

NEWS AND ANALYSIS ON INDIA

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# WHY IS THE MOOD DOWNBEAT IN BJP CAMP ?

AMULYA  
GANGULI

When a pro-BJP scribe notes the spring in the steps of the opposition leaders in parliament's central hall and another acknowledged admirer of Narendra Modi talks about the BJP's possible defeat in 2019, it is obvious that a sea-change has taken place in the country's political landscape since 2014.

In that year, Modi could do no wrong either at home where his acolyte Venkaiah Naidu, now the vice-president, described him as "God's gift to the nation", or abroad where surging crowds chanted "Modi, Modi" at the prime minister's public appearances.

Now, the mood is much more sombre in the Hindutva camp. One reason is the series of defeats which the BJP has suffered in by-elections across the nation from Rajasthan and Madhya Pradesh to U.P.

These setbacks have not been compensated adequately by the party's successes in Tripura and elsewhere in the north-east because these states are seen to be far too remote from the heart of the country to exert any political influence outside their specific regions. Moreover, the culture and society of these areas are markedly different from those of mainland India.

But the reasons why the BJP appears to have lost much of its élan is, first, agrarian distress with no let up in the suicides of farmers (5,650 farmers killed themselves in 2014, according to the National Crime Records Bureau) and, secondly, the spreading discontent among the Dalits.

It is the second factor which has seemingly unnerved the party the most because the Dalits constitute a sizeable percentage of the population (16.6 per cent) and their dissatisfaction with the BJP tends to highlight the party's upper caste bias, which is politically damaging.

It is to negate this perceived prejudice about the BJP being a Brahmin-Bania party that the party has chosen a Dalit-Ramnath Kovind-for the President's post and loses no opportunity to pay obeisance to the Dalit icon, B.R. Ambedkar.

But if none of that has helped to placate the Dalits, the reason is that for whatever the BJP leaders may say, the anti-Dalit prejudices remain as strong as before at the ground level. It is the same with regard to the minorities with the saffron rank and file unhesitatingly subscribing to the Hindutva ideologue, V.D. Savarkar's categorization of the Muslims and Christians as "aliens" and RSS sarsanghchalak (head of the organization) M.S. Golwalkar's description of the Muslims as Internal Enemies No. 1 and Christians as Internal Enemies No. 2.

It is obvious, therefore, that Modi's slogan of sabka saath, sabka vikas or development for all means nothing to the saffron cadres. The feeling of being unwanted has remained strong, therefore, among both the Dalits and the minorities with the result that there is every possibility of a large section of these groups voting against the BJP in the 2019 general election and in the state assembly elections which will take place this year.

The prospect is unsettling for the BJP because the Dalits (16.6 per cent) and Muslims (14.2 per cent) together constitute nearly a third of the country's population. If they turn against the party in a concerted manner, it will be in considerable trouble.

In addition to the disenchantment among these communities, the recent "long march" by farmers in Maharashtra showed how unpopular the government is among them. The falling growth rate in agriculture is a contributory factor with the rate slumping to 0.2 per cent in 2014-15 and to 0.7 in 2015-16.

Since small and marginal land holdings (less than 2 hectares) constitute 72 per cent of the farms, their owners have little marketable surplus and, therefore, little bargaining power and no say in determining prices. While agriculture is becoming an unprofitable occupation, the absence of vikas means that there can be no movement from farms to factories for a growing population as it continues to struggle for the bare necessities of life.

The only solution, as Modi saw in 2014, lay in a buoyant economy and the consequent creation of jobs via domestic and foreign investments. But a major impediment towards this end is the continuing violence by the Hindu Right affiliated, either directly or indirectly, to the RSS and the BJP.

Hence, the harassment and even killings of rationalists or beef-eaters or couples belonging to different faiths. As Bihar chief minister Nitish Kumar has said, communal harmony is a "must" for development. Since his state has seen as many as 200 incidents of communal violence since he switched sides to align with the BJP, he should know what he is talking about.

There is little doubt, therefore, that Modi is in trouble. His only hope lies in the opposition remaining disunited. But strenuous efforts are being made by the various parties to put up a united front against the BJP. Among those engaged in the task of stitching together an anti-BJP alliance are Sonia Gandhi of the Congress, Mamata Banerjee of the Trinamool Congress and Sharad Pawar of the Nationalist Congress Party.

It is too early to say whether any of them will succeed. Given their egos, each one of them will like to be the king rather than be the king-maker. So, as the saying goes, the hour has come (for unseating Modi), but where is the man? ■ ■ ■

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## COVER STORY

### 2019 GENERAL ELECTIONS: WHAT MAKES THE BJP APPREHENSIVE

After the high of the north east elections, where the BJP score impressive gains particularly in the state of Manipur where it dislodged the 2 decade old Left government, the BJP has gone through a reality check in Uttar Pradesh (and Bihar) where it lost two important Lok Sabha seats held by the chief minister and the deputy chief minister respectively in the recently held by-polls. In Bihar, it lost a seat to the jailed RJD (Rashtriya Lok Dal) leader Lalu Prasad Yadav.

The UP defeat was more important since it mimicked the grand alliance of Bihar where the BJP lost the assembly elections to the poll arithmetic stitched by anti-BJP parties. And even though Gorakhpur and Phulpur in UP were mere in bypolls, they may turn out to be the “little hinges” which turn the popular mood. The BJP’s defeat in these constituencies of the Uttar Pradesh chief minister and the deputy chief minister, only a year after the party won a stupendous victory in the state, says Neerja Chowdhury, senior journalist “points to a change in mood.”

The victories “have suddenly raised the Opposition’s hopes. Demonetisation, the unplanned implementation of GST, farmers’ distress and the loss of jobs in the informal sector, have contributed to dent Prime Minister Narendra Modi’s appeal in sections which had swung to his side in 2014, and again in 2017 in UP.”



### BJP WON'T DILUTE SC/ST ATROCITIES ACT

In the immediate context, the Dalit anger as manifested in the All India strike last week appears to have shaken the BJP somewhat although it is under no immediate threat.

Therefore, amidst clear signs of Dalit anger Defence Minister Nirmala Sitaraman in an interaction with the Indian Express on 7 April though it wise to clarify that while an “irresponsible” Opposition was trying to paint the BJP as anti-Dalit, the Modi government was committed to ensuring that the SC/ST Atrocities Act is not diluted. The Act was promulgated to prevent atrocities by high caste Hindus on the lower castes represented in the Constitution as the Scheduled Castes (SC) and the Scheduled Tribes (ST).

“For those who want to make political capital out of a social guarantee given by our Constitution, I am really disappointed... that instead of fighting for (SC/ST) rights, they are building distrust... For the last 60 years, you (the Opposition) haven’t done anything for them,” Sitharaman said.

She added that it was a court that had ordered change in provisions of the SC/ST Act. “These decisions are not of the government. The dilution in the Act would mean that a few benefits given to the Dalits, just to take their fight for justice a bit forward, will all go. We are not in favour. We will not dilute it,” the BJP leader said.

But many even within the BJP ruled NDA government are worried. Union minister for consumer affairs and food & public distribution, Ram Vilas Paswan is

among the senior-most Dalit leaders in the country. The chief of the Lok Janshakti Party (LJP), he acknowledged that the Bharat Bandh (All India strike) of April 2 was both, a natural expression of Dalit anger and political rivals mobilising protests.

“It was both. The court judgement (on the Scheduled Caste and Scheduled Tribe - Prevention of Atrocities - Act) came suddenly and people were shocked. Earlier, there was a UGC (University Grants Commission) order saying reservations would be department-wise — this would reduce reserved seats. There was anger already; then this dilution of the Act happened.”

### PROMISES ON DALIT EMPOWERMENT BROKEN BY BJP

To analysts like Sukhdeo Thorat (professor emeritus, Jawaharlal Nehru University), BJP’s tenure of the last 4 years has been one of broken promises for the Dalits - the Scheduled Castes and Schedules Tribes.

BJP’s manifesto for the 2014 Lok Sabha elections, he writes “spoke of the party’s commitment to social justice and harmony. It promised economic empowerment of the Dalits through education, entrepreneurship and skill development. The manifesto also stressed on preventing atrocities against the Scheduled Castes (SCs). These goals were to be pursued in a mission mode. But a series of negative developments in the past four years — including the recent Supreme Court decision that diluted the SC/ST (Prevention of Atrocities) Act — has given rise to the fear that the Dalits are losing the gains they had made in the past.”

The economic empowerment of Dalits for example, depends on the allocation to the Special Component Plan (SCP) for SCs. Thorat says the average allocation to the SCP in the period between 2014 and 2018 is 7.59 per cent — about 9 per cent short of the 16.6 per cent target set by the government.

Writing about social empowerment, Thorat writes that BJP’s manifesto to the 2014 general elections stated: “We will accord highest priority to ensuring their security, especially the prevention of atrocities against SC and STs.” Thorat writes: “There were 40,401 cases of atrocities against Dalits in 2014, 38,670 cases in 2015 and 40,801 in 2016. It seems that the BJP’s stated commitment to reduce atrocities against Dalits has not lead to any appreciable decline in violence. The atrocity rate, measured in terms of number of cases registered per lakh of population, is high in MP (43), Rajasthan (42), Bihar (34), Gujarat (32), Andhra Pradesh (27), Kerala (26) and Odisha (25) and UP (25). Five of these states with a high rate of atrocities against SCs have BJP governments. There are atrocities against Dalits in all states but given the claims made in its 2014 manifesto, one would have expected some reduction in violence in the states ruled by the BJP.”

These developments, says Thorat “indicate that during the four years of BJP rule, the Dalits are losing the gains they had made earlier.”

### DALIT ANGER AND CASTE ARITHMETIC

The impact of these broken promises has not only rejuvenated the Opposition, but also created fissures within the BJP. For example, four BJP legislators of the UP state assembly, Ashok Dohrey, Chhotelal Kharwar, Yashwant Singh and Savitri Bai Phoole are among the Dalit MPs of BJP who have rebelled against the party for not doing enough to protect their community. All of them are first time MPs from Uttar Pradesh, where the government of Yogi Adityanath has increasingly come under attack for discriminating against the Dalits.

Earlier, Yashwant Singh, BJP’s lawmaker from Nagina in western Uttar Pradesh, had also written to Prime Minister Narendra Modi, accusing the NDA government of “doing nothing for the 30 crore Dalits of the country.”

Rajesh Mahapatra, Editor at Large,

Hindustan Times writes “there is something else that is common to these four Dalit MPs who have rung in a rebellion of sorts. All of them are lateral entrants in BJP. Neither did they grow up with any social ties to the BJP nor were they groomed in Sangh (RSS) politics.

“All of them are vulnerable to switching sides, and there is a reason. In three of the four constituencies they represent, Dalits and Muslims together account for more than 50% of votes.....The chances of these MPs getting re-elected on a BJP ticket have dimmed, given the new-found bonhomie between the SP and the BSP and the prospects of an anti-BJP alliance that will likely include the Congress party.

“In all these constituencies, the combined votes of SP, BSP and Congress were significantly higher than that of the BJP during the 2014 general elections of 2014 as well as the 2017 assembly elections.”

Mahapatra notes that the four MPs had won largely because of the Modi wave and a split opposition. But last month’s Lok Sabha bypolls in Phulpur and Gorakhpur, however, showed the extent to which the BJP’s political dominance

### END TO CATTLE CURBS

With a fresh set of draft rules to replace last year’s poorly conceived ones, the Centre has sought to withdraw the ban on sale of cattle for slaughter in animal markets. The draft rules are now open for comments and suggestions.

When the Union Ministry for Environment, Forests and Climate Change notified the rules under the Prevention of Cruelty to Animals Act on May 23, 2017, there was concern that in the name of preventing cruelty to animals and regulating livestock markets the government was surreptitiously throttling the cattle trade and furthering the BJP’s cow protection agenda. The rules were criticised for restricting legitimate animal trade and interfering with dietary habits.

## KAZAKHSTAN FEATURE

## UN SC: HOW KAZAKHSTAN RECONCILED THE MEMBERS OF THE UN SECURITY COUNCIL

The rotation of the chairmanship was held in the UN Security Council on January 2018. Kazakhstan after a month at the head of the key body of the world's most important international organization gave way to Kuwait. It gave way, I suppose, with a sense of accomplishment. Over the month of the chairmanship, Kazakhstan has done more on this post than some members of the Security Council have been able to achieve over the years.

The chairmanship of Kazakhstan in the UN Security Council will remain in history as one of the most turbulent months for international relations. In the four weeks since the beginning of the New Year, the already cold war between Russia and the United States has declined, following the introduction of new sanctions by the latter. In Afghanistan, several of the most deadly terrorist attacks occurred in recent years. In the Middle East, another aggravation occurred – Turkey launched a full-scale military operation against the Kurds in Syria. And on the Korean peninsula against the backdrop the nuclear threat of the DPRK has taken on quite different, global outlines, even despite some warming of relations between Seoul and Pyongyang.

All these topics Kazakhstan, from the position of the Chairman of the UN Security Council, did not ignore. Only on the situation in the Middle East in the Council passed four meetings. In general, the members of the Security Council met more than 20 times during the round table. And always the topics of these meetings were relevant to all: from the same

Middle East, where permanent instability became of the hotbed of terrorism, which today beats all countries of the world to the danger of the proliferation of weapons of mass destruction, which reached an extreme point in the conditions of the Korean crisis.

Kazakhstan was trying to bring to the discussion really important topics that are bringing threats and risks to all, which sometimes are not noticed by countries due to tensions between them.

The separate issue of the Security Council was devoted to Afghanistan. So it seems Kazakh Republic still managed to draw the attention of Security Council members to this problem. For that reason the representatives of the UN Security Council countries visited Afghanistan for the first time since 2010. From 13 to 15 January 2018 a delegation of ambassadors from all 15 members of the Council visited Kabul to assess the situation on the spot and draw conclusions, which, alas, are sad and require urgent measures.

One more issue that became the agenda during the Kazakhstan's chairmanship in the UN Security Council was the non-proliferation of weapons of mass destruction. It has already become almost daily topic. Some of countries are being measured by nuclear arsenals and "red buttons", and the world, already accustomed to it, is quietly watching this. It seems that the nuclear threat is something ephemeral and has little connection with reality. And only those countries that have experienced the consequences of using WMD understand that the rapidly grow-

ing nuclear threat in the world bears a real catastrophe.

But the world does not yet understand this. That same «red button» remains a symbol of the power of the country and the main argument in the dispute. And hoping to win the same power, many countries are trying to seize WMD, follow the example of nuclear powers, which although formally call on their colleagues to demilitarize, but they do not hurry to abandon their lethal arsenals. And who will follow the calls, if the one who calls on him does not follow?

As the President of Kazakhstan rightly noted, when speaking at the UN Security Council, the increase in the number of countries possessing WMD creates the risk that these weapons will fall into the hands of terrorists. For them, WMD can be an opportunity to take revenge for the lost struggle with the use of conventional weapons. And then everyone will suffer, regardless of its status, availability of arsenals and militaristic beliefs.

The chairmanship of the UN Security Council is sometimes very recklessly considered a formality. But the experience of Kazakhstan shows that the only question here is who and how is coming to the point. And judging by the fact that, although this month the meetings of the Security Council did not involve disputes and disputes, and all resolutions were unanimously adopted, Kazakhstan approached the matter very carefully and responsibly. Now it is the turn of the world community to show great responsibility for its own future.

can be undermined by the SP-BSP combine.

"Caste data available with the political parties shows that Dalits, Muslims and Yadavs have more than 40% votes in 44 of the record 73 seats that the BJP and its ally, Apna Dal, won in 2014. In 37 of the 73 seats, the SP and BSP polled more than the BJP. If votes polled by the Congress party are added, that number climbs to

51.....With no wave in 2019, the outcome of the next Lok Sabha elections in Uttar Pradesh will largely depend on caste arithmetic."

### OPPOSITION UNITY MOVES GATHER MOMENTUM

The circumstances are thus appropriate for the Opposition to at least probe the nuances of a possible electoral alliance for the 2109 general elections.

Even though Opposition unity moves are gathering momentum the "more crucial will be the extent to which the anti-BJP parties can prevent a division in the Opposition votes in all the 543 Lok Sabha constituencies by either effecting one-on-one contests or through strategic battles.

Neerja Chowdhury however, acknowledges that "not having a charismatic or acceptable leader to lead the charge against

the Modi-led-NDA is a handicap the Opposition suffers from." There are also contradictions amongst them.

But still, "Opposition unity could actually make a difference in UP, Maharashtra, Bihar, and Jharkhand — states that account for 182 seats. If unity takes shape here, the BJP could lose upwards of 70 seats, though some of these losses would be offset by its gains in the east and the northeast."

In UP, the BSP (Mayawati), SP (Akhilesh Yadav) alliance with the possibility of the Congress and Ajit Singh's RLD joining in is a possibility. "Bihar already has a RJD-Congress alliance and ironically Lalu Prasad, in jail and convicted in the fourth fodder scam case, is reportedly gaining sympathy by the day. There are indications of a Congress-NCP alliance taking shape in Maharashtra. This could make the going tough for the BJP, which is reaching out once again to its oldest but most disaffected ally, the Shiv Sena."

The three Hindi heartland states (Rajasthan, Madhya Pradesh and Chhatisgarh) going to the polls at the end of the year also, according to Chowdhury "have the potential to deprive the BJP of a majority.

Congress president Rahul Gandhi has positioned himself unambiguously against Modi. He asserted last week that far from the BJP winning the 2019 Lok Sabha elections, prime minister Modi might even lose from his constituency in Varanasi if his party, the SP (Samajwadi Party) and the BSP (Bahujan Samaj Party) were united against him.

He said once opposition unity goes above a certain level, it will become difficult for the BJP to win. On the role of the Congress, he said the party will manage forging of opposition unity amid varied aspirations of each party and their leaders. "We in the Congress know how to carry people, we are not egotistical people, we don't crush people and we don't destroy people's lives, so we will manage it," he said.

However, says Chowdhury, the "Congress will have to move beyond drawing room strategising, particularly when the opponent is as formidable as the Narendra Modi-Amit Shah duo. The party will be taken seriously only when it starts to win elections. For that reason, Karnataka has acquired an importance all its own; the poll outcome is expected to set the tone for the 2019 battle..."

### KARNATAKA: IF CONGRESS WINS, DANGER OF BJP REVOLT

Dinesh Trivedi (MP from Barrackpore in West Bengal, from the Trinamool Congress and a former minister for Railways) speculates that "if Congress wins Karnataka, the revolt within the BJP will take the shape of a tsunami. Those who entered the party in 2014 just to win, will be the first ones to look for greener pastures as they never came to BJP for ideological reasons in the first place. It is of utmost importance for a MP is to continue winning his/her own seat. Never mind the political party."

Dinesh Trivedi (MP from Barrackpore in West Bengal, from the Trinamool Congress and a former minister for Railways) writes that his experience of Indian polity and elections suggests that the mood of the public can change abruptly.

The present BJP led government came to power in 2014 with a goodwill few parties had enjoyed. There was talk that this government would last at least 15 years. "But in four years the mood of the public has changed."

The turning point, writes the former minister "has been the Assembly elections in Gujarat, the bye-elections in Rajasthan and Madhya Pradesh. The body blow, of course, were the bye-elections in Gorakhpur and Phulpur, the constituencies of UP chief minister Yogi Adityanath and deputy chief minister Keshav Prasad Maurya. The unthinkable happened at the last minute just before the polls took place, with the teaming up of the BSP and SP. The Congress hardly mattered.

### ARROGANCE OF BJP MLA

BJP MLA and local strongman from Unnao in Uttar Pradesh Kuldeep Singh Sengar, accused by a 16-year-old girl of raping her along with his brother last year, has so far escaped severe punishment. He has openly blamed his accusers as "neech kism ke log" (low caste people).

Such arrogance of some of BJP leaders, from Uttar Pradesh to Rajasthan and Gujarat to Madhya Pradesh, only feeds into the narrative of those who want an India divided into groups whether caste, community, or class based, whose primary identity is anything but 'Indian' as it makes vote-catching easier.

"Suddenly it seems the government has lost the rein of power..... Suddenly there is a buoyancy in the body language of the Opposition and signs of worry in the BJP camp."

Even more significant is that "the NDA's allies have realised that the ship is not safe to take them to shore, so they are ready to shift. The first blow has come from the TDP, the Shiva Sena, TSR, YSR parties, besides a little nudge from Akalis...." To make it worse, a number of NDA Dalit MPs are dissatisfied with the BJP.

### ECONOMY: CONSUMER CONFIDENCE HAS WANED

Other than the election arithmetic and Opposition unity moves, the BJP led government is on the blackfoot on the economy as well.

The Reserve Bank of India (RBI)'s latest survey of consumer confidence released last week paints a less than enthusiastic, if not, borderline picture of economic pessimism.

The survey, writes Rajesh Mahapatra, Editor at Large, Hindustan Times "in essence, tells us that consumer confidence in top cities has waned, yet again. The sentiment emerging from the January-March 2018 period, after a temporary

improvement in the preceding quarter, has now become subdued in terms of the prospects for jobs, growth in income and the economy.”

The survey tracks households’ perceptions and expectations on the general economic situation, jobs, prices, income and spending, in New Delhi, Mumbai, Bengaluru, Kolkata, Hyderabad and Chennai. The latest round covered 5,279 respondents.

“The current situation index (which is based on perceptions) has remained in the pessimistic zone since March 2017,” the RBI said in its note on the survey. “The future expectations index followed a similar trajectory.”

The results show the double-whammy of demonetisation and GST is far from over. What is also more clearly revealed is that a growing disconnect is strikingly visible between what people expected and what they actually got.

Mahapatra concludes that “if the RBI survey and other data sets relating to investment and sales correctly mirror the economic sentiments of the urban middle class, then the economy and its growth story (or the lack of it) cannot be the main narrative for Prime Minister Modi’s re-election bid in 2019.

“Conversely, therefore, it can be argued that the non-performing economy is what the Opposition can most likely bet on and challenge in the run-up to the next general election. Bluntly put, Modi’s re-election strategy for 2019 will have to depend on factors other than those that relate to India’s economy.”

## ECONOMY THE MAIN ISSUE

While taking a balanced view on the economy, Jayshree Sengupta, (Senior Fellow working with ORF’s Economy and Development Programme) agrees that most people will be deciding on whom to vote for next year on the basis of what the Modi government has done for them in the past five years.

Looking at the positives, Sengupta states the “government can take credit for

passing the bankruptcy code which is important for attracting FDI. It has made winding up business easier. Amid hiccups, the government succeeded in putting GST in place, though there are many critics on the way it has been implemented. On the whole, creating a single market through GST has been a good thing for business. But its cost was the slowdown of the MSME sector and export growth.”

Digitisation has benefited people although there are worries on the data protection front. “Low-income people are grateful for the insurance scheme covering life and accident that the Modi government has started and 18 crore people have been covered. They will be grateful for the health scheme for 10 crore people also in which the contribution by the beneficiary is small. They may feel that the Modi government has given them something more than the UPA government.

“Many women (3.4 crore) will be grateful for the free gas connections which will save them from polluting biofuels like cow dung. But nothing significant has happened with regard to women’s empowerment and safety or their ability to choose when to stop having children.”

The big problem is that nothing much has changed on the agricultural front and farmers are still distressed. “The share of manufacturing in GDP has not gone up to 20 per cent and is stagnating around 16 per cent despite the ‘Make in India’ initiative. Exports have started growing only recently in the past four years. Even though a big amount of FDI — \$208.99 billion since 2014-17 — has come, it has not led to much job creation. Skilling of youth also has not led to an increase in jobs. Automation and digitalisation is taking place in big industry. A recent RBI study has revealed that manufacturing jobs grew only by 2.1 per cent and total employment fell by 0.1 per cent in 2015-16 and 0.2 per cent in 2014-15. Modi has clearly not lived up to his promise of creating 10 million jobs a year.”

