs, banking and the service sector programs. The increased engagement with the region through an inflow of students and professionals from the CARs into India could foster stronger ties between the two regions.

Connectivity

- Lacking direct access to the CAR and with its difficult relations with Pakistan, India's major initiative has been cooperation in building a North-South trade corridor.
- **International North South Transport Corridor (INSTC) -**
 - Russia, Iran and India are founding members of the International North South Transport Corridor (INSTC). Many other countries, including Belarus, Kazakhstan, Tajikistan, Oman, Armenia, Azerbaijan, Syria, Bulgaria, Ukraine, Turkey, and Kyrgyzstan, have joined the project.
 - This corridor establishes a transit link for the European countries and Russia to the Indian Ocean, Persian Gulf and Southeast Asian states.
 - This is a trade connection for goods in transit between European countries and northern Europe, the Scandinavian region and Russia through the ports of Amsterdam, Hamburg, Copenhagen, Stockholm and Helsinki in Europe to St. Petersburg and Moscow in Russia.
 - It can also extend to the southern ports of the Caspian Sea (Anzali and Amirabad) and to Central Asia through Russian ports on the north of the Caspian Sea and can continue to Iran, the Persian Gulf, and Indian Ocean countries to Southeast Asia.
 - There is also a land connection through Azerbaijan between Russia and Iran. Compared to the long and costly existing sea transport routes, this route with its important section passing through Iranian territory is faster and cheaper than the other routes, such as the Suez Canal.
 - The route links the Indian Ocean (Mumbai port) with Bandar Abbas in southern Iran through maritime transport. Goods will be shipped from Bandar Abbas to northern Iranian ports on Caspian Sea (Bandar Anzali and Bandar Amirabad) through roads and railway and then will be dispatched to Astrakhan and Lagan ports in Russia.

Brief Discussion on INSTC:

Potential Of INSTC For India –

- Need for a route to Russia, Central Asia and Europe which is shorter, cheaper, safer and well secured. If this corridor were linked with South East Asian Countries, its potential would increase manifold and will further supplement India's Act East policy.
- Would help India to bypass Pakistan and yet reach out to Central Asia and Russia. Will increase export competitiveness due to lower cost and less delivery time.

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- Will provide impetus to regional cooperation and economic integration of the countries in the Eurasian region with Indian ocean and Persian Gulf. Already existing rail route between Turkey – Iran can help Indian goods to reach Turkey and beyond.

Challenges:

- This project does not have a strong mechanism and institution to address the operational issues on the ground. Absence of harmonization in custom procedures and documentation method is further creating obstacles.
- Issues related to funding of various infrastructure project under INSTC. Low level of container trade along this route is creating a fear regarding cost recovery and hence it has not been able to attract significant private investment.
- Lack of common border crossing rule (the project runs through various countries). Security and fear emanating from Afghanistan.
- This is being supplemented by another transport corridor from the Chahbahar port in Iran to Afghanistan, with eventual linkages to Central Asia. The main transport projects being undertaken under this program with Indian involvement in the GCA region is the development of new port complexes at Chahbahar on the Iranian coast, from where a road leads north to the border with Afghanistan. India has also completed the construction link from Zaranj on the Iran-Afghan border to Delaram, which in turn connects with all major cities in Afghanistan and, further north, the Central Asian republics.
- Another road transport project involves the linking of the Chahbahar port to the Iranian rail network, which is connected to Central Asia and Europe. The plans of a Trans-Asian highway are very valuable to India. All the GCA countries, along with India and Pakistan, are members of the Asian highway project.
- With Afghanistan-Pakistan Transit Trade Agreement (APTTA) in place since 2011, both countries have agreed to widen the scope of their transit trade agreement to include Tajikistan. India's inclusion into such agreement would give access to Central Asian Countries along with Afghanistan.
- In July 2017, India has ratified the **United Nations (International Transport of Goods) TIR Convention** (TIR is the global standard for goods customs transit managed and developed by IRU -- the world road transport organisation), that will integrate the economy with global and regional production networks through better connectivity. It will also enable India to move cargo along the International North-South Transport Corridor via Chabahar port in Iran, to access land-locked Afghanistan and the energy-rich Eurasian region.
- Cyber connectivity- During the PM Modi's visit to Kyrgyz Republic, a medical facility was inaugurated, which connects the medical facilities in different parts of Kyrgyzstan with highly specialized hospitals in India. This is the first tele-medical link between India and Central Asia. This model can be replicated with other Central Asian countries along with diversification in other areas such as education.

Cultural Relation:

- India is trying to employ soft power tools to increase the cultural synergy with the neighbouring regions. The visit of PM Modi to Central Asia has reinforced the cultural bonding and people to people contact.
- PM Modi gifted specially commissioned reproduction of Khamsa-i-Khusrau by the great 13th century Sufi Poet, Amir Khusrau and a set of books relating to religions born in India to the President of Kazakhstan.

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- Turkmenistan has established a Centre of Yoga and Traditional Medicine in Ashgabat, which was inaugurated by PM Modi in 2015. India and Kyrgyzstan also signed agreement to deepen cultural cooperation in areas such as preservation of cultural heritage, organization of folk arts, theatre, youth festivals.
- Indian Cultural Centres in Kazakhstan, Tajikistan, and Uzbekistan are promoting the cultural relation in these regions. Indian films, particularly Hindi, are playing important role in promoting Hindi and Indian culture in this region.

Challenges:

A) Challenges that continue to plague the Central Asian region:

- The region's centrifugal forces remain very powerful. They bifurcate Central Asia into the relatively wealthy and progressing Kazakhstan, the rich, authoritarian Turkmenistan and the poor, fractious, southern flank of Uzbekistan, Tajikistan, and Kyrgyzstan.
- Uzbekistan is a fragile state, while Tajikistan and Kyrgyzstan are on the brink of failure. Rivalry and lack of trust between the states are intractable as far as this generation of rulers is concerned. Genuine integration of Central Asian countries is not near in sight.
- Central Asia's states have not yet fully consolidated their sovereignty. Their economies are weak, their societies are infected with corruption, and they perilously suffer from social polarization, poverty and lack the rule of law.
- Central Asian political systems are not institution-based, they are not accountable to their peoples and they are unstable. Political regimes are vulnerable to external blows and internal mass protests.
- The region is in a deep security crisis. During the last two decades, the states have failed to effectively resolve conflicts over borders and enclaves, water and energy, and trade and transport. Central Asian countries have already become global narco-traffic centers and, as a result, serve as magnets for powerful and global criminal organizations.
- There is the bolstering of hyper-nationalism, the increase of interethnic conflicts and tensions between the states. The jihadist movement is on the rise, while existing security arrangements are not helping to transform the Central Asian order in a durable one. The rivalry between Russia and China, and their mutual dislike for the US, only increases tensions in Central Asia.
- Post-Soviet Central Asian states have failed to set up a robust alliance between themselves and only got informally united under the umbrella of Russian and Chinese hegemony in the region. As a result, Central Asian countries are largely reactive to other actors in the region. They have yet to work together to advance common interests in the face of large-power competition.

B) Challenges face by India in particular:

- Geographical connectivity is the biggest challenge faced by India in this region. Fragility of Central Asia is a source of insecurity for India. Many analysts feel that the region is prone to Arab spring type explosion.
- Central Asia is increasingly becoming the northern frontier of the Islamic world. Behind current secular settings, a major shift towards political Islam is taking place. It is located next to most unstable Af-Pak belt.
- Recently, Russia is seeking convergence with China in the Central Asian region. It is affecting India's interest in the region.
- India lacks in-depth understanding of Central Asia's political, linguistic and above all intricate socio-tribal structural underpinnings. E.g. – Kazakh Zhuz (Hordes, a tribe) in Kazakhstan regulates the decision making process in the country.

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- In its approach of Central Asia, India shared with the European Union one mistake: it lacked a country-specific approach, has been slow in separating the needs of individual states, and had unsuccessfully called for Central Asia to establish regional mechanisms. India's political and economic goals are still unclear to Central Asia and this makes it difficult for Central Asia to have a proper view of India.
- India is a democracy, which makes the rulers of the region suspicious. At the same time, New Delhi does not promote its democracy abroad, which means it cannot count on opposition groups as allies. As a result, India loses both ways - It cannot play the democratization card that would attract the sympathy of the Central Asian opposition community and neither can India benefit from the authoritarian logic in place, which primarily serves China and Russia.
- India remains grossly under-involved owing to refusal by Indian businesses to undertake risks in a region characterized by political uncertainty, poor banking facilities and lack of direct geographical access to the market.

Way Forward:

- Russia, China and Iran are increasing their footprints in Central Asia through investments and multilateral cooperation. India need to leverage its relationship with these countries, especially Russia and Iran, to increase its presence in this region.
- India should set up Central Asia Forum (Similar to India – Africa Forum) to deal with the region in a holistic fashion. Growing bonhomie with USA may antagonize Russia and China, which will not help Indian interest in this region.
- We need to explore the Ladakh – Xinxiang axis to increase the connectivity between India and Central Asia. Not only will it help India to bypass the unstable Af-Pak belt, but it would also lead to greater synergy between India and China.
- India need to deliver on its commitment in a time bound manner. It will help in changing the attitude of these countries towards India. Indian government should promote the private players to play more active role in this region by establishing joint ventures. Also Indian Trade Promotion Organization (ITPO) needs to pay more attention to this region to increase the visibility of Indian goods and services.
- Agriculture and food processing is another area of cooperation which has not been explored yet. Greater information about each other would help in boosting tourism between India and CAR. There is need to increase research on the region in Indian educational institutions, besides giving training of regional languages to students and researchers.
- Indian can help this region with its Space technology and can work to have a dedicated satellite for the region's media networks.

Conclusion:

- India and Central Asia are strategic neighbours and natural allies. The two regions are geographically proximate, share common history and cultural affinity. As part of its regional geostrategy, India requires to pursue serious and active bilateral and regional agreements to promote security in the region.
- Central Asia can be the next Middle East for India in terms of employment and to fuel India's growth and serve domestic needs, there is an imperative for expanding cooperation with the region. The resource-rich CAR called the underbelly of Eurasia, lies on the Old Silk Road connecting China and South Asia to West Asia and Europe.
- The diplomatic push for a coherent Central Asia strategy becomes all the more important in the wake of China's deepening engagement with Pakistan(CPEC), Russia's promotion of the Eurasian

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Project, resurrection Russia –Pakistan ties, withdrawal of ISAF forces from Afghanistan and the erratic US-Pak ties.

- India can reciprocate by offering CAR nations access to the warm water ports in the Indian Ocean. The SCO is an important platform for India to gain deeper access to Central Asia and become a part in the Chinese Silk Road.

CONNECT CENTRAL ASIA POLICY:

- The 'Connect Central Asia' policy (CCAP) was first unveiled by India in 2012 to fast-track India's relations with the Central Asian Republics (CAR) – Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan and Kazakhstan.
- 'Connect Central Asia' policy, is based on pro-active political, economic and people-to-people engagement with Central Asian countries, both individually and collectively.
- The policy calls for setting up universities, hospitals, information technology (IT) centers, an e-network in telemedicine connecting India to the CARs, joint commercial ventures, improving air connectivity to boost trade and tourism, joint scientific research and strategic partnerships in defence and security affairs.
- India's Connect Central Asia Policy is consonant with the overall policy of deepening engagement in Eurasia.

India – SCO

About SCO:

- The Shanghai Cooperation Organisation (SCO) is a permanent intergovernmental international organisation, the creation of which was announced in June 2001 in Shanghai (China) by the Republic of Kazakhstan, the People's Republic of China, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan, and the Republic of Uzbekistan.
- SCO comprises eight member states, namely the Republic of India, the Republic of Kazakhstan, the People's Republic of China, the Kyrgyz Republic, the Islamic Republic of Pakistan, the Russian Federation, the Republic of Tajikistan, and the Republic of Uzbekistan;
- SCO counts four observer states, namely the Islamic Republic of Afghanistan, the Republic of Belarus, the Islamic Republic of Iran and the Republic of Mongolia;
- It has six dialogue partners, namely the Republic of Azerbaijan, the Republic of Armenia, the Kingdom of Cambodia, the Federal Democratic Republic of Nepal, the Republic of Turkey, and the Democratic Socialist Republic of Sri Lanka.
- The SCO's main goals are as follows: strengthening mutual trust and neighbourliness among the member states; promoting their effective cooperation in politics, trade, the economy, research, technology and culture, as well as in education, energy, transport, tourism, environmental protection, and other areas; making joint efforts to maintain and ensure peace, security and stability in the region; and moving towards the establishment of a democratic, fair and rational new international political and economic order.

Analysis:

- India got the permanent membership of Shanghai Corporation Organisation along with Pakistan in the Shanghai corporation summit, which took place in June 2017. India became an observer to the organization at the fifth SCO summit in Astana, Kazakhstan in 2005.

Significance of SCO for India:

- India's security, geopolitical, strategic and economic interests are closely intertwined with developments in the region.

