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NEIGHBOURS OPINION

A "WARM SIGNAL" TO CHINA BY NIRMALA SITHARAMAN

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China appears to be at a loss as to how to deal with India. It wasn't so in Mao Zedong's time. The Great Helmsman had no compunctions about going to war whenever he thought fit. After all, he famously...



INDIAN POLITICAL MAINSTREAM

BJP: FAILURES PUT QUESTION MARK ON 2019 ?

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The Narendra Modi government is finding it near impossible to deliver on the lofty promises made to the electorate when the Bharatiya Janata Party stormed to power in May 2014. This has...

FOUNDING EDITOR Late Sh.F.C.Ahluwalia, M.A., C.I.S.
Formerly News Editor, A.I.R.

MANAGING DIRECTOR Jasreman Walia

MANAGING EDITOR Rajiv Walia

EDITORIAL CONSULTANT Amulya Ganguli

EDITOR Harjit Singh

CONSULTING EDITORS: J. Mohan Malik, Vibhavasu Tiwari

ASSOCIATE EDITORS Kunal Walia

ART DIRECTOR Nalini Malik

GRAPHIC DESIGNING Surender Kumar

SALES & MARKETING Daman Juneja alias Neetu Singh

18, Amaltas Marg, DLF-I
Gurgaon 122002 (Haryana)
Phone: 0124-4003770, Fax: 0124-4003772
Mobile: 9899200616 (Mrs. J. Walia),
9810622100 (Ms. Neetu Singh),
E-mail: nbn@asianews.co.in,
neetusingh@asianews.co.in,
k.walia@asianews.co.in

For any accounts related queries kindly mail to :
accounts@asianews.co.in

A.N.A

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ARMY : SITHARAMAN SAYS INTEGRATION OF FORCES A PRIORITY

Defence Minister Nirmala Sitharaman, who undertook a whirlwind tour of defence bases across the country, on Oct 10 called her visits an "eye-opening..."

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MYANMAR VIOLENCE A DELIBERATE STRATEGY TO EXPEL ROHINGYA: UN

A report by the UN human rights office says attacks against Rohingya Muslims in Myanmar point to a strategy to instill "widespread fear and trauma"...

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WITH FRESH & BOLD ECONOMIC THINKING, ECONOMY CAN BOUNCE BACK

The Indian economy is currently in a paradoxical situation. The world has been praising India for its rapid economic growth, inflation is down, forex reserves are more...

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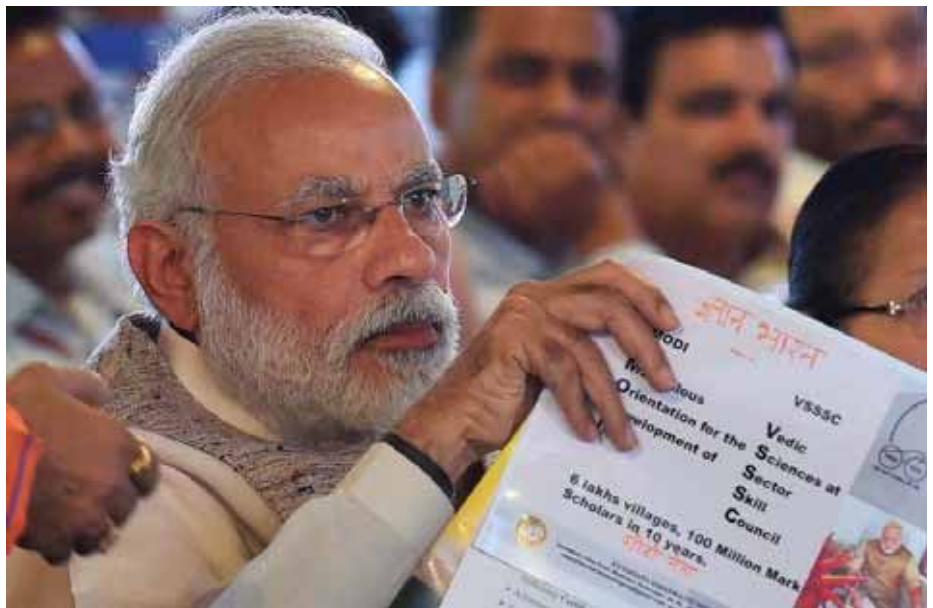
BJP: FAILURES PUT QUESTION MARK ON 2019 ?

The Narendra Modi government is finding it near impossible to deliver on the lofty promises made to the electorate when the Bharatiya Janata Party stormed to power in May 2014. This has become more apparent in the last few months.

For close to three years, writes political analyst Swapan Dasgupta, "Modi has been able to head off criticism with some audacious policy moves and a steady stream of jibes against the previous United Progressive Alliance regime that a fawning audience gleefully lapped up....."

The most disruptive policy move was demonetization, an exercise that failed to achieve its original objective of unearthing black money. In spite of the overwhelming evidence that this ill-conceived plan destroyed the cash-dependent informal sector and knocked 2 percentage points off the country's growth rate, the Modi government continues to shrug off the effects as transitory and a disagreeable necessity. "Modi has a way of coating every capricious and draconian policy measure with a patina of morality, which means criticism of any kind invites the counter-charge that it must emanate from people who stand with the corrupt...."

"The strategy seemed to work: people were tolerant and lulled into the belief that they were allied with the government in support of a noble cause. Industry leaders.... were too frightened to speak out against a government that had no qualms about amending a law with retrospective effect that removed the only vestige of protection against indiscriminate tax raids.....After the failure of two black money schemes, the



Prime Minister Narendra Modi

government cracked down on so-called shell companies and deregistered two lakh firms and blacklisted their directors. No company that has any of these tainted directors can now file financial statements with the registrar of companies. The purge has begun in the boardrooms with the attendant problem of finding "good and fit" directors to replace them in a country notoriously short of qualified talent. A sullen Opposition, thrown into disarray by a string of electoral reverses, made just half-hearted protests.

"But after three years in office, the Modi government has a very patchy record of performance that mocks the rhetoric about creating a New India. Growth in the first quarter (April-June) has slowed to 5.7 per cent, which is the lowest level in 13 quarters. Private investment has crumbled in the face of low demand for goods and services; government spending... has failed to pump prime the faltering economy. A fiscal slippage looms...the government is at grave

risk of breaching the fiscal deficit cap of 3.2 per cent - and breaking its promise to set its finances in order."

Dasgupta continues to list the failures of the government. "Manufacturing sector growth has sputtered with the resultant loss of jobs. The services sector is struggling to match the dizzying growth levels of earlier years - and is no longer the guarantor of job growth. Growth in bank credit has tumbled to 6.8 per cent, the lowest level in more than a decade. And retail inflation.....is projected to rise to a level anywhere between 4.2 and 4.6 per cent in the second half of the year.....The overall situation has been worsened by the so-called twin balance sheet problem. Banks are saddled with huge bad loans on their books and companies are at risk of defaulting on their loans because the business environment has turned sticky, crimping their free cash flows."

And finally, criticism has started within the BJP. After Yashwant Sinha accused the Modi government of ruining the economy,

PM URGES PEOPLE TO USE TO RURAL GOODS

With an eye on 2019 elections, Prime Minister Narendra Modi has urged government departments to follow an outcome-based approach to ensure comprehensive rural development, and appealed to citizens to use rural products as a “fashion statement” to ensure prosperity of rural artisans.

“It is not enough to say we want to ensure development. If we do it in a time-bound manner and ensure our schemes benefit the target group, there is no dilution or diversion and the approach is outcome-based, then by 2022, our rural development will be so fast that it will fulfil our dreams of the past 70 years,” Mr. Modi said.

Modi said he did not agree with the view that “the country lacks resources to ensure development to the last person in a queue”. He said lack of “good governance” was what was holding back the desired results.

the former disinvestment minister, Arun Shourie, called the current administration a cabal “of two and a half men”. The Larsen and Toubro chieftain, A.M. Naik has already said he sees no sign of recovery in the next two years and has blamed the slowdown on demonetization. Rajiv Bajaj of Bajaj Auto went further, terming the whole idea of demonetization plain wrong. “If the idea is wrong... don't blame the execution. I think your idea itself is wrong,” Bajaj said bluntly at the Nasscom Leadership Forum.

TAKING INSPIRATION FROM A NOBEL PRIZE WINNER, PROF THALER

Clearly, the Modi government has much to do before 2019. His supporters will do anything that raises Modi's stock with the voter. In this they are looking at Professor Richard Thaler who has been awarded the Nobel Prize in Economics for his contribution to behavioural economics. However, he is best known for his theory of “nudge”, which he describes as a tool that changes the behaviour of humans. The behavioural economist says that nudges is ethical and enables people to make economic decisions. Government as well

private agencies can design nudges to help people in taking “right” decisions. For example, while booking a railway ticket online, one gets an option to buy travel insurance for a paltry sum. Thaler calls it a nudge.

The Tribune argues that that “nudges can be misused by both the government and private entities. In India, the government is using good nudges such as Swachh Bharat Abhiyan (clean India programme) and voluntary opting out of subsidy schemes. Then there are evil nudges that are used tacitly to alter food habits of the people. Thaler, who supports the market economy, is against any kind of coercion. Nudging should be devoid of any deception. People must have a choice to opt out of it at any moment and nudges must be aimed at general welfare.

“As we live in a global village, it is only natural that pro-Modi voices have sought to appropriate Prof Thaler by regurgitating his old social media post as the ultimate endorsement of the demonetisation drive. They conveniently missed the economist's second post where he corrected himself hours after the demonetisation bombshell. Prof Thaler had initially said: “This is a policy I have long supported. First step toward cashless and [a] good start on reducing corruption.” But, his optimism was short-lived. After learning of the introduction of Rs 2,000 notes, a bewildered Prof Thaler course corrected within minutes; “really? Damn”. Prof Thaler's two tweets prove that good economic policies are often not successful because of improper implementation. It is the same story with GST. Despite a national consensus on shifting to the new tax regime, it has been severely criticised because of implementation issues. Rather than trying to score debating points, the Centre ought to heed the Nobel Laureate's homily about the evil nudges.”