On demonetisation and the huge disruption it caused, Sengupta writes “the

poor will remember loss of wages, jobs and having to move back to villages.” Adding to the woes, is the banking system that is in disarray. “Banking scams are continuing and new scams are surfacing.”

Poverty remains a challenge. “Millions of people — at least 250 million — are still very poor in India and they are in need of good healthcare and quality education. The queues and crowds around government hospitals will convince anyone that nothing much has changed in the past four years in public healthcare. Public expenditure on health and education remain abysmally low.”



## COVER STORY PARLIAMENT WASHOUT: FEAR OF DEBATE OVER NO- CONFIDENCE MOTION

Parliament was adjourned sine die on April 6 with little business conducted. This has become a regular recurrence with both, government and the Opposition to blame.

On his part, Prime Minister Narendra Modi has blamed the Opposition parties squarely. In his message to BJP MPs via an audio bridge Wednesday, he urged them to “share how Parliament was held hostage by some political parties and not allowed to function”. The BJP observed a day-long fast on this issue Thursday.

The prime minister said “The Parliament was held hostage by a handful of people who could not gain power in 2014, who now, in their arrogance and frustration, do not want the country to move forward. They haven’t allowed the Parliament to function. It is the poor of the country who are served by the work in Parliament. These people [Opposition], because of their desire for power, are trying to crush democracy. It is our duty to convey this to the people, for which we are observing a fast.”

The Congress on its part dismissed the BJP’s call for a fast as yet another photo



opportunity. Both Houses lost more than 120 hours each to disruptions. The passing of the Finance Bill 2018 in the Lower House without any debate represents the state of parliament.

However, the Hindu writes: “the crisis is defined by more than numbers; it is the quality of interaction that is damaging India’s democracy. The Lok Sabha Speaker, most glaringly, failed to use the powers at her command to suspend unruly MPs so that a notice for a no-confidence motion could be considered. Certainly, for all the expedient calculations that guided Opposition parties and the government at different points to have the Houses disrupted, eventually neither benefits. Both come across looking effete — the Opposition for failing to keep the government answerable (especially by failing to use Question Hour), and the government for not mustering the grace and conviction to debate a no-trust motion...”

## CRISIS OF CONFIDENCE

Manini Chatterjee, writing in the Telegraph agrees that the session “was derailed by the ruling party that was too afraid to squarely face the first no-confidence motion since it was elected.....The wrangle was over the form of discussion: the Opposition, led by the Congress, was keen on a discussion with voting in the Rajya Sabha and an adjournment motion in the Lok Sabha; the government wanted a discussion that did not entail a vote.”

After its ‘historic’ victory in Tripura, and spread its footprint across the Northeast, the BJP was rocked by the Nirav Modi-Mehul Choksi bank fraud issue. More importantly, the Telugu Desam Party decided to quit the National Democratic Alliance in protest against the Centre’s refusal to grant special category status to Andhra Pradesh. Then, the “Long March” by Maharashtra farmers brought to the forefront the smouldering agrarian unrest.

The shock defeats in the Lok Sabha by-elections in Gorakhpur and Phulpur

in Uttar Pradesh and Araria in Bihar had “an electrifying impact on the Opposition parties as well. The BJP no longer seemed as invincible as before. Ground realities were compelling erstwhile foes such as the Samajwadi Party and the Bahujan Samaj Party to join hands, and the TDP to abandon the NDA, and other allies become more vocal in their dissent.” And with the All India Anna Dravida Munnetra Kazhagam members insisted on disrupting proceedings over the Cauvery river water issue, the BJP feared a discussion on the floor of the house.

But the fact is that even after the exit of the TDP, the NDA has enough numbers on paper to win a confidence vote. Therefore, “by allowing, if not actively encouraging, the washout of the session, the Modi government managed to escape the perils of a no-confidence motion. But in the process, it also betrayed an acute lack of confidence in itself and its leader that is bound to haunt the government for the rest of its term...”



## NORTH - SOUTH DIVIDE: DEMAND FOR A DRAVIDA NADU (NATION)

Two significant events in recent times have focused on the increasing north - south divide.

Shiv Visvanathan (professor, Jindal Global Law School and director, Centre for Study of Knowledge Systems, OP Jindal Global University) identifies them: “The first was Chandrababu Naidu’s call for a federation of southern states to fight the BJP’s onslaught. Naidu visualised it within the electoral framework but also as a way of giving the South both financial and political breathing space from the BJP. The second call, raised by the DMK leader Stalin that raised memories of linguistic secession, was the project of Dravida Nadu.”

The call for a federation of southern states stems from the 15th Finance

Commission’s Terms of Reference and formula for the devolution of funds. The southern states believe that the change in terms will penalise them for doing well in controlling population of their respective states. The linguistic aspect is primarily imposition of Hindi and Tamil Nadu has been in the forefront of this agitation for decades. These two have now revived the Dravida Nadu (separate nation for Southern States) debate.

The idea of Dravida Nadu, writes Visvanathan “in fact was proposed decades earlier by Periyar’s Justice Party. It spread from Tamil regions to embrace all Dravidian languages. By the 1950s, the dream of Dravida Nadu faded, though language was still a pressing issue. But today one sees a resurgence of southern and Tamil nationalism, centring on a feeling that the South is different. What once centred on language has burgeoned into a general dissatisfaction. One saw evidence of it when a younger generation argued for jallikattu (a bull festival in Tamil Nadu that was such to be banned). One sensed it in the manner in which Tamils have reacted to the way the Centre has responded to the Sri Lankan problem. In 2017, it acquired a new dimension with the notification banning the sale of cattle for slaughter. A Twitter war ensued in which Kerala refused to comply with the diktats. By 2018, what was a shopping list of dissatisfactions turned into a political battle over the Centre’s economic neglect of Southern states. Stalin and Naidu provided variations of this demand. On Tuesday, ministers and officials from Kerala, Andhra Pradesh, Karnataka and Puducherry met in Thiruvananthapuram to discuss the concerns and views on the terms of reference of the 15th Finance Commission. Telangana and Tamil Nadu did not take part in the conclave.”

Visvanathan blames “BJP’s centralism” for this trend.

He seeks to understand the phenomenon taking place in South India. “First, the distinctness of culture and of region. Second, a sense of the arrogance of the North and its illiteracy about the South.

Third, a sense that the South has been neglected when it comes to economic decisions. In each of these cases, one sees two tactics. It often expresses itself as a search for more autonomous states looking for special status or for a sense of the solidarity with the region. If the earlier moves were rhetorical, the new strategy seems more strategic. Tamil nationalism or southern regionalism becomes a bargaining chip one brings to the negotiating table, ever present in the psyche of the people. It is a force that can be tapped into.”

These are warning signals, says Visvanathan “which India needs to read. Present in it is a future sense that a centralised India run by majoritarian forces may not work. It is an appeal that India be plural in a many-faceted way and be seen as plural. The BJP may have to go back to the drawing board to rework its idea of the nation-state.”

## A SOUTHERN BROTHERHOOD: A HISTORICAL PERSPECTIVE

Manuraj Shunmugasundaram (advocate and spokesperson of the DMK) traces the history of the Dravida movement in his article published in the Indian Express:

“The idea of a common Dravidian destiny has a long history. In his maiden speech at the Rajya Sabha in 1962, C N Annadurai, the founder-leader of the Dravida Munnetra Kazhagam (DMK), had pleaded the case for “Dravida Nadu”. He said “it will become a small nation, compact, homogenous and united, wherein sections of people in the whole area can have a community of sentiment”. He also spoke about the possibility of making “economic regeneration more effective and social regeneration more fruitful” if such a separate nation was to be carved out of the Union of India.

“The arguments of Anna were a culmination of a 25-year-long campaign. Nambi Arooran, in his study, Tamil Renaissance and Dravidian Nationalism, identifies the first anti-Hindi imposition struggle (1937-1940) as the event that

aroused the separatist tendencies in Madras Presidency. The Justice Party’s 17-year-long reign in the Madras Presidency had ended in 1936 and the Congress government that followed made Hindi compulsory in schools.

“During the protests that ensued, Periyar E V Ramasamy was jailed and during his imprisonment, he was invited to lead the Justice Party. Merging his Self-Respect League with the Justice Party and bolstered by the Muslim League’s advocacy for Pakistan, Periyar started campaigning for a separate Dravida Nadu.

“In 1944, the Justice Party was renamed Dravidar Kazhagam and the secessionist voices grew louder. The resultant subnationalist movement, aided by a rediscovery of Dravidian linguistic and cultural heritage, took shape parallel to the Indian independence struggle. Ultimately, the predominant enthusiasm for secession was centred in the Tamil-speaking region of Madras Presidency. In the first years of independence, the reorganisation of states along linguistic lines reduced the momentum for secession. Finally, in October 1963, the 16th amendment to the Constitution — also referred to as the “anti-DMK Bill” was passed in Parliament — which made it obligatory for elected representatives to swear allegiance to the nation and restricted the freedom of speech and expression to include anything said against the “sovereignty and integrity of the nation”.

“The DMK general council meeting in June 1963 condemned the Centre for curtailing free speech and for attempting to establish a “one party dictatorship”. However, after deliberations led by the Era Chezian committee, the party’s executive committee, in November 1963, amended its demand for “Dravida Nadu” to enabling a “Dravidian Cooperation” — of the four states of Karnataka, Andhra Pradesh, Kerala and Tamil Nadu — to work within the constitutional framework and ensure maximum devolution of powers to the states. It is possible that the Congress leadership expected the 16th

Constitution amendment to shear the DMK of its ideological mainstay and, consequently, implode.

“However, the opposite happened. Buoyed by the anti-Hindi imposition protests in 1965, the DMK swept to power in what was then known as Madras State. Denied Dravida Nadu, the DMK gained Tamil Nadu in the 1967 election.

“While speaking about Dravida Nadu, Anna explained that though the demand for a separate nation was being conceded, the grounds for such a demand continued to exist. Even today, more than half century later, the central government is glaringly indifferent to legitimate regional concerns. Over the past year, a combination of the National Eligibility cum Entrance Test (NEET), the Goods and Services Tax and 15th Finance Commission have triggered a sense of unease in the five southern states.

“The federal harmony has further dipped due to motivated restrictions on cattle sale, uncharitable remarks about Periyar and ill-advised advancement of Hindi over other languages. Today, we are staring at a real and deepening North-South divide.”



## JUDICIARY: INTERNAL AND EXTERNAL THREATS

Reiterating that the Chief Justice of India is “the first among equals” with the “exclusive prerogative” to allocate cases and constitute benches, a Supreme Court bench led by the CJI Wednesday said “there cannot be a presumption of mistrust” about the discharge of the CJI’s Constitutional responsibilities.

Dismissing a PIL that sought directions to regulate the CJI’s power to form benches and allocate cases, the bench of CJI Dipak Misra and Justices A M Khanwilkar and D Y Chandrachud sought to dispel the senior-junior judges notion, saying they are “invested with the equal duty of adjudicating cases which come to

the court and are assigned by the Chief Justice” and “seniority in terms of appointment has no bearing on which cases a judge should hear”.

The bench said “in his capacity as a judge, the Chief Justice is *primus inter pares*: the first among equals. In the discharge of his other functions, the Chief Justice of India occupies a position which is *sui generis*” — in a class by itself.

The ruling comes more than four months after a five-judge Constitution Bench of the Supreme Court asserted that the CJI alone had the power to draw up benches and allot work to them. This was also reaffirmed a few days later by a three-judge bench which dismissed a plea seeking a court-monitored probe into a medical college admission scam allegedly involving former Orissa High Court judge I M Quddusi. But the controversy over the allocation of work by the CJI in the Supreme Court refused to ebb as its four most senior judges—Justices J Chelameswar, Ranjan Gogoi, Madan B Lokur and Kurian Joseph—called an unprecedented press conference on January 12 to raise questions about the conduct of the CJI, especially on allocation of work.

Justice Chandrachud, who wrote the judgment for the bench, said: “Article 146 reaffirms the position of the Chief Justice of India as the head of the institution. From an institutional perspective, the Chief Justice is placed at the helm of the Supreme Court. In the allocation of cases and the constitution of benches, the Chief Justice has an exclusive prerogative.”

The judgment said “as a repository of constitutional trust, the Chief Justice is an institution in himself. The authority which is conferred upon the Chief Justice, it must be remembered, is vested in a high constitutional functionary. The authority is entrusted to the Chief Justice because such an entrustment of functions is necessary for the efficient transaction of the administrative and judicial work of the Court.”

The judges said that “the ultimate purpose behind the entrustment of

authority to the Chief Justice is to ensure that the Supreme Court is able to fulfil and discharge constitutional obligations which govern and provide the rationale for its existence. The entrustment of functions to the Chief Justice as the head of the institution, is with the purpose of securing the position of the Supreme Court as an independent safeguard for the preservation of personal liberty. There cannot be a presumption of mistrust. The oath of office demands nothing less.”

Petitioner Ashok Pande, a lawyer, wanted the Supreme Court to evolve a set procedure for constituting benches and allotting work to them.

### ISSUES WITH THE EXECUTIVE

Other than the internal controversies in the judiciary, an apparently bigger threat is Judiciary’s conflict with the Executive.

In a letter to the Chief Justice of India Dipak Misra, Justice Kurian Joseph has said the “very life and existence” of the Supreme Court is under threat and “history will not pardon us,” if the court doesn’t respond to the government’s unprecedented act of sitting on the collegium’s recommendation to elevate a judge and a senior advocate to the apex court,

He was referring to the collegium’s decision in February to recommend the names of senior advocate Indu Malhotra and Justice K M Joseph, Chief Justice of Uttarakhand High Court, for appointment as judges of the Supreme Court.

In a strongly worded appeal, Justice Kurian Joseph said that “it is the first time in the history of this court where nothing is known as to what has happened to a recommendation after three months.” He urged the CJI to establish a bench of seven senior most judges to suo motu take up the matter of the government sitting on the two names.

In the opinion of Sushant Singh , Associate Editor of The Indian Express, “if this demand is accepted, it would,

effectively, mean an open court hearing by seven senior most judges of the Supreme Court who could pass orders asking the government to decide on the pending recommendations of the Collegium. They could even ask the government to issue the warrants for appointments of the judges within a stipulated time frame and failure to do so would make the government liable for contempt of court.”

In his letter, a copy of which has been sent to the other 22 Supreme Court judges, Justice Kurian Joseph wrote that “government owes a duty to take a call on the recommendation as soon as the same is sent from the Collegium. Failure to discharge their duty by sitting over on the recommendations of the Collegium doing nothing, in administrative law, is abuse of power.”

Serving a warning about the independence of the judiciary from the Executive, Justice Joseph — who is a member of the collegium — wrote that “more than anything else, it sends a wrong message which is loud and clear to all Judges down the line not to cause any displeasure to the Executive lest they should suffer. Is this not a threat to the independence of the judiciary?”

It is believed that the Central government is sitting on the name of Justice K M Joseph who had ruled in April 2016 against the Centre in the case of imposing President’s Rule in Uttarakhand.



### CAUVERY RIVER WATER DISPUTE: POLITICAL COMPULSIONS

The Supreme Court Monday admonished the Centre for continue to evade its legal obligation to create a mechanism to implement its final verdict in the Cauvery dispute within the six-week time limit.

For the Centre, it was embarrassing to be asked to demonstrate its bona fides

by submitting a draft scheme for the court's consideration by May 3. The courts Bench headed by the Chief Justice of India was surprised and disappointed that the Centre had not put a scheme in place or sought an early clarification. It is obvious that a decree on the sharing of water requires a mechanism to give effect to it.

At the same time, writes the Hindu "it is easy to understand the reluctance of the Bharatiya Janata Party-led government at the Centre. It clearly fears that framing a scheme may adversely affect its prospects in Karnataka, which goes to the polls next month. In the conflict between duty and electoral considerations, the BJP has chosen the latter."

Meanwhile, the ambiguity over whether 'scheme' refers to or differs from the 'Cauvery Management Board' envisaged in the Cauvery Tribunal's order has caused great disquiet in Tamil Nadu. This, says Hindu "raises the question whether the court should have allowed an element of ambiguity in its judgment by referring to a 'scheme', while not expressly modifying the portion of the Tribunal's order that talks of a 'Cauvery Management Board' and a 'Cauvery Water Regulation Committee'. This is why even the court's appeal for peace has not assuaged sentiments in Tamil Nadu, where tempers are soaring in some quarters. Unfortunately, a fringe has taken centre stage..."



## JAMMU AND KASHMIR PDP, BJP PARTNERS IN CRIME: MEHBOOBA MUFTI'S BROTHER

In a strong indictment by the Peoples Democratic Party of its alliance with the BJP since it came to power in 2015, J&K Tourism Minister Tassaduq Mufti has said that the two parties have "ended up being partners in a crime (for which) an entire generation of Kashmiris might have to pay with their blood".

Speaking to The Indian Express, Tassaduq Mufti made it clear that this is

not his personal view but the overwhelming sentiment within the PDP.

Mufti is son of the late PDP patron and former CM Mufti Mohammad Sayeed and brother of Chief Minister Mehbooba Mufti.

"Today the threat is that while we are in control, we are no longer trusted," he said. "We were supposed to be partners in rebuilding of this place but, sad to admit this, due to the non-fulfilling of commitments, we have ended up being partners in a crime that an entire generation of Kashmiris might have to pay with their blood".

He urged the Centre to "give up its obduracy and recognise the problem at hand, de-escalate tension, resume the political process" and implement the commitments made in the agenda of alliance. Failing which, he said, the PDP has to "take one last bow and apologise to people for having unknowingly pushed them into something they did not deserve".

Mufti's remarks come when there has been a yet another surge in violence in the Valley, with 18 civilians killed in security force firing, hundreds injured, 47 militants, 26 among them local and 20 security personnel killed in encounters this year; a spike in the firing along the LoC and infiltration. Also, the horrific rape of a child in Kathua and the manner in which a section of the local BJP has railed against the police in support of the accused has also touched off many nerves in the PDP.

Pointing to what he called the "epidemic of pellet-gun related blindness" and "the massiveness of funerals given to slain militants," Mufti said that "the alienation has reached a level now where it can lead to bloodshed of a scale that doesn't find a precedent in history".

"No war can be won against the people and this is something we must not lose sight of. The government can't wait to see who blinks first. Immediate political reach out is needed," he said. "The onus is on the Centre to find ways and means to engage people. Talking to Pakistan is important and political hawkishness

might appear to give us temporary gains but in the long term it can damage us severely."

Recalling how his late father Mufti Mohammad Sayeed decided to join the BJP, Tassaduq Mufti said: "In 2015, when the Agenda of Alliance was being carefully drafted to solemnise the coming together of two ideologically disparate parties PDP and BJP, I was one of those people who kept aside his natural cynicism for such unnatural coalitions, believing that history might throw up a surprise this time... So while a lot of people looked at the agenda of alliance as a governance agenda, I saw it as part of the framework for resolution of the larger Kashmir dispute that is at the root of all problems in our State. A strong government at the centre led by Narendra Modi, who initially betrayed gestures of statesmanship, came as a reassurance that maybe this experiment could work and all our ills might be remedied once for all".

Three years on, he said, "We find ourselves today at the cross roads of despair and abandonment."

Referring to the spurt in killings, Mufti said: "Escalation in violence and the day to day loss of lives has brought Kashmir to the brink of a disaster. If there is an irritant that is provoking youngsters to take up to violence, that irritant must go immediately.

He said that the ferment among the young was a pointer to the road ahead. "The outpouring from student class is a huge alert sign. Highly qualified youngsters leaving homes to take up arms is something that can't be blamed on radicalisation alone... We can't get into war of narratives. At the cost of sounding politically incorrect, I am reaffirming that Kashmir issue needs to be resolved immediately if we wish to see lasting peace in the subcontinent".

"I am not going to be quiet and act as if I am unmoved by the tragedy that is unfolding at ground level, just because I am part of the government. All lives matter. Lives of the people on both sides

of ideological divide. And this is a government for the people and I see nothing wrong in standing with the people to find a solution to the ongoing crisis,” he said.

### WAR ON TERROR IN JAMMU AND KASHMIR ENTERED DECISIVE PHASE: DEPUTY CM

Hinting at continuation of its policy deal to sternly deal with militants in the Valley, Deputy Chief Minister Dr Nirmal Singh said that those holding the gun will be dealt the same way.

The Government policy, he said is very clear that those holding the gun will be treated the same way and concessions can be given to those who wish to return home and who have not committed any serious crime. However, if they continue to tread the path of terrorism and separatism, they will be treated the same way like present.

Speaking to the media he pointed out that the situation has improved to a greater extent. While the present incidents of violence have been taking place for past many years, the important thing is that situation is under control. Terrorists are either on the run or they are getting killed. Incidents of stone pelting too have stopped to a greater extent.

Referring to the recent statements of former Chief Minister Dr Farooq Abdullah asking for dialogue with Pakistan as India was not in a position to take back Pok, Singh said that he was desperate to come back to power. However, to initiate dialogue with those seeking an amicable solution to their problems through peaceful means, the Central government has appointed a special representative Dineshwar Sharma, he added.



### NORTH EAST NSCN-IM TICKS OFF MINISTER RIJJU

The Isak-Muivah faction of Naga rebel outfit Nationalist Socialist Council of

Nagaland (NSCN-IM) ticked off Union minister of state for home Kiren Rijju Monday for his statement that it had dropped the issue of “sovereignty” in its political talks with Centre on a final solution to the Naga issue.

In a statement, the NSCN (I-M) which signed a framework agreement with the Centre in 2015, blamed Rijju for “creating a lot of confusion” with his statements and accused him of “vitiating the environment of the negotiation” with his “repeated immature statement” on the ongoing Naga peace talks.

“When the talk is progressing at the highest level, Mr Rijju has no business to talk on political issues of which he is ignorant. We advice him to refrain himself from such repetition in near future in the interest of both the parties,” the statement said.

The reaction came following Rijju’s interaction with journalists to day earlier where he stated NSCN-IM had dropped the issue of ‘sovereignty’ in the peace political talks with the Centre.

“It is unbecoming of Mr Rijju to have made such statements through the local and national media of the on-going negotiation to which he is incompetent to comment,” the statement said.

“At no point of the negotiation have both the parties ignored important political issues, and the concocted statement of Mr Rijju that, “NSCN has ‘dropped’ the stand of the Nagas on their sovereign right” is a figment of his own imagination,” it added.

Ending years of talks, NSCN-IM and the Centre had signed a framework agreement in August, 2015. The agreement laid the foundation for further talks on finding a ‘final solution’.

Since details of the agreement is not yet public, there’s lot of speculation and fear in northeast on what would happen if the Centre agreed to the long-standing demand of Naga groups to create a Greater Nagalim encompassing Naga-inhabited areas in other states of the region.

Union ministers have repeatedly assured that the final solution with Naga peace groups won’t affect territorial integrity of other states in northeast, but lingering doubts still remain.

Six more Naga rebel groups, which had not joined the talks earlier, started confabulations with the Centre towards the end of last year raising hopes that the nearly six-decade old issue would get sorted soon.



### SOCIETY STEREOTYPING IDENTITIES

Writing about the importance of identities, Pratap Bhanu Mehta (vice-chancellor, Ashoka University) that “Indians not only seem to know who we are, but also seem to know who everyone else is. We easily ascribe identities to others, nest those identities in a set of expectations, and confidently proclaim the obligations that follow from those identities.”

Developing his theme further, Mehta believes that collective identities matter to people. They may give a sense of belonging. They can sometimes produce solidarity. Sometimes they are premised on a sense of superiority and domination..... Collective identities are produced through complex social, psychological and historical mechanisms. Sometimes identities precede political action, sometimes they are constructed through it. But in our public discourse there is something deeply suffocating and inimical about the use of collective nouns and pronouns to capture identities. Almost all words that designate any collective identity — ‘Hindus’, ‘Muslims’, ‘Dalits’, ‘Indian’, or even categories of gender — are almost casually used to imprison people than recognise them...”