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- The ever present and expanding challenges of terrorism, radicalism and instability pose a grave threat to the sovereignty and integrity not only of India but also of countries in its broader neighbourhood. India feels as an SCO member it will be able to play a major role in addressing these threats.
- New Delhi is also keen on deepening its security-related cooperation with the SCO and its Regional Anti-Terrorism Structure (RATS) which specifically deals with issues relating to security and defence.
- In addition, the Central Asian region is richly endowed with natural resources and vital minerals. With the Central Asian states landlocked and Uzbekistan even doubly landlocked, accessing these resources becomes arduous and prohibitive.
- To get around the lack of direct land connectivity with Central Asia and Pakistan's refusal to provide access through its territory, India is actively collaborating to develop the Iranian seaport of Chabahar with possible financial and technical support from Japan. India has also prioritized the construction of the International North-South Transport Corridor. Joining the SCO will be a welcome diplomatic boost to India's efforts to connect with Central Asia.
- India's membership in the SCO will provide a welcome opportunity for India's leadership to meet with their counterparts from Central Asia, Russia, China, Afghanistan and others regularly and frequently. India's potential participation in the Eurasian Economic Union (EEU) will be an added advantage to make this partnership more fruitful.

Importance of India for SCO:

- India's membership in the SCO adds further strength and muscle to the organization, particularly against the backdrop of continuing weakness in the international economy and anaemic global demand.
- India today is the fastest expanding global economy. It represents the third largest economy (\$8 trillion) in PPP (Purchasing Power Parity) terms and seventh largest (\$2.3 trillion) in nominal dollar terms. It also inspires confidence on other indicators such as FDI, inward remittances, savings rate and pace of economic reforms.
- SCO members also are well aware that India is an energy deficient country. Central Asia and Russia are extremely well endowed with fossil fuels including oil, gas and coal as well as uranium and hydropower potential. India's rapidly expanding energy needs will provide a stable and assured market for these countries.
- India's vast experience in dealing with the terrorism can help Central Asian countries to counter the menace of global terrorism. India is playing active role in Afghanistan and Iran.
- India could bring to the SCO table its techno-economic expertise, market and multi-cultural settings for the benefit of the region.

Why SCO was so reluctant to include India & Pakistan?

- Due to lack of fixed criteria, procedures and timelines
- Due to the fear that SCO as an organization will unnecessarily get mired into South Asian conflict (India – Pakistan mainly).
- Other members saw India's proclivity as towards the west rather than Eurasia.

What has changed now?

- Russia is in deep crisis and other Central Asian Countries feel that it may have ripple effect on the region as well.
- Fear among Central Asian States about Russia's renewed nationalistic and economic assertion

might lead to return of Soviet era affecting their sovereignty.

- Growing Sino- Russian proximity is compelling States like Kazakhstan to seek diversification beyond the immediate region.
- ISIS is very much active and heavily recruiting from this region.
- There was a strong belief that if India and Iran are not brought to SCO they might slip out to join the US' regional game.
- Russia wanted to bring India as a counter to China which is growing its influence in the region.

Challenges faced by India at SCO:

- India will have to tread cautiously as there might be a possibility that SCO might be used as a counterweight against USA.
- Building greater convergence with China and Russia
- Fragile nature of SCO as Central Asian countries keep changing their position regularly in line with their interests.
- Differences between India and Pakistan on the issue of connecting south Asia with central Asia might hamper the functioning of the SCO as it has halted the growth of south Asia's own regional organisation -- the South Asian Association for Regional Cooperation or SAARC.
- China's approach towards Pakistani terrorists like Masood Azhar & Lakhwi
- All members of SCO have supported OBOR except India. It might lead to isolation of India on this platform.
- It would be difficult for India to overcome the burden of geography and make tangible gains in terms of trans-regional connectivity.

New Great Game

- In the late 1990s, term "The New Great Game" was coined to describe a renewed geopolitical interest in Central Asia based on the mineral wealth of the region which was becoming available to foreign interests after the dissolution of the Soviet Union.
- The US, Russia and China are the three major strategic players in Central Asia and India is a latecomer and disinterested power in the region.
- USA -
 - The US entered into Central Asia in the early 1990s keeping in mind the issues of geostrategy, security, energy and democracy.
 - However, its presence was further strengthened only around 1994 with the focus largely concerned on the oil and natural resources of the region, to administer and control the pipelines originating from Central Asia and to maintain a balance of power by countering China and restricting Iran.
 - The main objective then was to also take care of the nuclear instability that could emerge if Iran or Pakistan gained access to the Central Asian uranium mines.
 - The other US objectives were to save the region from the threat of Islamic fundamentalism, strengthen the role of Turkey and block Russian influence in the area.
- China –
 - China shares a 3500 km of border with Kyrgyzstan, Kazakhstan and Tajikistan. In the early years of the CARs' independence, China was interested only in the political stability of the region and in preventing Islamic fundamentalism taking roots there.
 - Eventually, to loosen the hold of the US in the region China boosted its diplomacy in Central

Asia.

- Nonetheless, China's major interests in the region also includes: to get access to energy resources of the CARs, and to address its problem of East Turkestan movement in Xinjiang.
- It initiated in 1996 the formation of the Shanghai Five with Kazakhstan, Kyrgyzstan, Tajikistan and Russia to stabilise its borders, to promote peace and cooperation in the region and to develop greater trade relations with the CARs. Uzbekistan joined the Organisation in 2001, when it was renamed as Shanghai Cooperation Organisation (SCO).
- China further transformed the Xinjiang-Uighur Autonomous Region into a free market zone in 1998 to strengthen cooperation with Kazakhstan and to open up trade routes in the region.
- Xinjiang has a major significance for China beyond issues of territorial integration and regional harmony, as it has one of the biggest oil-bearing basins in Asia—the Tarim basin. China is also the second-largest consumer of oil in the world after America. China has great interest in gaining access to the rich deposits of hydrocarbon and hydroelectric resources of the region.
- Beijing is actively taking part in exploring the Aktyubinks and Mangyshlak oil deposits and building an oil pipeline in the Kazakhstan-Xinjiang region. China is the major energy partner of Kazakhstan and Turkmenistan on the eastern side of the Caspian.
- China worked to create the world's fastest-built natural gaspipeline, linking Turkmenistan's vast south-eastern gasfields with Kazakhstan and Uzbekistan's formidable reserves to help slake the second-largest economy's seemingly unquenchable thirst for resources.³⁸
- China now plans to export 65 billion cubic metres (bcm) of gas from Turkmenistan annually, more than double that envisioned for the largest capacity version of the Nabucco pipeline.
- Two strings, or portions, of the Central Asia-China pipeline are already completed, connecting Turkmenistan to China through Uzbekistan and Kazakhstan. A third is already under construction along the original route and a fourth would potentially take an alternative path through relatively stable northern Afghanistan and Tajikistan to China's Xinjiang province and thence onward to the burgeoning east coast. The pipeline was operational a record 18 months after its original announcement.
- China enjoys a bilateral trade of USD 50 billion with Central Asia in comparison to India's trade of USD 2 billion.

• Russia

- Russia, on its part, has three major reasons for being involved in Central Asia.
- One is to protect ethnic Russians in the region.
- Second, to maintain access to important resources of the region such as precious metals.
- Third, to restrict the influence of the external powers in the region in general and the US in particular and also to retain its influence in the region.

• India

- India is trying to increase its footprint in the region as discussed in previous sections.
- According to many analysts, for the moment, India is absent from the “new Great Game” because it is still a relatively non-influential actor. Depending on what ambitions India has for its relations in Central Asia, it could face competition from another power. If India is interested in oil or natural gas, for example, it could be competing with China for those resources. If it wants a strategic foothold, it may face resistance from Russia.
- Other external players and the Central Asian states themselves all consider India to become one of these actors in the forthcoming decades.
- Nevertheless, India is looking towards Central Asia as a partner and not just a gateway to

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either ally with or compete with its bigger neighbours China and Russia. India's economic growth is guiding its position in Central Asia which is increasingly looking for technology and innovation, education and health sector development.

- In all these things the history of the relationship with Central Asia, even during Soviet times, will be the guiding factor

13. INDIA – AFRICA RELATIONS

Background:

- India and Africa share a long and rich history of interaction that dates back to ancient civilisations including the trade ties between the Nile and Indus valleys.
- India shared a colonial heritage with many African countries. It has significantly contributed to this connection as the migration of many Indian workers to Southern and Eastern Africa has established large diasporas in these areas.
- India's attitude towards its general relations with Africa in the post-World War II era has been directed by principles of South-South cooperation, such as respect for state sovereignty, non-interference, mutual benefit and equality.
- Originally adopted in 1955 at the Bandung Conference, the non-alignment approach was reaffirmed in the New Asian-African Strategic Partnership of 2005.
- Unlike Western approach to African relations, which can be defined as donor-recipient relationship, India's broader approach of economic, technical, and cultural cooperation for mutual benefit promotes the values of egalitarian solidarity.
- Indian policymakers aimed to achieve this goal by contributing to international peace and security through:
 - UN peacekeeping efforts on the continent,
 - Participating in multilateral groupings such as BRICS (Brazil, Russia, India, China, South Africa) and the
 - India Brazil-South Africa Dialogue Forum and through its efforts to become a permanent member of the UN Security Council where Africa is seen as a key support base.
- India is a 'development partner' of Africa and has placed a growing emphasis on this and other tools of economic diplomacy to ensure it continues to develop and grow in a sustainable manner.

Strategic importance of Africa to India

- **Geo-political importance –**
 - Africa remains vital for India's emergence as a global actor in the international institutional arena.
 - Both India and Africa are keen to reform the existing global governance structures, especially the U.N. Security Council (UNSC), and shape the emerging global regimes particularly those related to food, energy, climate, water, cyber security and use of outer space for development purposes.
 - African continent provides a platform to India to reinforce its soft power through the over two million strong Indian diaspora there.
 - Most African nations and different parts of India suffered under the yoke of many of the same colonial powers
 - Also, NAM provided a sense of solidarity and belonging to the newly independent African states and was the first effort at South-South cooperation.

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- India aimed to better influence international institutions such as the International Monetary Fund, World Bank and UN Security Council by giving 'goodwill gestures' of grants to African countries that could be counted upon as allies in multilateral negotiations.
- **Economic importance –**
 - Following India's economic liberalization from 1991 onwards, Africa has emerged and is likely to remain both a crucial source for natural resources and for developing new markets.
 - Similarly, India has emerged as a key market not only for Africa's abundant raw materials but also as a source of investment, technology and capital goods.
 - Given its growing market size and rising rate of private consumption, African markets hold significant importance for Indian economy. The African continent serves as a good market for Indian consumer goods, telecommunications, agriculture, cement and textiles.
 - The government's economic diplomacy towards Africa became particularly pronounced in March 2002 when the Focus Africa Programme, which engages with 24 Africa countries, was launched alongside the five-year Foreign Trade Policy 2002–2007.
 - The areas of future cooperation include infrastructure, mining, information technology, pharmaceuticals and health care, power generation and agriculture.
 - Africa also contains rich reservoir of valuable minerals, metals including gold and diamond. Africa's vast resources and availability of arable land can not only power Africa's prosperity, but can also become a major source of meeting India's rapidly growing demand.
- **Energy Security –**
 - With only 0.3% of the world's oil reserves yet possessing a staggering one-fifth of the world's population, India has been importing over half its crude-oil requirements since 1965.
 - It is therefore unsurprising that three of the top four African trading partners with India (Nigeria, South Africa, Angola and Algeria) are major oil producers.
 - Africa's oil and gas provides energy-starved India with new sources of import, but also allows it to diversify its supply away from the Middle East stranglehold. Similarly, the nascent African oil and gas industry can in turn diversify its markets and can attract Indian investment and import of technology to benefit its own economy.
- **Food Security –**
 - Food Security is an important concern for India and Africa as both India and the African countries have been ranked low in the Hunger Index.
 - Africa has 60% of the arable land in the world, but produces 10% of the global food output.
 - Indian firms are also beginning to see in Africa a possible solution to their country's food security challenge, as formerly agricultural lands are lost to urbanization and industrialization.
 - A few years ago, for example, two Indian firms, Ms Mashuli Gashmani Ltd. and Angelique, invested a total of \$12 million in Uganda to establish, respectively, a commercial prawn fishery and turnkey aquaculture development.
- **Geo-Strategic importance –**
 - India shares the waters of the Indian Ocean with Africa and there are security threats emerging from Africa that not only impact the African nations but also have a strong bearing on India.
 - International terrorism has been on the rise in Africa in recent years, extending from Nigeria in West Africa to Somalia in the Horn of Africa. Maritime security challenges such as piracy and illegal, unregulated and unreported fishing are important areas of concern.