BJP PRESIDENT AMIT SHAH'S SON TRIGGER A POLITICAL STORM

A report in the online news portal The Wire about the business dealings of BJP

'GRAND STATUE' OF RAM AT AYODHYA, UP

The Yogi Adityanath government plans to build a grand 100 metre statue of Lord Ram on the banks of the Saryu river in Ayodhya as part of its plan to showcase “Navya Ayodhya (new Ayodhya).” The proposal is part of the state tourism department's initiatives to promote religious tourism.

The government's slideshow put the height of the statute at 100 m but some officials said that wasn't final.

president Amit Shah's son Jay triggered a political storm, with the Congress asking whether Prime Minister Narendra Modi would order an inquiry by the CBI or Enforcement Directorate, and the BJP calling the report “false” and defamatory”.

The report in The Wire said the turnover of Temple Enterprise Private Ltd, a company owned by Jay Shah, grew from Rs 50,000 in March 2015 to Rs 80.5 crore in 2015-16, a year in which it got access to an unsecured loan of Rs 15.78 crore from financial services firm KIFS.

The report also talks about Shah's another company Kusum Finserve, a limited liability partnership (LLP), incorporated in July 2015. It says Kusum Finserve got inter-corporate deposits from KIFS Financial worth Rs 2.6 crore in FY 2014-15, and an unsecured loan of Rs 4.9 crore.

The report highlighted a Rs 25 crore loan taken by Kusum Finserve from Kalupur Commercial Cooperative Bank, and asked how this loan was raised against collaterals valued at Rs 7 crore.

The report also speaks about the LLP availing a Rs 10.35 crore loan from a public sector enterprise, Indian Renewable Energy Development Agency (IREDA).

Jay Amit Shah and his lawyer have said the report had made “false, derogatory and defamatory....”

ALLEGATIONS INVITE SCRUTINY

The Tribune is son the opinion that the allegations invite “scrutiny by the same terms of exactness and suspicion that accompanied the narrative when the ED, CBI, DRI, IT et al had a go at Opposition

politicians and their kin, besides hundreds of thousands of bank account holders, including those registered under the humble Jan Dhan Yojna (financial inclusion programme).....

“We also live in the age of suspicion by association. So it is but natural the question be asked by the BJP’s political rivals: did Amit Shah’s son gain from the father’s turnaround in political fortunes; after all, the entire Modi Cabinet attended his wedding, the regulator cleared his company’s applications in double quick time, there were unsecured loans and collaterals aplenty and he is an office-bearer of the Gujarat Cricket Association, of which Shah Sr. is the chief. The Modi government has been offered an opportunity to debunk the Opposition’s protestations about selective tax terrorism. Instead, a Cabinet minister feels obliged to go out and bat for a non-BJP man’s credentials and the threat of a defamation suit is being bandied about. In all fairness, the ED, CBI, IT should have been knocking on Jayesh Shah’s doors by now.”



CHALLENGES FOR RAHUL GANDHI

While the immediate test for Rahul Gandhi who is expected to take over as Congress President, will be the upcoming elections to various State Assemblies, the real test will be the 2019 Lok Sabha poll. This is the view of Kalyani Shankar (senior political commentator and syndicated columnist).

He chose the US to announce that he was ready to be a challenger to Prime Minister Narendra Modi in the 2019 Lok Sabha poll. The timing is advantageous for Rahul, writes Shankar “as the ruling NDA is under attack on account of growth decline, inflation, job losses and problems arising out of the implementation of the Goods and Services Tax and demonetisation. For the first time after three and a half years, Prime Minister Modi is on the defensive about the slow down of the economy.”

The immediate test will be in the Gujarat and Himachal Pradesh Assembly elections. While the Congress is ruling in

Himachal Pradesh, the party is poised as an alternate to the BJP in Gujarat. The BJP is facing acute anti-incumbency in Gujarat where it has been ruling since 1995, except a brief 18 months of President’s rule.

Next year, there are elections to at least eight State Assemblies, including Rajasthan, Madhya Pradesh, Chhattisgarh and Karnataka, and in most of these States, the BJP and the Congress have been in direct contest for decades. Then, there will be the 2019 Lok Sabha poll. But before that, “Rahul Gandhi will have to build his own team.”

More importantly, Rahul will need to be able to “provide leadership to the Opposition. The UPA allies have been disappointed with his hide-and-seek politics. He is junior to leaders like Sharad Pawar of the Nationalist Congress Party or Mamata Banerjee of the Trinamool Congress or Lalu Yadav of the Rashtriya Janata Dal. While they had no problem in functioning under the leadership of Sonia Gandhi, will they accept Rahul Gandhi as the UPA prime ministerial candidate? A win in the coming Assembly elections might establish his leadership even among the allies.”

However, “the most important thing is how to change the narrative. It is clear that the communal/secular theme has not worked so far. Merely criticising the Modi Government will not help the party get votes. The Congress has to come out with a clear-cut agenda of what it stands for and what it wants to do to win over the people.

“Pro-poor policies and a viable caste combination are sure shots for winning elections, as has been proved by the Modi-led BJP. The Congress also has to come out with an economic agenda, which will appeal to the voters.

“Last but not the least, is communication. Till now, the Congress vice president’s efforts to connect with the people of the country have failed. His efforts to concentrate on the social media has given some results as he has added two million followers on his twitter account in the past two months.”



HIMACHAL PRADESH: SIGNIFICANT ASSEMBLY ELECTIONS

Elections to the 68-seat Himachal Pradesh Assembly will be held on November 9 and counting will begin on December 18, the Elections Commission of India announced Thursday.

Chief Election Commissioner AK Joti said that elections in Gujarat would be held prior to December 18. He said the poll schedule was planned such that the Himachal result does not impact voting in Gujarat.

The Congress has 36 seats in the 68-member Himachal Pradesh Assembly, while BJP has 26. The Himachal Lokhit Party had won 1 seat, while Independents bagged 5. The Congress announced Chief Minister Virbhadra Singh as the party’s chief ministerial candidate last week. He has served as chief minister for six terms. The election is seen as crucial for the Congress, as the state is one of its few strongholds in the country.

To Gaurav Bisht (Heads Hindustan Times Himachal Pradesh Bureau), the upcoming assembly election in Himachal Pradesh holds immense political significance for the Congress as well as the Bharatiya Janata Party (BJP).

Though Himachal Pradesh is a small state that does not wield much influence over national politics, it currently happens to be one of the two territorial entities in the country (the other being Gujarat) that will indicate which way the 2019 Lok Sabha polls are likely to turn, Bisht says.

The Congress ruled the state for three continuous terms from 1963 to 1977, until Shanta Kumar of the Janata Party broke its monopoly to form the first non-Congress government in Shimla. Since then, the pendulum of power in Himachal Pradesh has been swinging between the Congress and the BJP.

The BJP had lost in 2012 – scoring just 26 in the 68-member legislative assembly – primarily due to internal factional fights. It faced rebellion in as many as 18 seats, and two made it to the assembly as independent candidates. The party’s vote share had slumped by 5% in the previous election.

KAZAKHSTAN FEATURE

NAZARBAYEV PROPOSES CIS MODERNISATION, NOTES NEED FOR EAEU DIGITISATION AT SOCHI SUMMITS

Kazakh President Nursultan Nazarbayev proposed measures to modernise the Commonwealth of Independent States (CIS) organisation during the Oct. 11 CIS Council of Heads of State meeting in Sochi, Russia.

Nazarbayev also proposed during the Supreme Eurasian Economic Council (SEEC) meeting a gathering in 2018 to discuss digitisation of member states and noted the importance of the Eurasian Economic Union's (EAEU) digital agenda.

During the CIS summit, the heads of state and government discussed strengthening cooperation as well as deepening trade and economic ties among member states.

Tajikistan presented its agenda for its chairpersonship of the organisation and Turkmenistan shared ideas to develop the organisation. The results of the work within the CIS Interparliamentary Assembly were also presented.

President Nazarbayev stressed the CIS' role in developing trade and economic relations among the member states.

"Free trade in services in the CIS will open new opportunities for our businesses and bring our countries' trade and economic cooperation to a new level. I propose to instruct the Council of Heads of Government and the Executive Committee to intensify work on the draft Agreement on Free Trade in Services and to adopt it in the near future," Nazarbayev said.

The CIS heads of state signed documents on combating corruption and legalisation of proceeds from crime. They also considered humanitarian measures to expand ties in culture, education, science and tourism. They also adopted a statement supporting family and traditional family values.

Nazarbayev attended the SEEC along with Armenian President Serzh Sargsyan, Belarusian leader Alexander Lukashenko, Moldova's President Igor Dodon, Russian President Vladimir Putin, Kyrgyzstan's Prime Minister Sapar Isakov and Chairman of the Board of the Eurasian Economic Commission (EEC) Tigran Sargsyan.

Meeting participants discussed cooperation within the EAEU and heard a report by the EEC. They also noted the EAEU's positive impact on the member states' economies and the importance of enhancing integration processes.

The sides expressed confidence that the implementation of the agreements reached at SEEC meetings would enhance

cooperation among EAEU countries to a higher level.

The specifics of the documents signed at the CIS Summit were decided upon during the Oct. 10 CIS Council of Foreign Ministers meeting attended by Kazakh Foreign Minister Kairat Abdrakhmanov and other CIS foreign ministers.

Ministers at the CIS Summit also agreed to develop proposals presented by Nazarbayev at the 2015 Summit in Burabai to improve the organisation's efficiency. At the 2016 meeting in Bishkek, the leaders also adopted measures to modernise the organisation that were based on Kazakh proposals.

The foreign ministers discussed international issues and approved an action plan for 2018-2020 to implement the Programme of Support and Development of National Sports and International Youth Cooperation Strategies and Development of Cooperation in the Field of Tourism.