India, continue Mehta “has the most nauseating history of imposing compulsory identities on people, through caste. But other casual invocations of

## MINISTER FOR DEATH PENALTY IN CHILD RAPE CASES

Following a public outrage over the gang rape of a minor girl at Kathua in Jammu and Kashmir, Union Minister Maneka Gandhi Friday declared that her ministry intends to amend the POCSO Act, making provision for death penalty in child rape cases.

“I have been deeply, deeply disturbed by the rape case in Kathua and all the recent rape cases that have happened on children. I and the (Women and Child Development) Ministry intend to bring an amendment to the POCSO (Protection of Children from Sexual Offences) Act asking for the death penalty for rape on children below 12 years,” the WCD Minister said in a video message.

Eight people, including mastermind Sanji Ram, have been charged with abduction, rape and murder of the eight-year-old girl from the Bakerwal community in Rasana village in January.

Investigations have revealed that the girl was held in a temple, drugged, repeatedly raped and finally murdered to scare the nomadic Muslim community out of the village.

public identity also extract huge moral costs. Just as nationalism is a form of collective aggrandisement and narcissism, so do most collective identities run the same risk. Collective identities efface individuality. The emphasis in describing everyone first by the collective noun into which they can be slotted often completely forecloses any space of interiority, no space for inwardness, or psychological complexity.....Our constant inability to think of individuals outside of the collective noun under which we slot them has a similar effect. And by subsuming people under abstractions, collective identities do away with ordinary human sympathies.”

Collective identities, writes Mehta “are also becoming scripts others control. They take away possibilities of self-definition...” The use terms like Hindu, Muslim, Women, Dalit, casually stereotypes them.

“Naming has become a substitute for knowing.”



## BRIEFS

### INDIA GAVE 109 DEATH SENTENCES BUT EXECUTED NONE IN 2017: AMNESTY

The Indian courts gave 109 death sentences last year, but the country did not execute anyone, according to Amnesty International.

The number of death sentences imposed last year was 27 fewer than the 136 in 2016, the human rights organisation said in its report, “Death Sentences and Executions 2017”, released Thursday.

Last year, 51 death penalties were imposed for murder alone, down from 87 in 2016, the London-based organisation said quoting the National Law University’s Centre on Death Penalty.

For murder charges involving sex offences, 43 death sentences were handed out. Two death sentences were imposed for drug-related offences.

The report said it also “monitors daily developments on the use of death penalty” and that the number of death sentences it collected was lower than that of the National Law University.

Overall, there were 371 people on death row in India.

The report said that it had recorded commutations of death penalty or pardons in India, but it did not give a number.

The last time India had carried out an execution was in 2015 when Yakub Memon was hanged after being found guilty in the 1993 Mumbai terrorist bombings that killed 257 people. ■ ■ ■

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## DEFENCE MINISTER ON HOT BORDER WITH PAKISTAN ETC

In a wide ranging interaction with the Indian Express on 7 April, Defence Ministry, Nirmala Sitharaman said that after the 'surgical strikes' against Pakistan, "We are finishing them off at the border. If that makes the border hot, so be it. We can't allow them to come in and after that strategise on how to deal with it... which becomes terrorism on our land. So the policy is not to keep it hot or cold, it is more to make sure that it is timely, relevant on the ground, rather than allowing them to come in and determine the rules of the game."

To a question on how 68 per cent of the equipment used by the armed forces was considered dated, the Defence Minister said, "There is rapid removal of old and vintage and (bringing in of) modern. That is happening simultaneously. In the mandated five years we are trying to rapidly change, modernise, bring in capacities."

### ON THE DOKLAM STAND-OFF

On the Doklam stand-off, she said that post the "disengagement", "on August 28, 2017", "Each one of us has moved back. They to the north and we to the south. What they do further north is what is getting a lot of coverage. Post that, if they move... we have to keep a watch, be alert."

### GOVERNMENT'S DEFENCE PROCUREMENT POLICY

She took a dig at the UPA defence procurement policy, adding that the NDA government wanted to be correct,



Defence Minister Nirmala Sitharaman

transparent and place everything on record. "Each one takes six-six months before you take the next step. So there is always this sense of we are not up-to-date... The Israelis have got something, the Russians have something else... We are always catching up because we have given ourselves such a foolproof procurement process."

Sitharaman added that the NDA government had taken two years to simplify procedures and in 2016, introduced a new procurement policy. Since then, she said, procurement had gone up rapidly. "There is not one case pending before the defence acquisition council, and all the three forces have reprioritised their requirements."

On those questioning the government's defence policy based on a parliamentary standing committee report,

Sitharaman said, "The same report will tell you that the Vice-Chiefs have been given all the necessary powers. They are procuring the ammunition required, emergency powers are with them, adequate money has been given to them. The financial muscle given to them is enhanced. Before this Budget, the IAF for instance wouldn't have reached a 105 per cent of utilisation of funds, the Army has used about 98 per cent, and similarly the Navy had utilised all its funds much before the Budget... If the GoI expenditure is taken on account and used as a base, we get 16.6 per cent of total expenditure of the GoI as budget for defence," she said.

### NEED TO COMPENSATE LOW DEFENCE BUDGET

Vice Admiral Arun Kumar Singh (retired as Commander-in-Chief of the

Navy's Eastern Naval Command in 2007. A nuclear and missile specialist trained in the former Soviet Union, he was also DG Indian Coast Guard) is concerned about India's declining defence budget.

In 2018, India he writes has an "effective or real" defence budget of about \$44 billion which, at 1.49 per cent of GDP, is the second lowest since 1950. Another \$18 billion is spent on pensions under the heads of "MoD Misc" (Rs 16,206 crores) and "defence pensions" (Rs 1,08,853 crores). By comparison, the Russian defence budget for 2018 is \$46 billion (2.8 per cent of GDP), while the Americans and Chinese have allocated \$750 billion and \$175 billion respectively.

"Few people are aware that India built up a formidable defence capability between 1962 and 1991 despite a low defence budget because we got a large amount of diverse weapons for the armed forces at 'friendship prices' with repayment spread over 18 years at two per cent simple interest, courtesy the erstwhile USSR (Pakistan is getting something similar from China now).....The decline really set in with the collapse of the USSR in 1991 and matters further deteriorated with nuclear parity between India and Pakistan after the 1998 nuclear tests, and China's phenomenal economic-cum-military rise, its supply of conventional and nuclear delivery capabilities to Pakistan along with the well-known presence of Chinese Navy warships, submarines and new bases in the Indian Ocean."

Growing Chinese military infrastructure (roads, 14 airfields in Tibet, military reorganisation, a defence budget of \$175 billion, etc) and new missile tests by Pakistan Navy of 'Chinese copies', writes the former Admiral "have created some justified unease among the strategic community despite statements that 'India is ready to fight a two-front war' while its Army is importing basic infantry weapons like rifles, carbines and light machine-guns and its Air Force is facing drastic shortages in combat jets. Even the Navy, which has prided itself in designing and

building ships and submarines for over 50 years, is facing a 'funds crunch' with well-known shortages in submarines, mine counter-measure vessels, ship-borne helicopters and amphibious warfare capability."

Raw courage alone or only diplomacy cannot deter or defeat a ruthless enemy says the former Admiral. "Political vision, leadership, resolve, along with a scientific-industrial base and a relevant higher defence management organisation are essential."

The obvious answer to the threats facing the country "is an increase of the defence budget to 2.5 per cent of our GDP, but this is highly unlikely given the glacial pace of military modernisation and our ostrich-like attitude to growing threats from China, Pakistan and terror."

### SITHARAMAN ASKS DEFENCE ATTACHES TO HELP BUILD STRONGER TIES

Defence Minister Nirmala Sitharaman on April 9 addressed a meeting of India's Defence Attaches to enhance their role in implementation of the country's defence cooperation and engagement with foreign countries.

She outlined India's interest in building stronger military-to-military cooperation, training and capacity building as well as cooperation on defence industry and technology with the country's partners.

She encouraged the attaches to play a more pro-active role in this process, highlighting India's views and positions on the evolving regional and global security scenario as well as its rapid economic, technical and military advancements.

India has Resident Defence Attaches in 44 countries, accredited to a total of 95 countries.

An official release said Sitharaman complimented their efforts to expand and strengthen India's defence engagement in bilateral, regional and multilateral frameworks.

Referring to the efforts to expand defence manufacturing in India under Prime Minister's Make in India initiative, she also stressed the need for DAs to engage effectively with all stakeholders in the defence sector, including Defense Public Sector Undertakings as well as private industry, to expand broader defence cooperation linkages.



## DEFEXPO 2018 SHOWCASING LATEST WEAPONS AND PLATFORMS

Prime Minister Narendra Modi Thursday inaugurated the four day defence exhibition in Thiruvadanthai, Tamil Nadu near Chennai amid protests by opposition parties and Tamil groups against what they say is the central government's failure to form the Cauvery management board despite the Supreme Court's order.

India's mega four-day-long defence exhibition — the DefExpo — began on 11 April with participation of major global and domestic military firms, which are eyeing billions of dollars of contract as part of the country's military modernisation programme.

The NDA government is trying to project the 10th edition of the event as first serious attempt to transform India — the largest importer of military platforms and weapons — into a hub of military manufacturing.

India is expected to spend close to USD 300 billion in the next five years in procuring defence equipment and almost all major global defence firms are eyeing a slice of it.

Defence Minister Nirmala Sitharaman, in a tweet, said "For the first time, India will be showcasing its defence export potential at @DefExpoIndia."

According to the Defence Ministry, over 670 defence firms, including 154 foreign manufacturers, are participating



in the exhibition of weapons and military hardware.

It is being attended by official delegations from over 47 countries, including the US, the UK, Russia, Afghanistan, Sweden, Finland, Italy, Madagascar, Myanmar, Nepal, Portugal, Seychelles and Vietnam.

The theme of the expo is India: The Emerging Defence Manufacturing Hub.

Major international companies, which are participating at the expo include Lockheed Martin, Boeing (US), Saab (Sweden), Airbus, Rafael (France), Rosoboron Exports, United Shipbuilding (Russia), BAE Systems (UK), Sibat (Israel), Wartsila (Finland) and Rhode and Schwarz (Germany).

India's indigenously developed land, air and naval systems are also being showcased.

The weapons and platforms being displayed include the Tejas fighter jets, advanced towed artillery gun systems (ATAGS) designed by the DRDO Arjun Mark 2 tank and Dhanush artillery guns.

The DRDO's exhibits include the Nirbhay missile system with launcher, autonomous unmanned ground vehicle (AUGV), MBT Arjun Mk-I tank, Astra missile, low level transportable radar (LLTR) system, medium power radar (MPR) system and Varunastra — heavy weight anti submarine electric torpedo.

The exhibition is spread over an area of 2.90 lakh square feet.

## UPA'S INCOMPETENCE DAMAGED INDIA'S DEFENCE: MODI

Prime Minister Narendra Modi on April 12 said his "bold action" in meeting the country's critical military requirements were contrary to the Congress-led UPA government's "laziness, incompetence or perhaps some hidden motives" that damaged India's defence.

Inaugurating the DefExpo 2018 on East Coast Road near Chennai, he blasted the UPA over stalled defence projects and commended his own government for

finalising the procurement of bulletproof jackets for soldiers and setting in a new process to procure 110 fighter planes for the Indian Air Force.

"There was a time when the critical issue of defence preparedness was hampered by policy paralysis. We have seen the damage such laziness, incompetence or perhaps some hidden motives can cause to the nation.

"Not now. Not anymore. Never again," Modi said in a 30-minute speech at the defence trade fair that projects India as one of the major defence manufacturing hubs in the world.

"You would have seen how the issue of providing bulletproof jackets to Indian soldiers was kept hanging for years. You would have also seen that we have brought the process to a successful conclusion with a contract that will provide a boost to defence manufacturing in India," the Prime Minister told his audience of international delegates, foreign industry captains and domestic manufacturers.

He was referring to a major defence contract for the procurement of 1.86 lakh bulletproof jackets signed earlier this week after the successful conduct of field evaluation trials.

The Rs 639-crore project has gone to SMPP Pvt Ltd - a Delhi-based company that has a Research and Development centre in the Okhla Industrial Area. The contract was signed under the "Make in India" initiative nine years after the Indian Army first made a request to acquire body armour for its soldiers.

Modi also referred to the Indian Air Force's long-awaited request for information (RFI) issued last week to global vendors for the procurement of 110 single-engine and twin engine fighters under the Defence Procurement Procedure of 2016 to facilitate indigenous military hardware manufacturing.

"You would also recall the long-drawn process of procurement of fighter aircraft that never reached any conclusion (during the previous government).

"We have not only taken bold action to meet our immediate critical requirements, but have also initiated a new process to procure 110 fighter aircraft."

US defence majors Boeing and Lockheed Martin, Swedish aircraft-maker Saab, France's Dassault Aviation, the Eurofighter consortium and Russian jet builder United Aircraft Corporation are expected to bid for the fighter project that could be worth more than \$15 billion.

Modi also launched a new scheme "Innovation for Defence Excellence" (IDEX) to link young innovators to defence agencies as part of the government's efforts to boost and modernise India's fledgling military manufacturing sector.

Under the scheme, the government would set up defence innovation hubs throughout the country to provide necessary incubation and infrastructure support to the start-ups in defence sector.

The Prime Minister said he was conscious that defence manufacturing needed government involvement at many stages. "You need the government to grant a license to manufacture arms and ammunition. Since the government is almost the only buyer, you need the government to grant an order. You need the government even to grant permission to export."

He said to ease the process, his government took many steps and "made a humble beginning on defence manufacturing licenses, offsets, exports clearances, Foreign Direct Investment and on reforming India's defence procurement.

"In all these areas, our regulations, processes and procedures have been made more industry-friendly, more transparent, more predictable and more outcome-oriented.

"The defence procurement procedure has been revised with many specific provisions for stimulating growth of domestic defence industry. We have also de-notified some items earlier made

exclusively by Ordnance Factories, so that private sector, especially MSMEs can enter this space."

He recounted that in May 2014, the total number of defence export permission granted stood at 118, for a total value of \$577 million. But, he said, "In less than four years, we have issued 794 more export permissions, for a total value of over \$1.3 billion".

He said the government was committed to establishing two defence industrial corridors - one in Tamil Nadu and the other in Uttar Pradesh - which would utilise defence manufacturing ecosystems in the regions and further build upon it. "The corridors will become engines of economic development and growth of defence industrial base."

Modi also said India's military aims and preparedness were driven not by a desire to conquer anyone's territory but to protect its own people.

Addressing a gathering of mostly foreign dignitaries and captains of foreign and local military manufacturing companies, Modi said India, the land of Buddha, had always believed in winning hearts and not land.

"Thousands of years of history of India shows that we have never desired anyone's territory. Rather than winning countries through wars, India has believed in winning hearts.

"This is the land from where the message of peace and universal brotherhood has gone out since Vedic times," Modi said in a 30-minute speech at a defence trade fair that projects India as one of the major manufacturers of war machines in the world. The event is taking place in Kancheepuram district, about 40 km from the heart of Chennai.

"This is the land from where the light of Buddhism spread to the world. In fact, from the time of Ashoka The Great and even earlier, India has believed in using strength to protect the highest ideals of humanity."

Modi's remarks come amid China's

heavy increasing claims over the South China Sea islands that has major strategic implications and Beijing's military deployment last year at the Doklam tri-junction that also connects India and Bhutan.

The Prime Minister praised Indian armed forces' contribution to world peace and said that in modern times more than 130,000 Indian soldiers sacrificed their lives in the two World Wars. "India had no claim on territory. But Indian soldiers fought for restoring peace and upholding human values," he said and added that independent India had also sent one of the largest numbers of UN peacekeepers to places all over the world.

He said while maintaining peace was primary, at the same time, the State had an important responsibility to protect its own citizens.

Referring to Kautilya, he said the ancient Indian thinker wrote the 'Arthashastra' treatise more than 2,000 years ago, saying that the ruler must protect his people and that peace is preferable to war. "India's defence preparedness is guided by these thoughts. Our commitment to peace is just as strong as our commitment to protect our people and our territory. And for this, we are ready to take all steps required to equip our armed forces, including through the establishment of a strategically independent defence industrial complex."

### **CAN'T FORCE ITS FORCES TO BUY WEAPONS 'MADE IN INDIA': SITHARAMAN**

Defence Minister Nirmala Sitharaman on April 11 said the government cannot walk a "thin line" to compel Indian armed forces to buy indigenous weapons, after she opened a major defence trade fair that projects India - world's biggest global arms importer - as one of the major military equipment manufacturing hubs.

The four-day DefExpo India, themed "Emerging Defence Manufacturing Hub," and being held at Thiruvananthapuram off the East Coast Road, is the 10th

biennial exercise aimed at establishing Brand India and highlighting the manufacturing capabilities of the country's defence sector.

Asked about the huge export-import gap in the defence sector of a country that does not even figure among the top 25 exporters of arms with even its own forces hesitating to buy locally-manufactured weapon systems, Sitharaman said she could only tell the Indian armed forces to procure from indigenous companies "as much as possible".

She said she could not cross a "thin line" to impinge on the freedom of the Indian Army, the Indian Air Force or the Indian Navy "to make their own decisions" as per their operational requirements.

"When I am promoting Indian exports, Indian manufacturing, I am also telling the forces to procure domestically as much as possible.

"I would want to draw a thin line between the government's enthusiasm to make sure the production capabilities are such that they meet international standards and are export-worthy and the other side of the line where the Army, Navy or Air Force make their decision on what they want, what combination of equipment they want and in that combination if an India produced item fits in well.

"I can only go that far and not further, just as they can only go that far and not further without compromising each others' interests. I can't imagine prevailing upon them. We will only want them to give space to local manufacturers and buy indigenous products."

With the third largest armed forces in the world, India's defence market is one of the most lucrative in the world. According to estimates, the country is expected to lay out a \$620-billion budget for defence procurements till 2022, offering foreign as well as local businesses immense opportunities.

Over 30 per cent of India's defence budget goes on capital acquisitions and

60 per cent of defence-related requirements are met by imports. The government is trying for import substitution and has offered foreign countries to "Make in India" -- a key facet of Prime Minister Narendra Modi's governance aspects.

The defence exhibition that targets India's futuristic goal of building a self-sufficient domestic arms industry comes even as the armed forces of India facing multiple security threats continue to be saddled with sub-optimal weapon systems.

At the heart of this is the country's inability to boost indigenous defence manufacturing, which is often blamed on inordinate procedural delays, making a product redundant by the time it gets market-ready.

For example, the advanced versions of the indigenous Tejas light combat aircraft and the Arjun main battle tank: while the aircraft is still not combat-ready despite being in the making for over three decades, the main battle tank is said to be too heavy and poor in serviceability.

At the defence exhibition, dozens of foreign and local companies and defence public sector undertakings are hard selling their products to the Indian armed forces and foreigners, including defence attaches.

Defence Secretary Ajay Kumar said the government was not targeting any specific number of deals or agreements expected to be signed at the exhibition that "showcases the strengths of India's public sector and also uncovers India's growing private industry and spreading MSME base for components and sub-systems".

Over 650 exhibitors, including some 520 Indian companies, are participating in the event.

The response from foreign companies this time, as compared to the previous DefExpo held in Goa in 2016, has not been that good. A total of 232 foreign companies had participated in Goa, while it is 154 this time.

Official delegations from nearly 50 countries, including the US and the UK, are attending the expo that has participation of some major global companies including Lockheed Martin, Boeing, BAE Systems, Rafael, Saab, Airbus, Rosonboron Exports, United Shipbuilding, Sibat, Wartsila and Rhode and Schwarz.

Also on display at the 2.90 lakh-square-foot exhibition area along the sea coast are indigenously developed land, air and naval systems.

These include Tejas fighter jets, advanced towed artillery gun systems designed by the Defence Research and Development Organisation (DRDO), Arjun Mark 2 tank and Dhanush artillery guns.

The DRDO is showcasing the Nirbhay missile system with its launcher, MBT Arjun Mk-I tank, Astra missile, low-level transportable radar system, medium power radar system and Varunastra -- the heavyweight anti-submarine electric torpedo.

### EXPECTING DEFENCE ORDERS UNDER MAKE IN INDIA PREMATURE: INDIA

Expecting defence orders at this stage of the country's still nascent "Make in India" policy is "a little premature", top Defence Ministry official said on April 11 at DefExpo 2018 in Chennai that showcases the country as a major defence manufacturing hub.

"The Strategic Partnership Policy is at a preliminary stage and we have to evaluate it and do consultations in terms of (transfer of) technology. To expect orders next year, I am afraid, is a little premature," Defence Secretary Sanjay Mitra said.

He was addressing a joint press conference with Defence Minister Nirmala Sitharaman, Defence Production Secretary Ajay Kumar, and Defence Research and Development Organisation (DRDO) chief S. Christopher on the first day of the April

11-14 defence expo.

Mitra was replying to a question actually asked to Sitharaman whether the BJP-led NDA government that completes its term in about a year from now would be able to secure orders under the "Make in India" flagship programme to boost India's manufacturing sector.

Ajay Kumar said the ministry was examining comments it had received from various stakeholders on the draft Defence Production Policy 2018 released on March 22 to give a thrust to development of design and production capabilities of the country's defence sector. "We are in the process of examining those comments and based on consultations with other ministries, the policy will be placed for final approval. We hope to see the final policy very soon. Consultation process is on... We should be able to do it very soon," Kumar said.

With only 12 months left before the next Lok Sabha elections, strategic projects such as the Project 75-I submarines have been stuck in the absence a model policy.

Mitra also said the government was in the process of amending the Strategic Partnership Model policy announced in May 2017 for the Indian private sector.

The policy under the Defence Procurement Procedure seeks to identify a few Indian private companies as strategic partners, who would initially tie up with a few shortlisted foreign original equipment manufacturers to manufacture big-ticket military platforms.

In the initial phase, the selection of strategic partners would be confined to four segments-fighter aircraft, helicopters, submarines and armoured fighting vehicles (AFV)/ main battle tanks (MBT).

Secretary Mitra said India had moved with its first procurement under the strategic partnership model with the rollout of the first request for information (RFI) for procuring 110 fighter jets for

the Indian Air Force last week. "We have brought out the RFI (for the fighter jets). We have to evaluate it, and look at transfer of technology and Make in India aspects."

Mitra dismissed a claim that RFI to purchase the fighter jets under a \$15-billion deal was a repeat of the MMRCA (Medium Multi-Role Combat Aircraft) deal announced by the UPA government in 2008 which was eventually scrapped. "I don't think we need such apprehensions. It is a fresh RFI and we should look at it that way."

### **FRENCH GROUP THALES TARGETS 1 BN EURO FROM INDIA**

French group Thales, which caters to both the defence and civil sectors, on April 10 said it plans to increase its Indian revenue to 1 billion euros and double its exports to 600 million euros in the near future.

The French group has also signed two MoUs with MKU Ltd - one for development and production of optronic devices and the other for making F90 close quarter battle rifle for soldiers.

Interacting with reporters in Chennai, Thales India Vice President and Country Director Emmanuel De Roquefeuil said the French group generates a revenue of 300 million euros now and the target is to take that to 1 billion euros in the near future.

Thales caters to the Indian defence and civil sectors on its own and through its joint ventures in India and according to Roquefeuil, India is one of the three key markets where the group wants to grow its business.

Thales' strategy is not only "Make in India" but also export from India. "We are developing local partnerships and co-developing products to address the Indian market as well as the export from India," he said.