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- Reports also claim that terrorist groups with linkages in Afghanistan, Pakistan, and Iraq have been using Africa as recruiting grounds for jihad.
- The troubling links between Somali and other groups – such as the al-Qaida affiliated al-Shabab – and militant groups in the Afghanistan and Pakistan region could significantly threaten India's future security.
- Increased presence of China in Africa further threatens Indian interests in this region. Not only that, recently inaugurated Chinese military base in Djibouti undermines Indian position in the Arabian Sea and poses a threat to the sea line of communication in Gulf of Aden – which holds significance for Indian trade and commercial activities.
- A wide network of some 32 Indian radar stations and listening posts is being developed in the Seychelles, Madagascar and Mauritius, among other countries. This will enable India to monitor shipping across expanses of the ocean. It is also improving its ability to project power in waters it considers its own, and is arming friendly countries such as Mauritius. Among other things, India is building a naval and air base on Assumption Island, north of Madagascar and within easy reach of many of east Africa's newly discovered offshore gasfields.

India – Africa Relations:

Political relations:

- Politically, the relationship has progressed from the earlier phase of idealism and sentimentalism to a more pragmatic and mutually beneficial partnership. India's engagement with African countries is on three levels - bilateral, regional and multilateral.
- There were a number of high-level visits from the continent to India including South African President Jacob Zuma; Armando Guebuza, the President of Mozambique etc.
- These visits were reciprocated by Indian leaders to Africa. In 2016, Indian Prime Minister visited four countries of Africa namely – Mozambique, South Africa, Tanzania and Kenya.
- Africa is a diverse continent and each region has its own unique features. With this in mind India has focused on developing regional cooperation.
 - Since 2010, it has opened a dialogue with the eight African Regional Economic Communities (RECs) recognised by the African Union.
 - In November 2011, representatives from six of these organisations including the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), Economic Community of Central African States (ECCAS), Inter-governmental Authority on Development (IGAD), Southern African Development Community (SADC) and the Economic Community of West African States (ECOWAS) participated in the second meeting in New Delhi.
 - In recent years, African countries have speeded up the process of regional integration, with an emphasis on harmonisation among the RECs.
- At the same time, the relationship with African countries has become more structured and institutionalised. A step towards this direction was taken with the first India-Africa Forum Summit in 2008. The ties with Africa also got a fillip with the second India-Africa Forum Summit held in May 2011 at Addis Ababa. The 2015 Third Africa-India Summit saw the largest representation of African heads of state since the summit began in 2008.
- At the multilateral level, whether it is at the UN, WTO or the climate change negotiations, India has shown its appreciation of the Africa group's perspective. IBSA, BRICS, Indian Ocean Rim Association for Regional Cooperation (IOR – ARC) are few examples of multilateral cooperation.
- In March 2015, Indian PM visited Seychelles and Mauritius, signaling India's intent to enhance ties with the African Indian Ocean Rim Countries. He enunciated India's policy vision for the region by coining the term SAGAR – Security and Growth for All.

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- An agreement for infrastructure development for improving sea and air connectivity on Agalega Island was signed.
- In Seychelles, PM launched a coastal surveillance radar project, announced the transfer of a Dornier aircraft and signed an agreement to build infrastructure on Assumption Island.
- In a step to boost maritime cooperation, he invited both Seychelles and Mauritius to become part of the existing cooperation arrangement with Maldives and Sri Lanka.
- Triangular Initiatives - Apart from strengthening bilateral relations with African countries, India has taken steps to enter into triangular engagement with key partners. With US and Japan, India is trying to enhance cooperation with African countries.

Development Partnership:

- India has forged a “partnership of prosperity” with the African countries which is unique as it is based on a consultative model and is driven by African needs. India has extended development assistance worth \$ 7.4 billion through lines of credit given by the Export Import bank. Of this \$6.8 billion has been approved and about \$3.5 billion, nearly half, has been disbursed. These lines of credit have led to the completion of 137 projects in 41 countries across Africa. Apart from this, India had also pledged to set up nearly 100 Indian Africa Training Institutes across the continent.
- India has been involved in projects related to renewable energy such as solar energy in Africa. In Mozambique India helped set up the first solar panel production factory in the country. Moreover, the Mozambican technicians involved in the production process were trained in India.

Trade and Economic linkages

- India's growing synergy with Africa is evident from the recent trends in trade. The total trade was less than \$1 billion in 1990-1991 and has grown to \$71 billion in 2014-15, and declined to US\$ 52 billion in March 2016-17.
- India's exports to Africa increased from US\$ 14 billion in 2007-08 to US\$ 23 billion in 2016-17, registering an impressive compound annual growth rate of 5.6 per cent.
- Indian imports from Africa, on the other hand, increased from US\$ 20 billion in 2007-08 to US\$ 28 billion in 2016-17 accounting for 7.5 percent of total Indian imports.
- India is now Africa's fourth-largest trading partner, though raw materials still make up over 80 percent of Africa's exports to India. Most of this trade entails primary commodities exported from Africa while African countries mostly import manufactured goods from India. Africa's export structure to India illustrates the lack of structural transformation in some African economies and a reliance on commodity exports.
- Apart from trade, India has also undertaken significant investment initiatives in recent years to strengthen its strategic partnership with Africa. India has become one of the largest investors in Africa. The major investors include Indian Multinational Enterprises (MNE's), Indian construction and telecommunications companies, and several auto industry majors.
- In the pharmaceutical industry, several Indian companies have increased sales in African markets as the government has pushed its 'Pharma India' promotion.
- Approved cumulative investments from India to Africa amounted to US\$ 54 billion during April 1996 to March 2016. Among the African nations, Mauritius is the leading country in terms of receiving highest FDI inflows, followed by Mozambique, Sudan, Egypt and South Africa.
- In addition to several investments in various sectors mentioned above, Exim Bank of India has in place Lines of Credit (LOC) extended to a number of institutions/agencies in Africa. The total number of operative LOCs to Africa stood at 154 as on December 31st, 2016 amounting to US\$ 7.7 billion as extended to 44 countries.

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- India has also recently been following the footsteps of China's 'oil for infrastructure' deals in Africa as a means of acquiring resources. Essar Oil Limited, ONGC Videsh Limited, Indian Oil Corporation and Mittal Energy Limited have all made resource seeking deals with African countries in exchange for local infrastructure development.
- As part of the programme the Indian government facilitates visits to Africa, participation in trade fairs and exhibitions and follow-up business-to-business meetings.
- In May 2017, *India-Africa Cooperation session* was held in conjunction with the annual meeting of the African Development Bank (AfDB) which covered areas such as trade and investment, agriculture, renewable energy and manufacturing among others.
- It was the first time the African Development Bank held its annual meeting outside of the African continent.

Peace and Security

- India has actively contributed to the efforts to maintain peace and security in Africa through its long involvement in UN peacekeeping efforts. In the past it has offered to train African security personnel at the various defence training academies within India
- There has been a growing convergence between India and Africa on peace and security issues. Africa like India has a long coast line and is concerned about the threats such as piracy, drug trafficking and security of sea lanes. In recent years India has deployed its Navy in the Gulf of Aden in the Indian Ocean region in a bid to deal with the piracy challenge.
- In most parts of Africa the navies and coast guards are not equipped to deal with this threat. Thus the possibility of India – Africa maritime cooperation is immense.
- The African countries have developed the Africa Integrated Maritime Strategy 2050 that provides a roadmap to deal with the maritime security challenges and measures to develop the blue economy. This strategy blends well with India's focus on ocean governance and economy. Thus the possibility of India extending a hand across Indian Ocean to promote Samudri Mitrata (Friendship across the Ocean) cannot to be discounted.
- Terrorism and extremism are perceived as the greatest challenges the African continent is confronted with. Hence both want the early adoption of CCIT by United Nations.

India's strategic advantage over China in Africa

- India lacks the material capabilities and the profile to emulate or directly compete with China in Africa. At the same time, it cannot ignore Beijing's formidable influence and areas where both actors' interests are increasingly clashing.
- Hence, the debate of Emulation vs. Singular is going on in India regarding the strategies to be followed by India.
- Emulationists are those who believe that India should follow and match Chinese moves in Africa step by step, without any delay or hesitation. They believe Africa is just another strategic context in which India will have to blindly follow and match China's manoeuvres, if it wants to keep its great power ambition intact. Emulationist strategies have paid a high price because they ignore the fact that India simply lacks the financial and political capabilities to compete with the Chinese. For example, India's public oil, gas, mining and infrastructure companies have a long record of bids and chances lost to the Chinese, starting with the 2006 Angola debacle and, more recently, in a large Ethiopian rail project.

Similarities in Indian and Chinese approach towards Africa

The two Asian giants certainly compete for the same energy resources and infrastructure deals, with China a pip or more ahead when it comes to the biggest contracts. But that comes at a cost for the

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winner. India benefits from being somewhat less prominent. The Chinese are derided by some Africans as new colonialists, propping up brutal rulers and corrupting democratic ones. Indian businesses have encountered fewer suspicions, even though they support many of the same dictators, including those in Angola, Sudan and Zimbabwe.

Indian businesses have been better at invading Chinese turf than vice versa. When selling turbines or mining ore, the Asian behemoths compete head on, yet in running hospitals or telecoms the private Indian operators have little to fear from China's firms, which are still state-owned. They thus prove wrong a doyen of Indo-African relations, Mahatma Gandhi, who observed in the early 20th century, "The commerce between India and Africa will be of ideas and services, not of manufactured goods against raw materials after the fashion of Western exploiters."

- Singularists, at the other extreme, refuse any possible comparison with China and underline India's "absolute uniqueness". They therefore refuse the emulationists' competitive logic and like to believe that Africans will eventually recognize the costs of the Chinese model and opt for India as their privileged partner. This option has often bred strategic inertia. The result is a general disinterest in looking at India's presence in Africa in comparative terms and a consequent undervaluation of the continent's importance to India's external interests.
- China's clout in Africa gives it an uncontested advantage over India: trade volume and preferential tariff lines; quality, speed and effectiveness of aid and credit lines; regularity of bilateral dialogues or strategic partnerships; intensity of defence relations; scope of diplomatic influence, etc.
- Beijing is ahead of Delhi in most, if not all these indicators. Thus, instead of emulating China or, on the other hand, refusing any comparison with its northern neighbour, India should identify attributes that distinguish it positively from China and that could therefore be explored as a strategic advantage in the long run. These are:

1. Business model: "teaching how to fish"

- Unlike the state-centric Chinese model largely focused on resource extraction and necessary infrastructure, India's economic presence in Africa is marked by the predominance of its private sector, including a significant number of small and medium enterprises.
- Beyond resources and infrastructure, India has carved out niches such as information and telecommunication technologies, education and health services.
- The Indian sponsored **Pan-African e-Network** (in partnership with the African Union) links 53 countries through tele-medicine, -education and -governance, and plays a crucial role in fostering skills and human resources that are critical for Africa to develop in a sustainable way.
- To enhance cooperation with the West African region, the India government launched the **Techno-Economic Approach for India Africa Movement (TEAM)** in partnership with eight countries in the region - Burkina Faso, Chad, Cote'd Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali and Senegal.
- The **TEAM 9** initiative envisages transfer of critical technologies from India to the region.
- These projects require considerable investments but, in the long term, they will pay off as African countries start to recognize India's added value in contributing not only to the quantity, but also to the quality of their economic growth.
- China's economic relations with Africa are actually fuelling this perverse effect and promoting "Dutch disease" – the dependence on the export of natural resources and a high exchange rate that stifles productivity and international competitiveness of the domestic industrial and services sectors.

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- On the other hand, India's business model offers healing instruments by stimulating local productivity, especially in the private sector.
- African countries are already inclined to recognize Delhi's added value in fostering sustainable economic growth.
- India remains the sole Asian member country of the African Union's Capacity Building Foundation.
- And India's Technical and Economic Cooperation programme (ITEC) has seen such success among the thousands of African students and diplomats who have chosen India for training since the 1960s, that it is now undergoing rapid expansion.

2. Location: proximity and overlapping security interests

- Connected by the Western Indian Ocean, India and Africa share a geographical proximity and several contact points that need to be explored. There are no direct flights linking Johannesburg with Shanghai or Beijing, but Mumbai is less than nine hours away from this major South African air hub.
- By 2008, India had emerged as the largest contributor to UN mandated operations in Africa, with a cumulative effort totalling more than 30,000 personnel involved in peacekeeping, humanitarian, and electoral missions.
- On the East African coast, India faces a specific advantage as a potential security provider. The piracy threat along the Somali and East African coast, often stretching wide across the ocean, offers the Indian Navy a superb opportunity to develop its blue water ambitions.
- By keeping these crucial sea lanes of communication and strategic chokepoints (including the Gulf of Aden and the Mozambique channel) secure, and by developing the naval capabilities of the East African states through increased joint exercises, creation of new listening posts, and the supply of vessels, India will increase its delivery capacity and assume a strategic position, at least in the East African security context.
- India's initiative to host the annual Indian Ocean Naval Symposium in Delhi, as well as its commitment to revive the moribund Indian Ocean Rim Association for Regional Cooperation are important steps in exploring proximity to and overlapping security interests with Africa as an advantage over China.