Harish Thakur, head of the political science department at the Himachal Pradesh University, gave credence to the idea that the state polls are crucial from a national point of view. "Besides judging the performance of the state government, voters will also evaluate the gap between the promises made by the Narendra Modi government and what was eventually delivered," he said.

Meanwhile, a troubled Congress is counting on six-time chief minister Virbhadr Singh, despite the corruption and disproportionate assets cases that are bearing him down. Virbhadr Singh also faces a challenge

from within. However, Virbhadr Singh's ability to fight back has been his biggest strength in a career spanning over 50 years.

KERALA: DIFFICULT STATE FOR THE BJP

BJP's Party President Amit Shah recently undertook a high-decibel Jan Raksha Yatra (People's protection tour) across Kerala. This was followed by high profile Union ministers protesting Left violence against RSS cadres in Kerala.

Kerala is a state where the BJP has never won a Lok Sabha seat and where it won an assembly seat for the first time in 2016. Its vote share though has steadily increased from 6% in 2011 to almost 15% in 2016. And yet, writes Rajdeep Sardesai, senior journalist and author, the tepid response on the ground to the Amit Shah-led yatra (tour) suggests that the state is not ready for the BJP. BJP president chose to hastily return from Kerala.

Rajdeep Sardesai examines the reasons for the BJP failings in Kerala. "This is, after all, a state with a sizeable minority population – between them, Muslims and

Christians constitute 45% of the state – so there is every possibility of cementing a majority Hindu vote bank. The RSS has established a strong presence in the state over decades. The Left-Congress binary politics have led to a measure of fatigue among the voters, especially the youth.... Moreover, Narendra Modi's nationwide appeal of Hindutva plus good governance should ideally resonate powerfully in God's Own Country where temples and trade unions nestle in close proximity, where religion and class identities co-exist."

Kerala demonstrates the limitations of the politics of polarisation. The Hindi-Hindu-Hindustan ideological appeal of the BJP was originally designed for the caste and community cauldron of north India. The Ram Mandir (Ram temple) movement that first propelled the BJP to become a serious national player in the 1990s was driven by an agenda aimed at consciously stirring a Hindu-Muslim conflict.

By contrast, writes Sardesai "the Hindu political traditions of Kerala are rooted in the social reformist movements of the early 20th century that aimed to transform Hindu society from within. The historic temple entry movement broke the supremacy of Brahminical rituals and traditions, busted caste barriers and created the basis for a more egalitarian society where the freedom to worship was a fundamental right for all and where cow worship wasn't central to Hindu religious beliefs. This wasn't the discordant politics of saffron-robed Swamis and Mahants seeking to target minorities but the reformist zeal of iconic figures like a Narayana Guru who challenged religious orthodoxies and pushed for spiritual freedom and social equality."

However, Sardesai points out that the BJP can still grow in Kerala if political Islam continues to radicalise Muslim youth, if the Pinarayi Vijayan government fails to check political violence, if the Congress remains a party lacking energy and cohesion.

In the view of The Statesman by withdrawing from the march, Shah may have conceded that 'mission Kerala' has failed at least for now. The immediate target of Amit Shah's 15 day yatra was the Pinarayi Vijayan government and ultimate goal was to expand the base of the BJP in Kerala.

However, the LDF government is firmly entrenched with no sign of any instability.

Uttar Pradesh chief minister Adityanath Yogi, who took over the yatra from Shah took a potshot at the Kerala government for the dengue deaths in the State while prime minister Modi compared the State's infant mortality among the Scheduled Tribes with that of Somalia. "In reality, Kerala figures on top on all major social development indicators and credit for it goes to both the LDF and the Congress-led United Democratic Front. In relative terms, the record of development in states ruled by the BJP is dismal."

Anirban Ganguly (Director, Dr Syama Prasad Mookerjee Research Foundation, New Delhi) however writes that the Yatra evoked "a wide and resounding response. People, fed up with the cycle of communist violence and oppression, are joining it spontaneously and in large numbers. The equations on the ground are fast shifting, the culture of political violence as practised by the communists is being challenged and resisted...."



DEBATE WITHIN CPI(M) ON LINE TO TAKE TO COUNTER BJP

There is an intense debate within the Communist Party of India (Marxist), with the party leaders divided over the political line to be adopted at the triennial party congress to be held in Hyderabad next April that will remain relevant for the 2019 Lok Sabha elections.

The contours of that debate could crystallise at this weekend meeting of the Central Committee. This could result in a line that favours pursuing a pragmatic policy of larger unity of non-Left secular forces, or agreeing to retain the dogmatic coming together of Left and democratic forces to face the challenge mounted by the Bharatiya Janata Party (BJP). With the RSS acting as the guiding force, the BJP is daring the Left parties in their traditional bastion states of Kerala and West Bengal, with Tripura added for an amplifier effect.

The CPI(M) currently rules the states of Tripura and Kerala. The CPI(M) was ousted from power in West Bengal after

three decades by Mamata Banerjee's Trinamul Congress. As the chief minister of the state, she has offered to join hands with the left to defeat Hindutva in West Bengal and in the country. The CPI(M) has dithered over the idea.

The general secretary of the CPI (M), Sitaram Yechury apparently believes that the CPI(M) and other leftist groups should join hands with the Congress. Karat, who was succeeded by Yechury argues that supporting the Congress would weaken the party in Kerala where the Congress is its principal opponent.

Yechury, is thus advocating that it is time for all secular and democratic parties to pool political resources and collectively oppose the BJP. Karat opposes this approach.

Even as Yechury and Karat remain locked in their battle, Hindutva has deftly occupied the centrestage of the raging political debate by flaunting its intellectual sinews.

The challenge to Hindutva has alas come from within the right - the BJP. One of the critics, former BJP minister Arun Shourie, has been a combative editor of an English daily. He also worked with the World Bank. He recent said that the Modi government is a "UPA plus cow". The other challenger is also a former BJP minister, Yashwant Sinha who has described Modi's economic.



SOCIAL CHANGE: TRANSFORMATION OF THE DALITS

The Dalits are asserting themselves and are no longer a mute sufferer of caste oppression. Confident individuals among them are raring to claim their legitimate rights and unwilling to tolerate bias.

Dhrubo Jyoti, writing in the Hindustan Times states the recent protests against a rash of attacks on Dalits in Gujarat for sporting a moustache showcases this resilient spirit. Dalit men from across India mobilised on WhatsApp, Twitter and Facebook to post selfies of themselves with moustaches to signal their defiance.

The underlying point made by the protesters is unequivocal – that a new

generation of Dalits won't be sated in a discourse of caste that views them as passive sufferers.

"A result of this assertion has been an expansion of the conversation on caste, from basic subsistence to web access, gender, political power and higher education – and growing resistance in situating caste in the body of the Dalit body, instead seeing that bias as shaping our lives, economies and social structures.

"The moustache protests, for example, broke out of the traditional mould of dharnas (sit-ins) and rallies and took over a medium that is often crowded by voices from dominant castes. The twirling moustaches and facial hair also underlined the significant but little-understood ways in which caste governs gender, and how any conversation on masculinity is incomplete without probing how endogamy and caste inspire masculine behaviour — the oft-used synonyms of Jat, Khsatriya or Rajput to signify virility is a clue to this relationship. In Gujarat, the dominant castes' objection was linked to a struggle for power and how visible masculinity was punished to deny that."

For Jyoti "this is a transformative moment because such movements are on their way to expelling the possibility of dominant caste bastions and their markers — English-speaking, university-educated, foreign-travelled individuals from "good" families — and effecting an expansion of the caste conversation.

"So if you asked the question, Who is a Dalit, today, the answer could be as varied as India: The Dalit could be the daughter of a bureaucrat... a social media expert, a village headman or a political commentator.

"A vast majority of them are still poor and lack basic amenities but impoverishment, soiled clothes and broken English are no longer the only reference points to talk about caste...."

ELECTORAL REFORM: DEBATING IDEA OF SIMULTANEOUS POLLS

The RSS-BJP floated the idea of holding "simultaneous elections" for the

Lok Sabha and 29 states and seven union territories because it will "save money and time" and the elected parties will be able to devote their energy and time for the primary task of governance. Prime Minister Narendra Modi had, in March 2016, initiated this idea and the Government of India's Niti Ayog also circulated the paper on this issue. Now, on October 5, 2017, the Election Commission of India stated that it (EC) would be ready to hold assembly and Lok Sabha elections simultaneously after September, 2018.

If this proposal is accepted, the elections for the eight state assemblies which are due to be held in 2018 will be postponed.

The BJP will obviously make every effort to push this idea.

However, the move will definitely be opposed by Mamata Banerjee of the Trinamool Congress, the Communist Party (Marxist) and some other region-based parties even as the allies of the BJP and some regionalists such as the DMK and Telugu Desam will support the proposal.

UNDERSTANDING THE PARLIAMENTARY SYSTEM

Separately, a parliamentary standing committee has initiated discussion on India's system of elections. The system, known as first-past-the-post is often alleged to be unfair on two grounds according to Suhas Palshikar (taught political science at Savitribai Phule Pune University and is currently chief editor of the journal, 'Studies in Indian Politics'). "One, it allows a disproportionate relation between the votes a party polls and the seats it garners. This disproportion is two-fold: Some parties suffer due to an adverse ratio between votes and seats while some benefit from it and win too many seats. Two, the winning candidate does not necessarily have a real (that is, absolute) majority in the constituency."

The first allegation is often made by those at the losing end of the elections. In the last parliamentary elections, for instance, the BJP polled under one-third votes and managed to win more than 50 per cent of the seats. In contrast, the Congress polled under one-fifth votes but it could win just 8 per cent seats. On the face of it, this does seem incongruous. During the period of

Congress dominance, it reaped the advantage of this disjunction and at that point of time, the "systemic" or "in-built" unfairness jarred its opposition.

Therefore, basically the Congress was getting "undue" advantage from the system in the pre-1989 period and similarly, did the BJP got an undue advantage in 2014.