About the two MoUs with MKU Ltd, Roquefeuil said the agreement for optronic devices is for enhancing the

night fighting capabilities of the Indian Army and homeland security forces.

The agreement provides for manufacturing of weapon sights, night vision goggles, handheld thermal imagers and thermal infrared sensor engine for soldier systems and other image intensification and thermal imaging systems for soldiers and platforms respectively.

As per the second agreement - to make rifles, MKU could set-up an assembly unit for carbine version of the F90 assault rifle which is already in service with Australian Defence Forces.

The optronic devices will be co-developed by both the partners. Both the optronic devices and F90 rifles will be manufactured in India at MKU's facilities in Uttar Pradesh's Kanpur.

According to him, Thales now plans to develop products in India whose intellectual property rights will be housed in the country.

Queried about Thales Indian joint ventures, Roquefeuil said the BEL Thales Systems Ltd is for civilian and select ground based military radars.

The joint development of PHAROS multi-tracking radar is to serve Indian and worldwide markets. All set timelines have been met in the joint development of the fire control radar.

Roquefeuil also said that Thales will upgrade six Mirage 2000s of the Indian Air Force and the balance will be done by the Hindustan Aeronautics Ltd.

On the joint venture with Reliance Defence, he said that it would be ready by the end of 2018.

The French group also has joint ventures with Samtel (for military avionics, airborne sensor systems) and L&T Technology Services (for software including avionics).

### **MOU SIGNED TO PRODUCE UAV SYSTEMS FOR DEFENCE FORCES**

Cyient, a Hyderabad-based company, and Israel-based BlueBird Aero Systems

entered into a joint venture on April 11 to offer field-proven unmanned aerial vehicle (UAV) systems to Indian defence, paramilitary, security and police forces.

A release said that the joint venture, named Cyient Solutions and Systems Private Limited, has 51 per cent and 49 per cent shareholding by Cyient and BlueBird respectively.

Cyient and BlueBird signed the joint venture agreement at the DefExpo 2018 in Chennai. The event was attended by stakeholders from both companies and industry representatives from India and Israel.

The release said that Cyient Solutions and Systems will indigenise, manufacture, assemble, integrate and test advanced UAV systems at its production facilities in Hyderabad by leveraging BlueBird's technology and manufacturing know-how.

Cyient Solutions and Systems, supported by BlueBird, will also provide comprehensive aftermarket services including spares.

The release said the joint venture's portfolio includes SpyLite, ThunderB, and MicroB systems that offer "highly-innovative UAS technology designed to fulfill covert, real-time intelligence, and tactical mapping-on-demand missions across open areas or crowded urban environments."

Cyient Solutions and Systems recently conducted field trials in India that successfully demonstrated the SpyLite's outstanding performance in a tactical surveillance role at high altitude and in extreme weather conditions.

Commenting on the announcement, Krishna Bodanapu, Chief Executive Officer and Managing Director, Cyient, said the joint venture underlines the commitment of both partners to the government's Make in India initiative.

While Cyient provides engineering, manufacturing, geospatial, networks, and operations management services to global industry leaders, BlueBird specialises in

design, development and production of micro, mini and tactical unmanned aerial systems and peripheral equipment.

Cyient has 14,000 employees across 21 countries.

## GMR PLANS AEROSPACE AND DEFENCE HUB IN TAMIL NADU

Infrastructure major GMR Group is setting up an 'Aerospace & Defence Manufacturing Hub' at the Special Investment Region (GKSIR) in Hosur, Tamil Nadu, an official said on April 11.

The company said the aim was to accelerate indigenisation of defence manufacturing since India - among the world's top five defence spenders - still satisfies 60 per cent of all its requirements through imports. Terming the proposed hub as an ideal location for defence sector related production, it said major defence PSUs like Hindustan Aeronautics Ltd, Bharat Electronics Ltd, Bharat Earth Movers Ltd and Defence Research and Development Organisation were located 50-60 km from Hosur.

The project, a joint venture between GMR Group and Tamil Nadu Industrial Development Corp, will come up on 600 acres of land already made available for immediate occupation, said the Group's Business Chairman - Transportation & Urban Infrastructure B.V.N. Rao.

The hub also has the advantage of the established ecosystem of Hosur, 700-plus MSMEs engaged in precision engineering in the region besides proximity to Bengaluru which would ensure ready access to skilled manpower.

"This hub can potentially be a game-changer for the region. We will provide all necessary infrastructure facilities to attract global majors to set up their manufacturing facilities here," Rao said.

## ADANI GROUP COLLABORATES WITH PUNJ LLOYD AND RAVE GEARS

Infrastructure player Adani Group on April 11 said it will collaborate with Punj

Lloyd and Rave Gears, US for design, manufacture and assembly of high precision gears and transmission systems for rotary platforms.

The Adani Group made the announcement at the exhibition of defence equipment manufacturers DefExpo 2018 being held near Chennai.

In a statement, the group said the collaboration intends to manufacture gears and gear assemblies mainly for rotary platforms, currently under production in India for Hindustan Aeronautics Ltd (HAL) as well as for future programmes like naval helicopters.

The collaboration will use the manufacturing base in India for exports to global original equipment manufacturers - both in the military and civil aerospace domain.

"The collaboration is another step in Adani Group's vision of creating a vibrant defence manufacturing ecosystem by bringing world-class capabilities to the country. It will help establish new production lines in India, generate employment and build sustainable skills," Ashish Rajvanshi, Head of Adani Defence and Aerospace was quoted as saying in the statement.

## L&T TO MAKE DEFENCE PRODUCTS WITH BEL

Larsen & Toubro (L&T) on April 11 announced it would manufacture defence products and systems for domestic and export markets in partnership with the state-run Bharat Electronics Ltd (BEL).

"In line with the government's efforts to indigenise the defence sector under the 'Make In India' initiative, we have signed an agreement with BEL to make defence products and systems for the domestic and export markets," said the Mumbai-based L&T in a statement in Chennai.

Through the tie-up, the companies seek to leverage their capabilities to meet the growing requirements of Indian armed forces, it added.

The partnership aims to tap the well-developed supply chain and experience of

Bengaluru-based BEL and L&T to enhance exports in the defence sector.

"The agreement gives an opportunity for public-private partnership in defence equipment and systems and thereby export market products with higher indigenous content," said L&T's Director, Defence, Jayant Patil in the statement.

The two firms have earlier partnered for the production of sub-systems of the weapon systems like Akash Missile launchers, among others.



## NAVY

## MAHINDRA DEFENCE, ISRAEL'S AERONAUTICS SIGN MOU FOR NAVAL UAVS

Mahindra Defence - part of the Mahindra Group - on Wednesday said it has signed up a Memorandum of Understanding (MoU) with Israeli company Aeronautics for naval shipborne unmanned aerial vehicles (UAVs).

In a statement issued in Chennai on April 11, Mahindra Defence said the two companies will offer a UAV system which can be launched and recovered by Indian warships.

Aeronautics, a leading manufacturer, is an Israeli public listed company and is a key player in the defence domain.

Aeronautics makes the Orbiter series of UAVs which have been sold in many countries globally.

The Aeronautics Orbiter 4 is an advanced multi-mission platform with the ability to simultaneously carry and operate two different payloads.

With an open architecture, the Orbiter 4 can be specially adjusted to the needs of each mission.

Among the different payloads the Orbiter 4 can carry are maritime patrol radar (MPR), cellular interception sensor, satellite communication, synthetic aperture radar (SAR), automatic

identification system (AIS) and advanced electro-optic payload, the statement said.

Mahindra Defence and Aeronautics have entered into the partnership to offer the maritime version of Orbiter 4 to the Indian Navy, the statement said.

"Aeronautics has entered into this partnership to offer the maritime version of Orbiter 4 to Indian Navy. We will work together with Mahindra Defence to manufacture Orbiter UAVs in India," Amos Mathan, CEO, Aeronautics was quoted as saying in the statement.

"We are ready for transfer of technology and transfer of production line in India. This is a sign of Aeronautics' commitment to India by offering our newest and most advanced aerial solutions for operations by Indian Navy - one of the best navies in the world," he added.

"Specifically, we have entered into this partnership to address a range of possibilities from offsets to manufacturing in India which includes transfer of technology and life-time support of the product," S.P. Shukla, Group President, Aerospace & Defence Sector, Mahindra Group and Chairman, Mahindra Defence was quoted as saying in the statement.

## MAHINDRA DEFENCE SIGNS MOU WITH JAPAN'S SHINMAYWA INDUSTRIES

Mahindra Defence, a part of India's Mahindra Group, on April 11 signed an MoU with Japan's company ShinMaywa Industries Ltd on MRO services and manufacturing of the US-2 amphibian aircraft.

In a statement issued in Chennai, Mahindra Defence said both the companies have entered into this partnership with a view to set up maintenance, repairs and overhaul (MRO) services in India and also to undertake manufacturing, assembling of structural parts and components for the US-2.

The MoU was signed on the sidelines of the DefExpo 2018.

ShinMaywa US-2, manufactured by

ShinMaywa Industries, is a veritable force multiplier since it fulfils a multitude of missions in a single platform, the statement said. "This partnership between two companies familiar with the aviation business is positive especially for MRO and maintenance services in the Indian defence aerospace sector," SP Shukla, Group President, Aerospace & Defence Sector, Mahindra Group and Chairman, Mahindra Defence was quoted as saying in the statement.

## GSL TIES UP WITH MTU-GERMANY TO MANUFACTURE NAVY SHIP ENGINES

The Goa Shipyard Ltd (GSL), a defence ministry facility, tied up with MTU-Germany to manufacture Series 8000 engines, which are fitted on offshore patrol vessels, as part of the 'Make in India' programme, an official said on Thursday.

"Since main diesel engines constitute the heart of a ship and are among the major high value imported equipment items onboard ships, the collaboration will aid to significantly increase the indigenous content onboard ships constructed in India. It will also provide a strategic edge to Indian defence sector," GSL Managing Director Shekhar Mittal said in a statement.

The agreement between GSL and the German engine manufacturer was signed at the ongoing DefExpo 2018 at Chennai.

The agreement includes transfer of MTU technology related to local manufacture of engine components, engine assembly, testing, painting and major overhauls. MTU Series 8000 engines are the largest and most powerful MTU diesel engines with a power output of up to 10 megawatts, the statement said.

"This venture will be a game changer. Plans are in place to progressively increase the indigenous content and with a strong manufacturing base in India, we are confident of achieving significant indigenous content in these engines.

"Besides creating self-reliance for India, it will usher in new opportunities for the local industry for indigenisation," Mittal also said.



## AIR FORCE NOT ONLY F-16 FIGHTERS, LOCKHEED-MARTIN READY TO MAKE JAVELIN MISSILES IN INDIA

With the Indian Air Force beginning the process of buying 110 fighter jets, in a deal that could be worth more than \$15 billion, Lockheed-Martin has expressed its readiness to shift its F-16 fighter aircraft manufacturing unit to India -- and the US government, according to the manufacturer, will allow it to do so.

That apart, the American global aerospace and defence major is also prepared to transfer the technology of its third generation anti-armour Javelin guided missile system to India for its future manufacture.

At least two Lockheed-Martin officials at the DefExpo 2018 said that if the defence procurement deals were signed with the company that is all geared to bid for the world's biggest fighter jet order, it would walk the extra mile and transfer technology to local partners for sophisticated parts of defence products.

"We are offering a deal that is completely compatible with 'Make in India' -- offering a stand-up production line in India," said Randall L. Howard, who heads International Business Development for aircraft at Lockheed-Martin Aeronautics.

He said more than 4,000 F-16s have been sold to countries across the world. "We are offering to shift the manufacturing base and produce all of our F-16s in India; not just for India, but for the whole world -- across South East Asia, across South America, across Middle East."

Asked if the Trump administration would allow it to do so, Howard said the company had "full support of the US government".

He said the single-engine supersonic multi-role fighter aircraft that has seen action in the Afghanistan and Iraq wars was currently being built around the world, and setting up facilities in India would not impact jobs in the US.

"So whenever we have a situation, we will be able to build the entire aircraft in India. But we will continue to have parts that come from the US. That will continue to create jobs in the US. This absolutely supports American jobs," he said, adding Lockheed was also looking at the possibility of setting up the entire ecosystem, including one with a runway, to produce the fighters in flyaway condition.

Another Lockheed-Martin official, Haley Donoho, who is business development head of the shoulder-fired anti-armour Javelin missile, said a possible joint venture for the system "is in good standing with the Indian government".

"Should the Indian government be interested in the third generation missile system, we are ready to sell Javelin under a foreign military sale contract which is the most transparent acquisition contract you can find. You can trace at every step where the money is going."

He said Lockheed-Martin has got the US government's nod to transfer its "high-degree" technology to its partners in India for the development of the 22 kg portable missile system that comes with a combination of "fire and forget" and "man in the loop" capability, with a range of up to 4 km.

The missile, which automatically guides itself to the target after launch, has been used by US forces in the cold mountains of Afghanistan and in the hot deserts of Iraq. With its arched top-attack profile, Javelin climbs above its target for improved visibility and then strikes where the armour is weakest, he said.

"The US government was ready to transfer high-degree technology under US-India Defence Technology and Trade Initiative (DTTI) when the previous deal was done. The US government has indicated to us, and to the Indian Defence Ministry, that we will continue on the discussion with similar levels of transfer of technology.

"I can't speak for the US government, but they are interested in the same type of deal for transfer of high-degree technology, specifically for India. We have done this for no other country."

Asked about the future of India's fledgling indigenous defence-building capabilities, the two officials said it was only a matter of time before the country emerges as one of the major military manufacturers in the world.

"I think it is coming. We will see whether it will take off quickly or slowly. But I think it is coming. This is India. Lots of engineers, lots of researchers, people with lots of capabilities. It is only a matter of time. We see it is coming," Donoho said.

## **BOEING TO MANUFACTURE F/A-18 WITH HAL, MDS IN INDIA**

Aerospace major Boeing on April 12 announced a partnership with Hindustan Aeronautics Limited (HAL) and Mahindra Defence Systems (MDS) to manufacture its carrier and land based F/A-18 Super Hornet multi-role fighter aircraft in India.

According to the firm, the future production with Indian partners will involve maximising indigenous content and producing the F/A-18 in India for its armed forces.

"Boeing is excited to team up with India's only company that manufactures combat fighters, HAL, and India's only company that manufactures small commercial airplanes, Mahindra," Pratyush Kumar, President, Boeing India was quoted as saying in a statement.

"This partnership brings the best of

Indian public and private enterprises together in partnership with the world's largest aerospace company, Boeing, to accelerate a contemporary 21st century ecosystem for aerospace and defence manufacturing in India," he added.

The aerospace major said the "Super Hornet Make in India" proposal is to build an entirely new and state-of-the-art production facility that can be utilised for other programs like India's Advanced Medium Combat Aircraft (AMCA) program.

"This partnership is intended to bring Boeing, HAL and MDS' global scale and supply chain, its best-in-industry precision manufacturing processes, as well as the unrivaled experience designing and optimising aerospace production facilities to both expand India's aerospace ecosystem and help realise the Make in India vision," the company said in a statement.

The firm pointed out that the plan addresses the infrastructure, personnel training, and operational tools and techniques required to produce a next-gen fighter aircraft in the country.

"As the most advanced and least expensive aircraft per flight hour of its kind, the F/A-18 Super Hornet will deliver on India's need for a carrier and land based multi-role fighter," the statement said. "The Super Hornet does not only have a low acquisition cost, but it costs less per flight hour to operate than any other tactical aircraft in US forces inventory."

The aerospace major noted that the F/A-18 Super Hornet has a long life ahead, with the US Navy making significant investments in the latest evolution, the Block III.

## **TENDER TO MAKE 110 FIGHTER JETS IN INDIA**

The Defence Ministry last week disclosed its plans to invite a foreign manufacturer to make 110 fighter jets in India.

The Statesman writes: "Nearly three

years after the Modi government scrapped the tenders for 126 fighters and then opted to buy 36 from the French, the wheel has come around in a full circle. The government had defended its retail-level purchase of just two fighter squadrons by hinting at another purchase plan up its sleeve that would bridge the gap between the requirement (42 squadrons) and the inventory (31 squadrons). It now appears that the government has formalised its often-aired intention of asking a foreign company to set up a combat jet manufacturing plant in India.”

The paper writes that “if the plan succeeds, India will be able to lift itself in the technology adaptation ladder by several notches. The combat jet plant could become a strategic asset if the planes are exported to neighbouring countries. But as the UPA I discovered after ineffectually grappling with the 126 fighter jet tender for the bulk of its term, defence technologies are not readily available on tap. There may hardly be an example of a foreign defence behemoth transferring sensitive technology. They prefer to export ready-made jets or, at best, assemble them in the recipient country.”

## NEGLIGIBLE FDI IN DEFENCE

Bhartendu Kumar Singh, Indian Defence Accounts Service writes about the recent revelation that FDI in the defence sector in 2013-17 was just \$ 0.8 million or Rs 1.17 crore.

This is disturbing since FDI is booming in other sectors and is likely to cross the \$ 60 billion figures of 2016-17.

Analysing the reasons for this, Singh writes: “Perhaps, there is a structural reason that explains part of the anomaly. Leading defence production companies are based in the developed world. According to the latest SIPRI data on arms transfers on this month, the five biggest exporters - the US, Russia, France, Germany and China - together accounted for 74 per cent of global arms exports. Except for China and Russia, the military

industrial complex (MIC) of the other three countries is dominated by private sector companies. What binds them together is that they all are loath in exporting technology through the FDI gate; at best, they agree for transfer of technology (ToT) for maintenance. Techno-nationalism explains why they are only interested in exporting arms rather than technology and dither in localised production through joint ventures in host countries. It also explains why the offset portion of eligible contracts goes to peripheral sectors rather than their core areas of production.”

Singh also blames the environmental conditions in India. “First, the armed forces have a clear cut preference for imported weapons.....The private sector in India is yet to come up to their expectations. Moreover, the indent-based system is largely biased in favour of defence PSUs and creates demand-supply disequilibrium for private sector players.

“Since the private sector players do not have an assured future on a par with the defence PSUs, they are yet to forge techno-financial partnerships with foreign firms that could get them the vital investments. In fact, some private players have gone bankrupt, unable to find buyers for their products.

“Second, the defence PSUs, accounting for 30 per cent of services' weapons requirement, are reluctant players in forging partnerships with foreign players....

“Third, defence being a sensitive sector, there was no support for bold changes, akin to other sectors in the early 1990s. The policy preference is for incremental, step-by-step and precautionary reforms. Perhaps, that is why there is no matching response through graduated reciprocation in production (GRIP) by potential foreign investors that still see conservative traits in India's FDI policy.’

Singh suggests urgent policy reforms.



## COMMENT CHENNAI DEFEXPO: CAN IT BE THE CATALYST FOR INDIA'S GOAL OF STRATEGIC AUTONOMY?

C Uday Bhaskar

The four-day long DefExpo 2018 that opens outside of Chennai on April 11 has been innovatively and generously showcased as ‘India: The Emerging Defence Manufacturing Hub’ and a large number of platforms and military inventory items manufactured in India will be on display.

The Chennai event is the 10th in the DefExpo series and hopes to position India as a credible manufacturer and exporter of certain military inventory items and this focus on export as opposed to importing military hardware marks a conceptual shift in Indian defence policy.

Military aircraft and naval ships will be part of the Indian hardware that will be showcased along with artillery guns and the Ministry of Defence expects that this forum will be able to attract foreign buyers who may find the Indian option more affordable.

Concurrently all the major arms exporters of the world will be at Chennai, barring China and more than 40 countries are expected to participate in DefExpo 2018. This has been the pattern for the last two decades since DefExpo was first launched in New Delhi and the event attracts a high level of attention, for India is seen as a major market for the global arms manufacturers.

It is perhaps more coincidence than design, that when Delhi is seeking to project itself as a credible manufacturer of major platforms and a potential exporter of such inventory, the Indian Air Force has announced (April 6) that it is re-opening the procurement process for 110 fighter aircraft. This is an order that is potentially worth US \$ 12 billion and will attract the attention of the global aviation industry.



But there is also a sense of déjà vu, for India had embarked upon a long drawn out process to procure 126 fighter aircraft during the UPA regime. This process began in 2007 and was abandoned in 2015 – a year after the NDA came to power – for the Indian higher defence eco-system was not enabling as it ought to have been. The principal players are the Prime Minister's Office, the ministries of defence and finance and the three service headquarters and for the last two decades a sense of stasis has engulfed Raisina Hill apropos defence procurement and manufacture..

Has this complex eco-system with its labyrinth of regulations and compliance seeking strictures become more enabling under the current Defence Minister Nirmala Sitharaman? An objective answer to this will determine the long-term outcome of the Defexpo.

In keeping with the tagline of the expo, the Defence Ministry announced a very ambitious draft Defence Procurement Policy (DProP) 2018 in March with the objective of placing India among the top five defence producing nations of the world. This is a highly desirable objective and can be the catalyst and opportunity for realizing the Modi vision of 'make in India' in the defence sector in a substantive manner.

India is likely to allocate US \$150 billion over the next decade for procurement and modernization of military hardware and this can provide the stimulus to nurture meaningful domestic manufacture in some niches areas. However the feasibility of realizing this goal by 2025 can be an exceedingly daunting challenge, given the very modest national manufacturing cum R&D base and related eco-system that India currently has in place.

Defence manufacture in India has largely been within the purview of the public sector units (PSU), who do not function as per free-market compulsions. However the track record of the last quarter century (1991 – 2016)

has revealed that these defence PSU-s are unable to produce what the Indian military needs in a cost and time effective manner – and hence the reality, that India is among the world's largest importer of arms.

Manufacturing in the defence cannot be seen in isolation and has to be part of a larger national eco-system that is enriched by the private sector, academia and investment from financial institutions in a sustained manner. However the reality is that for decades, the contribution of the manufacturing sector in India's overall GDP has hovered in the 15 to 18 percent range, notwithstanding exhortations that this figure touch 25 percent. Indian R&D investment is slender and patents of international rigor are very few.

Thus the target set by the Defence Ministry as part of DProP 2018, to lift defence production from the current level of Rs. 559 billion ( US \$ 8.6 billion) to Rs. 1, 700 bn (\$ 26.2 bn) in defence inventory and services by 2025 – seven years from now – is VERY ambitious.

As part of this initiative, it is expected that India would be able to invest Rs. 700 bn ( \$ 10.85) in the defence manufacturing sector and thereby create upto 3 million jobs. Sitharaman has announced the setting up of two dedicated defence corridors – one in Uttar Pradesh and the other in Tamil Nadu and it will be instructive to note how swiftly the state governments will be able to create the necessary conditions (land acquisition, provision of water/electricity et al ) for the action to begin in earnest.

This vision of DProP being realized in its entirety by 2025 will call for intense inter-ministerial coordination and an all of government approach that India has not seen to date. Hence this initiative represents a major opportunity to enhance the indigenous component in India's military inventory and also raise the national manufacturing base, even while providing employment opportunities to at least two million people.

This is as win-win an outcome as can be envisaged but the fact is that this has remained elusive for years. The Congress-led UPA government had also unveiled a Defence Production Policy document in 2011 but it remained dormant and did not yield the expected results. One hopes that the Chennai DefExpo will be the catalyst to make that critical difference – thereby imparting some credibility to India's desire for 'strategic autonomy' in the global arena. Otherwise the make-believe will continue, as it has alas, for decades.