3. Democracy: the regime advantage

- Many critics despise India's democracy as a central obstacle to its external performance and often envy the Chinese authoritarian capacity in "getting things done" in Africa.
- However, we must not forget that as a founding member of the Community of Democracies, Delhi faces the opportunity to explore this "regime advantage" over China in Africa. For example, nine African delegations attended the International Conference on Federalism hosted by New Delhi in 2007. Several African countries have expressed interest in working with the Election Commission of India to study and replicate India's unique electronic voting system.
- India's vibrant base of local government institutions and its independent judicial system based on the rule of law are two other areas in which India can share its unique expertise through technical cooperation, thus responding to specific African interests and, at the same time, outflank China.

4. Diplomacy

- India has a distinct advantage: in stark contrast to the radical ideological and interventionist Chinese moves during the 1950s and 1960s, Delhi played a much more constructive diplomatic role in supporting the African independence movements in the United Nations.

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- India's leading role as a "Colombo Power" in creating the Non-Alignment movement at Bandung and its central role within the Afro-Asian UN block of the 1960s has thus earned it a persisting respectability as a "Southern power".
- For example, unlike China, it is a founding member of the G-77 of developing nations and held its presidency twice.
- India is also a member of the influential Commonwealth organization and at the heart of the impressive Southern trilateral (and tri-continental) India-Brazil-South Africa (IBSA) axis that gives it a strategic advantage to engage with the Southern Africa Development Community (SADC) and Sub-saharan Africa.

5. Diaspora: the privileged access channel

- A final potential advantage resides in the cultural proximity between Africa and India. The large Indian diaspora plays a vital factor in this regard.
- Unlike the more recent and radically segregated Chinese "labour diaspora" that has often led to frictions and protests in Africa, these communities of Indian origin are fully integrated and often interested in offering their business expertise as consultants to Indian investment projects.
- At the same time, beyond geographic proximity, India also offers a much more familiar and open society: racism against Africans in India is not uncommon, but well below the levels experienced in China.

Challenges:

- Although the Indian engagement with Africa is expanding, there are still a number of challenges.
- First is the implementation of the pledges made during the last two India- Africa Forum summits. During the first India - Africa summit India had offered to set up 19 institutions to help in capacity building in Africa. India will have to move at a faster pace to implement these projects.
- Conflict between Sudan and South Sudan have brought to the fore the high risk nature of investments in the African region.
- India has been criticised often in the past for its "visibility deficit" in Africa compared to other major powers - particularly the Chinese in Africa. Chinese high-level visits to African continent have been quite regular. In absolute numbers, Indian development assistance is not commensurate with other actors in Africa, such as China and the United States.
- India's development cooperation is theoretically demand-driven, which would make it more egalitarian and less exploitive in nature. However, India's economic inroads into Africa cannot be separated from controversy over some of its deals such as its oil exploration contract with Sudan and trade agreements with Zimbabwe.
- According to one report, many Indian companies were involved in land grabbing spree in Ethiopia. Leasing of 600,000 hectares (1.5m acres) of prime farmland to Indian companies has led to intimidation, displacement, repression, detentions, rapes, beatings, environmental destruction etc.
- Similarly, while India considers its peacekeeping role, particularly in Africa, a singular contribution to the continent and the U.N., not all African nations have a similar positive outlook. In some instances, alleged sexual and financial misconduct by Indian peacekeepers have marred India's credentials.
- Although India is trying to reinforce its soft power approach in Africa through the over two million strong Indian diaspora there. This approach, though, is likely to have limited impact given that the "identity" issue of the Indian diaspora in Africa is more complex than that in other regions of the world. Having settled in Africa for generations, Indian diaspora relate more to their "African" identity than their "Indian" identity.

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- This is bound to complicate Indian efforts to propagate diaspora diplomacy in Africa, as the lure of the motherland is not as strong as in other countries with large populations of Indian origin.
- The penetration of India into Africa impinges on wider socio-cultural questions. However, India's poor knowledge about Africa, often based on colonial stories and selective reports on famines, droughts and wars, have created distorted images.
- In Africa, too, images of India, based on a mix of romantic Bollywood movies and songs, the behaviour of Indian traders, and stories about its recent growth, have tended to mask the challenges faced by the nation and the majority of its people.
- There has been increase in racial Attacks on African Students in India. In April 2017, four Africans were brutally assaulted by local residents of Noida, Uttar Pradesh. These racial attacks are creating a strain in their relationship. In 2016, the heads of mission of 42 African countries had threatened to boycott Africa Day celebrations in New Delhi to protest against the ceaseless racist attacks on their citizens in India. **For detailed discussion on this topic, refer the box in following section.**

Conclusion:

- India has offered a model of partnership that is consultative and hinges on human resource development and capacity, building in the African countries.
- There is no doubt that India's domestic experience and success in developing vibrant manufacturing and services sectors, while encouraging inclusiveness at the societal level has impressed several African countries who are keen to replicate this model on their own turf.
- India can therefore be viewed as a partner that is able to offer successful solutions to address the continent's various problems. India's relations with Africa are yet to peak and there is potential for both parties to benefit from this relationship.
- Africa is poised to benefit significantly from its engagement with India and the other BRICS states. Hopefully the partnership between India and Africa reflects the beginning of a new era for Africa – an era that will bring "Amandla Ngawethu" (power to the people).

ATTACKS ON AFRICAN STUDENTS

- In April 2017, four Africans were brutally assaulted after a protest march by local residents of Noida, Uttar Pradesh over the death of a 16-year-old local boy, allegedly from a drug overdose.
- In 2016, a Congolese national was allegedly killed by three drunk men following an argument over hiring an auto-rickshaw.
- These are not just two examples in which African students were attacked. There are many more including the January 2015 incident when a minister of the Delhi government raided a neighbourhood inhabited by African nationals, alleging that they were peddling drugs and ran a prostitution ring.

Reasons for such attacks:

- Stereotyping Africa and Africans is common in India. These stereotypes are constructs of an economic hierarchy coloured in racist hues.
- African countries are often insidiously used as a metaphor for under-development and Africans in India are associated with debased livelihood means such as drug-peddling and prostitution.
- Due to suspicion, which stems from the portrayal of Africans as drug-traffickers and criminals, there is a trust deficit among Indian masses.
- The most recent attack against Nigerians in a satellite town of New Delhi is a case in this regard. Locals, without any legal evidence, alleged that the death of an Indian teenager by drug overdose was caused by his five Nigerians neighbours who they believed sold him the drugs.

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- The government's efforts to enhance relations between India and the African continent have not been met with a complementary effort to educate people on co-existence and multiculturalism.
- There are various basis for racism – perception of an out-group, diversity in identity (north-south), lack of tolerance, colour bias etc. Indian society keep perceptions about people on basis of their race, black are associated with bad and inferior.
- Social distance between Indians and Africans further increase because of language barrier.

Effects on India-Africa ties:

- The historic relations between India and Africa have been founded on the tenets of anti-colonialism and anti-racism. Such racial attacks on the African students have potential to affect the historical ties between these countries.
- Last year, the heads of mission of 42 African countries had threatened to boycott *Africa Day celebrations in New Delhi* to protest against the ceaseless racist attacks on their citizens in India.
- Moreover, the government's stand risks jeopardising India's growing ties with Africa in trade, technology and human resource development. Trade between the two has grown from \$1 billion in 1990-1991 to \$71 billion in 2014-2015.
- The Indian government has been announcing scholarships, grants and credit lines for Africans in the backdrop of the India-Africa forum summits. Such generous activities would lose its credibility if these attacks keep on continuing.
- These incidents are ruining India's Global Image. Today India is considered one of future economic power in world, countries in different continents are eager to do business with India seeing its future potential.
- Racist portrait of India worldwide can damage its diplomatic ties with such nations when India is trying to build people-people contacts with number of Asian and African countries hence careful and swift action is required to handle this delicate situation.

What needs to be done?

- India's external affairs and home ministries need to make concerted efforts to sensitise the police and the public at large about how racism contradicts the nation's past and present ideals.
- Awareness must be raised about how Indians and people of Indian origin are able to live peacefully and prosper in African countries and other parts of the world.
- In addition, the external affairs ministry should have a department dedicated to addressing human rights violations against foreigners in the country. The government should pass and enforce appropriate and corrective laws to tackle racism in India.
- The civil societies and human rights organisations along with NGOs need to speak out against discrimination and racist violence and provide positive action and legal support to the victims. They could also lead community awareness programmes against racism and push for adequate legislation, drawing on the Durban Declaration and Programme of Action (2001).
- As most Africans in India are students, the human resources ministry needs to hold anti-racism campaigns on university campuses. Educational institutions in India should be told about the importance of scholarship programmes for Africans.
- Efforts should also be made to educate Indian students about African countries.
- Students from Africa should be given appropriate lodging and boarding facilities in and around the campus or in the vicinity of other students' residences instead of being confined to a few 'African' neighbourhoods. Such geographical demarcations increase the risk of alienation and stigmatisation.

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- The private sector, given its considerable interests in Africa, also needs to take the lead in demonstrating the continent's worth to India. Such efforts are important in dismantling fallacious notions of hierarchy and superiority.
- African countries in turn must push for equality as the building block of co-operation. Anti-racism sentiments should be reiterated at the commencement of every India-Africa summit and should be formalised in treaties.
- Indeed, anti-racism still remains one of the founding ideals of South-South cooperation. For long, racism has been considered a phenomenon that takes place outside the ambit of the Global South. The moment is ripe to stand up against racism prevailing within Global South societies.

India-Africa Maritime Relations

- The past few years have witnessed a reorientation in India's nautical outlook towards Africa.
- With increasing emphasis on developing maritime relationships with Mozambique, Kenya, Tanzania, Madagascar, Seychelles and Mauritius, India has reached out to African states through offers of greater military aid, capacity-building and training assistance.
- With its economic engagement in the African continent growing rapidly, New Delhi has also sought to widen its sphere of influence in the Western Indian Ocean. Indian naval ships have increased their port visits to Africa's East coast and smaller Indian Ocean island states - in a display of a more purposeful maritime diplomacy.
- India's essential approach to maritime cooperation, however, has revolved around its central security concern in African waters – security against piracy off the Horn of Africa.
- The Indian Navy has played a significant part in tackling Somali piracy, with Indian warships escorting nearly 3000 merchantmen in the Gulf of Aden since 2008.
- While it has contributed to the security of the small island states in the Indian Ocean – patrolling the Exclusive Economic Zones of Mauritius and Seychelles, carrying out hydrographic surveys, and providing assistance in the establishment of a coastal radar network – the Indian Navy's security initiatives have been animated by the need to secure energy and resource shipments in the waters off Somalia.

Criticism:

- India's security role in the Africa's continental littorals has struggled to move beyond the anti-piracy agenda.
- While Indian naval ships have been involved in collaborative security efforts in the Gulf of Aden and the East African coast, institutional capacity building efforts – in terms of the provision of security and surveillance assets and critical technology to African navies and coast guards to help them perform basic constabulary functions – have remained rudimentary.
- With rising economic development and the gradual integration of African states into the global economy, Africa's maritime sector has shown great promise for economic development.
- But even as African institutions and governments (earlier indifferent to Africa's systemic lacunae in the maritime sector) have come together to secure the nautical commons, New Delhi has been lacking in its contribution to Africa's maritime developmental needs.
- More crucially, Africa's efforts to evolve a harmonizing vision for the continent's economic sector have received little help from New Delhi.
- With a rise in pirate attacks in the Gulf of Guinea and India's inability to contribute substantively to West Africa's security needs, an impression has been created that New Delhi remains reluctant to provide security assistance in spaces deemed geopolitically unimportant.

Way Forward:

- Piracy levels in the waters of Somalia has dipped dramatically, however, there has been concurrent rise in armed attacks in the Gulf of Guinea. This is reflective of absence of maritime authority and failure of legal frameworks. Hence India needs to focus on this aspect.
- Africa needs not only maritime administration frameworks and the local capacity to enforce regulations, but also a model for sustainable blue-economy development that does not result in the destruction of its natural maritime habitat. In this, it can use India's assistance.
- Through infrastructure creation and the strengthening of legal frameworks and institutions, New Delhi can partner African states in the effective governance of Africa's maritime commons.

Third India Africa Forum Summit

- New Delhi hosted representatives of fifty four countries from the continent for the third India Africa Forum Summit (IAFS) in October, 2015.
- In 2008, India began a structured engagement with Africa through the India Africa Forum Summit process.
- The second summit in 2011 at Addis Ababa expanded this cooperation.

Key Highlights:

- During the third IAF Summit, India reaffirmed that development cooperation was the cornerstone of the India Africa partnership and offered an additional USD10 billion concessional credit over the next five years along with a grant of USD 600 million.
- An India-Africa development fund of USD 10 million was created.
- It was announced that India's cooperation will be in line with the objectives set by the Agenda 2063 (It is a strategic framework for the socio-economic transformation of the African continent over the next 50 years) initiative of the African countries.
- In a bid to enhance agricultural cooperation, India called for collaboration for improving farming techniques, water management and increasing investments in the agri-business and food processing industry.
- In view of the importance of the blue economy for sustainable economic development, Indian govt. called for greater cooperation in this field as well.
- Given the African focus on education and skills enhancement, India pledged 50,000 scholarships for African students over the next five years.
- Finally, since security and development are closely linked, the Indian govt. announced support for African efforts in diverse fields such as peacekeeping training, counter-terrorism, maritime, space and cyber security.