In his analyses Phule writes "the period of 1989-2014 has been uniformly accepted as the period of the decline of the Congress and that only reflects its inability to win a proportionate number of seats despite collecting votes in a diffuse manner. On the other hand, this is also the period of ascendancy for the BJP and that accurately reflects in the numbers, suggesting that the party was more focused in polling votes where they would lead it to electoral victories; it was more careful in selecting which constituencies to contest and which to leave to its allies, and so on. In other words, the system that is sometimes erroneously seen as unfair might actually be articulating the reality a bit more sharply, but nevertheless, correctly. Just as in the post-1989 period it produced slightly more favourable victories for the BJP which was in any case gaining in strength, spread and cross-section acceptability, this system reflected the dominance of the Congress party correctly in the pre-1989 period when the Congress got seats in greater proportion than its vote share."

The deeper objection, writes Phule would be that at the constituency level, a mere plurality (majority) of votes is not reflective of the actual majority behind the winning candidate. "The logic behind the present system of plurality is that it is adequate if a candidate is "more" popular than any other contestant. To expect a candidate always to have clear or absolute majority would be unrealistic and unnecessary as a democratic precondition. The idea of democracy need not press for impossible structural expectations in order to be democratic. Structurally, this unrealistic expectation is then satisfied by forcing out smaller players by encouraging a bipolar contest."

JAMMU AND KASHMIR 'COMPETING NARRATIVES ON J&K A BIG CHALLENGE'

A report compiled by the Press Council of India (PCI) on the media in Jammu and Kashmir has pointed out that "competing narratives in Kashmir and the rest of India was throwing up big challenges for the local media".

"Journalists have to make difficult decisions in different areas from field coverage to newsroom decisions to editorial policy because of different political and militaristic narratives as also militants' pull and pressures," said the report released by PCI Chairman Justice C.K. Prasad.

Underlining that the media in J&K had witnessed a "high growth" in the past two decades, the report, titled "Examining the report of the interlocutors on media and media scenario in J&K", said the government "could not provide any evidence of unhealthy sources of funding to media organisations".

"There is no major complaint about such funding of newspapers now, but there are such suspicions because of 'anti-Centre or anti-armed forces writings' by some newspapers and journalists," it said.

The report observed that the Union and the State governments "at times use situation to their advantage by arm-twisting the media without legitimate reasons".

The report, compiled by a PCI sub-committee, also noted with concern the State government's "no movement" orders issued against journalists and non-recognition of curfew passes.

"The committee is really concerned about the stoppage of mobile and Internet services," it said and urged the Army and paramilitary forces "to work out a more liberal and transparent information system."

Calling on "private TV channels to project correct and unbiased understanding of Kashmir in the world," the report said: "The gap between J&K and the rest of the national media should be bridged."

A BATTLE OF WITS WITH 'FIDAYEEN'

Syed Ata Hasnain defends the security forces on the criticism that they have been

unable to prevent repeated fedayeen or suicide attacks.

The term "fedayeen", he writes "is borrowed from the Palestinian conflict. It gives much respect to the individual who decides to sacrifice his life for the cause of his community or nation.... The Indian Army has faced insurgencies in the Northeast for decades and had a difficult experience in Sri Lanka in the late 1980s. It suffered ambushes and had direct contacts with militants or terrorists, but there were hardly any cases of intrusions into its camps. The organised and focused attacks by a few well-armed and logistically-equipped terrorists willing either to blow themselves up with strap-on improvised explosive devices (IEDs) or to fight until death, is something that the Palestinians created and showcased to the world.....Pakistan and its proxies used this to try to recover lost space and did initially put the Indian Army and other security forces on the defensive...."

For the security forces, countering the fedayeen attacks is "a battle of wits. "While the expectations from the forces are high and they have invariably delivered each time, the situation has slipped a few notches due to the machinations of our adversaries, infallibility in such irregular conflict conditions is something nobody can ever guarantee. Just like in the field of infiltration there can never be a zero-infiltration environment, there can be no such guarantee against the wily fedayeen ready to sacrifice his life and cause maximum harm to the security forces or other government institutions. That understanding doesn't give leeway to the forces and its hierarchies to underperform. Every lapse must be judged on its merits and counter-measures initiated. It is, however, important for the public, the media and other stakeholders to understand the challenges that our men in the field face and to show empathy towards them."

LEARNING TO DEAL WITH INTERNAL SECURITY THREATS

There is a discernible change in the pattern of global urban terrorist attacks.

Instead of large groups of trained and armed terrorists attacking targets, lone wolf attackers are now commonly seen targeting large gatherings.

As a former internal security professional, Anil Chowdhry, former secretary, Internal Security, MHA, GOI, writes that he is "struck by the contrast in the reactions to such attacks by the political leadership, public, police and media in the US and those in our own country." Referring to the Las Vegas attack, he observes that while the US president, extolled their "exemplary professionalism", police agencies, local and federal, were on the same page. The electronic media did not overreact and the people were quiet, not indulging in rumour mongering or spreading panic. There was no politicking, blame games or mudslinging.

A comparison of these reactions to those witnessed after terror attacks in India leaves much to be desired. Despite the fact that Indian police officers and men are second to none in bravery and courage "they need to be trained and equipped".

He calls for strengthening basic facilities at the police station level which is the nerve centre of law enforcement ; improving intelligence gathering etc. "But unfortunately, the limited resources of the Central and state home ministries are being mindlessly spent in rapidly expanding the para military forces and hordes of policemen and officers continue to be deployed on so-called VIP security duties. Finally, our response of flooding places requiring law and order arrangements with untrained and ill-equipped policemen must be replaced by meticulously planned operations on the ground...."

"One, the approach has to be dynamic. The importance and urgency of security concerns must be appreciated and addressed. Urgency must dictate the implementation of steps needed for security measures.

"Two, audit of the work done has to be an ongoing process and obstacles must be addressed with urgency without waiting for a repeat of a disaster...."

"Unfortunately, there is a tendency to leave everything to the government and police, a legacy of the long years of British rule. The citizens too must learn to become

the eyes and ears of law enforcement agencies.”



GLOBAL HUNGER INDEX: INDIAN CHILDREN WEIGH TOO LITTLE

India ranks a low 100th out of 119 countries on the Global Hunger Index (GHI) released Thursday. On the GHI severity scale, India is at the high end of the “serious” category, owing mainly to the fact that one in every five children under age 5 is “wasted” (low weight for height).

With 21% of under-5 children suffering from wasting, the report notes, India is one of the very few countries that have made no strides over the last 25 years in checking the prevalence of this indicator. Only three other countries in GHI 2017 — Djibouti, Sri Lanka, and South Sudan — have a child-wasting prevalence over 20%.

Child wasting is one of four indicators in the GHI. In India, it has increased in India from 17.1% in 1998-02 to 21% in 2012-16. This is way above the global prevalence: 9.5% of all under-5 children suffer from wasting.

The release of the under-5 wasting trends comes days after the publication of a study, in *The Lancet*, which has found a high count of underweight children in age group 5-19 in India. Based on body mass index, the study put the prevalence of underweight children and adolescents at 22.7% among girls, and 30.7% among boys.

The GHI captures the multidimensional nature of hunger based on four indicators — undernourishment (share of the population with insufficient calorific intake), under-5 child wasting, under-5 child stunting (low height for age), and under-5 child mortality. The data analysed for each country to arrive at the 2017 GHI score pertains to the period 2012-16. The 2017 GHI has been jointly published by the International Food Policy Research Institute (IFPRI), Concern Worldwide, and Welthungerhilfe.

India's overall GHI score has improved from 38.2 in 2000 to 31.4 in 2017, but it is among the worst performers in South Asia,

slightly better than only two other countries, Afghanistan and Pakistan. Last year, India ranked 97th out of 118 countries; in 2015, it ranked 80th out of 104.

“Given that three-quarters of South Asia's population reside in India, the situation in that country strongly influences South Asia's regional score. At 31.4, India's 2017 GHI score is at the high end of the serious category,” the report says.

On the other three indicators, however, India has reported an improvement, especially on child stunting. The report notes that the child stunting rate, while relatively high at 38.4%, has gone down over the year, from 61.9% in 1992.

Purnima Menon, Senior Research Fellow at IFPRI, said that child wasting reflects acute under-nutrition caused by prolonged period of poor diet, repeated illnesses, and poor sanitation. “The improvement on the child stunting rate shows that children are born in a better condition than before. The high wasting rate, however, shows neglect in the first two years in terms of infant feeding, sanitation, and overall environment,” Memon said.

The report, citing from Menon's research, points out that while India claimed a “massive scale-up” of two national nutrition programmes, the Integrated Child Development Services and the National Health Mission, it has failed to achieve adequate coverage.

“Areas of concern include (1) the timely introduction of complementary foods for young children (that is, the transition away from exclusive breastfeeding), which declined from 52.7% to 42.7% between 2006 and 2016; (2) the share of children between 6 and 23 months old who receive an adequate diet — a mere 9.6% for the country; and (3) household access to improved sanitation facilities — a likely factor in child health and nutrition — which stood at 48.4% as of 2016,” it states.

The 2017 GHI scores show that the level of hunger in the world has decreased by 27% from the 2000 level. Of the 119 countries assessed in this year's report, on the GHI Severity Scale, one is in the extremely alarming range, 7 are in the alarming range, 44 in the serious range, and 24 in the moderate range.

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neetusingh@asianews.co.in

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ARMY

SITHARAMAN SAYS INTEGRATION OF FORCES A PRIORITY

Defence Minister Nirmala Sitharaman, who undertook a whirlwind tour of defence bases across the country, on Oct 10 called her visits an "eye-opening experience" and stressed on the integration of the three armed forces.

In her around 30-minute address at the Army Commanders' Conference, the Minister said the integration was essential, particularly in the domain of training, communication, logistics and cyber sphere among others to prepare for any future conflict.

She also called upon the Indian Army to continue "leveraging its strength in diplomatic defence cooperation with neighbourhood and in the region", and said that keeping the morale of the forces high at all times was a top priority for Prime Minister Narendra Modi's government.