(The author is Director, Society for Policy Studies)

In arrangement with South Asia Monitor



## COMMENT

### DEFEXPO 2018: MAKING INDIA A DEFENCE MANUFACTURING HUB AND AN EXPORTER OF ARMS

Amit Cowshish

As DefExpo 2018 got underway at Thiruvandhurai near Chennai from April 11, all attention was turned towards the defence minister's press briefing on the first day and the prime minister's visit on the second day of the exhibition. The exhibition is focussed on showcasing India as an emerging defence manufacturing hub and exporter of defence products. To give a leg up to this effort, all the 44-odd defence attaches posted in Indian missions abroad have been called back to attend the exhibition and familiarise themselves with India's defence manufacturing potential. It is believed that this would better enable them to promote Indian defence exports once they get back to their missions. But it will take a lot more convincing that India is already set on this trajectory.

Indian defence manufacturing, especially in the private sector, has not

really picked up. Big manufacturing projects such as the Futuristic Infantry Combat Vehicle have not materialised. In terms of defence exports, India does not figure even among the top 10 or 15 exporters of arms. This situation may not change by the mere setting up of two defence industrial production corridors, one of which will be located in the geographical area where DefExpo 2018 is being held.

According to the annual report of the Ministry of Defence (MoD), the total value of defence exports by the nine public sector undertakings, 41 ordnance factories and the 12 to 14 private sector companies was Rs 2,059.18 crore in 2015-16 and Rs 1,105.20 crore in the first nine months of the financial year 2016-17. Clearly, it is likely to prove an uphill task to achieve the export target of Rs 35,000 crore by 2025 envisaged in the draft Defence Production Policy 2018.

But there is no denying that it is a good initiative, if for no other reason than the fact that it reflects an ambition which is good both for the armed forces and the economy. It may even be achievable provided the underlying causes of the current morass are correctly diagnosed.

The desire to showcase India as a manufacturing hub and potential exporter of arms should not lull policy makers into believing that manufacturing continues to stagnate and exports have been low for want of a proper showcasing of India's potential or indolent marketing.

It will be comparatively easier to energise defence manufacturing. All that is required is the award of some big ticket manufacturing contracts, which have been in the pipeline for a long time, setting others on an irreversible course. But this requires a firm policy and adequate budgetary support. The DefExpo may be the right place to convince the world on this count.

It may be more difficult to establish India's credentials as an emerging exporter of arms. The challenge would

be to demonstrate to potential importers that India, which is presently the largest importer of arms in the world, has the capacity to manufacture and export the equipment required by their armed forces. This is no mean challenge if one looks at the array of defence products exported by India and the countries to which these have been exported.

According to the MoD annual report for 2016-17, the major items exported were personal protective gear, turbochargers and batteries, electronic systems, and light engineering mechanical parts, etc., and the major export destinations were Kenya, Bhutan, Ethiopia, Israel, Taiwan, United Kingdom, Nepal, Belgium, Vietnam and Philippines. This is not meant to either belittle the performance of Indian industry or the importance of the importing countries. Instead, the aim is to point out that for raising the level of exports India will have to not only export more sophisticated equipment, weapons systems and platforms but also to newer and bigger markets. The MoD's annual report says that several countries have shown interest in indigenously developed products such as multi-function hand held thermal imager, light weight torpedoes, anti-submarine warfare upgrade suit, and the Akash air defence system. These items will probably be on display at the DefExpo. However, except for the Akash air defence system, none of these are major products.

This begs the question as to which major defence equipment India is in a position to export at this juncture. There is hardly any major equipment being manufactured by the private sector. The bigger items are mostly being made by the public sector units and there are obvious problems in exporting them since otherwise exports would not have been stagnating at the present level.

More importantly, most of the new major programmes are being managed by the public sector and practically all of them seem to be works-in-progress, the prime examples being the Dhanush artillery gun and Arjun tank of the

ordnance factories and the Light Combat Aircraft programme of Hindustan Aeronautics Limited. These programmes are not at a stage where India could start exporting them especially considering persistent reports of India's own services having reservations about the efficacy of these platforms.

To be sure, there are exceptions. Some major platforms like helicopters have been exported by HAL in the past. The private sector is also coming into its own as manufacturers of defence products like the artillery gun. Most importantly, Indian shipyards have the capability to build naval vessels of different types. Focussing on such products during the exhibition may be more fruitful.

It may, however, not be easy to showcase India's export potential in all these areas. The developments that led to the Ecuador government unilaterally terminating the contract in 2015 for the HAL-built Dhruv Advanced Light Helicopters after four of them crashed may still be too fresh in the minds of potential importers. Such perceptions need to be dispelled.

It is not easy to make inroads into the defence exports market which has been traditionally dominated by a few countries. China has of course made a late entry into this select group, thanks to Pakistan and Bangladesh which accounted for 35 and 19 per cent, respectively, of China's defence exports between 2013 and 2017. India is handicapped in that it has no client state to which it could export and geopolitical as well as internal political factors often constrain its ability to export to certain countries in the neighbourhood and beyond who may be willing to import arms from India.

With the policy and procedures being in a state of flux for a long time, defence manufacturing – and consequently exports – have not really picked up in a big way. The Strategic Partnership Scheme, introduced in 2017, was seen as the ultimate stimulant for energising defence production in the private sector.

But the scheme has made little progress and, in fact, it is already in the process of being refined.

Several major projects involving the manufacture of equipment and platforms in India, including aircraft, submarines and armoured vehicles, have been hanging fire. Exports cannot pick up unless these platforms start getting made in India. It is also well known that the present inertia is not only on account of procedural complexities and tardy decision-making.

The standing committee on defence has been continuously pointing to gross inadequacy in budget outlays, so much so that the allocation may not be enough even to discharge the committed liabilities on account of the ongoing contracts during the current year. This is not complimentary to the image of an emerging manufacturing hub and exporter of arms.

DefExpo 2018 provides a good opportunity for the prime minister and the defence minister to clear the air on some of these issues. Doing so will inspire confidence among the exhibitors and other business visitors as well as lessen the rigors of the enervating heat in Chennai at this time of the year. Hopefully, the Defence Exhibition Organisation will keep this aspect in mind while deciding on the timing of what seems to be turning into a peripatetic exhibition.

(The article was first published by New Delhi-based IDSA)



## SPACE ISRO SUCCESSFULLY PUTS INTO ORBIT IRNSS-1I NAVIGATION SATELLITE

India early Thursday put into orbit navigation satellite IRNSS-1I, a part of Indian satellite navigation system NavIC in copy-book style.

The 1,425 kg satellite was carried into space by Polar Satellite Launch Vehicle (PSLV) rocket's 'XL' variant.

Simply put, NavIC (Navigation with Indian Constellation, earlier the Indian Regional Navigation Satellite System or IRNSS) is the Indian 'GPS'.

Just over 19 minutes into the flight, the rocket slung IRNSS-1I into the orbit from where the satellite will be taken up to its final position at geo synchronous orbit at a height of 36,000 km.

The Rs 1,420 crore Indian satellite navigation system NavIC consists of nine satellites — seven in orbit and two as substitutes. The fully operational system is expected to provide accurate position information service to users across the country and the region, extending up to an area of 1,500 km.

One of the substitutes was the IRNSS-1H as the in IRNSS-1A's rubidium atomic clocks, important for giving accurate positional data, had failed. However, the IRNSS-1H satellite launch mission ended in a failure on August 31 last year.

The 1,425 kg IRNSS-1I was the second satellite sent up as replacement for IRNSS-1A and the ninth of the IRNSS satellite series.

Each satellite has three rubidium atomic clocks and a total of 27 clocks for the navigation satellite system (including the standby satellites) were supplied by the same vendor.

Like its other IRNSS predecessors, IRNSS-1I also carries two types of payloads for navigation and ranging.

The navigation payload, operating in L5-band and S-band, will transmit navigation service signals to the users, while the ranging payload consists of a C-band transponder, which facilitates accurate determination of the range of the satellite. IRNSS-1I also carries Corner Cube Retro Reflectors for laser ranging.

NavIC provides two types of services — standard positioning service and restricted service. The former is for all

users while the latter is an encrypted service for only authorised users.

According to ISRO, NavIC is useful for fishermen to reach potential fishing areas. The fishermen can also get alert messages relating to bad weather, high waves or when they approach the international maritime boundary line. These services are provided through a software application on a smart phone.

The Indian space agency also said NavIC is useful for merchant ships in their navigation and also during search and rescue operations.

In the road transport sector, NavIC helps commuters to traverse distances and also enables transport operators to track their vehicles.

The navigation system is also helpful for railways in tracking trains and also giving an alert in the case of an unmanned level crossing. It is also used for other applications like location-based services, survey and alignment, and time synchronised services.

Starting in July 2013, the Indian space agency has launched eight navigation satellites, with the last one launched on 31 August 2017. This was a failure as the rocket's heat shield did not separate three minutes after lift-off and the satellite remained housed inside the heat shield.

Each satellite has a life span of 10 years.

### NO FUNDS CRUNCH

After the successful launch, Indian Space Research Organisation Chairman K Sivan said ISRO is moving towards to get the rocket and satellite through industry.

Sivan said over the next eight months, ISRO has planned nine launch missions including the moon mission towards the end of the year.

The agency's chairman K Sivan said the Indian Space Research Organisation (ISRO) is not facing any funds crunch for its ongoing activities. Responding to a question on the reported funds crunch,

Sivan said: "There is no funds crunch. We will ensure the ongoing activities are not affected."

The total allocation for the Department of Space for the next fiscal in the union budget for 2018-19 is Rs 10,783 crore (including Rs 8,936.97 crore for various space related projects) - up from Rs 9,155.52 crore allocated for the 2017-18 net of recoveries and receipts.

To a question about ISRO getting its basic needs right -- heavy lift rockets, heavier or higher capacity satellites instead of inter-planetary missions -- Sivan said work had already started to increase the carrying capacity of the Geosynchronous Satellite Launch Vehicle (GSLV) Mk-III to 6 tonnes.

He said the space agency will be making high throughput satellites that weigh less but give the output of a heavier satellite.

On the concerns raised by the Comptroller and Auditor General (CAG) on the navigation satellite system, Sivan said with the launch of IRNSS-1I, the system was now put in place and the applications would have to be rolled out.

He said the industry has to make the necessary products so as to use the navigation satellite system.

"We have developed our own atomic clocks which would be used in the upcoming navigation satellites," the ISRO chief said.

On the status of the recently launched GSAT-6A satellite that lost communication link soon after it was put into orbit, Sivan said the space agency was able to locate the satellite and track its movements.

Asked about space missions for 2018, Sivan said the space agency would launch 5.7 tonne GSAT-11, a high throughput satellite using Ariane rocket.

He said the GSAT 29 would be launched using a GSLV Mk III rocket.

There are also launch missions for

remote sensing satellites, NavIC satellite and the Chandrayaan-2/moon mission.

On the status of re-usable launch vehicle project, S Somanath, director of Vikram Sarabhai Space Centre (VSSC), said the next phase will be to test ground landing.



## INDIA - VIETNAM INDIA, VIETNAM REVIEW BILATERAL TIES

As part of New Delhi's continued enhancement of ties with southeast Asia under the Act East Policy, India and Vietnam on April 10 reviewed their entire gamut of bilateral ties, including maritime security and counter-terrorism cooperation, during 10th Foreign Office Consultations and 7th Strategic Dialogue.

According to a statement issued by the External Affairs Ministry, during the talks held on April 9, the two sides held deliberations on the entire gamut of bilateral relations, including political and security, trade and investment, pharmaceuticals, energy, agriculture, connectivity, lines of credit and other capacity building projects in Vietnam and people-to-people ties.

While the Indian side was led by Preeti Saran, Secretary (East) at the Ministry of External Affairs, the Vietnamese side was headed by Dang Dinh Quy, the country's Vice Foreign Minister.

Vietnam will be handing over its role as the country coordinator for India with the Association of Southeast Asian Nations (Asean) regional bloc to Thailand in the middle of this year.

"During the Strategic Dialogue, both sides exchanged views on issues of mutual interest at regional and multilateral levels, including cooperation at UN and other international organisations," the statement said.

"Both sides also discussed maritime security, counter-terrorism cooperation,

developments in their respective regions etc."

The statement also said that the Vietnamese side reaffirmed its support for India's candidature for a permanent seat in an expanded UN Security Council.

With Vietnam being an important regional partner in southeast Asia, India and it closely cooperate in various regional forums such as Asean, East Asia Summit, Mekong Ganga Cooperation, Asia Europe Meeting (ASEM), besides the UN and WTO.

During Prime Minister Narendra Modi's visit to Vietnam in 2016, the bilateral relationship was elevated from a Strategic Partnership to a Comprehensive Strategic Partnership.

Defence cooperation has emerged as a significant pillar of this partnership and Indian ships regularly make friendly port calls to Vietnam.

India is also an important development aid partner of Vietnam and has extended several lines of credit on concessional terms and conditions since 1976.

Vietnamese nationals are among the largest recipients of scholarships under the Indian Technical and Economic Cooperation programme.

Following April 9 talks, Vice Foreign Minister Quy called on External Affairs Minister Sushma Swaraj in New Delhi. The two leaders discussed the Comprehensive Strategic Partnership between India and Vietnam and the plan of action to further expand this relationship, according to a tweet posted by External Affairs Ministry spokesperson Raveesh Kumar.

These talks come after the visit of Vietnamese President Tran Dai Quang to India last month.

At the Republic Day celebrations this year, Vietnamese Prime Minister Nguyen Xuan Phuc was among the leaders of the 10 Asean member states to attend collectively as chief guests. ■ ■ ■

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## INDIA - CHINA: OFFICIAL LEVEL BILATERAL DIALOGUE: NSG DISCUSSED

India Tuesday reached out to China and tried to convince the interlocutors in Beijing to lift their objections at the Nuclear Suppliers Group (NSG). India already has gained entry into three of the four multilateral export control regimes over the last two years.

India reached out to China in talks between Joint Secretary (Disarmament and International Security) Pankaj Sharma and Beijing's top interlocutor Wang Xun, who heads the disarmament division in the Chinese government.

The talks are understood to be "constructive" and "forward-looking". "There was a lot of candour in the conversation, and it was in the right direction," said a source to Indian Express, but did not disclose whether there was a breakthrough.

In an official statement issued Tuesday night, the Indian embassy in Beijing said, "Both sides underlined the importance of the bilateral dialogue as an important mechanism between the two countries for consultations on important issues... The delegations exchanged views on various topics of mutual interest, including, developments related to disarmament and non-proliferation at multilateral forums, nuclear issues, role of science and technology in the context of international security and disarmament as well as outer space."



*The 5th edition of India-China Dialogue on Disarmament & Non-proliferation was held on 10 April 2018 in Beijing.*

Pointing to the talks between then Foreign Secretary S Jaishankar and Chinese officials in Seoul and Prime Minister Narendra Modi's meeting with Chinese President Xi Jinping in Tashkent, both in June 2016, a South Block source said, "Those were very difficult and tough conversations, when the Chinese leadership and officials did not yield an inch. It is different this time around."

The NSG is the top club of countries which controls access to technology and guards against proliferation. Its membership is important for India to access cutting-edge high technology.

Tuesday's meeting in Beijing was the first between Indian and Chinese interlocutors after New Delhi secured membership of the three export control regimes. India became a member of the

Missile Technology Control Regime in June 2016. This was followed by its entry into the Wassenaar arrangement in December 2017 and the Australia Group in January 2018.

Earlier, the strategy was to approach the entry into the four export control regimes as a "package". But as India faced China's objections at the NSG, it decided to approach the four regimes separately. "This strategy of approaching all the export control regimes in an individual and case-to-case basis has made India's claim much stronger and more credible," said a source privy to India's strategy.

China has sought to club India and Pakistan together, on the basis of both being non-signatories of the Nuclear Non-Proliferation Treaty (NPT), and has asked the NSG countries to adopt a

“criteria-based approach” — which essentially means that either both can get into the group or none. But most of the NSG countries, including the US, France and UK, make a clear distinction between India and Pakistan’s nuclear non-proliferation track record.

While New Delhi points to its clean track record on non-proliferation, many — including the American and French interlocutors — have pointed out how Pakistan’s nuclear programme, led by A Q Khan, violated all norms of nuclear non-proliferation and had links with the North Korean nuclear programme.

With the current US administration making North Korea’s nuclear and ballistic programme “top priority”, India is confident that Pakistan’s claim to membership of the NSG is not going to hold any credibility.



## BOUNDARY ISSUE SHOULD NOT BE ‘HYPED UP’: CHINA

The Chinese Foreign Ministry asserted Monday that the India-China boundary issue should not be “hyped up” and the two sides must abide by the agreements to maintain the peace and tranquillity along the border areas. The ministry skirted a direct response to a report that China has lodged a strong protest with New Delhi, alleging “transgression” by the Indian troops in the strategically sensitive Asaphila area along Arunachal Pradesh. The Indian side has dismissed Beijing’s complaint.

“As for the situation on the India-China border, I am not aware of the detailed information,” Chinese Foreign Ministry spokesman Geng Shuang told a media briefing when asked about the report. “Pending the resolution of the issue, we hope the two sides can abide by the agreements and instead of hyping up relevant issue”, Geng said, adding that peace and tranquillity should be

upheld in the border areas. He, however, reiterated China’s repeated stand that Beijing never recognised Arunachal Pradesh, which it claims as part of southern Tibet.

“China’s position on the India-China border is consistent and clear cut. The Chinese government never recognised the so-called Arunachal Pradesh,” Geng said. “China and India are engaged in consultation and negotiation to resolve border issues and pursue a fair and just solution that can be accepted by the both sides,” he said. Both the countries have Special Representative talks mechanism to resolve the boundary issue.

The two countries so far have held 20 rounds of talks to resolve the boundary dispute and worked out different mechanisms to keep peace along the 3,488 km long Line of Actual Control (LAC). Asked about the recent visit of Chinese Vice Foreign Minister Kong Xuanyou to New Delhi on April 6 and reports of several Indian top ministers visiting China this month, Geng said, “China and India have sound momentum of exchanges and close cooperation. It is not strange to have such kind of cooperation.”

Prime Minister Narendra Modi is due to visit China in June to take part in the Shanghai Cooperation Organisation, (SCO) summit to be held in the Chinese city of Qingdao.

## CHINA BUILDING ROAD IN SHAKSGAM VALLEY ?

Border tensions, meanwhile refuse to go away. The Narendra Modi government is trying to ascertain the credibility and veracity of intelligence reports claiming that China has built around 70 km of metalled road between September 2017 and February 2018 in Shaksgam Valley, around 5,163 square km of which was illegally ceded by Islamabad to Beijing in a controversial 1963 boundary agreement.

While intelligence and reconnaissance reports indicate the presence of a road, the government has asked for an intelligence assessment detailing the reasons and military objectives that may have prompted China to build a road west of the strategic Karakoram pass, in the Shaksgam Valley. That this construction has happened in the winter months, when such activities are rarely undertaken, is significant reports the Hindustan Times. Bound by K2 and Gasherbrum peaks to the South and Aghil Mountains to the north, the Shaksgam Valley is populated by other 7,000-metre plus peaks, high mountain passes and witnesses arctic temperatures in the winters.

China watchers believe that the road is being built for high mountain climbing and tourism purposes, but India’s security agencies fear that this could be part of the realignment of the Karakoram highway in order to keep the 1,300 km road linking Pakistan Punjab to Kashgar in Xinjiang snow-free throughout the year. The Karakoram highway is at the heart of China-Pakistan Economic Corridor (CPEC) , which India has objected to because it runs through Pakistan Occupied Kashmir. CPEC will provide Beijing access to Persian Gulf and Arabian sea via the Gwadar port in Balochistan.

The Hindustan Times reports that senior officials having access to satellite imagery of the region say they are convinced that the alignment of the Karakoram highway is being changed. This could also have strategic implications for India in the Daulet Beg Oldi and Siachen sectors, with the two all weather friends sandwiching Indian positions, the officials say.

The paper writes that post resolution of the Doklam stand-off, the Chinese Peoples Liberation Army (PLA) has replaced para-military Peoples Armed Police (PAP) along the

3,488-kilometre long Line of Actual Control (LAC) with troops doing training exercises, with some of these carried out in peak winter with oxygen cylinders. The Chinese aerial activity in Ladakh and Barahoti sectors has increased with PLA troops trying to achieve 100 per cent patrolling objectives or else indulging in face-offs, South Block officials said.



## INDIA CHINA RAPPROCHEMENT

The view of Indian foreign policy analysts and so-called China specialists is to look at China as an adversary that needs to be contained. This is largely a western-inspired foreign policy perspective.

Garima Maheshwar (with the Institute for Peace and Conflict Studies and writes for The Resurgent India Trust) looks at the India-China relationship more positively. Under the changed conditions of engagement, she says this is an extremely favourable situation from the point of view of India.

“This is so not only because of the mere practical fact of political stability that Chinese President Xi Jinping’s leadership will usher in the years to come, but also because China’s renewed focus on cultural revival makes it look towards India as its natural ally in the new transformation that is taking place the world over and in which Asiatic resurgence, led by the restoration of close-knit cultural and political cooperation, is the vision that dominates China’s internal apolitical circles.”

This, writes Maheshwar puts in perspective the Chinese Foreign Minister, Wang Yi’s, recent comment: “The Chinese dragon and Indian elephant must not fight each other but dance with each other. If China and India are united, one plus one is not equal to two but eleven. Despite some

tests and difficulties, China-India relationship continues to grow.”

This was further confirmed by Chinese Foreign Affairs Spokesperson, Lu Kang’s statement that Wang Yi’s comments represented China’s “basic position” on its relationship with India.

Despite “irritants spawned by a seemingly inconsistent Indian policy on China, the latter, on its part, is trying not to leave any stone unturned to accommodate India. From offering to rename the China-Pakistan Economic Corridor to agreeing to grey-list Pakistan in the terror-funding list, China is trying its best to accommodate India while ensuring that its business interests in Pakistan are not disturbed.”

Maheshwar says that “India has not yet fully grasped the positive role China’s intervention in Pakistan will play in the near future.”

Quoting from recent reports, in Swarajya magazine, Maheshwar claims that “China has been secretly holding talks with the Baloch separatists without involving Pakistan in order to protect its business interests in the region — this shows how much of an ‘equal’ ally Pakistan really is.”

And “leaked documents of China-Pakistan Economic Corridor also show that China has been interested in controlling the Pakistani media and other cultural centres and conduct surveillance in Pakistani cities — obviously, de-radicalising Pakistan would serve to counter the Muslim separatist threat faced by China in its Xinjiang Province.”

China thus is treating Pakistan as nothing more than a convenient strategic ground.

If Xi Jinping remains around for a long time and if India-China relations get back to their true spirit, the vision of Asiatic political resurgence may not seem that distant a dream. On its part, India needs to “evolve a foreign policy

informed more by our own historical and cultural traditions and visionary in nature, based on political statesmanship and not mechanical bureaucratic wisdom.”

## COOPERATION ON BRI

An example of a possible area of cooperation in the Belt and Road Initiative (BRI). C Raja Mohan (director, Carnegie India, Delhi and Contributing Editor on foreign affairs for The Indian Express) writes that “both Delhi and Beijing have an incentive to reduce their differences on the BRI and find ways to work together on at least a limited agenda of connectivity. On its part, Delhi has said it is open to consultations with China on the development of regional trans-border infrastructure. Beijing, in turn, has apparently floated a number of new proposals for Delhi’s consideration.

“These include extension of the CPEC to India, promoting connectivity across the Himalayas in J&K, Nepal, Sikkim and other places. If it has the will, China should not find it too hard to address India’s concerns on sovereignty on Kashmir. Beijing can easily return, publicly, to its formulations in the early 1960s on the disputed nature of the state between Delhi and Islamabad, agree to deal with the two parts of Kashmir on the same legal basis, and join India developmental projects in Kashmir and across the Great Himalayas.”

India’s broader concerns on the BRI, tries Mohan “could also be amenable to resolution if Delhi and Beijing move from the abstract discussion of the BRI as a single grand initiative, to specific connectivity projects. In any such negotiation, all dimensions of the project — from fiscal to environmental — would be jointly finalised by Delhi and Beijing. As both Delhi and Beijing push for mega trans-border connectivity around the Subcontinent, the viability

of the projects would significantly improve if there is cooperation between India and China....”