India's New Initiative in Africa: The Asia-Africa Growth Corridor (AAGC)

- During the Africa Development Bank meeting, India unveiled the Vision Document of the Asian Africa Growth Corridor.
- The main objective of the corridor is to enhance growth and connectivity between Asia and Africa.
- The corridor will focus on four areas: Development Cooperation Projects, Quality Infrastructure and Institutional Connectivity, Enhancing Skills, and People-to-People Partnership. Agriculture, health, technology, and disaster management have been identified as the main areas of development cooperation.
- According to the vision document, AAGC will focus on enhancing skills and research and

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development capacities in Africa.

- It will also strive to develop institutional, industrial and transport infrastructure in the Asia – Africa region. The corridor will facilitate greater people-to-people exchanges amongst the participating countries.
- The AAGC marries India's brand of human resources development and capacity building with Japan's objective of delivering quality infrastructure in the region.

African Development Bank

- India hosted the five-day annual meeting of the African Development Bank (AfDB) Group in May 2017.
- This was the first time that AfDB is holding its annual meeting in India to bolster ties.

Key Highlights:

- Reflecting the significance of agriculture in Africa and in the Bank's development work, the 2017 Annual Meetings was on the theme: **Transforming Agriculture for Wealth Creation in Africa.**
- There is a great scope for a greater synergy between India and Africa in order to achieve shared goal of rural and agricultural transformation, which would go a long way in reducing rural poverty and improving the quality of lives of rural people.
- AfDB meeting in India was an occasion to further deepen the economic cooperation with the African countries through various other events that have been planned.
- These sessions broadly sensitized Indian industry and fraternity about the Bank's Agenda especially to help in building a roadmap of how can Indian industry contribute to 'Industrialise Africa' and move the continent up in the Global Value Chains (GVCs).
- The Government of India also organized an exhibition in partnership with FICCI during the Annual Meetings of the Bank with an objective to showcase the capabilities of Indian companies in terms of technology, innovation, and start-ups, which could be relevant for African countries.
- The theme of the exhibition was centred around priority areas of the Bank, i.e., the "High 5s" (Energy, Healthcare and Pharma, Agriculture, Industrialization, e-Governance).

Why this meeting of the African Development Bank in Gandhinagar is important?

- India joined the African Development Bank (AfDB) in 1983. However, it is only in 2017, that it has hosted the annual meetings of the AfDB and its sister institutions, including of finance ministers of member countries, who comprise the AfDB Board of Governors.
- It will be seen as a logical follow-up to the India-Africa Forum Summit in New Delhi in 2015, attended by 40 African heads of state or government and representatives of all 54 countries from the continent.
- After India's boycott of China's Belt and Road forum, there will be a keenness to understand the Indian government's approach to its own connectivity, infrastructure and developmental projects, particularly in geographies where it competes with Beijing.
- The AfDB meetings was a useful reckoner in this regard.

INDIA- KENYA

Background:

- Following Kenyan independence in December 1963, a High Commission was established. India has an Assistant High Commission in Mombasa.
- There have been a series of high level exchanges between India and Kenya since then.

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- In 2016, the Indian PM visited Kenya.
- In January 2017, President of the Republic of Kenya, Mr. Uhuru Kenyatta paid a state visit to India.

Key highlights of the recent visit of President of Kenya:

- MoU on Defence Cooperation was signed to give boost to defence cooperation. The leaders called for the early convening of the first meeting of the Joint Working Group on Defence and Maritime Cooperation.
- Both sides agreed to enhance cooperation in areas of maritime surveillance, maritime security, sharing of white shipping information and joint hydrographic surveys. India also invited Kenya to participate in exhibitions like Aero-India and DEFEXPO.
- It was agreed to continue sharing information and expertise in counter terrorism, cyber security, combating drugs and human trafficking.
- Further, it was agreed upon to build a bilateral legal framework with early conclusion of Mutual Legal Assistance Treaty (an Agreement on Transfer of Sentenced Persons) and a Memorandum of Understanding on Controlling Narcotics.
- The leaders condemned terrorism in all its forms and reiterated their commitment to work together for the finalization of Comprehensive Convention on International Terrorism.
- For deepening trade and investment relations it was agreed that both the nations will work together to encourage their respective public and private companies to explore trade and investment opportunities while improving ease of doing business. The Joint Trade Committee was tasked to explore further ways of enhancing trade cooperation.
- In the first meeting of Joint Technical Committee on Housing it was decided that the Joint Business Council will be revived.
- Both the nations agreed on the importance of sustaining cooperation in the Health and Pharmaceutical sector. *India has helped Kenya in the installation of a telecobalt cancer therapy machine – the Bhabhatron II at Kenyatta National Hospital in Nairobi and has provided training to Kenyan oncologists under the India Africa Forum Summit Framework (IAFS III).*
- Both the countries reaffirmed the importance that they attach to the Indian Ocean Rim Association (IORA) and agreed to work towards finalizing the agreement on Cooperation in the Blue Economy.
- It was reiterated that the reforms of the United Nations and its principal organs are required to make the institution more democratic, representative, transparent and efficient.

Economic relations

- An India-Kenya Trade Agreement was signed in 1981 under which both countries accorded *Most Favoured Nation* status to each other.
- Setting up of Joint Trading Committee and a Joint Business Council in 80s reflects the strong economic relations between these countries.
- Kenya is an important trade and investment partner for India. Many Indian companies such as TataChemicals Ltd., Power Grid Corporation of India Ltd. Etc. have a business presence in Kenya as do the Bank of India and the Bank of Baroda.
- An India-Kenya Double Taxation Avoidance Agreement (DTAA) was signed in 1989. The 2nd round of negotiations to review the DTAA was held in Nairobi in November 2010.
- Bilateral trade was US\$ 4.235 billion during 2014-15. India's exports were worth nearly US\$ 4.12 billion.
- Indian firms have invested in telecommunications, petrochemicals and floriculture etc. and have executed engineering contracts in the power and other sectors

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Development Cooperation

- India had offered several development assistance to Kenya in the form of loans and credit. This includes a loan of Rs. 50 million to Government of Kenya in 1982 and Lines of Credit by EXIM Bank to Industrial Development Bank Capital Ltd.
- In 1998, an MoU was signed between the National Small Industries Corporation and Kenya Industrial Estates Ltd. In 2003, an MoU was signed between India Trade Promotion Organisation and Export Promotion Council of Kenya.
- Kenya is among countries planned to be covered by the Pan African e-Network Project that was launched in 2007.
- An Agreement was signed in July 2009 between TCIL and the Kenyan Ministry of Information and Communication regarding the project. Equipment was delivered by TCIL in 2010. VSAT terminals have been installed at Kenyatta National Hospital in Nairobi (August 2011) and at Maseno University Varsity Plaza for Learning Centre in Kisumu (September 2011).
- The High Commissioner led the Indian delegation at the Summit on the Horn of Africa Crisis hosted by Government of Kenya in Nairobi in September 2011.
- In 2011 the Government of India announced that it will provide humanitarian assistance of US\$ 8 million to the countries affected by famine and drought in the Horn of Africa i.e. Somalia, Kenya and Djibouti. The assistance was being provided through the World Food Programme.
- In 2016, India – Kenya signed a MoU for cooperation in the field of standardisation, expertise sharing and mutual trade between Bureau of Indian Standards and Bureau of Kenya Standards.
- According to an agreement of 2016, India will extend a line of credit of \$15 million (first tranche of \$30 million) to IDB Capital, Kenya, for development of various small and medium enterprises [SMEs] in the east African country.
- An agreement was also signed – during the visit of Indian PM to Kenya in 2016 - for extension of a line of credit of \$29.95 million by India to the Kenyan government for upgrade of Rift Valley Textiles Factory (RIVATEX East Africa Limited), Kenya.
- In 2017 – during the visit of President of Kenya to India - a \$100 million Line of Credit to Kenya for agricultural mechanization was announced by India.

Academic and Cultural relations

- Government of India offered various scholarships to Kenyan nationals. These include scholarships for professional training in various fields under the **Indian Technical & Economic Cooperation (ITEC) programme** and related schemes and Indian Council of Cultural Relations scholarships.
- A Cultural Cooperation Agreement was signed in 1981. Kenya sent its largest ever sporting contingent to the 19th Commonwealth Games 2010 at New Delhi.

Indian Diaspora in Kenya

- With a population of 42 million, Kenya has great ethnic diversity. The Indian Diaspora in Kenya has vastly contributed to Kenya's progress.
- Indians were brought in large numbers to work on the Uganda Railroad which joined the port of Mombassa in Kenya. Merchants, artisans and others followed. Eventually, a vibrant community of persons of Indian origin emerged. Today several Kenyans of Indian origin have distinguished themselves as lawyers, judges, doctors and academics.
- Prominent figures of the Kenyan Indian community who actively participated in Kenya's independence struggle include the *labour leader Makhan Singh. M. A. Desai and Pio Gama Pinto.*

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- The Kenya-India Friendship Association (KIFA) was set up in 1981. There are a large number of associations representing different communities among the Indian Diaspora as well as several places of worship, schools, etc.

Challenges:

• The Chinese conundrum –

- According to the Kenyan Economic Survey released in May 2016, Indian imports were around 252.3 shillings (\$2.4 billion), while Chinese imports were 321 billion (\$3.09 billion) in 2015.
- While India will find it difficult to win a race with China on financing, Indian money can be stretched in other ways.
- According to World Bank paper, there is an interesting statistic about the number of jobs created by FDI in Kenya.
- Between 2003-2015, Chinese FDI was only the fifth largest creator of jobs. There have been sporadic protests and attacks on Chinese workers, which media reports state were fuelled by resentment over employment opportunities for locals.
- In contrast, Indian FDI was the top employment generator for Kenyans, creating 7422 jobs during the same period. For Kenya, with a large youthful population, accelerating job creation is an essential part of maintaining domestic stability.
- Terrorism – The Westgate Mall attack of 2013 is a grim reminder of the vulnerability of Kenya towards terrorist activities. Once known as heaven of peace, Kenya has been the target of terror attacks for more than a decade now.
- Lack of infrastructure and energy, and red-tapism, poor governance etc. present various obstacles in front of Indian investors. Many Indian companies like Essar, Reliance Industries etc. have closed their operation in Kenya.
- Like traditional donor, India also attaches conditions of good governance and transparency for loan disbursement. On the other hand, uninterested in the politics of the country, China funds major infrastructure projects in Kenya.

Further avenues of engagement:

- India can help Kenya in augmenting its healthcare system.
- Agriculture and leather is another area, which remained unexplored between these two countries.
- India-Kenya can further collaborate in the tourism sector.

Conclusion:

- Blending trade, development and culture into a rich mosaic, the India-Kenya relations are unique in many ways.
- The relations dates back to waves of migration from Gujarat to East African counties in the early 19th and 20th centuries and acquired a new force during the anti-colonial struggle, with Kenyan Indians like Makhan Singh and Pio Gama Pinto becoming national figures.
- We need to focus on our strategic advantage to foster greater cooperation with Kenya, which is the East African Power House.

India – Mozambique Relations

Background

- India and Mozambique enjoy close, friendly relations built upon traditional links dating back to the pre colonial period. Traders and merchants from the Indian sub-continent came to Mozambique

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century back, even before Vasco de Dama set his sails for Africa and India. These traditional links have grown from strength to strength over the years. India consistently lent its support to Mozambique in the latter's freedom struggle.

Strategic Ties

- Mozambique's strategic location on the Indian Ocean is of immense interest to India. With a coastline of nearly 2500 km and dominance of two key maritime chokepoints to the Indian Ocean, Mozambique is a perfect fit into Indian drive to build strong security relations with key littoral nations. The development of the important port of Beira is an important part of India's strategic policy.

Security Ties

- The Indian Navy provides security assistance to Mozambique. India began anti-piracy patrols in the Mozambique Channel in 2012. India has now begun providing training and equipment to the country's intelligence service.
- India and Mozambique have cooperated on maritime issues in past. Multilaterally, both India and Mozambique as members of Indian Ocean Rim Association (IORA) and also the Indian Ocean Naval Symposium (IONS) have raised their concerns quite often.
- Bilaterally, India had provided security cover for two important events in Maputo, i.e., the African Union Summit in 2003 and World Economic Forum Summit 2004. In 2010, the Indian navy rescued a Mozambican shipping vessel from pirates off the Mozambican coast.
- In 2015, the two countries agreed to look to broaden defence training beyond the navy and resurrect a dormant joint defence working group.