Army chief General Bipin Rawat, while welcoming the minister, talked about her extensive travel to forward posts, including Siachen and the north-east after taking charge of the Defence Ministry. General Rawat expressed pleasure over the fact that Sitharaman had already travelled extensively in border areas of the north-east and across the border in Tibet before she took charge of the new assignment.

Sitharaman referred to her visits to the forward areas and meeting with troops as "eye-opening", an official statement said.

The Defence Minister has been visiting forward areas and different bases of the three forces since she took over as the Defence Minister, and was also seen interacting with



Review of situation: Defence Minister Nirmala Sitharaman with Chief Minister of Sikkim, Pawan Kumar Chamling, during their meeting in Gangtok on Saturday.

Chinese soldiers on her visit to Nathu La Pass last week.

She conveyed the admiration of the nation for the professionalism of the Indian Army during incidents like the Doklam standoff, response to natural disasters and keeping the north-east insurgency fairly under control.

Assuring of a focus on capacity and capability development, Sitharaman also promised close monitoring of improvement in strategic infrastructure, long-pending force modification requests, and welfare of serving and retired personnel and their families.

She informed the Army commanders of her request to Home Minister Rajnath Singh for provisioning of HADR (humanitarian assistance and disaster relief) equipment to allow the Indian Army to use it during natural disasters.

The week-long Army Commanders' Conference started here on Monday, and will conclude on October 15.

GEN RAWAT ASSURES ARMY SERVICE CORPS OF ADDRESSING ISSUES

The issue of some Army personnel from Army Service Corps, which provides logistic support, questioning their being posted in combat units was raised at the Army Commanders' Conference in New Delhi. Army Chief General Bipin Rawat has assured that necessary corrections will be done where needed.

This comes in the wake of several serving officers moving the Supreme Court against the Army Headquarters as they felt that the posts available to them for their next promotion were limited on account of their being 'non-combatants' while they are also given operational duties.

"During the Army Commanders Conference the issue of services being non-combatants was discussed. Some personnel from Army Service Corps (ASC) have expressed apprehensions that since they are non-combatants they should not be

considered for posting to field areas," a statement said.

The Army Service Corps (ASC), which comprises over 20 per cent of the Army, handles the force's logistic support functions, and the cadre has nearly 10,000 officers in its strength of 2.6 lakh personnel.

A statement on Oct 12 said the issue was discussed during the Army Commanders' Conference, and added that there is no dispute that all arms and services of the Army are combatant. "It was never in dispute that all arms and services are combatants. Hence, at no stage has the Army referred to Services Units being non-combatant Units," the statement said.

It also said that the Army Chief has said that he would consider all arms and services at par and they would get their dues that they deserve. "Some aberrations, if these are being perceived by any particular arm or service are being addressed during the Conference. The anguish amongst some personnel on discrimination in their status, needs to be put to rest and the COAS (Chief of Army Staff) has assured that necessary corrections, where needed will be addressed," said the statement.

The statement said that in its affidavit to the Supreme Court, the Indian Army has highlighted that to boost strength essential in the Line of Control, Low Intensity Conflict, Counter Insurgency and Counter Terrorist environment a number of Officers, JCOs and Other Ranks from Combat Support Arms and logistic units are posted on tenure basis in infantry, Counter Insurgency or Counter Terrorist units.

This also provides much necessary operational experience to these Officers, JCOs and Other Ranks. It is submitted that their performance in such roles has been noteworthy, it said.

"Army performs its role in war and peace as a whole and not in isolated compartments. Each Arm/ Service has designated role and function," the statement said.

"Combat Arms, Combat Support Arms and Services are operational entities of Army which has clear and defined roles with charter of duties. Further, without diluting the role played by Services in maintaining logistic support to Combat Arms during operations it has been the consistent stand

of the Army during litigation that Commanding Officers (COs) of ASC, Ordnance and Electronics and Mechanical Engineers (EME) are not required to largely remain in contact with front line forces where major combat may take place during operations," it explained.

Apart from the serving personnel moving to court, their wives also recently made an appeal to the Prime Minister's Office and to Defence Minister Nirmala Sitharaman stating that injustice was done to their husbands.

Last year, the Supreme Court had directed the Defence Ministry to create 141 additional posts of Colonel to be allocated to 'Combat Support' stream -- engineers, signals, artillery air defence -- for being utilised by officers who were eligible for promotions against the same from 2009 and till 2014. The court, however, refused to give the same relief to officers from the Army Service Corps, Army Ordnance Corps and other minor corps -- as it had not been recommended by the A.V. Singh Committee formed by the government.

IMPROPER HANDLING OF BODIES AN ABERRATION: ARMY

Following criticism on social media about the handling of the mortal remains of military personnel killed in a helicopter crash in Tawang on 6 October, the Army said on Sunday that it was an aberration that happened as the remote outpost lacked basic resources.

"Mortal remains of helicopter accident in high altitude area on October 6 recovered, sent wrapped in local resources is an aberration," the Additional Directorate General of Public Information tweeted.

"Fallen soldiers always given full military honour. Carriage of mortal remains in body bags, wooden boxes, coffins will be ensured," the Army said in another tweet.

An Mi-17 V5 helicopter on an air-maintenance mission crashed, killing five Air Force and two Army personnel on board. Pictures of the remains wrapped in cardboard went viral on social media and generated much criticism of the treatment meted out to deceased personnel.

One officer said the post where the helicopter crashed was air-maintained and

did not have even basic facilities. "To evacuate the remains from there, personnel there had to use whatever was available," he said.



NAVY

NAVY CHIEF REVIEWS PROGRESS OF INDIGENOUS AIRCRAFT CARRIER 'VIKRANT'

Navy Chief Admiral Sunil Lanba on Oct 12 reviewed the progress of construction of the Indigenous Aircraft Carrier (IAC) "Vikrant" at the Cochin Shipyard Ltd.

The Navy Chief accompanied by the Flag Officer Commanding-in-Chief Southern Naval Command Vice Admiral A.R. Karve, and other senior officials of the Navy took a walk around the ship to get a firsthand knowledge of the progress of work onboard and was briefed on the various construction activities.

Later, Admiral Lanba held discussions with the Chairman and Managing Director of CSL Madhu S. Nair.

The keel of the IAC was laid in February 2009 and the ship was launched in August 2013. Work on the hull structure is nearing completion and outfitting activities on various equipment and systems are progressing at present.

India's first Indigenous Aircraft Carrier INS Vikrant, a 40,000-tonne aircraft carrier, is being built for the Indian Navy by Cochin Shipyard Ltd. It is the first aircraft carrier to be designed by the Directorate of Naval Design of the Indian Navy.

At present, India has only one aircraft carrier, INS Vikramaditya - a modified Russian Kiev-class aircraft carrier. India at any time requires three aircraft carriers, one each on the east and west coasts, and the third one as a replacement for any of the ships that go for refit.

The other aircraft carrier India had - INS Viraat, a British-built ship serving with the Indian Navy and the oldest carrier in service, was retired on March 6. The delivery date for the carrier at present is 2023 as per the shipyard, even as the Indian Navy has said it will be ready by 2018.

INDIA NEEDS NATIONAL SECURITY INDEX: DEFENCE EXPERT

India needs a tangible national security index on the lines of the gross domestic product to truly qualify the well-being of the country and its citizens, former Indian Coast Guard Director General Prabhakaran Paleri said on Oct 10.

"National security is nothing but people's well-being. The people have to feel and it is many times more than the happiness index... anybody can feel happy, that is a different thing, but how to feel the well-being in a nation as a citizen," he said.

Paleri said the Forum for Integrated National Security, of which he is Vice President, will hold a three-day conclave on ocean security, 'Sagar - Discourse 1.0', in Goa from October 12.

He said that the participants at the event will try to identify elements of national security with respect to ocean terrain and how the benefits of the ocean can be maximised for India, as well as for other countries, by integrating the benefits with land-based national security governance.

"What they have to achieve is maximisation of national security, which has to be a measurable product like the GDP. It is much superior to the GDP ... which I say is national security index. This is possible," Paleri said.

The conclave at a South Goa resort will be attended by top military and defence policy experts from several countries, bureaucrats, and Union Ministers, including former Defence Minister and now Goa Chief Minister Manohar Parrikar, he said.

The conclave will also deliberate on issues like climate change, fresh water, trade and commerce and other issues related to governance.

INDIAN NAVAL SHIP THWARTS PIRACY ATTEMPT ON INDIAN MERCHANT VESSEL

Indian Naval Ship Trishul on Oct 6 thwarted a piracy attempt on an Indian merchant vessel in the Gulf of Aden, Indian Navy said.

All 26 Indian crew on board the Indian ship are safe.

"INS Trishul thwarts piracy attempt on Indian ship MV Jag Amar at 1230 hrs this noon in the Gulf of Aden," Navy's Spokesperson Captain D.K. Sharma said in a tweet.

According to the Indian Navy, the merchant vessel called for assistance around noon, and guided missile frigate INS Trishul, which is deployed on anti-piracy duty in the Gulf of Aden responded immediately.

MARCOS (marine commandos) on board INS Trishul rushed out to the merchant vessel, and the piracy attempt was thwarted.

An AK-47 rifle, a magazine with 27 rounds, grapnels, ropes, fuel drums and ladders were recovered from the ship.

In May, INS Sharda, deployed for anti-piracy operations in the Gulf of Aden, rescued a Liberian merchant vessel Lord Mountbatten from a pirate attack.

In April, INS Mumbai, Tarkash, Trishul and Aditya, which were passing through the Gulf of Aden on way to deployment to the Mediterranean Sea, had saved another merchant ship MV OS 35 from pirates.



AIR FORCE GOVERNMENT TO FILL GAPS IN DECISION-MAKING: SITHARAMAN

The government is committed to filling the gaps that arose due to lack of timely decision-making under the previous regime, Defence Minister Nirmala Sitharaman on Oct 10 told top IAF commanders in the national capital.