Mohan suggests it is possible to end the impasse between India and China. “The NDA government might be quite open to a substantive dialogue with China on BRI if Xi is prepared to address Delhi’s concerns on sovereignty and sustainability.”



## INDIA - PAKISTAN: HAFIZ SAEED: KING-PIN OF THE TERROR MACHINE

On 5 April, the Lahore High Court, directed the Government not to ‘harass’ Lashkar-e-Tayyeba (LeT) founder Hafiz Saeed and to allow him to continue his “social welfare activities”. The court’s order came just three days after the US declared the Milli Muslim League (MML), the political party formed by Saeed, as a foreign terrorist organisation.

Balbir Punj (political commentator and a former BJP Rajya Sabha MP) calls Saeed the king-pin of the terror machine in the sub-continent. He is the co-founder of LeT and chief of the Jamaat-ud-Dawa’ah (JuD).

Said claims inspiration from Islam and frequently targets India and rest of the non-Islamic world in his public speeches. He is quoted as saying, “There cannot be any peace while India remains intact. Cut them, cut them so much that they kneel before you and ask for mercy”.

In April 2012, the United States announced a bounty of \$10 million on Saeed for his alleged role in the 2008 Mumbai terror attacks in which 164 civilians were killed, including six Americans.

Apart from the United States, the United Kingdom, the European Union, Russia and Australia too have banned

LeT. Saeed is listed on the National Investigation Agency’s (NIA) most wanted list for his alleged involvement in numerous terror-related incidents in India in the recent past.

Punj quotes from Islamabad’s former Ambassador to the United States, Husain Haqqani’s most recent book, Reimagining Pakistan: Transforming a Dysfunctional Nuclear State.

Haqqani in his analysis of Pakistan’s 70-year history, traces the rot in Pakistan to General Zia who had set Islamisation as the ideology of Pakistan. “If Islam is not central to Pakistan, we might as well have stayed with India” this was General Zia’s oft quoted justification.

But it was this path that was to take Pakistan to the brink. As Haqqani puts it: Islamisation enabled the clerics to be first allies and then masters of the show. The Army officers were made to absorb and then consider their duty to receive the final wisdom not from the written Constitution but from Islam.

Haqqani said, “Successive Pakistani leaders and most of the country’s intelligentsia preferred to build the ‘ideology of Pakistan’ on the twin pillars of Islam and antagonism towards India”. Once that was done, according to Punj, “Pakistan can see itself only as destined by its version of history with god given responsibly of conquering residual India for Islam.

“Here lies the justification among the people of that country to the wanton killings, murders, sabotage and even nuclear weapons aimed at India. The originator of the November events in Mumbai in 2008, Saeed, may be a terrorist for India and the rest of the world but he moves around in Pakistani streets as a hero.”

Haqqani’s conclusion that “Pakistanis have proven to be their worst enemies,” is no comfort to India.



## AFGHANISTAN: TALIBAN, HAQQANI SAFE HAVENS IN PAKISTAN

Asserting that the Taliban and the Haqqani network enjoy safe havens in the border regions of Pakistan, a top US Army General last week told the lawmakers that it was very difficult to contain insurgency in war-torn Afghanistan if Islamabad continues to harbour terrorists on its soil.

“It’s very, very difficult to eliminate any insurgency if that insurgency has safe haven in another country. But right now, the Taliban, the Haqqanis and other organisations do, in fact, enjoy some safe haven in the border regions on the Pakistani side of the border. Pakistan has got to be part of the solution,” General Mark A Milley, Chief of Staff of the US Army, told lawmakers during a Congressional hearing.

Testifying before the Senate Armed Services Committee, he said to the end insurgency in Afghanistan, it was important to reduce the threat of terrorism something that can be handled on a routine basis by the internal security forces.

“In order to do that, you have to essentially do several things. You mentioned Pakistan. That is key. It’s important that Pakistan is part of the solution. It’s a regional solution. Part of our strategy is a regional strategy. That very much involves Pakistan,” Milley said.

Responding to a question on reconciliation, he said the Afghan government was on the path right now to establish some sort of political reconciliation with various opponent groups. US is in support of that effort, Milley added.

“So it’s important that we realign the forces, that we reinforce the capabilities that we’re already doing, and that we regionalise the problem, including Pakistan, and that there’s some sort of



reconciliation process. At the end of the day, that's how that ends, and it ends successfully, and I believe that's achievable," the General said.

Milley said it was in the national security interest of the United States to maintain troops in Afghanistan.

One of the American objectives since 2001 has been that Afghanistan no longer was a platform for terrorists to conduct strikes on the continental United States, or in the United States.

"That's key. That's why we're there, and that's why we're still there," he said, adding that this can be achieved through a stable Afghanistan.

"So what does that look like? It means that the armed opposition, the Taliban, Haqqani network, Al-Qaida, ISIS, K and all these other groups are reduced in terms of capability that they no longer present an existential threat to the regime in Kabul, and that the Afghan National Security Forces are at large," he said.

"Their army, their police, their intelligence forces can handle the violent threat against the regime at a level that is something akin to crime or banditry," Milley said.



## INDIA - MALDIVES: FOREIGN POLICY FAILURE

India, Maldives relations are at an all time low especially since President Abdulla Yameen assumed power. The country has moved closer to China, imposed emergency and jailed political leaders while turning down Indian requests for participation in the Indian naval exercise, Milan. Maldives also refused to send any delegation to the Indian defence expo and asked India to take back its Dhruv helicopter. It simultaneously welcomed the Pakistani army chief with open arms.

Harsha Kakar (retired Major-

General of the Indian Army) writes that "what irked India most, according to the former General "was the announcement of joint patrolling of the Maldives Economic Exclusive Zone (EEZ), claims of which conflict with those of Sri Lanka. Maldives had declared that no shipping vessel can enter its EEZ without prior permission of its government. It could never enforce it but involving the Pakistan navy is another issue.

"Pakistan may not be able to deploy its ships on a permanent basis, as its navy presently lacks capacity, but the announcement irked India. Maldives turning down participation in Exercise Milan would not have been an issue, except that it participates in the Pakistan conducted bi-annual exercise, Aman."

Pakistan and Maldives even played out the religious card. The statement issued by the Maldivian President's office after the visit of General Bajwa stated, "Noting that Pakistan and Maldives are two brotherly Muslim countries, the General emphasised on further cultivating ties of friendship".

Kakar suggests that India's foreign policy in Maldives has failed. "When Yameen declared emergency and requested India to accept a delegate to hear out reasons for this, India refused. India even went ahead and conducted naval exercises close to the Maldives, which was being touted as a possible Indian military intervention in the country."

Not supporting a military intervention by India, Kakar however speculates "whether India has made an error in its foreign policy judgement".

Its policies have allowed China to gain an impressive foothold in Maldives. "Chinese investments in Maldives are a repeat story of Pakistan or Sri Lanka, where unable to repay loans they get deeper and deeper into debt. Thus, Maldives is deep in the Chinese camp.

Its offering China an uninhabited island for development into a tourist destination, in addition to other projects including construction of a bridge linking Male to its nearest island and the airport would have the country permanently indebted. It may, like Pakistan, Sri Lanka and possibly Myanmar end up providing a naval base to China, supporting its 'String of Pearls' policy."

India, says Kakar "erred from the time Yameen took power. It should have stopped supporting his predecessor and made efforts to adopt a realistic approach to diplomacy, rather than an idealist one....It could have opened channels of communication and removed any fear of Indian intervention, which was being touted in Maldives as imminent..." Even as India closed all doors, Maldives retaliated by indicating its displeasure, assured of Chinese and Pakistani backing.

India, concludes Kakar "has no option but to wait and watch. There may be a regime change some time in the future, but by then it may be too late. China would have entrenched itself so well that no government would ever be able to ignore it."



## INDIA - NEPAL: THE NEW BILATERAL DYNAMIC

Nepal Prime Minister K.P. Sharma Oli's visit to India last week appears to have introduced a new dynamic into the relationship between the two countries. It is also the flavour of the media.

Prime Minister Oli who returned to power with a sweeping mandate on an anti-India plank, however, chose not to break away from the undeclared tradition of Nepali prime ministers making their first official visit to India. On return from India, he said the relations between the two neighbours are "firmly on track, and it will remain

smooth forever, if spoilers do not succeed.”

A 12-point joint communique, issued a day before Oli returned home—in contrast to both sides failing to issue one during Oli’s earlier visit in February 2016 — said India would be funding construction of a railway track between Raxaul in Bihar and Kathmandu. It would also explore possibilities of inland water ways connecting Kursela in Bihar to Chatara in Nepal. India also agreed to develop Nepal’s agri-sectors. Incidentally, these are sectors in which China has also shown interest. Whether India’s offer for rail connectivity will block China’s plan for a Lhasa-Kathmandu-Lumbini railway connection or force it to review this project, will be known when Oli visits China in the not-so -distant future.

## RESETTING TIES

The resurgent Nepalese leader is clearly playing the China card with India on the defensive and unable to influence him. He has signed up on China’s Belt and Road Initiative. He has also reached agreement for a trans-border rail network through Tibet. China will also prospect for oil in Nepal. The value of these is obvious, especially for a China-leaning leader.

It was a recognition of this reality, writes the Asian Age “that made Prime Minister Narendra Modi tell the Nepal PM that India’s bilateral assistance would be directed by the priorities set by Kathmandu.” India, writes the Asia Age “should have long learnt not to expect any special relationship with Kathmandu, but build normal friendly ties with stakes in Nepal’s stability. Only that can ensure that Kathmandu will not permit itself to be used by others to prejudice India’s security interests across the open India-Nepal border.”

India appears to have recognised that Oli has emerged as one of the most powerful Nepalese leaders with a clear

majority in parliament. His Communist Party of Nepal (United Marxist-Leninist) united with Prachanda’s CPN (Maoist) to form the CPN, making him the first PM of this united Communist bloc. The rival Nepali Congress party took a beating in February’s elections.

The Hindu writes that the Nepali Prime Minister K.P. Sharma Oli’s visit to India “signals an important recalibration of bilateral ties. While the focus of the official pronouncements has been on connectivity, it is the perceptible absence of tensions in public interactions and official meetings, including with Prime Minister Narendra Modi, that gives hope that the rupture in ties over India’s reservations about Nepal’s new constitution is being repaired....

“The reset is long overdue, and should be accompanied by a transformation in the tenor of the relationship. Kathmandu has been too susceptible to conspiracy theories about Indian meddling, while New Delhi and its diplomats in the Nepal embassy have sometimes lent credence to the theories by adopting a patronising attitude. A first step to the reset would be the completion of the ongoing process of updating the 1950 Treaty of Peace and Friendship. Nepal would acknowledge that its citizens have benefited from the ease of employment and residence in India that the treaty provides. But India must recognise that as in all other developing economies, Nepal’s aspirational young population is also looking beyond the open Indian border for opportunities, and Mr. Oli’s desire to turn his ‘land-locked’ country into a ‘land-linked’ country with a merchant navy must be considered positively. From here on it will be the deliverables, such as road and railway links, power projects and post-earthquake reconstruction commitments, that will determine the

success of the partnership, not just the announcement of new initiatives. India has residual concerns over enhancing the constitution’s provisions for Nepal’s plains-based Madhesi population, but these should be taken up discreetly and diplomatically. Recovery in the relationship is still fragile, and any grandstanding must be avoided.”

## BEGINNING OF THE INDIA-CHINA COMPETITION

Ashok K Mehta (retired Major General of the Indian Army and founder member of the Defence Planning Staff, currently the revamped Integrated Defence Staff) identifies two elements of Prime Minister KP Oli’s speech at the function organised by the BJP’s India Foundation, the party’s informal diplomatic outreach.

He said. “There will be no tilt towards China.” And in a veiled reference to the blockade — which is part of the great misunderstanding of 2015-16 — he warned that blocking movement of goods, services and people should have no place in today’s interconnected world and the interconnected neighbourhood.

Oli messaging to India in the past has been not to take Nepal for granted and treat it as an equal with respect and dignity and as an independent and sovereign country without messing in its internal affairs. That, according to him, will reduce the current trust deficit.

That is why, notes Mehta, there was no talk on China, Constitutional issues and OBOR which Oli said is in Nepal’s national interest.

With a view to reset ties, “India has chosen to place most of its eggs in the Oli basket with few alternate options. This was evident from doubling economic assistance for Nepal by 73 per cent to nearly Rs 650 crore, second only to Bhutan. Oli’s aim is to use the political stability for making Nepal

prosperous and happy and utilising both its powerful neighbours in focusing on development. Equidistant is the sinequa non of his foreign policy.

“Oli has sought Indian investment in hydropower, farming, infrastructure and tourism. India is already building 50,000 homes following the 2015 earthquake. Apparently, Modi bluntly told Oli that if China will build most of its hydropower projects, India will not buy the surplus power. The \$2.5 billion Budhi Gandaki hydel project has become the bone of contention between India and China though Oli has promised it to Beijing. Most high-value infrastructure projects have been bagged by China.”

India on its part has pledged new oil pipelines, railway lines including one to Kathmandu, inland waterways, accessing the sea.

However, many projects, for which commitments were made years ago, never took off. Oli is supposed to have told Modi about the decades-old Pancheshwar and Mahakali projects and said that Delhi was required to build a 1.5 km road from Banbasa to Mahendranagar. Nepal has waited 22 years and added: “India is known to build 30 km of roads every day”. India must improve quality and timely delivery of projects because comparison is made with China.

Mehta includes that Oli’s term “marks the start of the India-China competition with a Nepali umpire.”

### RE-NEGOTIATING THE ‘SPECIAL RELATIONSHIP’

Carrying out a historical perspective and analysing the long term aspects, Mahendra P Lama (member of the Eminent Persons Group from India and professor at Jawaharlal Nehru University) writes: “India and Nepal relationship has been established in four distinct interactive terrains: people-to-people, civil society, business-commercial and government-to-

government. These matrices, buttressed by an open border regime, make this relation unique and special, the main being the people-to-people contact. However, the nature of State formation, foreign policy orientation and governance structure and power echelons on both sides of the border somehow put the government-to-government relation at the forefront.”

This overwhelming domination of governments, continues Lama “underplaying and even neglecting the other three core interactive terrains, invariably creates some sort of an awkward situation, bilateral imbroglios and economic blockades. The government-led relationship could work effectively in other geographies and countries but not between India and Nepal as the bilateral flows are historically so natural, smooth and unhindered.

“The people-to-people exchanges are neutral to the government and political formations. They have remained unaffected even in acute conflict situations such as the Maoist movement. However, the discourse and debate have always remained government-driven and nation-centric. As a result, day-to-day-incidents and events tend to overtake the ‘eternal and exemplary’ relationship, thereby making Nepal more India-obsessed and the later more narrowly engaged.”

Therefore, when India and Nepal rethink and renegotiate their relationship, “people-to-people interdependence must lead the relationship along with civil society and business-commercial level interactions.

“And let the government-to-government deliberations, negotiations and operational details be carried out to facilitate these other aspects. Let the three actors be the determinants in the relationship. This is where both India and Nepal can propagate a new policy of neighbourhood nirvana...” ■ ■ ■

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There is now speculation on whether the BJP will win the 2019 parliamentary elections due in the month of May. The general opinion at this stage is positive for the BJP but there are caveats.

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## CHOGM MEET: INDIA'S STANCE ON RUSSIA ?

As the United Kingdom and Russia are engaged in a diplomatic face-off over the Salisbury incident, India and Pakistan are caught in a dilemma on how to negotiate their way through the joint declaration at the upcoming Commonwealth Heads of Government Meeting (CHOGM) in London this week. Prime Minister Modi will be in London from April 18, and will attend the summit on April 19-20.

Sources said the UK is keen to include a strongly-worded paragraph on the Salisbury incident. However, India, which has strong strategic ties with Russia, wants the language to be moderated, and would not even want a reference to the incident in the declaration.

In its efforts to dilute any reference to Russia, India has found an unlikely partner in Pakistan, which is developing its own ties with Moscow in recent years, much to Delhi's discomfiture.

At the CHOGM summit, the negotiators are also discussing a declaration on "cyber crime" — which may have a reference to Russian involvement in elections in the UK and US.

"We do not want to get caught in the battle between the West and the Russians... while we understand the



need to voice our concerns, we will do it, if the need arises, in a bilateral format, and not on such multilateral groupings," a South Block source told *The Indian Express*.

For India, one of the main reasons for not acting adversely against Russian interests is the strong defence ties. A possible deal on S-400 missile system is at risk of attracting sanctions imposed on Russians.

India has refrained from issuing a statement on the Salisbury incident. The only Indian statement on the issue was at the Organisation for the Prohibition of Chemical Weapons (OPCW)'s special session,

where Indian envoy Venu Rajamony said that "India, like all other countries, should await the outcome of the investigation" done by the OPCW.

This was a clear riposte to the UK and western countries, as the British authorities had concluded that the plot to kill former Russian spy Sergei Skripal and his daughter Yulia, by using a nerve agent, was carried out by Russia. Yulia has since been discharged from hospital, while Sergei is still recuperating.



## MARK ZUCKERBERG: DOING EVERYTHING TO PROTECT INTEGRITY OF 2019 ELECTIONS

During his Congressional testimony Tuesday, Facebook founder CEO Mark Zuckerberg said he is doing everything to protect the integrity of important upcoming elections across the world, including the 2019 Lok Sabha elections in India. Zuckerberg was facing 44 Senators in a rare joint committee hearing over allegations of a data breach, which impacted 87 million Facebook users and influenced the outcome of the 2016 US Presidential Elections.

“2018 is an incredibly important year for elections. Not just with the US midterms, but, around the world, there are important elections — in India, in Brazil, in Mexico, in Pakistan and in Hungary. We want to make sure that we do everything we can to protect the integrity of those elections,” Zuckerberg said.

Taking responsibility for the data breach, he said, “(Facebook) didn’t take a broad enough view of our responsibility, and that was a big mistake. And it was my mistake. And I’m sorry. I started Facebook, I run it, and I’m responsible for what happens here.”

He added that the company has spoken of data privacy and foreign interference in elections at its board meetings. “These are some of the biggest issues that the company has faced, and we feel a huge responsibility to get these right,” he added.

Going forward, Zuckerberg said the company has deployed new artificial intelligence tools to better identify fake accounts that may be trying to interfere in elections or spread misinformation. ■ ■ ■

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## STATE OF ECONOMY ECONOMY TO GROW 7.3 PER CENT IN FY 2018-19: ASIAN DEVELOPMENT BANK

The Asian Development Bank (ADB) has projected a rebound in India's economic growth with GDP reaching 7.3 per cent in the current fiscal and 7.6 per cent in the financial year 2019-20. ADB attributes this to increased productivity post GST and investment revival due to financial sector reforms in place.

"Despite the short-term costs, the benefits of reform such as the recently implemented GST will propel India's future growth," ADB Chief Economist Yasuyuki Sawada said.

Robust foreign direct investment flows attracted by liberalised regulations and the government steps to improve the ease of doing business will further bolster growth, Sawada said.

The ADB's growth projection of 7.3 per cent this fiscal is in line with that of rating agency Fitch, but a tad lower than RBI's forecast of 7.4 per cent.

India's growth in Financial Year 2017 was driven primarily by services, which grew by 8.3 percent due to improved growth in finance and real estate, and in trade, transportation, and communication services. Industrial activity slowed down largely due to manufacturing growth's weakening to 5.1 percent in Financial Year 2017, compared to 7.9 percent a year earlier.

Agricultural performance was also modest, as food grain production marginally exceeded the good harvest a



year earlier. Although consumption growth dropped to its lowest level in five years in Financial Year 2017, there was a sequential pickup in investment during the year, the report highlighted.

Overall, the economy grew 6.6 per cent in the last fiscal amidst a fall in demand in the wake of the 2016 demonetization and teething troubles of businesses adjusting to Goods and Services Tax (GST) in 2017.

In its Asian Development Outlook, 2018, ADB said growth in India will pick up as the new tax regime improves productivity and banking reform and corporate deleveraging take hold to reverse a downtrend in investment.

The ADB also said that growth in South Asia remains among the world's fastest, driven by a recovery in India, the region's largest economy, ADB said.

Kenichi Yokohama, India Country

Director, ADB said that India would become the fastest growing large economy for next two years given that China's growth forecast is lower than India's. The ADO forecasts China's growth will slow to 6.6 per cent in 2018 and 6.4 per cent in 2019.

"In sum, growth is forecast to pick up to 7.3 per cent in Financial Year 2018 on improved rural consumption, a modest uptick in private investment, and less drag from net exports. Urban consumption growth will remain stable, and impetus from public investment modest," it said.

Growth is expected to pick up further to 7.6 per cent in Financial Year 2019 as efforts to strengthen the banking system and continued corporate deleveraging are likely to bolster private investment.

In the upcoming months, the ADO noted that growth would pick up, supported by various measures aimed to

bolster farmers' purchasing power, including higher procurement prices, agriculture market reforms, and investments in irrigation and logistics. The Bank also noted that investment revival is expected to continue, albeit at a modest rate, as firms and banks strive to improve their balance sheets, and capacity utilisation levels pick up.

"Also set to catalyse growth are benefits from the GST as it mitigates geographic fragmentation and adds revenue to the exchequer, as well as further progress on fiscal consolidation and reform to promote FDI," it said.

The ADO further said the prospects for policy stimulus remain limited and there is risk of tight interest rate regime. "The deferment of fiscal consolidation, upside risks to inflation, and expected hikes in US interest rates in 2018 restrict maneuvering room for policy rate cuts to stimulate growth.

Abhijit Sen Gupta, Economist, India Resident Mission, ADB said that the odds of a rate hike are low with the central bank indicating tolerance for slightly higher inflation and recognition of the need to nurture recovery. Consequently, the status quo is likely to hold in Financial Year 2018, albeit with some risk of monetary tightening," he said.

The report further highlighted that a pickup in growth in advanced economies will help exports to grow at a healthy rate. At the same time, imports are also expected to increase as a result of higher commodity prices and the uptick in domestic demand. With the rise in imports offsetting the increase in exports, the current account deficit is expected to widen to 2.2 percent of GDP in Financial Year 2018 and 2.4 percent of GDP in Financial Year 2019.

The Bank also stated that current account deficit is expected to be financed comfortably by capital flows, as India remains an attractive destination for foreign direct investment and portfolio flows.

**On Inflation:** The ADO said that inflation in India is expected to inch up to

4.6 per cent in 2018-19 and 5 per cent in 2019-20 driven by further firms of commodity prices and strengthening of domestic demand. The uptick in inflation along with deferment of fiscal consolidation and expected hikes in the US Federal Reserve's interest rate has reduced the room for policy rate cuts to stimulate growth.

**Current perceptions about economy:** The ADB's forecast fits into the estimates of growth for the current fiscal brought out in the recent monetary policy review by the Reserve Bank of India. For instance, even the multi-member Monetary Policy Committee of the RBI headed by governor Urjit Patel was more than optimistic about economic performance in general, revival in industrial growth and investment sentiment as well as better growth in the current and next fiscal.

If the Reserve Bank of India governor, Urjit Patel, and his monetary policy cohorts are right, the Indian economy could return to a projected GDP growth phase next year - with real gross domestic product growth surging to 7.4 per cent in 2018-19 from 6.6 per cent in the prior year, and retail inflation remaining relatively benign at 4.4 per cent next March. What is more, GDP growth rate is projected to jump to 7.7 per cent in 2019-20.