Bilateral Trade And Investment

- India is now among five major trading partners of Mozambique. During the state visit of Mozambique President H.E. Mr Armando Guebuza to India in 2010, the two countries had set a target to increase the bilateral trade to one billion dollars by 2013.
- India is the 9th largest investor in Mozambique. Indian companies have invested in coal, iron ore and other minerals.
- If the present investments into the gas sector come to fruition, Mozambique could become a source of LNG for India that would rival Qatar--the source of over 90% of India's present natural gas imports. As of now, India's Bharat Petro Resources Limited (BPRL) Oil and Natural Gas Corporation Videsh Limited (OVL) and Oil India Limited (OIL) with combined 30 percent stake dominate the Area I gas field in the offshore Rovuma basin.

Community Relations

- The Indian connection with Mozambique is centuries old and has grown over a long time. Muslim traders from Malabar were a part of the commercial establishment long before the arrival of the Portuguese and there were also Hindu traders in Mozambique Island. Presently, there are approximately 20,000 persons of Indian origin, having Mozambican or Portuguese nationalities, and 1500 to 2000 Indian nationals.

Conclusion:

- Mozambique is emerging as India's 21st century partner in Africa. The country best represents the convergence of energy and security interests that define new Indo-African relationship. Mozambique has the potential to emerge as one of the top few sources of energy imports for India, among the largest hubs of Indian investment in Africa and one of India's closest military allies in the western Indian Ocean.

INDIA – RWANDA

Background:

- Since its independence from Belgium in July, 1962, Rwanda was plagued by a protracted and internecine conflict between the three dominant groups viz. Hutu, Tutsi and Twa.
- After signing of Arusha Peace Accord in 1993, peace was achieved. However, after the assassination of the Hutu President of Rwanda in April 1994, it once again plunged into violence.
- After the end of the civil war, Rwanda is moving steadily on the path of recovery and national reconciliation.

India Rwanda Relation:

- India – Rwanda share 54 years of bilateral relations which have been termed as fruitful in many sense. Warmth in the relationship can be seen from the fact that several high-level visits have taken place between these two countries in the past.
- Recently the Indian Vice President Hamid Ansari visited Rwanda in February 2017.
- In January 2017, President of Rwanda Mr. Paul Kagame visited India.

A) Political Relations

- Bilateral relations between India and Rwanda have been cordial and have grown steadily over the years.
- In 1999, Rwanda officially opened its Mission in New Delhi and posted a Charge d' Affaires. Rwanda appointed its first resident Ambassador in New Delhi in 2001.
- India has taken a decision to open a Diplomatic Mission in Kigali, the capital of Rwanda and the modalities are being worked out.
- The country became a full member of the Common Market for Eastern and Southern Africa (COMESA) Free Trade Area (FTA) in 2004 and subsequently in 2007 it was admitted to the EAC.
- India's bilateral relations with Rwanda got a fillip with Rwanda becoming member of these African Regional Economic Communities (RECs). Rwanda opted to become a member of the Commonwealth in 2009 even though it has not been a British protectorate or a British colony.

B) Bilateral Development Partnership:

- India's engagement with Rwanda is at three levels viz. at the African Union (AU) level, at level of the Regional Economic Communities (RECs) and at the bilateral level.
- India has extended a line of credit for many developmental projects in Rwanda.
- Under the Pan-Africa e-Network project, tele-medicine and tele-education centres were established in Rwanda in 2009.
- An India-Africa Partnership day was held in Kigali during 21-23 May 2014.
- Under the India-US Dialogue on Open Government, an Indo-US-Rwanda Trilateral Open Government Platform Initiative [OPG] has been developed which enables the participating nation to download free software and create a site which provides its citizens access to the government data for innovation, economic development and transparency.

C) Bilateral Trade:

- The bilateral trade between India and Rwanda has been gradually increasing over the last few years, even though in terms of value the total trade remains very modest at US\$ 78.10 million for 2012-13.

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- Rwanda is also poised to benefit from the Duty Free Tariff Preference (DFTP) scheme extended by India to Least Developed Countries (LDCs). The major items of India's exports to Rwanda include, among others, pharmaceuticals, vehicles including motorcycles, plastics and machinery.

D) Indian Community:

- Approximately 2500 Indian nationals and PIOs are estimated to be in Rwanda. The Indian community in Rwanda is united under an Indian Association of Rwanda.
- During the genocide of 1994, no Indian national was killed or injured.
- The positive role that the Indian community plays in the Rwandan economy is well appreciated by the Rwandan Government and the people. Rwanda's only sugar refinery, Kabuye Sugar Factory, is owned by the Madhwanis.

Key highlights of the visit of President Of Rwanda to India

- Rwanda has become the 25th co-signatory country to India's initiative of the International Solar Alliance. The alliance is vastly important to Rwanda for advancing new solar technologies.
- Export Targeted Irrigated Agriculture Project was fast tracked. The project would benefit the people of Rwanda through construction of watershed works, farm mechanization and establishment of post harvest processing units of agricultural produce.
- It was affirmed that terrorism is a serious threat to humanity. Commitment to combat terrorism in all its forms and manifestations along with following zero-tolerance policy on terrorism was agreed upon by both the countries.
- Rwanda's army men receive training in various Indian Army training institutions under the Indian Technical and Economic Cooperation (ITEC) initiative of the Government of India. It was decided to further strengthen such military cooperation.
- MoU on Forensic Sciences by the Gujarat Forensic Sciences University has been signed to support Rwanda's National Police in modernizing Forensic investigations.
- India welcomed the initiative of a direct flight from Kigali to Mumbai. Both sides continue to work on concluding a Bilateral Air Services Agreement and an agreement for the exemption of visa for diplomatic and official passport holders.
- Both sides agreed to strengthen exchanges and cooperation in culture, tourism, people-to-people links, especially exchanges between the youth of Rwanda and India.

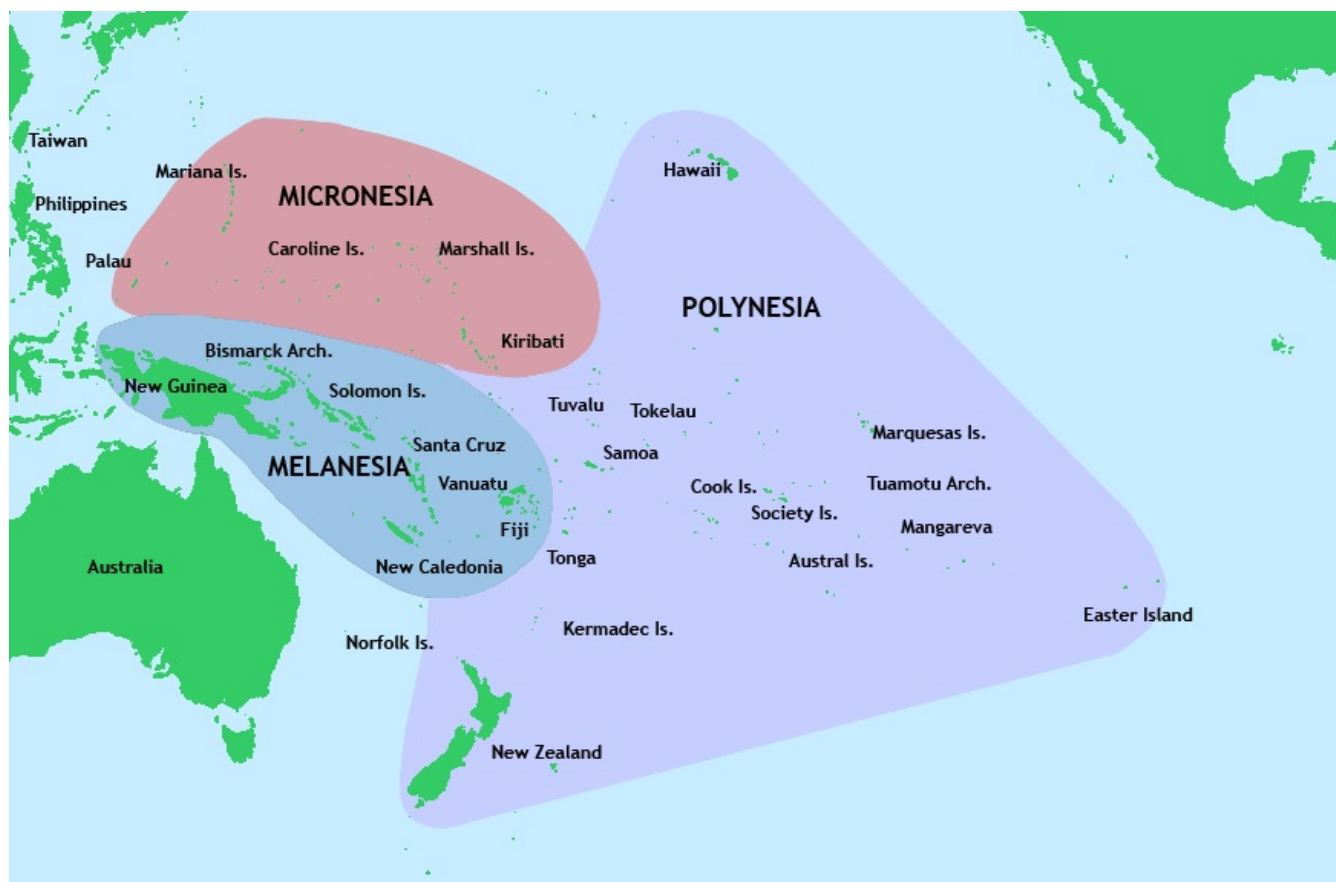
Why Strategic partnership between India and Rwanda?

- India and Rwanda share common values and mutual respect and share the common goal of rapid economic development, enhancing global peace, ensuring security and eliminating the menace of cross-border terrorism.
- Both the countries have broad based bilateral cooperation spanning over the past two decades.
- Rwanda acknowledges the role of India as an important partner for Africa's development specially the initiatives under the India-Africa Forum Summit.
- Both the nations have recognized the unreachd potential and resolved to maximize the economic potential of the relationship to reflect the ongoing transformation of their economies and the global economic order.
- The United Nations' structures need to be more representative of the current realities that reflect the concerns and diversities of the developing world and Rwanda supported India's quest for permanent membership in U.N. Security Council.

Key Highlights of the visit of Indian Vice President to Rwanda

- Vice President, Hamid Ansari, is the first Indian leader to officially visit Rwanda. He launched India-Rwanda innovation growth programme.
- Three important agreements signed are
 - Bilateral air service agreement between two countries.
 - Agreement for exemption of visa requirements for diplomat and official passport holders
 - Agreement for establishment of an Entrepreneurship Development Centre in Rwanda duly financed by India.

14. INDIA – PACIFIC ISLANDS COOPERATION



About Pacific Island Nations:

- Islands of the Pacific Ocean are commonly named as Pacific Island Nations. As shown in the map, Pacific Island Nations consist of *three major groups of islands* named as Polynesia, Micronesia and Melanesia.
- North of the Equator and east of the Philippines are the islands of Micronesia. The great arc of islands located north and east of Australia and south of the Equator is called Melanesia.
- In the eastern Pacific, largely enclosed within a huge triangle formed by the Hawaiian Islands to the north, New Zealand to the southwest, and Easter Island (Rapa Nui) far to the east, are the islands of Polynesia.

Challenges faced by Pacific Island Nations:

- **Geographical disadvantage:**
 - Scattered Islands – These countries are separated by wide stretches of the Pacific and it makes logistics a challenge. It also makes high-volume production and stable production as well as the intensive use of technology, capital and human resources difficult.
 - Small Land Area – It affects the mass production. Due to this, these nations are also facing challenge in supporting the increasing population.
 - Remoteness - The Pacific Islands are located far from major markets, creating problems in communication, human interaction and transportation costs.
- **Climate change:**
 - These nations are virtual global laboratories for the earliest impacts of climate change.

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- Eight Pacific nations are among the top 20 in the world in terms of annual losses from disasters such as cyclones, earthquakes and tsunamis, with Vanuatu and Tonga listed as the most vulnerable.
- World Bank research has estimated the average annual cost to small island states from natural disasters is equivalent to almost two percent of GDP. However, in the cases of Tonga and Samoa, these damages have reached between 20 and 30 percent of GDP.
- Climate change will only increase these vulnerabilities, with rising ocean levels and stronger tropical storms threatening the very existence of low-lying island nations.
- **Socio-economic challenges:**
 - With more than half of population is under the age of 24, the number of working-age youth is expected to grow substantially over the coming decade. Due to small economies and limited formal sector employment in the Pacific, it will be difficult to meet this growing demand for employment.
 - Years of mismanagement and poor policy have led to ecological and energy calamities across the region. In many countries a lack of planning meant that the default policy was to exploit natural resources at an unsustainable rate.
 - For example, in the Solomon Islands, natural forests have been logged so uncontrollably that exports are expected to cease in near future
 - There are huge disparities among these countries as the development indicators widely vary with per capita income ranging from \$ 27,340 for Cook Island to \$ 1020 for Papua New Guinea.
- **Security and Governance related challenges:**
 - Vast coastline along with the presence of large EEZ necessitates for capacity building in Coastal security and EEZ management. Proper management of fisheries and development of aquaculture and the “blue economy” are particularly important.
 - There are 48 overlapping or shared EEZs, which require negotiations for proper settlement.
 - Numerous maritime disputes on the periphery of Pacific, especially in South China Sea and East China Sea, threatens the maritime security of these nations.