The minister also told the Indian Air Force (IAF) that it should not see budgetary allocations as a constraint and acquire necessary equipment, said an official statement.

The three-day IAF Commanders' Conference commenced in the national capital on Oct 10 and will conclude on October 12. Minister of State for Defence

Subhash Bhamre was also present at the conference.

Air Force chief Air Chief Marshal B.S. Dhanoa briefed Defence Minister Sitharaman at the conference on the current status of the IAF and the efforts made in the recent past.

In her address, Sitharaman said the devolved powers given to the Service Chiefs should be fully utilised for achieving their capabilities.

The minister said the Air Force, along with the Ordnance Factory Board and the Defence Research and Development Organisation (DRDO), should make an assessment about indigenisation under "Make in India" programme.

She said the budgetary allocations "should not be viewed as a constraint and should be looked at to acquire what is absolutely necessary" also adding that the government is "committed to fill the gaps which have arisen due to lack of timely decision making in the last decade".

While addressing the Commanders, Air Chief Marshal Dhanoa emphasised the need for continuous effort and training to maintain IAF's cutting edge.

The IAF chief also reiterated the force's role as the first responder in most contingencies and thus the need to sustain the ongoing process of capability enhancement making use of the government's thrust on Make in India initiative.

In consonance with the government's "Digital India" initiative, two mobile apps for Air Force Cellular Network (AFCEL) phones called "MEDWATCH" and "AFCHAT" will also be released during the meet.

The new-look Air Force Central Accounts Office (AFCAO) website with enhanced features will also be launched. A book titled "Aero India-Ascent through the Ages" is also scheduled to be released at the conference.

FIRST WOMEN FIGHTER PILOTS LIKELY TO START WITH MIG 21 BISONS: IAF CHIEF

The three women fighter pilots set to be commissioned in a fighter squadron in

December are likely to fly Mig 21 Bisons, Air Force Chief Air Chief Marshal B.S. Dhanoa said on Oct 8.

"According to me they will be sent to Mig 21 Bison (squadron). This will enhance their skills. I am not saying that twin cockpit fighters do not require skills, but your piloting skills are enhanced when you fly manually," Dhanoa said at a press conference on 85th Air Force Day.

The first three women fighter pilots - Bhawana Kanth, Mohana Singh and Avani Chaturvedi - are about to complete their training, and are to be commissioned in a fighter squadron in December.

Another batch of three women pilots have started fighter pilot training as well. The Indian Air Force, in June last year, commissioned three women as fighter pilots.

Women form a very minor section in the armed forces, with the IAF having the highest number at 1,350 followed by the army with 1,300 and the navy with 450 women officers, according to official information.

The 1.3 million-strong armed forces have 59,400 officers.

DEVELOPMENT OF CRUISE MISSILES

Air Force chief, Air Chief Marshal BS Dhanoa at the customary media interaction on October 5 to mark the Air Force Day disclosed that the supersonic BrahMos cruise missile air launch version (BrahMos-A) will be test-firing by the end of this year.

With this test being successful, the air launch version would enter the Air Force, completing the trio of the anti-ship version with the Navy and the land-attack version with the Army. Pravin Sawhney (editor, FORCE newsmagazine)

writes that "it is important that this test, preparations for which have been made since 2012, be held on time as it would initiate induction of technologies critical for cruise missiles, which would be the game-changers for deterrence and war-fighting."

A single BrahMos-A fired from the Su-30MKI aircraft, writes Sawhney "will witness a 300kg warhead going at speed of 2.8 Mach, hitting a Naval target (an abandoned ship) at 400km range with pin-

point accuracy (zero Circular Error Probability, or CEP) with the radars of the Defence Research and Development Organisation (DRDO) recording the entire event.....The big deal would be that with zero accuracy error, BrahMos-A would provide excellent stand-off maritime strike capability and lethality when launched from air close to Andamans and Nicobar Islands (where India has the Andaman and Nicobar Command) to cover the Strait of Malacca, the key choke point that connects the Western Pacific with the Indian Ocean. India, thus, would have acquired the capability to both seek (through its P-8I aircraft) and kill hostile vessels entering what it considers its backyard where the Indian Navy is the net security provider.

"Moreover, this would be just the beginning. The next step would be simultaneous work on three fronts: Equipping 40 Su-30MKI with this capability; miniaturisation of BrahMos-A to BrahMos-NG (Next Generation), work on which has begun with Russia and is expected to be accomplished by 2021; and indigenisation of two key technologies — propulsion and seeker — which will have a wider application in the sub-sonic Nirbhay cruise missile, which being built by the DRDO, is at present....."

The sub-sonic Nirbhay cruise missile, writes Sawhney "has had four tests, out of which three were unsuccessful and the results of the fourth were not disclosed. The Nirbhay is claimed to have 1,000km range with a turbofan engine. Turbofan engines consume much less fuel than turbojets of equivalent size; hence are more complex system and extremely expensive. Accordingly, turbofan engines are considered suitable for long-range cruise missiles with ranges between 600km to 2,000km. At present, only a few countries have mastered the turbofan propulsion technology. Interestingly, China is amongst them and Pakistan's Babur cruise missile uses Chinese technology.

"In fact, the Nirbhay programme was started to meet the challenge from the sub-sonic Babur missile....."

To place in the global perspective, Sawhney concludes "cruise missiles are the weapon of choice rather than the ballistic missiles because they are less expensive; are easier to design, develop, procure,

maintain and operate; have wider applications in conventional warfare, including in unmanned aerial vehicles; and have fewer technology restriction, especially so since India is a member of the Missile Technology Control Regime since 2016. Given all this, the test-firing of BrahMos-A should not be delayed since it opens up avenues for India to acquire state-of-the-art technologies."

COURT SUMMONS EX-IAF CHIEF TYAGI, OTHERS IN CHOPPER DEAL CASE

A court on Oct 11 issued summons to former Indian Air Force chief S.P. Tyagi and others in the multi-million dollar AgustaWestland VVIP helicopter deal case.

Those issued summons included Tyagi's cousin Sanjeev alias Julie, then IAF Vice Chief J.S. Gujral, advocate Gautam Khaitan, Italian company Finmeccanica, its subsidiary AgustaWestland, and IDS Infotech.

The court also issued fresh open-ended non-bailable warrants against alleged middlemen Christian Michel and Guido Haschke.

The CBI on September 1 filed a charge sheet against Tyagi, Sanjeev, Gujral, Khaitan, Italian defence and aerospace major Finmeccanica's former chief Giuseppe Orsi, former AgustaWestland CEO Bruno Spagnolini and three European alleged middlemen Christian Michel, Guido Haschke, and Carlo Gerosa.

Orsi and Spagnolini have already been sentenced by an Italian court for bribing Indian officials to get the contract illegally.

Tyagi, who was the Indian Air Force chief from 2004 to 2007, his brother Sanjeev and Khaitan were allegedly involved in irregularities in the procurement of 12 AW-101 VVIP helicopters from Britain-based AgustaWestland.

They were arrested in December last year by the agency in connection with the case. Currently, they are out on bail.

The CBI, which registered an FIR in the case on March 12, 2013, has alleged that Tyagi and other accused received kickbacks from AgustaWestland to help the manufacturer win the contract. The FIR mentioned charges of criminal conspiracy,

cheating, and under the Prevention of Corruption Act.

The CBI said the company was favoured in lieu of illegal gratification accepted through different companies in the name of consultancy services.

Tyagi, the CBI alleged, took bribes of several crores of rupees through middlemen and a complex route of companies in several countries from AugustaWestland to change the specifications of the contract -- reducing the operational flight ceiling from originally proposed 6,000 metres to 4,500 metres and bringing down the cabin height to 1.8 metres.

The CBI probe allegedly revealed that several payments were made to the Tyagi brothers by the European middlemen as bribery.



COMMENT

NUCLEAR SABRE-RATTLING: PAKISTAN MUST DISCARD ITS TACTICAL NUCLEAR WEAPONS

Brig Gurmeet Kanwal

"Any nuclear weapon, of any quality, mode of delivery or yield, used against any type of target, will result in a strategic impact to which the logical response would be the use of nuclear weapons, more often than not, on an overwhelming scale." – Air Cmde Jasjit Singh

While answering a question during a news conference in October 2017, Air Chief Marshal B S Dhanoa, the Chief of Air Staff, said that the air force "has the capability to locate, fix and strike targets across the border," including tactical nuclear weapons (TNWs).

The Air Chief was stating a fact: The Indian Air Force (IAF) has the technological capability to acquire, engage and destroy all varieties of military targets in Pakistan. This was misinterpreted by the media and commentators to mean that the IAF has plans to "take out" Pakistan's nuclear warheads. Shortly thereafter, while speaking at a think tank in Washington, D.C., Khawaja M. Asif, Pakistan's Foreign Minister, said, "If that happens, nobody should expect restraint from us." Earlier, as

Defence Minister, Asif had threatened the use of nuclear weapons at least five times. Holding out nuclear threats, especially threatening the use of TNWs on the battlefield against Indian forces, is part of the Pakistani civilian and military leadership's DNA.

DISADVANTAGES OF TNWS

According to William R. Van Cleave and S. T. Cohen, "... the term tactical nuclear weapons in the closest approximation refers to battlefield nuclear weapons, for battlefield use, and with deployment ranges and yields consistent with such use and confined essentially in each respect to the area of localised military operations." As part of the nuclear learning that followed the end of the Cold War, it was generally accepted that nuclear exchanges cannot be limited to the battlefield. The use of TNWs even on a small scale is likely to rapidly escalate into full-fledged strategic nuclear exchanges that are both counter value and counter force strikes leading to large-scale death and destruction.