These forecasts stem from a baseline scenario of expectations predicated on five assumptions: that there will be a normal monsoon this year, crude oil will hover at current levels of \$68 to the barrel, global economic growth will be robust at 3.9 per cent in both 2018 and 2019, the rupee will remain steady at the current exchange rate of Rs.65 to the dollar, and the Narendra Modi government will be able to stick to its budgetary commitment to cap fiscal deficit at 3.3 per cent of GDP.

In its first monetary policy review for this fiscal, the RBI did, however, hedge one bet: it said that if there was a deficient monsoon, then GDP growth for the year could be lower by 20 to 30 basis points, which means around 7.1 per cent.

The RBI chose not to raise interest

rates and its unexpected dovish stand considerably reduces the prospect for a rate revision for at least the next 12 months. However, with the American Federal Reserve poised to raise interest rates at least three times this year after a 25 basis point increase on March 21, and with the American president, Donald Trump, and China's president, Xi Jinping, firing warning shots that could snowball into a bruising global trade war, the rosy scenario that the RBI has painted could go haywire.

**Rupee depreciation:** The rupee exchange rate is another variable that needs to be considered. Latest data shows the real effective exchange rate of the rupee (REER) against dollar (exchange rate adjusted for inflation) is at 101.28. The implication is rupee overvaluation of at least 1.28% at the current juncture. When landed costs of imports rise due to rupee depreciation, it brings forth imported inflation, and the quantum depends on the composition of those items in the CPI and wholesale price index (WPI) basket.

Several indicators for the economy appear to be showing signs of improvement which gives reason to be sanguine about next year; a good harvest coupled with steady industrial growth can be a recipe for higher GDP growth. However, this number is not expected to be more than 7.5 percent which means that the pace of acceleration will be gentle in Financial Year 2019. Crude oil and monsoons are the risk factors presently which can upset calculations and would have to be monitored closely especially on the prices front.

Corporate India also needs to invest more especially in infra and this can be a cog because the banking system is not prepared to support the same. Therefore, while the real sector appears to be poised to do well, the financial sector has to strengthen fast or else there could other sets of challenges for the economy.

## INDIAN ECONOMY: A LEAD-DRIVER FOR TRADE GROWTH

As per a report in the "Hindu", India's trade growth remains the highest among a group of seven economies assessed by a

study. The country's economy will continue to drive growth not just in Asia but on a global scale with its rate of development proving resilient to almost any challenge, the study said.

This is the finding of an early indicator report on global trade developments, calculated using Artificial Intelligence and Big Data for Asia's four largest economies. The study, called DHL Global Trade Barometer, has been developed jointly by DHL and Accenture, according to a release.

It provides a quarterly outlook on future trade, taking into consideration import and export data of seven large economies – China, South Korea, Germany, India, Japan and the United Kingdom and the United States. Together these account for 75 % of world trade, making their aggregated data an effective bell-weather for near-term predictions on global trade, according to the release.

According to the 'barometer', air and ocean freight volumes were expected to rise, supporting the economic development of South Korea, Japan, China and India. The Asia Pacific region's booming economy looked set to power global trade growth in the coming quarter, it added.

"Sustained growth in FDI (foreign direct investment) continues to drive Indian demand at a rate that domestic production cannot keep pace with," said George Lawson CEO, DHL Global Forwarding.

### MOVING JOBS AWAY FROM MANUFACTURING CAN BOOST GROWTH: IMF

In what could be a lesson for Prime Minister Narendra Modi's flagship Make in India, the International Monetary Fund (IMF) on Monday said shifting of jobs from manufacturing to services would not affect growth adversely.

In its analytical chapter on World Economic Outlook, the IMF, as reported in the "Business Standard", said such a shift should not hinder productivity growth. Instead, it would boost the

prospect of developing economies to gain ground.

In a chapter, released ahead of the annual meeting with World Bank meeting this week, the IMF said some service industries have higher productivity levels and growth rates than manufacturing.

"Since the early 2000s, the rise in the services sector's share of employment has contributed positively to economy-wide productivity growth in most developing economies," the IMF said. It added that productivity levels in services tend to converge to the global frontier (that is, to the productivity level in the most-productive countries), just as in manufacturing.

"The rise in the employment share of those service sectors therefore can boost growth of aggregate productivity and aid the convergence of income per worker across countries," the IMF said.

The IMF report found average productivity growth in services in many developing economies, including China, India, and some in sub-Saharan Africa, has recently exceeded that of manufacturing. Make in India is primarily a manufacturing initiative, for both domestic and export markets.

The report has come at a time when India was trying hard to generate jobs. Political battle lines have been drawn to score points and different reports are cited to prove opponents wrong.

According to the Labour Bureau's latest quarterly report on employment, job creation in the organised sector rose two-fold to 136,000 in the July-September quarter of 2017 compared to the previous quarter, largely driven by an uptick in the manufacturing sector. In comparison, job creation stood at 64,000 in the April-June quarter of 2017 and at 32,000 in the July-September period of 2016.

On the other hand, a recent survey by the Centre for Monitoring Indian Economy (CMIE), in partnership with the BSE, has said the unemployment rate in the country's urban areas in the four quarters of 2017-18 has risen steadily —

from 4.7 per cent in the first quarter to 5 per cent then 5.7 per cent and finally 6.6 per cent in the last quarter.

However, the IMF cautioned that displacement of workers from manufacturing to services in advanced economies resulted in disparities in earnings across all sectors. This was the lesson India could learn.

The IMF suggested that the equality could be brought about by policy efforts to raise productivity across all sectors and make the gains from higher productivity more inclusive.

Facilitating the reallocation of labour to productively dynamic sectors, including by removing barriers to entry and trade in the service sector and supporting the reskilling of workers affected by structural change, is crucial to raise productivity and combat inequality, the IMF said.



## INFLATION

### RETAIL INFLATION SLOWS TO 4.28 PER CENT IN MARCH

The two economic releases last week which herald the end of the financial year augur well for the economy where there was enough skepticism given the recent controversies in the banking system. Inflation appears to be within control while industrial growth looks like being in a higher range at least till the end of the March.

Retail inflation cooled at 4.28% in March on the back of lower vegetable and food prices and removal of supply glitches by the government.

The index of consumer price inflation (CPI) slowed for the third consecutive month, the government data showed.

As per data released by the Central Statistics Office (CSO), while food price inflation stood at 2.8% compared with 3.26% in February, prices of pulses fell 13.4% in March year-on-year. Vegetables prices grew 11.7% in March.



The rate of price rise in the protein rich items like eggs, milk and other products too moderated in March as against the previous month.

Fuel and light inflation too came down at 5.7% in March compared to 6.8% in the previous month. Housing inflation was slightly up at 8.3%. Clothing and footwear inflation rose to 4.9% compared with 5% in February.

The inflation based on Consumer Price Index (CPI), a key data factored in by the RBI to arrive at interest rate, was 4.44 per cent in February.

However, the March 2018 inflation is higher than 3.89 per cent recorded in the same month last year.

Core inflation has continued to remain on the upside on the back of likely pass-through of input costs.

"We expect that inflation expectations in the period ahead will possibly be shaped by oil price movement, impact of minimum support prices inclusion, fiscal slippage as GST collections remain low, and monsoon forecasts. A greater challenge would be for the RBI to set policy sentiments correctly in the coming period as higher yields, inflationary pressures and election cycle in India and US both are likely to lead to market volatility. We expect inflation prints to hover around the 5-percent mark in Financial Year 2018-19," said Anis Chakravarty, lead economist, Deloitte.

He, however, said that despite the positive news on the food inflation front, inflationary pressures remained tilted to the upside and were likely to hover around the 5% mark in the current financial year.

"A generalized increase in food prices amid pick-up in rural economic activity could add to upside risks to core inflation going forward," said Garima Kapoor, economist, Elara Capital.

Inflation is an important variable not just from the point of view of the higher cost of living but also plays a role in affecting monetary policy given that the MPC uses this number to guide its decisions. At 4.3 percent, the CPI

inflation number is on expected lines with the same forces playing their roles. It has been maintained at a lower level mainly due to the lower food prices with pulses in particular driving inflation down. This should be the trend for the next few months for sure as the rabi crop is expected to be satisfactory notwithstanding some damage to the wheat crop on account of the unseasonal rains in April in the north.

In its first Monetary Policy Review of the current fiscal, the RBI brought down its January-March Financial Year 2018 inflation projection to 4.5% from at 5.1%. It also slashed CPI inflation for the first half of 2018-19 to 4.7-5.1% and down at 4.4% for the second half.

Why inflation could see an upward trajectory: The outlook on inflation continues to remain data-dependent, but risks remain largely to the upside, especially from expectations of a rise in crude oil prices due to international output cuts, further hardening of domestic consumption, and continued impact of HRA (house rent allowance) increase.

The era of oil-price declines seems to be over, at least for the time being. India continues to import 80% of its crude demand and rupee has a weakening bias, keeping landed costs of fuel high. In CPI, which is the anchor for monetary policy, fuel products have a weight of almost 3% (the fuel and light combined has 7%) and this will measure the direct impact of a hike in fuel price. A 10% increase in fuel costs, for instance, will thus push up Consumer Price Index inflation by almost 25 bps, other things being equal.

There is an indirect impact also by way of a cascading effect through the transportation segment, which adds another 15 bps to the CPI.

Meanwhile, the trajectory of food inflation is not yet clear. This is the largest component in the CPI basket with food and beverages constituting 54%. The MPC has admitted upside risks to inflation due to the Union Budget announcement of a 1.5-fold hike in MSP for farm produce.

In a pre-election year, there could be a tendency to announce higher MSPs to ensure that farmers are rewarded well which could spike inflation even in case the normal monsoon leads to a good harvest. It may be remembered that in 2017 a good monsoon led to a good crop but prices crashed leading to farmer distress.

Prices of other products like clothing, recreation, power, housing will remain elevated. Presently companies have lost their pricing power in depressed economic conditions.

In case of a recovery, an increase in prices may be expected which will push up prices. Therefore, an inflation rate of 4.5-5 percent may be expected in the first half of the year which can increase to beyond 5 percent in second half. The core inflation for March was still above 5 percent which means that any increase in food prices will push the number up further.

Lastly, the fiscal deficit: Any increase in the number will get reflected in excess demand conditions and rising inflation. Hence, while the Reserve Bank of India (RBI) will not be increasing rates presently – in fact the market expects a cut given the tone taken by the RBI, the same may be expected in the second half.



## AGRICULTURE HEAVY DAMAGE TO CROPS FEARED DUE TO RAIN

Spurts of heavy unseasonal rains, coupled with high-speed wind and hailstorm over the past few weeks may have done extensive damage to standing rabi crops in several states, including Madhya Pradesh, Maharashtra, Rajasthan and Telangana. Much to the consternation of the NDA, it raises the spectre of a full-blown agriculture crisis just ahead of the 2019 general elections.

Agriculture sector analysts said close to 200 lakh hectares of land across 13 states might have been impacted by the unruly weather conditions. This would

have a negative impact on food production and result in a lot of misery to farmers harvesting crops. The most severe impact would be on rabi crops such as wheat, maize, mustard and pulses, particularly chana, that are being harvested, while large quantities of crops still lay strewn in fields open to vagaries of nature. Sources said vegetable production may also get impacted that could affect prices in the coming months.

Preliminary ground reports from states indicate that crop damage may have been widespread in Rajasthan, Madhya Pradesh, Maharashtra, Telangana, Andhra Pradesh and parts of Uttar Pradesh.

A preliminary assessment report tabled in the Lok Sabha last month pointed out that unseasonal rains and hailstorms in February damaged crops spread over 4,76,000 hectares in five states. Nearly three lakh hectares of the affected areas were in Maharashtra alone.

The government has started preliminary exercise and asked officials to do a quick ground assessment and ascertain the quantum of crop damage. If the weather conditions subside, there is also a possibility of recovery of crops.

The rain may not have come at the right time for the Centre that is already battling farmers' protests over lower crop prices in the aftermath of demonetization and lack of market support for their produce. The recent show of strength by farmers in Mumbai was only the latest in a swirl of agrarian protests that has been erupting in various parts of the country.

Last year saw nine districts in Madhya Pradesh on the boil after five farmers were killed in police firing during a protest in Mandsaur. In Rajasthan, too, a 13-day protest was called off when the government agreed to waive debts up to Rs 50,000.

The deep seated agrarian crisis has also been highlighted by National Sample Survey Office 2013-14 data, which shows that at least 50 per cent of the total 90.2 million rural agricultural households are in severe debt.

As per government's latest data, production of foodgrain is estimated to reach record levels at 277.49 mt during 2017-18 crop year (July-June). This will certainly not help better prices in the absence of a robust market devoid of populist schemes. But the extent of crop damage by weather conditions would certainly impact production and failure of monsoon or lower rainfall in monsoon months could add to the misery of farmers.



## MONEY & BANKING

### SBI, PNB PUT 15 NPAS WORTH RS 1,063 CR FOR SALE

Leading public sector lenders State Bank of India (SBI) and Punjab National Bank (PNB) have put their 15 non-performing assets worth Rs 1,063 crore for sale.

Both the banks will conduct the e-auction on 20th of this month.

SBI has put up a total of 12 accounts with total outstanding of Rs 848.54 crore for sale.

Of these accounts, Surat-based Garden Silk Mills has the highest outstanding of Rs 225.06 crore, followed by Korba West Power Company (Gurgaon) Rs 124.78 crore, Modern Steels (Chandigarh) Rs 122.61 crore and SNS Starch (Secunderabad) Rs 66.87 crore.

Rest NPA accounts include Leitwind Shriram Manufacturing Pvt Ltd (Rs 64.95 crore), Unijules Life Sciences (Rs 59.25 crore), Scania Steels & Power (Rs 42.42 crore), KSM Spinning Mills (Rs 40.42 crore), Modern Dairies (Rs 39.93 crore), Asmita Papers (Rs 37.23 crore), Forel Labs (Rs 22.86 crore) and Jaipur Metal & Electricals (Rs 2.16 crore).

The second largest public sector lender PNB will offer three NPA accounts with total outstanding of Rs 214.45 crore for sale to ARCs/NBFCs/banks or other financial institutions.

The three accounts are Shree Sidhbali

Ispat Ltd (Meerut) with non-performing loans of (Rs 165.30 crore), Sri Guruprabha Power Ltd (Chennai) Rs 31.52 crore and Dharamnath Investment (Mumbai) Rs 17.63 crore.

All the 21 public sector banks had gross bad loans of over Rs 7.33 lakh crore as on December 31, 2017. Of this the SBI had the highest share of Rs 2.01 lakh crore followed by Punjab National Bank Rs 55,200 crore, IDBI Bank Rs 44,542 crore, Union Bank of India Rs 38,047 crore, among others.



## INDUSTRY

### CII CALLS FOR BRINGING FUEL, REALTY UNDER GST

Apex chamber, Confederation of Indian Industry, President Rakesh Bharti Mittal, and vice-chairman of Bharti Enterprises, on Thursday unveiled the annual agenda of the apex chamber which includes a key initiative on the industry doing business ethically and transparently.

As part of the 'India RISE' theme announced for 2018-19, the CII will launch voluntary corporate governance codes for large enterprises, small and medium enterprises and the financial sector," Mittal said at his first press conference after assuming charge as CII president.

In his presentation, Mittal called for enhancing the scope of Goods and Services Tax (GST) by including fuel, real estate and alcohol and reducing the number of slabs. He said the industry should strategise for investments now. "India's economic environment has begun to improve due to introduction of major reforms such as GST, Insolvency and Bankruptcy Code, fixed-term employment etc. The industry must respond positively and undertake investments to sustain the recovery," he added.

The new CII president said the CII has evolved a strong agenda for the industry under the 'India RISE: Responsible. Inclusive. Sustainable.

Entrepreneurial' theme. The theme dovetails with the government's priorities as per the reforms already completed. Comprehensive new initiatives under each of these sub-themes were outlined.

Uday Kotak, CII president-designate and vice-chairman and MD of Kotak Bank, said, "We are now seeing a dramatic pick-up of micro-India across all sectors. The transition from a good macro to a good micro economy has happened over the past few years."

GDP growth pegged at 7.3-7.7% for FY 2019: CII chief said the chamber expects gross domestic product (GDP) to grow at 7.3-7.7% during the 2018-19 financial year. This is based on strengthening demand in the rural economy, including agriculture and non-farm activities, as well as better global growth climate. Sector-wise, the CII projected 2.5-3.5% growth for the agriculture, 7.2-7.5% for the industrial and 8.4-8.7% for the services, with "construction" and "trade and repairs" to lead.

### IIP GROWTH DIPS TO 7.1% IN FEB

Maintaining high growth for the fourth month in a row, industrial production grew at 7.1% in February, mainly driven by robust performance of the manufacturing sector coupled with higher off-take of capital goods and consumer durables.

Factory output measured in terms of the Index of Industrial Production (IIP) had grown by 1.2% in February 2017, as per the latest data released by the Central Statistics Office (CSO).

The IIP recorded a growth of 8.54% in November, 7.1% in December and 7.4% in January, as per the revised data.

During April-February, IIP growth has slowed to 4.3% from 4.7% in the same period last fiscal.

Manufacturing sector, which constitutes over 77% of the index, grew at 8.7% in February as compared to almost flat growth of 0.7% in the same month a year ago.

Similarly, capital goods output rose by

a robust 20% in the month under review as against a contraction of 2.4% earlier.

As per use-based classification, the growth rates in February 2018 over February 2017 are 3.7% in primary goods, 3.3% in intermediate goods and 12.6% in infrastructure/construction goods.

Consumer durables too grew at 7.9% as against a contraction of 4.6% in February 2017. The consumer non-durables sector recorded a growth of 7.4%.

Electricity generation also grew by 4.5% compared to 1.2%. However, mining output declined by 0.3% against a growth 4.6% earlier.

In terms of industries, 15 out of the 23 industry groups in the manufacturing sector have shown positive growth during February 2018.

Industrial growth too looks good: The fact that growth has been over 7 percent for four successive months is indicative of a turnaround. A part of the reason could be the bunching up of demand towards the end of the year as output slumped following GST. The destocking and restocking exercise coupled with revival of pent up demand may be factors driving growth in this period. But nevertheless, this is a good sign as it is broad based across most sectors.

In fact, both capital goods and consumer goods have done well in February which is a healthy sign. Admittedly capital goods have been driven by vehicles and less by machinery which may be the missing link here. But other sectors like non-metallic minerals, electronics, metals, pharma, food etc, have done well consistently which should have positive impact on the performance of companies in Qr.4 of Financial Year 2018.

For the entire year it may be expected that growth would be around 4.6-4.7 percent assuming a similar growth of 7-8 percent in March. This is satisfactory though not exciting but would be a good base to work on in FY 2019.

Assuming no major disruption

through policy, the missing links would be surge in consumer demand and improvement in private investment. Both these factors will have to be monitored closely and the second half of the year would be critical. This is where the monsoon, good crop and higher MSP will play a positive role in driving rural demand which in turn can help induce investment when supported by urban demand too.

### E COMMERCE BOOST: WALMART-FLIPKART DEAL TALKS ON

According to informed sources, US-based retail giant Walmart is in discussion with Flipkart to buy stake in the e-commerce company, a deal that is expected to value the Indian firm at about USD 20 billion.

According to the sources, Walmart is in talks to buy shares from Flipkart and its investors. The contours of the deal, which is yet to reach a conclusive stage, are still being worked out.

The deal, which is likely to be carried out in tranches, will include purchase of primary and secondary shares, one of the sources said.

Another person familiar with the matter said early investors like Tiger Global could look at a complete exit from the e-commerce company post the transaction. Last year, SoftBank Vision Fund had pumped in an estimated USD 2.5 billion in Flipkart. The Bengaluru-based firm had also raised funds from eBay, Tencent Holdings and Microsoft Corp last year. The deal, if it goes through, would unlock the booming Indian e-commerce market for the world's largest offline retailer. For Flipkart, it would provide more arsenal to go up against rival, Amazon in the Indian market.

Amazon and Flipkart are locked in an intense battle for leadership in the Indian market and have pumped in billions of dollars towards marketing and setting up infrastructure in the country.

There have been reports of Flipkart being in discussion with the rival for a possible acquisition, though there has

been no formal announcement on that.

Industry watchers said a deal between Walmart and Flipkart was more likely since Flipkart-Amazon joining forces would face scrutiny by the competition watchdog, CCI in India.



## AUTOMOBILES HURDLES TO AUTO GROWTH

The Society of Indian Automobile Manufacturers (SIAM) has forecast a high single-digit growth rate for the passenger car segment in 2018-19 amid concerns over rising raw material cost and waning consumer confidence.

According to the apex industry body, prices of all key commodities used to manufacture vehicles have seen a sharp rise in the last six months.

While the increase in steel prices was in the range of 9-10 per cent, pig iron, aluminium, copper, lead, polypropylene and carbon black prices saw a rise of 7.68, 2.26, 6.37, 7.59, 5.68 and 26.02 per cent respectively, driven by global price volatility.

Only the price of natural rubber has seen a reduction of 7.51 per cent between September 2017 and February 2018, according to secondary research by the industry body.

SIAM also cited the fall in consumer confidence index designed by the Reserve Bank of India as a concern. The index saw a decline from 96.9 in December 2017 to 95.1 in March 2018.

However, the easing of interest rates, especially for passenger cars, high rural demand and shifting preference for utility vehicles are likely to fuel the auto sector growth.

Passenger vehicle sales came close to the 33-lakh-mark in 2017-18, recording a growth of 7.89 per cent over the year-ago period. Within passenger vehicles, cars, utility vehicles and vans grew by 3.3, 20.97 and 5.78 per cent respectively during 2017-18.

The overall sales in the commercial vehicle segment at 8.56 lakh units saw a growth of 19.94 per cent in 2017-18, driven largely by a 25.42 per cent growth in light commercial vehicles sales. Medium and heavy commercial vehicle sales grew 12.48 per cent compared with the year-ago period.

For 2018-19, SIAM sees a double-digit growth for light commercial vehicles and a high single-digit growth for medium and heavy commercial vehicles.

Two-wheelers registered a sales growth of 14.80 per cent at 201.92 lakh units in 2017-18 compared with the previous fiscal. Within two-wheelers, scooters and motorcycles grew 19.90 per cent and 13.69 per cent respectively, while mopeds saw a decline of 3.48 per cent.



## MARKETS INDICES END HIGHER BUT NIFTY FAILS TO HOLD 10,500-MARK

Indian shares rose for a seventh straight session on Friday, in what could be their longest winning streak since November 2017, on the back of gains in index heavyweights such as RIL and ICICI Bank.

Shares ended the day and week on a positive note, with the Nifty closing near 10,500-mark.

The Sensex was up 91.52 points or 0.27% at 34192.65, and the Nifty went up 21.90 points or 0.21% at 10480.60. The market breadth is negative as 1265 shares advanced, against a decline of 1435 shares, while 156 shares are unchanged.

This was its highest closing since February 27 when it had settled at 34,346.39 points. It had gained 1,082.06 points in the past six sessions.

The broader NSE Nifty rose 21.95 points, or 0.21 per cent to finish at 10,480.60 after shuttling between 10,519.90 and 10,451.45. Both the key indices finished with gains for the third week in a row.

The BSE Sensex recorded a significant rise of 565.68 points, or 1.68 per cent, while the NSE Nifty advanced 149 points, or 1.44 per cent, this week. Adani Ports, Wipro, and Tech Mahindra were the top gainers, while SBI, Axis Bank, BPCL and Bajaj Finserv lost the most.

Investor sentiment was upbeat on positive macro data announced after trading hours on Thursday and optimism ahead of earnings by Infosys coupled with a firming trend at other Asian bourses.

The index of industrial production (IIP) grew by a healthy 7.1 per cent in February, driven largely by the robust performance of the manufacturing sector coupled with higher offtake of capital goods and consumer durables, while the key retail inflation slipped to a five-month low of 4.28 per cent in March, official data showed on Thursday.