India – Pacific Island Nations

- Despite India's strong relations with Fiji, which has considerable influence in the region, Indian footprint in South Pacific is low.
- At this moment, total annual trade of about \$300 million between the Indian and Pacific Island countries, whereas exports are around \$200 million and imports are around \$100 million. The largest country for bilateral trade in this regard is Papua New Guinea because of oil and gas, but Fiji is also an important country in that regard.
- In a bid to seriously expand India's engagement in the Pacific region and to keep pace with China, the **Forum for India–Pacific Islands Cooperation (FIPIC)** was launched during Prime Minister, Mr. Narendra Modi's visit to Fiji in November 2014.
- India hosted second summit of the Forum for India Pacific Cooperation (FIPIC-2) in Jaipur in August 2015.
- To further strengthen this initiative, FICCI has launched Business Accelerator for Forum for India - Pacific Islands cooperation (FIPIC) in September 2015.
- The India-Pacific Islands Sustainable Development Conference was hosted by Ministry of External Affairs, India in May 2017.

Significance of Pacific Island Nations for India:

- India's focus has largely been on the Indian Ocean where it has sought to play a major role and protect its strategic and commercial interests. In order to protect its position in Indian Ocean it is increasing its engagements in Pacific regions.
- The Pacific has for long been an area of geostrategic interest for countries such as the US, Japan, China, Russia, Australia, and Indonesia – large economies which lie on its boundary. India cannot afford to ignore this region if it wants to become a global leader.
- A new element of India's Act East policy has been the extension of India's Look East policy beyond the ASEAN, with emphasis on strengthening ties with 14 Pacific island countries.
- The Pacific Ocean region is rich in minerals and hydrocarbons hence the relation with Pacific nations is significant for fulfilling energy needs of India.
- India has had a long history of cooperation and close engagement with Fiji, which has a large population of Indian origin.
- Although, the 14 prominent Pacific island countries are geographically remote, they are strategically significant from New Delhi's point of view as they are located at the important sea lines of communication through which important maritime trade is conducted.
- India seeks support of these countries for its own position on climate change and reform of the United Nations.

Opportunities for India:

- Transport, communications, renewable energy, health services, fisheries ("blue" economy), and agro-based industries are areas where India can make an impact.
- For example, coconut- and coir-based industry has not been developed and India can offer its expertise to assist these countries.
- The scattered nature of the PIF members across vast ocean spaces mean that telecom and television services via satellite could be a game changer.
- Power generation from biomass gasification and solar energy are promising areas.
- There is demand for services of Indian experts and for training of personnel in India in a wide variety of fields.
- More opportunities could be provided for students from these countries to study in India.
- Tertiary health care is a challenge and patients have to be flown long distances for these services.
- Presence of vast EEZ and willingness of these countries to develop 'blue economy' presents an opportunity for India.

Initiatives taken by India so far:

- In November 2014, when FIPC was launched, India had offered some major assistance projects.
- The projects offered include
 - The setting up of a special USD one million fund for adapting to climate change and clean energy,
 - Establishing a trade office in India,
 - Pan Pacific Islands e-network to improve digital connectivity,
 - Extending visa on arrival at Indian airports for all the 14 Pacific Island countries,
 - Cooperation in space technology applications for improving the quality of life of the islands,
 - Training to diplomats from Pacific Island countries.

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- India has increased the annual "Grant-in-Aid" from USD 125,000 to 200,000 to each of the 14 Pacific Countries for community projects of their choice.
- Launched a new Visitors Programme for Pacific Island Countries signifying upgrade in India's relationship with the PIF countries.
- India will set up an Institute for Sustainable Coastal and Ocean Research and a network of marine biology research stations in the region.
- Research collaboration and capacity building with Indian institutions in this field will start immediately.
- India has offered its Navy's direct support and capacity building, especially for coastal surveillance and hydrographic surveys, to gain a better understanding of maritime zones and strengthen security of EEZs.
- India has offered its capability in Space technology to help in inventory of land and water resources; fish zoning; forest resources management; coastal and ocean studies; weather and climate change; and, disaster management support.
- India has offered to create capacity in Island States to deal with natural disasters, including through human resource development and application of space technology for early warning system and incident response.
- In the human resources area, under the Indian Technical and Economic Cooperation training programme, India is providing training to citizens of these countries.
- India has already trained 43 rural women from eight island countries as solar engineers. This will be stepped up by training 70 more women solar engineers and by providing solar electrification to 2,800 houses – 200 houses in each Pacific Island Country.
- One information technology laboratory will be set up in each Pacific Island country to improve local IT infrastructure, and help to provide tele-medicine and tele-education to the people.
- On trade, India is to support the development of micro, small and medium enterprises and will extend support for purchase of machinery for coconut processing and enhancing rice and sugarcane yields.
- In the field of health, India will focus on developing capacity for health services. Generic drugs from India are presently supplied through third countries at a higher cost.
- India is ready to set up a pharmaceutical manufacturing plant and distribution centre in the Pacific Island region and has offered a Line of Credit for this project.
- In the media field, Prasar Bharti, India's national broadcaster, will gift television and radio programmes on culture, entertainment, news, education, etc., in English and Hindi to the PIF countries.

Challenges in front of India:

- Indian diplomatic representation is weak. India only has representation in Fiji (mostly because of the Indian diaspora) and Papua New Guinea (because of trade and minerals). India routinely goes unrepresented at regional meetings held in the other 12 PICs.
- Pacific Island Countries, like India, are very family-focused and socially complex. Unless India spend time in the place, and get to know it, it will not know who is really able to get things done.
- Projects and activities promised by India to PIF countries need to be matched by delivery and implementation, which are challenging tasks for the government. Appropriate reforms are needed in project and financial management processes including empowerment of implementing agencies and timely release of funds. Unfortunately there is a tendency to follow

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the processes for project implementation within India for projects abroad, resulting in slippages in delivery, time frame, cost, and quality.

- Strong presence of China in this region is another challenge. China's foray into the South Pacific, which began as a move to offset Taiwan's interests in the region, is becoming a cause for concern for India.
- Even as New Delhi has begun charting out a plan for forging bilateral and regional ties with these island nations, China has significantly expanded its foothold in the region, from increasing business and trade ties to setting up diplomatic missions in each of these countries.

Marshall Islands case against India at ICJ:

- Marshall Islands had filed a number of suits in the ICJ. Through the suits, Marshall Islands had sought to urge countries like Britain, India and Pakistan to resume negotiations to eradicate the world's stockpile of nuclear weapons.
- The Marshall Islands had argued that nuclear powers were not doing enough to adhere to the 1970 Treaty on the Non-Proliferation of Nuclear Weapons.
- The International Court of Justice (ICJ), however, rejected the Marshall Islands' plea.
- The top United Nations court accepted India's argument that the International Court of Justice do not have any jurisdiction in the suits filed by the Marshall Islands.

Way forward:

- We need to increase our diplomatic presence in these countries. This is the reason why China had been able to increase its presence.
- A complementary and equally important initiative would be for India to help set up an "Oceania House" in Delhi. Most Pacific countries do not have the funds to set up diplomatic representation in Delhi, however if a facility was set up for Pacific Island representatives to be based in India, it would give a turbo boost to many initiatives.
- India's strong relations with Fiji can be leveraged to forge a strong and sustainable relationship with these countries.
- Most of the economies in the region are based on agriculture, fisheries and small-scale industries and India's capacity in these sectors is even better than Europe and China; it can cultivate relations with the island nations based on its technology.

Conclusion:

India and Pacific Island Nations are like family members who meet only rarely at large, loud family reunions, never getting the time to truly get to know each other. The time has come to move beyond occasional meetings in order to cement an ever-lasting relationship.

15. BREXIT

Brief Background

- UK voted to leave EU in a referendum held in June 2016. The “leave” side prevailed 52 percent to 48 percent, which had a turnout of 72 percent. Out of 12 regions, only three, Scotland, Northern Ireland, and London voted to remain in the EU, while the others led the “Leave” vote to win by a narrow margin.
- The UK is the **first major country to decide to leave the bloc**, which evolved from the ashes of the Second World War as the region’s leaders sought to build links and avert future hostility. The Conservative Party’s general election victory last year activated a manifesto pledge to hold a referendum on Britain’s membership of the European Union by the end of 2017.
- Britain joined the European Community in 1973. This was the **second referendum** on Britain’s relationship with the European integration project. Labour Prime Minister Harold Wilson had **the first referendum on Britain’s membership in 1975** in which 66% people voted to stay in the European Community.

Arguments in favour

- 1) The **EU threatens British sovereignty**, is the most common argument. A series of EU treaties have **shifted a growing amount of power from individual member states to the central EU bureaucracy in Brussels**: On subjects where the EU has been granted authority – like competition policy, agriculture, and copyright and patent law – **EU rules override national laws**. The EU’s executive branch, called the European Commission, **is not directly accountable to voters in Britain** or anyone else.
- 2) **EU is strangling UK in burdensome regulations**. EU’s regulations have become increasingly onerous. Some EU rules sound simply strange, like the rule that one cannot recycle a teabag, or that children under eight cannot blow up balloons, or the limits on the power of vacuum cleaners.
- 3) The EU allows **too many immigrants** which puts severe strain on national resources and add up to welfare expenditure. The **emotional case for Brexit** is heavily influenced by immigration. The flood of immigrants from Southern and Eastern Europe has depressed the wages of native-born British workers and **concerns about immigrants using scarce public services**.
- 4) **UK will save huge sums of money which it otherwise contributes to the EU budget**. Taxpayers would get an immediate saving of over £20 million a day. British farmers, fishermen and small businesses would all be free from ruinous Brussels policies.
- 5) **UK could pursue independent and beneficial economic and trade policies**: The UK economy would thrive like Norway or Switzerland. Britain could negotiate its own trade deals with the likes of China, the United States and Russia on terms tailor-made to suit the national interest. Trade with the EU countries would continue – it will be in their interests to maintain Britain’s access to the European free market
- 6) **EU was a good idea, but Euro is a big disaster**. The 2008 global recession was **much worse in countries that had adopted Europe’s common currency, the euro**. Though the UK chose not to join the common currency, deeper fiscal and political integration will be needed for the eurozone to work properly. Britain is unlikely to go along with it.

Arguments Against

- 1) **Safety first**: In an uncertain world where Western democracies are under threat from a resurgent Russia, unrest around the Middle East, terrorism, and nuclear rogue states, **Britain is safer and**

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stronger working with France, Germany and the others within the EU on diplomacy, development and building democracy around the world. **It helps the fight against international crime through Europol and the European arrest warrant.**

- 2) **Better together: Outside the EU, Britain would lose global clout.** Europe is one of the four major players on the world scene. As the world's biggest economic bloc, the EU's leverage is unmatched in global talks on climate change and WTO issues etc.
- 3) **Useful EU regulations:** EU regulations guarantee **safety standards on everything from food and toys to nuclear power plants.** Its environmental protection is the highest in the world. Brussels' anti-trust authorities protect consumers against abuses by multinational companies.
- 4) **Sound economic rationale: Over half Britain's trade goes to the EU, bringing the country around £400 billion a year.** That dwarfs any savings from not contributing to the EU budget. Over one-in-ten British jobs are directly linked to EU membership and studies show **Brexit could wipe up to 10 percent from UK GDP.** International companies invest in Britain because it's **a gateway to the EU's 500 million consumers.** Even if a post-Brexit UK persuaded former partners to grant it Norway-style access to the EU market, **it would have to accept EU rules without any say in shaping them.**
- 5) **On Migration:** In **no way** will leaving the EU stop immigration to the UK. **EU immigration is a great asset to the UK economy,** and people from EU countries pay a lot more in taxes than they receive as benefits.
- 6) In the event of a Brexit, the economic downturn that will follow will make Britain a far less attractive country compared to other parts of Europe. Also it will **bring the migration crisis to Britain's doorstep.**

Process of BREXIT

- For the UK to leave the EU it has to **invoke Article 50 of the Lisbon Treaty** which gives the two sides two years to agree the terms of the split.
- The government will also enact **a Great Repeal Bill** which will end the primacy of EU law in the UK. It will incorporate EU legislation into UK law, after which the government will decide which parts to keep, change or retain.
- EU law still stands in the UK until it ceases being a member. The UK will continue to abide by EU treaties and laws, but not take part in any decision-making.
- The post-Brexit trade deal is likely to be the most complex part of the negotiation because it needs the unanimous approval of more than 30 national and regional parliaments across Europe, some of whom may want to hold referendums.