It was also realised that TNWs cannot be effectively employed to bring offensive operations to a grinding halt. For example, one 8-10 Kt low air burst on a combat group moving forward with a frontage and depth of 10-12 km, would cause 30 to 40 personnel casualties and destroy or damage 10 to 12 tanks and ICVs out of 50 to 55. The reserve combat group could resume the advance after a few hours, bypassing the contaminated area. It would be suicidal for Pakistan's leadership to risk India's declared massive retaliation response that would follow and destroy Pakistan as a nation state in return for the dubious gains that the use of TNWs might provide.

Examples of the TNWs that were in service with NATO forces included the 8 inch (203 mm) M-110 howitzer and the 155 mm M-109 atomic artillery weapons; and, Lance (120 mm, 10-110 Kt) and Honest John (37 mm, 5-25 Kt) short-range ballistic missiles (SRBMs). At the upper end of the range scale was the Pershing missile with a range of 160 to 835 km. Besides 152 mm atomic artillery, the Warsaw Pact countries had the FROG and Scud series of rockets and missiles that were nuclear-tipped. Both sides are known to have manufactured some neutron bombs –

enhanced radiation weapons – as well. The TNW category of weapons was also known as 'mini-nukes'.

As a class of weapons, TNWs or battlefield nukes have several major disadvantages:-

- The command and control of TNWs needs to be decentralised at some point during war to enable their timely employment. The delegation of command and control increases the risk of premature and even unauthorised use.
- TNWs are prone to what Henry Kissinger had called the "Mad Major Syndrome" – the unauthorised launch of a nuclear-tipped missile by an officer who is fighting his own war.
- The missile launchers and warheads must be moved frequently from one hide to another to avoid being targeted. Dispersed storage and frequent transportation of the launchers and TNWs under field conditions, increases the risk of accidents.
- When TNWs are mated with the missiles that are mounted on deployed launchers, the warheads are vulnerable to sympathetic detonation on being hit from the air or by artillery fire. This could, in a rare case, lead to a nuclear explosion, causing the adversary to think that the missile battery has been deliberately targeted with a nuclear warhead.
- The safety and security of TNWs is difficult to ensure as these are stored and moved around under field conditions. Hence, these are more vulnerable to Jihadi interception than strategic warheads that are stored under stringent safety and security conditions.
- TNWs are extremely complex weapons and are difficult and expensive to manufacture because of the precision required in engineering (particularly sub-kiloton mini-nukes). They are also difficult to support technically under field conditions.

The lesson that clearly emerges from the foregoing discussion is this: Pakistan's civilian and military leadership needs to understand that the possession of TNWs for employment on the battlefield is inherently destabilising because it lowers the nuclear

threshold and induces a proclivity to use them or lose them.

PAKISTAN'S CAPABILITY TO PRODUCE TNWS

Pakistan first tested a short range surface-to-surface multi-tube ballistic missile called Hatf IX (Nasr) on April 19, 2011. According to an ISPR press release, "The missile has been developed to add deterrence value to the strategic weapons development programme at shorter ranges. With a range of 60km, Nasr carries nuclear warheads of appropriate yield with high accuracy and shoot and scoot attributes. This quick response system addresses the need to deter evolving threats." The carrier vehicle for the missile is an AR1A/A100-E MLRS, procured from China. While the A-100 artillery rocket system has 10 launching tubes for 300 mm diameter rockets (length 7.3 m, weight 840 kg), Pakistan has used the A-100 TEL chassis but replaced the multi-launch tubes, initially with a 2-tube and system and, subsequently, with a 4-tube system.

Dr Rajaram Nagappa of the National Institute of Advanced Studies (NIAS), Bengaluru, has estimated from air and satellite photographs that Nasr's warhead has a cylindrical section which is 940 mm long and a conical portion which is 660 mm long. His assessment is that Pakistan has the technological capability to produce a TNW to fit in the payload section of the Hatf-9 Nasr SRBM; the warhead is likely to be based on a linear implosion Plutonium (Pu-239) device; and, it is likely to have been cold tested. However, in view of the limited production of Plutonium, the decision on whether to utilise all of it for strategic weapons, or to divert part of the fissile material for TNWs, is a difficult one to make.

SEARCH AND DESTROY

Is there wisdom in attacking nuclear warhead storage sites and missile launchers during conventional conflict with Pakistan? Or, will such attacks from the air by the IAF's fighter-ground attack aircraft and from the ground by long-range Indian artillery be destabilising? These are important issues that merit detailed examination.

During the Cold War, the proponents of TNWs had justified their requirement on the grounds that these weapons deter the

use of TNWs by the enemy; they provide flexible response over the whole range of possible military threats; they offer nuclear options below the strategic level; they help to defeat large-scale conventional attacks; and, they serve the political purpose of demonstrating commitment to the allies. The opponents of TNWs asserted that these 'more usable' weapons would lower the nuclear threshold and make nuclear use more likely. Fears of collateral damage in the extensively populated and developed NATO heartland spurred European opposition to TNWs. Pakistan's Punjab province has similarly developed terrain and is densely populated.

Those who oppose the targeting of nuclear warhead storage sites and missile launchers argue that if the adversary apprehends that his strategic assets can be destroyed before he can even plan to employ them, it creates a "use them, or lose them" fear psychosis and, consequently, lowers the threshold of the use of nuclear weapons. From India's point of view, as Pakistan has adopted a first use (in fact, 'early' first use) nuclear posture so as to neutralise India's superiority in conventional military forces and bring India's Strike Corps offensive operations to a grinding halt, it is in India's national interest to locate and destroy as many as possible of Pakistan's nuclear warhead storage sites, missile launchers and their command and control system as early as possible. Also, some of Pakistan's nuclear-tipped missiles are SRBMs. Hatf-9 (Nasr), for example, has a maximum range of merely 60km. SRBMs like Nasr need to be deployed well forward. As India can never be sure exactly when Pakistan may carry out its threat to hit our leading combat echelons with nuclear warheads, it is necessary to locate and destroy all forward-deployed missile launchers.

ELIMINATION OF SRBMS FROM NUCLEAR ARSENALS?

It is for all of these reasons that India very sensibly decided not to opt for TNWs or nuclear weapons intended for battlefield use. Pakistan would also do well to dismantle its TNWs. In fact, India and Pakistan should mutually agree to retire oldest, first generation, nuclear-capable SRBMs from their strategic arsenals. Pakistan should agree to dismantle Hatf-

1, 2 and 3 and India should remove Prithvi-1 and 2 from its nuclear units. All of these SRBMs are obsolescent liquid-fuelled missiles that are due for decommissioning anyway. These are being replaced by more modern solid fuel missiles with a lower CEP. The retirement process of these missiles should be on a reciprocal and transparent basis that is bilaterally verifiable. A good first step might be for both countries to unilaterally declare these nuclear-capable missiles to be non-nuclear delivery systems. The costs and risks for India and Pakistan will be small, but the potential benefits are likely to be immeasurable. Such an agreement will be a nuclear confidence building measure (CBM) of a very high order. It will lead to other, even more important, CBMs being negotiated in due course.

Finally, 50,000 to 60,000 nuclear warheads were produced and stockpiled after Hiroshima and Nagasaki, but some basic human survival instinct "repeatedly stayed the finger that might have pushed the button." With TNWs mounted on SRBMs once again gaining currency, that may not hold good for very long. Clearly, as a class of weapons, TNWs are well past their use by date.

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



COMMENT

SOME LESSONS FROM DOKLAM

Lt Gen (Dr) V K Saxena (Retd)

While the resolution of the Doklam stand-off as reported by the Ministry of External Affairs (MEA) on 28 Aug is being hailed as a diplomatic breakthrough and an achievement of sorts for India in the open source reports, this work tries to revisit the incident with a view to draw some lessons which this two and a half month of face-to-face, leaves behind in its aftermath.

The Doklam crises transited through several stages, such as the threat of imminent fallout, diplomatic forays to find mutually acceptable positions, hectic efforts to woo the neighbouring countries towards each other's camps, super power

proxies and the 'war of words' unleashed by a 'chained' and an 'imprisoned' media on one side, only to be responded (thankfully in a much less quantum and in a much matured way) by a fiercely free press on the other. Now that the crises stands resolved, it will be prudent to revisit the recent past to draw some lessons for the future.

A NOW FAMILIAR GAME PLAN

The Chinese Game Plan has signatures that the world at large is kind of getting familiar with, over time. It all starts with a unilateral projection of a one-sided (fake) narrative flowing out from their own (fabricated?) version of history and the one that lays claim on the sovereign territories of neighbouring nations or on the 'global commons' in the international waters. The narrative is vigorously pursued by a show of force combined with repeated threats to use it. This is done in defiance to all norms of international law and civilised behaviour by continuously giving out threats that stop just short of an all out war; letting the situation remain on an eternal boil, without letting it flow over the pot. All the above is duly backed up with a 'controlled' media, parroting out untruths, falsehoods and totally skewed stories, all aimed to align the domestic and international public opinion to the fake narrative; showing China as the victim whose war-like actions are purported to be seen as 'fait-accomplis' reactions of the 'victim'. Whether it is the case of converting atolls into fortified military islands in the South China Sea (SCS) or drawing out the 9-dash line in the international waters, or recently, the Doklam (mis)adventure; all run on the above narrative.

Behind all these activities of the dragon, lies her hotly pursued intention of incremental encroachment on the sovereign possessions of its neighbours or the intention of usurping the 'global commons'. China probably sees these acts as the essential 'side games' it must continue to play as necessary accoutrements to her swelling Comprehensive National Power which she wants the world to take note of, or as some sort of stepping stones to its dream of becoming the number one economic world power.

DOKLAM

Doklam was in perfect consonance with the above scheme of things and in fact, was very shrewdly chosen.^{1,2} It lies at such a critical confluence of the boundaries of three nations (India, Bhutan and China) that an ingress through the Doklam Plateau could embarrass both India and Bhutan. That probably would have been a befitting response by China to the two 'defiant nations' who refused to join in the Belt and Road Initiative (BRI).