Sentiment was also upbeat after retail inflation eased to a five-month low in March, but remained above the central bank's medium-term target, supporting views that monetary policy is likely to remain unchanged at the next review in early June.

Investors now await January-March corporate results for future direction. IT Major Infosys will kick-start the March-quarter results season later in the day.

Meanwhile, Global stocks recovered to three-week highs on Friday as anticipated strong earnings season took centre stage after US President Donald Trump backtracked on his suggestion of an imminent missile attack on Syria.

Trump said in a tweet on Thursday that a possible attack on Syria could occur "very soon or not so soon at all," easing fears of confrontation with Russia.

MSCI's broadest index of Asia-Pacific shares outside Japan ticked up 0.1 per cent while Japan's Nikkei gained 0.8 per cent.

## SEBI HIKES FPI INVESTMENT LIMIT FOR GOVT DEBT, CORP BONDS IN 2 TRANCHES

To boost inflows of foreign funds into Indian capital markets, regulator Sebi has

decided to raise the investment limit for foreign portfolio investors (FPIs) in central government securities and corporate bonds in two tranches.

As reported in "Deccan Chronicle", investment limit for FPI has been hiked in two tranches from April 12 and October 1. The move is part of an effort by Securities and Exchange Board of India (Sebi) to push inflow from overseas investors in the country's capital markets.

"Limit for FPIs in central government securities shall be enhanced to Rs 2,07,300 crore on April 12 and Rs 2,23,300 crore on October 1, respectively," the regulator said in a circular.

Earlier, investment limit for foreign portfolio investors (FPIs) was Rs 1,89,700 crore. Besides, limit for long term FPIs -- sovereign wealth funds, multilateral agencies, insurance funds, pension funds and foreign central banks -- in central government securities has been enhanced to Rs 78,700 crore from yesterday. This will be further increased to Rs 92,300 crore on October 1. Earlier, the existing limit was Rs 44,100 crore for long term FPIs.

"The sub-limit for investment by long term FPIs in the infrastructure sector shall be done away with and the existing investment and free limits shall be merged into the corporate debt investment limits. Further, all the existing sub-categories under the category of corporate bonds will be discontinued and there would be a single limit for FPI investment in all types of corporate bonds," Sebi noted.

The corporate debt investment limit has been moved upwards to Rs 2,66,700 crore from Thursday and the figure will be further increased to Rs 2,89,100 crore from October. The existing limit was Rs 2,44,323 crore.

Also, debt limit of state development loans (SDLs) has been increased to Rs 34,800 crore. It will further rise to Rs 38,100 crore. The existing limit for the category was Rs 31,500 crore.

## TRADE WTO URGES FOR REVIVING GLOBAL ECONOMIC COOPERATION TO DEFEAT TRADE WAR

The world needs to unite and revive global economic cooperation, liberalisation and growth to defeat trade protectionism and the rising threat of a trade war.

"No issue is more urgent today than reviving global economic cooperation, liberalisation and growth," said Yonov Frederick Agah, the deputy director general of WTO told delegates at the Annual Investment Meeting (AIM) being held at the Dubai World Trade Centre. He said the signs of "rising trade tensions" are not only a cause but a symptom of a global economy that has "largely stopped opening and integrating" in recent years, holding back growth when it is "most needed" to secure a prosperous and peaceful world.

"The picture was very different just a decade ago. Between 1990 and 2008 -- the high-water mark of globalisation -- world trade expanded nearly three-fold -- double the pace of economic growth -- while FDI grew almost seven fold.

"It was not just new technologies that helped fuel this expansion, but the success of major new global and regional liberalisation initiatives as well -- the Uruguay Round; China's accession to the WTO; the creation of the European Single Market, NAFTA, Mercosur, and many others," he said.

The AIM, a three-day congregation of high-profile officials that include 25 federal ministers, 19 mayors, eight organisation heads, one head of parliament and investors, will see the signing of a number of agreements and announcements that will help countries boost the flow of Foreign Direct Investment (FDI). Sultan bin Saeed Al Mansoori, UAE Minister of Economy, said, he did not think that the current situation between "two big economic powers" will escalate to a "trade war".

"Things are still developing and we have to wait to see where it reaches," he said. "The UAE firmly believes in cooperation and partnership and that's how we have built our economy through cooperation and we will continue to do that. Currently, we have nothing to worry. However, a full-scale trade war will affect all of us," he added.

Georgia First Vice Prime Minister and Minister of Economy and Sustainable Development Dimitry Kumsishvili said his country believes in growing together through liberalisation, cooperation and openness. "We are a small country and can't afford protectionism. We have signed free trade agreements with countries with a population of 2.3 billion. Protectionism is not good for global growth," he said.

Meanwhile, in a speech in Hong Kong last week, IMF chief Lagarde also cautioned that the top priorities for the global economy in today's context are to steer clear of protectionism, guard against financial risk and foster long-term growth. The IMF chief was speaking as a trade conflict between the United States and China is creating significant uncertainty for businesses and their global supply chains.

In an apparent reference to US President Donald Trump, who has locked horns with China on trade, the head of the IMF said countries should open trade further by reforming their own domestic practices rather than putting up new barriers to trade.

And she said it was a mistake to view trade deficits as a sign of unfair trade practices -- as Trump has repeatedly claimed, in the current dispute with China.

Trump last month imposed steep tariffs on steel and aluminum imports, and announced pending tariffs on \$50 billion in Chinese goods in retaliation for alleged theft of intellectual property. Since then Washington and Beijing have escalated threats of new import duties, raising the real risk of an all-out trade war.

Lagarde also dismissed the argument



— made by Trump and his trade advisers — that the presence of a trade deficit is a sign of unfair trade practices.

“Remember: the multilateral trade system has transformed our world over the past generation. It helped reduce by half the proportion of the global population living in extreme poverty,” said the head of the IMF.

In a speech previewing the issues to be discussed when world finance ministers and central bankers gather in Washington this week for the IMF and World Bank Spring meetings, Lagarde said free trade “has created millions of new jobs with higher wages.”

“But that system of rules and shared responsibility is now in danger of being torn apart,” she warned. “This would be an inexcusable, collective policy failure.” Lagarde stressed that experience showed protectionist “import restrictions hurt everyone, especially poorer consumers,” by making products more expensive.

But barriers “also prevent trade from playing its essential role in boosting productivity,” something the IMF has repeatedly said advanced economies need to improve in order to improve potential economic growth rates.

Policymakers need to commit to a level playing field and resolve disputes without using exceptional measures, she said. The reality for 2018 and 2019 was that momentum would eventually slow due to fading fiscal stimulus, rising interest rates and tighter financial conditions, Lagarde said.

**ADB upbeat on Southeast Asia:** In its Asia Development Outlook released last week, the Asian Development Bank said Southeast Asia continued to benefit from the rise in global trade and the pickup in commodity prices. The sub-region is expected to maintain its 2017 growth rate of 5.2 per cent in both 2018 and 2019. Strong investment and domestic consumption will drive acceleration in growth in Indonesia, the Philippines, and Thailand, while an expansion in its industrial base will boost Vietnam.

Growth in Central Asia is expected to reach 4.0 per cent in 2018 and 4.2 per cent in 2019, on the back of rising commodity prices.

Meanwhile, growth in the Pacific will reach 2.2 per cent and 3.0 per cent over the next two years as the region’s largest economy, Papua New Guinea, stabilises following an earthquake that temporarily disrupted gas production.

Asian consumers and commodity price rises will fuel higher inflation in the region.

Regional consumer price inflation is projected to accelerate to 2.9 per cent in 2018 and 2019, from the 2.3 per cent registered in 2017. Inflation projections for the next 2 years, however, are well below the 10-year regional average of 3.7 per cent.

While recent US tariffs on select products have not yet dented China’s trade, ADB said, further actions by the US and counteractions against them could undermine business and consumer confidence in Asia and the Pacific.

Higher US interest rates could accelerate capital outflows, although this risk is mitigated to some degree by abundant liquidity throughout the region. Fortunately, most Asian economies are well positioned to meet these challenges.

Rising private debt remains a concern in some Asian economies. ADB research prepared for the ADO shows that debt accumulation has a positive impact on economies only in the short run.

Private debt in developing Asia has risen markedly since the global financial crisis and its limited effect on output suggests not all of the additional debt is channeled into productive investments. Authorities can counter this risk by strengthening regional financial systems, ADB said.

## INDIA CAN BENEFIT FROM GLOBAL TRADE CHALLENGES!

Among the largest economies in the G-20 group, China, the US and India

have been hit the hardest by protectionist measures in 2017, according to data from the Global Trade Alerts (GTA) database. The GTA database is a trade policy monitoring initiative by Simon Evenett and Johannes Fritz, economists with the University of St. Gallen, Switzerland.

Among emerging economies, China faced the greatest number of protectionist interventions in the past year (403), followed by India (236). Recent developments—including US tariff actions against India—suggest that India could be hit hard by the growing tide of protectionism in the coming months as well.

The magnitude of loss in export earnings for India might be relatively smaller than in the case of China because of India’s lower share in global exports. Nonetheless, the rising tide of protectionism threatens India’s trade surplus in the services sector and will hit export earnings of Indian firms.

Services sectors such as IT may be among the hardest hit. India’s trade surplus in services is already under pressure. Rise in protectionism will crimp the services trade surplus even further.

Admittedly, India has been hit hard by the rising tide of protectionism and could be one of the major casualties of a global trade war.

However, Industry Minister Suresh Prabhu feels that the present times present both a challenge as well as opportunity. Last Monday, he said India can benefit from the ongoing challenges in global trade provided it plays its cards well.

The minister was speaking at the CII annual general meeting in New Delhi.

The decision of the US to impose duties on certain steel and aluminium products besides hiking tariffs against Chinese goods has triggered a global trade war, with China retaliating to the move.

“We are looking at a strategy to work multi-laterally as well as bilaterally to get greater market access of domestic products

and services and boost India's exports", Prabhu said.

He said that India has proposed a mutually beneficial free-trade agreement with Africa and is working to resume a similar pact with European Union.

He also stated that assistant US Trade Representative is visiting India to deliberate on trade-related issues.

India, however, wants the US to revoke the duty hike against the country, as it has already done in the case of the EU, Argentina, Australia, Brazil, South Korea, Canada and Mexico.

"Officials from the Commerce Ministry have had one round of talks with counterparts on a possible roll-back of the increased import duties on aluminium and steel but it remained inconclusive. Hopefully, the matter will see tangible movement in the TPF meeting," the official said.

The US team participating in the Trade Policy Forum meeting will be led by Assistant US Trade Representative Mark Linscott. Other issues to be taken up by India at the meeting include concerns on increasing crackdown on H1-B visas by the US and restrictions for mango, grapes and pomegranate exports.

US demand: There is, however, no clarity over what the US might demand in return for roll-back of the duty hike on steel and aluminium. The US has already been making a case for increased market access for dairy products, poultry, other agricultural items and motorbikes as part of its demand that the trade deficit that it suffers against India be bridged. We don't know whether these demands would be repeated.

India has worked towards providing more market access to the US by reducing import duties on items such as motorbikes, including Harley Davidson, but the Trump regime wants more.

India's imports from the US in the April-February 2017-18 period were at \$23.34 billion which was 14.68 per cent higher than imports in the comparable

period of the previous fiscal. The country's exports to the US during the period were at \$43.32 billion, 13.34 per cent higher than exports in the same period of the last fiscal.

## ARAMCO INKS PACT FOR MEGA REFINERY

Saudi Aramco and a consortium of Indian state refiners have agreed to build a mega refinery and a petrochemical facility on India's west coast for an estimated \$44 billion, oil officials present at the signing of an initial agreement said last Wednesday.

Top executives of Saudi Aramco and India's Ratnagiri Refinery & Petrochemicals (RRPL) - a joint venture of Indian Oil, Hindustan Petroleum and Bharat Petroleum - signed a memorandum of understanding to take equal stakes in the project in Maharashtra.

The project includes a 1.2 million-barrel-per-day (bpd) refinery integrated with petrochemical facilities with a total capacity of 18 million tonnes per year, the officials said on the sidelines of the International Energy Forum, a gathering of oil producers and consumers.

According to the understanding reached with the consortium of Indian Oil, Hindustan Petroleum and Bharat Petroleum, Saudi Aramco will supply half — or 30 million tonnes — of crude to the refinery being built in Maharashtra's coastal district of Ratnagiri. Saudi Aramco will also be free to induct later another partner in the project from its share of equity.

The mega refinery is likely to be completed in seven years and may see Saudi Aramco bringing in other partners such as Abu Dhabi National Oil Company that have shown interest in joining the project. Saudi's petrochemical company SABIC is also keen to invest in a cracker and other facilities in India, said Al-Falih.

The plant will be one of the largest refining and petrochemical complexes in the world, built to meet the fast-growing fuel and petrochemicals demand in India

and elsewhere, and providing a steady outlet for Saudi crude oil.

"Large as this project may be, it does not by itself satisfy our desire to invest in India ... We see India as a priority for investments and for our crude supplies," Saudi Arabia energy minister Khalid al-Falih said.

Aramco, like other major producers, wants to tap the rising demand and invest in the world's third-biggest oil consumer. Last year it opened an office in New Delhi.

"Investing in India is a key part of our company's global downstream strategy, and another milestone in our growing relationship with India," said Aramco president and chief executive Amin Nasser. The Saudi move reinforces the India growth story and the positive impact of the Narendra Modi government's oil sector reforms on global investors.

"The reforms that Prime Minister Narendra Modi has brought over the last few years are nothing but a game changer. An opening up of economy we have never seen before. The transparency, ease of doing business and removing other impediments have together facilitated investment flow," Al Falih told reporters.

Participating in this mega project will allow Saudi Aramco to go beyond our crude oil supplier role to a fully integrated position that may help usher in other areas of collaboration such as refining, marketing and petrochemicals for India's future energy demands.

India outlined plans in February to expand its refining capacity by 77 per cent to 8.8 million bpd by 2030.

Kuwait Petro also keen on India project: Like other major producers looking to lock in customers in the world's third-largest oil consumer through the investment, the UAE and Kuwait too are looking at investing in projects in return for getting an assured offtake of their crude oil.

Kuwait Petroleum International is likely to buy stake in an Indian refinery-cum-petrochemical project, said Nabeel Bourisli, the company's chief executive

officer, on Wednesday. Bourisli did not name the project, but said that an official announcement in this regard was expected within the next two weeks. Kuwait Petroleum International is an arm of Kuwait Petroleum Corp.

Bourisli said that the company's participation in the Indian project would result in 200,000 bpd of additional crude oil supplies from Kuwait to India. This translates to around 10 mtpa of crude oil.

### INDIA, CHINA, JAPAN TO EXPAND COOPERATION IN ENERGY SECTOR

India, China, Japan and Korea have agreed to boost cooperation in the energy sector in view of their consumption of hydrocarbons, primarily in business to business segment.

Speaking at the concluding conference of International Energy Forum (IEF) he said, cooperation among oil-consuming nations is warranted in view of oil-producing countries charging Asian premium from India, China and others for supplying petroleum.

Li Fanrong, Deputy Administrator, National Energy Administration, China said the two nations can work together in energy sector as consumer as well as energy producer. The next IEF will be held in China.

Pradhan informed that more than 1,300 representatives participated in the IEF. As many as 53 representatives from different countries attended the forum and 38 ministers marked their presence. On the occasion, Foreign Minister Sushma Swaraj said India has deployed USD 8 billion on gas infrastructure across the country and share of natural gas in the energy mix will increase from 6.5 per cent now to 15 per cent by 2020.

She also said LPG penetration in the country has increased from 66 per cent in 2014 to 80 per cent in 2018, but India would be a responsible consumer despite the fact that its per capita

consumption is about one tenth of the developing nations.

### INDIA SIGNS DEALS TO EXPORT 2,00,000 BALES OF COTTON TO CHINA

India has signed contracts to export 200,000 bales of cotton to China in the past one week, the head of a trade body said, after Beijing last week sought to impose tariffs on cotton supplies from the United States.

India, the world's second-biggest cotton exporter, is expected to export 7 million bales (each of 170 kg) of the fibre in 2017/18 against 5.8 million bales shipped in the 2016/17 season, Atul Ganatra, president of the Cotton Association of India, told Reuters.

India is looking to sell 2.5 million to 3 million bales to China in the next season beginning October, up from around 800,000 bales of expected exports in the 2017/18 marketing year.

### BOEING TO MANUFACTURE F/A-18 WITH HAL, MDS IN INDIA

Last Thursday, Aerospace major Boeing announced a partnership with Mahindra Defence Systems (MDS) and Hindustan Aeronautics Limited (HAL) to manufacture its carrier and land-based F/A-18 Super Hornet multi-role fighter aircraft in India.

The future production with Indian partners will involve maximising indigenous content and produce the F/A-18 in India for its armed forces, the firm said.

According to Pratyush Kumar, President, Boeing India, Boeing is excited to team up with India's only company that manufactures combat fighters, HAL, and India's only company that manufactures small commercial aeroplanes, Mahindra.

Kumar also said that this partnership brings the best of Indian public and private enterprises together in partnership with the world's largest aerospace company, Boeing, to accelerate a contemporary 21st-century ecosystem for

aerospace and defence manufacturing in India.



## INVESTMENT

### ANNUAL FDI INFLOWS TO RISE TO USD 75 BILLION OVER NEXT 5 YEARS: REPORT

According to a UBS report, India is among the most favoured FDI destinations and the annual FDI inflows to the country is expected to rise to around USD 75 billion over the next five years.

According to the Swiss financial services major, foreign direct investment (FDI) inflows to India nearly doubled over the past decade to USD 42 billion as of 2016-17. Some moderation was seen in FDI flows in the December 2017 quarter, but it will likely normalise over the coming quarters, the report authored by Tanvee Gupta Jain and Edward Teather (Economists, UBS Investment Bank) noted.

"We expect annual FDI inflows to India to rise further to around USD 75 billion over the next five years. We believe India will be increasingly recognised as a favoured FDI destination if growth is accompanied by continued structural reforms," UBS said in a research note. The report further noted that India needs to focus on attracting stable FDI flows to improve the competitiveness of its manufacturing sector and to make it an integral part of the global value chain.

"We believe the transfer of technical and organisational knowledge that accompanies these flows will help boost productivity, support investment and contribute to India's growth, under the right conditions," the report noted.

According to a UBS Evidence Lab survey of US C-Suite corporate leaders in October and November 2017, India remains an attractive investment destination as over a quarter of larger companies expressed an intention to invest in India.



The report further noted that while India has been undertaking reforms to attract higher FDI flows, the overall magnitude of these flows though improving is still way below potential.

### **SBI TO INVEST RS 80 BILLION IN HYDROPOWER PROJECT OF NEPAL**

The State Bank of India (SBI) will be investing a total of Rs 80 billion in the Arun III hydropower project of Nepal, which has 900 megawatts (MW) electricity production capacities. The SJVN, which has been awarded with the construction of the mega power project of Nepal, has made an informal agreement with the SBI to acquire the investment as loan and soon will make the formal agreement, sources informed ANI.

The 1.4 trillion rupees over the project will be expended for the construction of the structures and additional 11 billion rupees for the transmission lines.

With the completion of the project, Nepal will get 21.9 percent of the total electricity produced in a year i.e., 197 MW electricity with 86 crore unit for free in a year. Along with this, the Punjab National Bank will lend the loan for the construction of the 268 km long 400 KV transmission line via the Everest Bank which is the joint venture bank of the PNB.

The 4.06 billion rupees for the project will be lent from the Nepali banks as Bridge loan. With the finalisation of the investment and preliminary frame work prepared the Investment Board of Nepal will soon issue the license for the project.

Besides, the Indian Government has made the approval of 92 billion rupees that is to be invested by SJVN. With this the SJVN will invest 25 billion of its own for the mega-project and will take the charge for 25 years excluding the time for the construction of infra.

The further division of the project has been made with the granting of two separate packages to two Indian companies. Under the Package One, the

Jay Prakash Associates (JP) Limited of India has been awarded with the construction of the Dam and diversion with an estimated cost of about 18 billion rupees.

The Second Package of constructing the power station is awarded to Patel Engineering Company Ltd. with the contract amounting 18 billion rupees which includes the 8 km long tunnel in addition. The mega project is targeted to be completed by 2022's September.

### **RELIANCE JIO PLANS TO RAISE \$500 MILLION FROM JAPANESE BANKS**

Telecom operator Reliance Jio Infocomm Ltd is learnt to be in talks with three Japanese banks, MUFG (formerly The Bank of Tokyo-Mitsubishi UFJ) , Mizuho Bank and Sumitomo Mitsui Banking Corp. to raise \$500 million (around Rs3,250 crore) in debt.

Last month, the Reliance Jio board had approved raising of around Rs20,000 crore in debt. The company has invested over Rs2 trillion in the mobile business which has garnered over 168 million customers.

The Mukesh Ambani firm has also signed agreement to buy mobile business assets of Reliance Communications—the company led by his younger brother Anil Ambani, for around Rs25,000 crore.

### **AIIB TO INVEST \$140 MILLION TO IMPROVE RURAL CONNECTIVITY IN MADHYA PRADESH**

The Asian Infrastructure Investment Bank (AIIB) has decided to invest \$140 million to develop, improve and manage rural roads in Madhya Pradesh. The project will benefit around 1.5 million rural residents of about 5,640 villages who use the roads for commutation.

Besides mobility, the project will also improve the livelihoods and education in the rural areas of the BJP-ruled state. The project will be co-financed by the World Bank.

The AIIB, which currently has 64 member states, took the decision to invest the amount in India at a meeting held at its headquarters in Beijing, China last week.

“Livelihoods of the rural population will be improved by expanding income earning opportunities through better farm-to-market road connections,” said the Finance Ministry in a statement.

Improved roads will help more children to not only attend schools regularly but also help them enroll in higher education programs.

According to the ministry, the road maintenance pilot under the project will employ more women, contributing to gender equality and income generation.

The work to be undertaken as part of the project includes upgrading of the kutcha roads to a sealed surface standard and enhancing institutional capacity through implementing/upgrading a rural road asset management system.

The project also aims to improve durability and accessibility, and enhance resilience to climate change of the gravel surfaced rural road while building the state government's capacity to manage its rural road network and road safety, the Finance Ministry statement reads.

A comprehensive road safety program and developing of road safety management capacity with road accident data management system are also among the works.

“Promoting sustainable growth in India through investment in rural infrastructure will require substantial financing,” said AIIB vice-president and chief investment officer DJ Pandian.

“I am glad that AIIB's participation in this project will contribute to reducing this financing gap and enhance overall development in the region,” he added.

AIIB director general of investment operations Supree Teravaninthorn said that this Project will provide sustainable and safe last-mile connectivity to small villages and improve mobility of the rural population of Madhya Pradesh. ■ ■ ■

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## Countdown to 2019 Parliamentary elections Issues that could influence voting patterns



It has been almost three years since the National Democratic Alliance or NDA (BJP and its allies) came to power and there have been many assessments on what it has achieved and the areas where its policies have misfired. On balance, the opinion is that under Prime Minister Narendra Modi, the NDA government has done well for itself although there are dark spots. It is debatable whether the Opposition can exploit the dark spots.

There is now speculation on whether the BJP will win the 2019 parliamentary elections due in the month of May. The general opinion at this stage is positive for the BJP but there are caveats.

Asia News Agency offers an in-depth Special Study on the above subject.

The Study does not predict at this stage, whether the BJP led government will win or lose the 2019 parliamentary elections, but will equip the serious reader with a balanced perception on issues, as they have emerged presently, that could count with the voter. There will be regular updates to provide the reader with informed views and perceptions to take him right upto May, 2019.

The Special Study is available for Rs 3,000 for the print version and Rs 3,500 for the electronic version. For those who buy the Study now, subsequent updates, whenever issued, will be available at half price.

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