IMPACT of BREXIT on UK

Political Impact

- 1) British PM David Cameron had to resign after shock results in referendum and was succeeded by Theresa May.
- 2) The divisive nature of Brexit referendum has the potential to **threaten the territorial integrity of UK.** Scotland and Ireland voted to remain in EU. Scotland's termed forced Brexit as *democratically unacceptable* and calls have been increasing for second independence referendum from UK. Northern Ireland politicians have termed the impact of Brexit would be very profound and that the whole region of Northern Ireland may want to vote on reunification with Ireland.
- 3) Racist or religious abuse incidents recorded by police in England and Wales jumped 41% in the month after the UK voted to quit the EU.
- 4) Quitting the EU will not **exempt the UK from the decisions of The European Court of Human Rights (ECHR) in Strasbourg** as it is not a European Union institution. For it, the UK government

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has to **repeal the Human Rights Act** which requires UK courts to treat the ECHR as setting legal precedents for the UK.

Economic Impact

- 1) The UK economy appears to have weathered the initial shock of the Brexit vote, **although the value of the pound remains near a 30-year low**. Britain also lost its top AAA credit rating, meaning the cost of government borrowing will be higher.
- 2) With Brexit, fears have been raised that **London may lose its prominence place as financial Hub in Europe** in the long run.
- 3) The complex exit negotiations with EU may **accentuate economic uncertainty** at least for two year which may hamper economic recovery and there are chances of **investments moving from Britain to other EU countries** due to higher perceived economic benefits there.
- 4) As far as **UK citizens working in the EU** are concerned, a lot depends on the kind of deal the UK agrees with the EU. If it remains within the single market, it would almost certainly retain free movement rights, allowing UK citizens to work in the EU and vice versa. If the government opted to impose work permit restrictions, then other countries could reciprocate, meaning Britons would have to apply for visas to work.
- 5) **EU nationals living in UK** with a right to permanent residence, which is granted after they have lived in the UK for five years, will be able to stay. The rights of other EU nationals would be subject to negotiations on Brexit and the will of Parliament.

IMPACT on EU

Political Impact

- 1) **Brexit will weaken those forces in the EU that favour greater integration and may trigger chain reactions of referendums being pushed by Eurosceptics** especially in Netherland and France. It may also strengthen far right and anti-establishment parties throughout Europe at the cost of European unity.
- 2) Britain's exit will **reduce political clout of EU in world Affairs** because of loosing UK - a **permanent member of United Nations Security Council (UNSC)**.
- 3) Britain is the EU's foremost military power and also brings to the EU its significant diplomatic network, intelligence capabilities and soft power. **Brexit could therefore undermine any future development of serious EU military capabilities**.
- 4) The EU would lose an influential, liberalising member, shifting the balance of power in the **European Council**. It would become harder to block illiberal measures.
- 5) EU policy-makers, **already overburdened with problems** like the Greek economy, instability in the European neighbourhood and influxes of refugees, must now find extra energy to handle the complexities of the Brexit talks, which may drag on for five years or longer.
- 6) It will also **make Germany even more preponderant in EU**. In recent years both France's weakness and the UK's semi-detached status have made Germany the dominant country in the EU. On issues such as the eurozone crisis, refugees and the war in Ukraine, Germany has determined the EU's response.

Economic Impact

- 1) Brexit may **adversely impact Europe's fragile growth**. Rapid depreciation of already weakened Euro will impact competitiveness of EU market.
- 2) It may **weaken economic muscle of EU** as the UK is the fifth largest economy in the world and the second largest in the EU. Its net contribution to the EU budget was around £8.5bn in 2015, which EU stands to lose.

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- 3) Some research studies have predicted a symmetric decline in exports to and imports from the UK would lead to **reduction of EU's GDP**. Subsequently, trade growth would likely be lower than otherwise, increasing the potential losses over time. The damage would be **a bit more severe in the manufacturing hubs in central and Eastern Europe as well as in the tourism hotspots in the Mediterranean**.
- 4) Moreover, there would likely be **a new regulatory dynamic** with the UK outside the EU. The **UK may seek to undercut the EU on standards** impacting on the business environment; but this in turn may create a healthy regulatory competition by putting pressure on the EU from the outside to be more liberal in its policies.
- 5) The Brexit impact on the rest of the EU via trade and finance **will also depend on the follow-on agreement between it and the UK**. A number of models exist: Norway's, Iceland's, and Liechtenstein's **European Economic Area (EEA)** or Switzerland's **European Free Trade Area (EFTA) agreement** or A **Turkish-style customs union** or Free trade agreements such as those with Mexico or South Korea. The extension of such agreements to the UK may face political obstacles, but at least the economic damage could be minimised.
- **So in the final analysis, The economic and financial frictions could be limited if both parties would try to strike an amicable separation agreement**, but political considerations, including the desire of the rest of the EU to prevent Brexit emulation, might result in a far more damaging outcome for both.

IMPACT of BREXIT on India

- Brexit **affects the rupee through both trade and the financial channels**. The UK and European Union account for **23.7% of the rupee's effective exchange rate**. The UK's exit could lead to a prolonged period of risk aversion in the equity markets which could **spark foreign portfolio investor outflows and add to the rupee's weakness**.
- India is the **third largest source of FDI to the UK**. Access to European markets is therefore a key driver for Indian companies coming to the UK. But with Brexit, **this benefit will be taken away and may result in companies relocating their business set ups to other places**. So may have a bearing on future investment decisions.
- Hence, Indian investment pattern in EU might change as Indian companies favoured **border free access to EU**, which will not remain available after Brexit.
- **Automobile, Pharma and IT** might be the **most affected**. NASSCOM has predicted that the effect of Brexit will be felt on the \$108 Billion Indian IT sector in the short term. Leading Indian IT firms foresee a possibility of renegotiations for all the ongoing IT projects because of the devaluation in the value of pound.
- In the automobile industry, Brexit may lead to reduction in sales and companies that derive good revenues of profits from Britain could get hurt majorly. **India's pharmaceutical sector has significant exposure to the UK and a drop in demand in the UK and the EU will impact profits and sales**.
- There are many **unanswered questions** regarding Brexit – Whether the Brexit will change the rules of doing business or the rules related to access to higher education.
- However for some experts, in the long run, Brexit **will help strengthen** our ties with Britain because India's focus on innovation and entrepreneurship still makes it an attractive destination for outsourcing and investment. Brexit means redrafting of India-EU FTA text.
- EU was considered as biggest obstacle to U.K – India trade. Last year, Indian mango shipment to U.K. were banned due to stringent EU regulations. Brexit might lead to realisation of trade potential between these two countries.

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Effect on Education sector/students & Travel:

- British universities were forced to offer scholarships and subsidies to the citizens of the UK and EU. **Brexit frees up funds for the other students and more Indian students might be able to get scholarships.** Reduction in pound value will reduce travelling cost to the UK and will make it a good travel destination.

SCOTTISH INDEPENDENCE REFERENDUM

- For the independence of Scotland from the United Kingdom, Scottish lawmakers voted in favor (69-59) of an independence referendum to be held in between autumn 2018 and spring 2019.
- According to leaders of Scotland the Brexit vote is forcing Scotland out of the EU against its will as 62% of Scots voted in June 2016 to remain in the EU bloc.

Why Scotland wants freedom from U.K.?

- For the autonomy in the decision making the proponents of independence want Scotland to make its own decisions regarding its economy, finances, about how resources are controlled and money is invested.
- It is believed that Scotland's economy, its social policies and its creativity would flourish if it had much greater autonomy.
- In the June referendum for BREXIT the Scotland voted in favour of remaining in EU but it is now forced to leave the bloc. This is also one of the important contemporary reasons.



Impact:

- The question mark over Scotland's future is having a great impact on domestic and international business. The division of the United Kingdom could undermine London's standing as an international financial capital.
- The British currency sank after the first poll that showed the "yes" vote in the lead. It reflected uncertainty over the outcome of the referendum and an increased risk of instability.
- The UK's defence capability could be affected. The Scottish government says it wants to remove nuclear weapons from Scotland as soon as possible namely, the UK Trident nuclear submarine fleet based at Faslane.
- Scotland would have to renegotiate its entry to both NATO and the European Union if it votes for independence. EU leaders have signaled they would take a hard line and make Scotland apply to join like any other independent nation. However, the "yes" campaign says it could easily be done through amendments to existing treaties.

India – UK relation

Background

- India and UK has in common more than 200 years of shared history, strong democracies, connected cultural institutions and the English language.

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- After Independence, UK remained India's key trade partner and also a mentor when it comes to learning the art of democratic set up.
- Cultural and educational ties remained strong. Oxford and Cambridge Universities were attractive choices for higher education by the elites in India.
- Several businessperson, traders and large companies established their bases in UK as it remained a natural choice when it came to establishing presence in Europe.
- After liberalization as India opened up and grew at faster pace the significance of India UK relationship suffered as now India had several choices.
- Nevertheless in the changed times UK has realized India's growing clout in world power in economy and hence recalibrated its foreign policy towards India.
- The bilateral relationship that was upgraded to a strategic partnership in 2004, was further strengthened in 2010 to Enhanced Partnership for the Future.

Institutionalized Dialogue Mechanisms

- India and UK have a number of bilateral dialogue mechanisms in place, covering a wide spectrum of areas including political, trade, education, science & technology, defence etc.
- India-UK Joint Economic and Trade Committee (JETCO): it was established in 2005 to develop strategic economic relationships. It was conceived as business driven institutional framework to enhance trade and investment between the two countries
- India-UK Economic and Financial Dialogue (EFD): It was officially established in February 2005 to strengthen the financial and economic relationship between India and UK. Among other issues, the Dialogue will discuss sustainable economic development, structural reforms, reform of financial systems and markets, improving regulatory frameworks and international development.
- India-UK Financial Partnership (IUKFP): It was launched in 2014 with special focus on Development of corporate bond market, Mutual sharing of expertise on financial sector and market regulation, Enhancing financial training and qualification, Financial inclusion, Cross border provision of financial and insurance services, Pensions, Internationalization of the Rupee and Infrastructure funding.

Trade and Investment

- The UK is the third largest source of foreign direct investment (after Mauritius and Singapore) in India. UK ranks first among the G20 countries and accounts for around 8% of all foreign direct investment into India for the period April 2000 – March 2016.
- And India is the third largest source of FDI (in terms of the number of projects) in the UK. India also emerged as the 2nd largest international job creator in UK.
- Indian companies are playing an increasingly important role in the UK economy. Tata Group for example, is one of the UK's largest manufacturing employers with some 65,000 employees in the UK.
- UK is among India's major trading partners. During 2015-16, UK ranked 12th in the list of India's top 25 trading partners. Despite the global economic slowdown and the Eurozone crisis, India-UK bilateral trade has been resilient.

Education

- Education is an important plank of the India-UK bilateral relationship. Bilateral mechanisms such as the India-UK Education Forum, UK-India Education and Research Initiative (UKIERI), Joint Working Group on Education, Newton Bhabha Fund and Scholarship schemes are strengthening the education ties between two countries.
- During the visit of Indian PM to UK in November 2015, the following announcements relating to

education were made:

- 2016 would be the UK-India year of Education, Research and Innovation. **This will highlight the strengths of the bilateral relationship, drive further collaboration, including a range of digital technology enabled education and training initiatives, so that both countries create a new 21st century framework as partners in education, research and innovation partners, in the global context.**
- Virtual partnerships would be initiated at the school level to enable young people of one country to experience the school system of the other.
- 3rd phase of the UK India Education and Research Initiative will be launched and mutual recognition of UK and Indian qualifications will be done.
- For Indian students UK has traditionally been a favourite destination. Management, computing, engineering, media studies, art and design are the preferred courses of the Indian students. At present, there are approximately 20,000 Indian students pursuing Undergraduate and Postgraduate courses in the UK.
- Global Initiative of Academic Network (GIAN) is a new network in Higher Education in India aimed at tapping the talent pool of eminent scientists and academicians, internationally to encourage their engagement with the Institutes of Higher Education in India. UK has committed to send 100 academicians to India over the next two academic years as part of the GIAN.

Cultural Relations

- Cultural linkages between India and UK are deep and extensive, arising out of shared history between the two countries. There has been a gradual mainstreaming of Indian culture and absorption of Indian cuisine, cinema, languages, religion, philosophy, performing arts, etc.
- The Nehru Centre is the cultural wing of the High Commission of India in UK which was established in 1992, and is currently one of ICCR's flagship cultural centres abroad.
- A Memorandum of Understanding on Cultural Cooperation was signed between India and the UK in 2014.
- On the 70th anniversary of Indian Independence (2017), UK-India Year of Culture will be organised in 2017 to celebrate our deep cultural ties and mark.

Indian Diaspora

- Indian diaspora is well represented across all walks of life in the UK. The achievements cross everything from business to sport, and science and politics.
- The India Diaspora in UK is one of the largest ethnic minority communities in the country, with the 2011 census recording approximately 1.5 million people of Indian origin in the UK equating to almost 1.8 percent of the population and contributing 6% of the country's GDP.