By trying to build a road in the disputed territory from Doka La (where the current tri-junction of the boundaries between China, India and Bhutan is located) towards Gamochen in the Doklam plateau, China intended to inch closure to the Siliguri Corridor, thus holding out an even more greater threat to cut the lifeline to 4 and 33 Corps at will, or to threaten Indian defences in Sikkim, or to deter a possible Indian foray into the Chumbi Valley. It indeed was case of 'careful selection of the objective'. The documentary and historic logic to this narrative that laid claim to Doklam was also carefully chosen to be the 1890 Anglo-Chinese Treaty. This not only, took away the logic of Tibet as a player in the decision matrix, but also, by implication, smartly decried and eliminated the Dalai Lama factor. The 'victim' narrative was all ready to be fitted in place, if India took any action.

As stated, the Chinese misadventure was duly backed up with a vituperative press; repeated potential threats of war (countdown to clash with India is on!); appeals to the international press highlighting China's fait accompli situation that showed India as a defiant nation; live firing exercises in the background and more. What response did China possibly expect from India? Probably the most expected outcome was, that India might buckle under pressure (after all, they succeeded in damaging some Indian defences on Doka La pass in their approach towards Doklam). If the above did not happen, then the likely outcome from the Chinese point of view could have been to bring the issue to a simmer in a situation just short of war by continuously staking the claim at Doklam, thus serving her vowed policy of incremental encroachment.

A cool, mature and a firm Indian reaction at Doklam and her demonstrated unwillingness to buckle under mounting pressure, actually surprised the Chinese. Another surprising factor for them would have been, that in a country like India, where the political parties are always at one another's throat, there seemed to be no dissenting voices on the Indian stand at Doklam. On the flip side, Chinese knew very well that if the Doklam face-off did escalate into a war in that region, it would result in a tactical and strategic disadvantage to them. The issue would be of non-sustainability at Doklam due to the potential of India to interfere both through artillery and air from Sikkim, as well as from Bhutan side. In addition, its own war-gaming of the situation, given the realities and the constraints of terrain, would have made it clear to China that an offensive between the two giants will eventually end up in a strategic stalemate at best.³

With the above reality driven home, beating up of a harsh media campaign by an abusive press, banking on repeated falsehoods and skewed exaggerations was probably to mount a huge psychological pressure on India. Thankfully, the international press also was not really amused by the Chinese story line and contrary to the desired support, the Chinese Press got ridiculed internationally for blatant exaggerations and skewed narratives. US had also indicated support to India indirectly by tagging Hizbul Mujahideen and its leader, Syed Salauddin, as a source of terror - dialogue between India and China to resolve the issue.

In addition to the above, the economic costs of war at this point in China where its economy is not on a surge of the bygone era and at a time when President Xi Jinping is seeking a second term, also made Doklam adventure, a difficult choice. On the diplomatic front as well, China was on a difficult ground. Its efforts to establish bilateral ties with Bhutan had not succeeded. Efforts to involve Nepal had also resulted in their Deputy PM refusing to take sides.⁴ Japan in a clear support to India had stated that 'no one should try to change the status quo on the ground by force'.⁵ Thus China, more or less, had got alienated by its neighbours (except Pakistan) on this issue.

Our calm and mature position of standing was right on several other counts. To start with, backing off from our stand would have belied the faith of our smaller neighbours in our capability and resolve to stand with them and protect their interests, both militarily, as well as, diplomatically. Secondly, a firm resolve at Doklam actually sent a positive signals to our smaller neighbours like Bangladesh, Nepal, Sri Lanka and Maldives.⁶ While Ms Sushma Swaraj had made it clear that India would continue to engage with dialogue through diplomatic channels with China to find a mutually acceptable situation, President Xi Jinping was in a difficult spot.⁷ The Doklam stand-off had hardened to a point of a catch 22 situation. In that, if China pulled back its troops (unilaterally), it couldn't do so without a loss of face and if it continued to stay there, there would have been several negative ramifications.

Firstly the BRICS Summit was round the corner and the Summit theme was "Stronger Partnership for a Brighter Future". If Doklam continued the way it was going, Indian PM was likely to boycott the Summit. If that happened, it would have been India's second snub to China after BRI which would have actually taken out much of the air out of BRICS and would have been damaging to the Chinese dream of becoming the strongest economic superpower in the world. With Doklam of the scene, the same did not happen as our PM is indeed attending the event.

Secondly, later this year is slated the 19th Congress of the CPC, a forum where the President will try to consolidate his position besides bringing in more of his protégés into the CPC. With Doklam going this way, Xi was likely to face a stiff opposition from the Congress.

Weather and terrain wise as well, Doklam would have been untenable after Oct/Nov. The only way face-saving exit route was through the diplomatic door whose credit could be equally shared by both sides; it thus happened.

WHAT DO WE LEARN FROM DOKLAM?

It is the considered opinion of the author that Doklam leaves behind the following

takeaways:-

- Stand firm and tall on what the nation considers its rightful position/possessions. The country is sufficiently strong not to buckle (get deterred) under psychological/military pressure from China. In fact, it is actually impossible for either of the two Asian giants to deter the other to a point of giving away its rightful position.
- Realise that Doklam is not the first and will not be the last face-off. Many a Doklams are to follow if the Chinese continue to pursue ruthlessly, their vowed game plan of incremental encroachment on rightful possessions of sovereign nations or on the 'global commons' in the international waters. Be prepared.
- While standing firm is the face that the nation must show, at the back, 'the powder must be kept dry' and focussed efforts must be directed to make up critical deficiencies at the earliest in theatre specific arms and munitions. In this context, the emergency financial powers given to the Service Vice Chiefs by the Ministry of Defence (MoD) for making up critical deficiency in ammunition must be utilised fully.⁸
- Emerging leverages with neighbours must be consolidated further in achieving proxy strength. Positive linkages now happening with USA, Japan, Russia, France, Israel and UK et al must be given further boost through more meetings and interactions at international forums and networking. This must grow both on the diplomatic fronts as well as on the military front, either through their involvement in Make-in-India initiative or through direct import of military hardware for giving a quick fillip to our critical deficiencies.
- Lastly, one of the most important takeaway for India is to take full advantage of the short time window that is available before the next Doklam-repeat presents itself. This time must be utilised fully in making up critical deficiencies in a time bound manner.

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

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A “WARM SIGNAL” TO CHINA BY NIRMALA SITHARAMAN

AMULYA GANGULI

China appears to be at a loss as to how to deal with India. It wasn't so in Mao Zedong's time. The Great Helmsman had no compunctions about going to war whenever he thought fit. After all, he famously okayed the concept of a nuclear war since enough Chinese were expected to survive a holocaust to carry on building socialism.

It's slightly different at a time of Mao's more level-headed successors. They may still share his aggressive instincts. Hence, the threat to India about repeating the 1962 war during the Doklam standoff on the Bhutan-India-China trijunction.

But the bark was not followed up with any bite. One reason was the imminence of the BRICS summit at the time which China did not want to be put off because of India's possible absence. That would have shown that Beijing hadn't yet graduated to be a major power which can act in concert with other countries.

Besides, India would have gained international sympathy as a victim of China's belligerence which Beijing has already exhibited by its island-building spree in the South China Sea to the annoyance of other East Asian nations.

As China's sensitiveness about saving the BRICS meeting showed, it is now far more closely involved in diplomatic talking shops than in Mao's time to act recklessly. It also does not want to give the impression that it is not much different from North Korea where restraint and a sense of responsibility are concerned.

At the same time, China is apparently finding it difficult to control its aggrandizing outlook on its borders with neighbouring countries, especially India, all of which it considers to be economically, culturally and militarily inferior.

As a result, Doklam may be again slowly advancing towards a flashpoint because of

the continuing build-up of China's military presence in the region on the pretext of constructing a road, which was the original excuse.

How India will respond to the latest Chinese provocative tactics is yet to be seen. But it is unlikely to be quiescent. However, the chances of a major flare-up are minimal. All that can happen is an adolescent bout of stone-throwing and fisticuffs as near Pandong Lake in Ladakh last August.

What is more likely is a tentative renewal of Sino-Indian talks on the 4,057 km border under a new Chinese special representative after the retirement of the present incumbent, Yang Jiechi, state councillor, after the party congress.

Arguably, a favourable mood for the talks has been set by the unexpected visit to the border at Nathu La by the new Indian defence minister, Nirmala Sitharaman, and her impromptu conversations with a group of Chinese soldiers, including teaching them the art of saying “namaste”, the Indian mode of greeting with folded hands.

Even the hawkish Global Times saw a “warm signal” in the friendly interactions although the newspaper also interpreted the minister's visit to a forward position as a “push to intensify combat readiness against Beijing” although a confrontation with China, according to it, is beyond India's “national strength and contradicts its fundamental interests”.

It will, of course, take more than one warm signal and the appointment of a new Chinese special representative to bring about a perceptible improvement in the relations between the two countries. But there is little doubt that the scene is now much better than what it was a few months ago when a war seemed possible.

The new defence minister may also be able to boost India's “national strength” if only because she is generally acknowledged

as efficient. A visible enhancement of India's military capabilities in the border region can also act as a deterrent by compelling China to curb its ambitions.

The latter may not think much of India's “national strength”, but it now knows that it isn't quite as negligible as it believes. Nor, as Doklam showed, is India an easy pushover. Moreover, India is not alone, as China must be well aware, for New Delhi has the backing of Tokyo and Hanoi, not to mention the US, in its confrontations with Beijing.

The latter will also be far too concerned about the developing situation in the east to have the time to focus on a conflict zone in the south. As the tension between the US and North Korea advances towards boiling point, China may well realize how unsettling a war, even a border conflict, can be – something which Mao Zedong pointedly ignored.

It will be better for China to work towards maintaining “peace and tranquility” in the border areas, as a Chinese spokesman Han Chunying has said. All it wants is for India to respect “historical treaties and relevant agreements and accords” to ensure calm.

The 1890 treaty between Great Britain and China on the “Sikkim sector” of the 221 km Sikkim-Tibet border has been held up by China as the “best witness” of such an agreement. China has also referred to a letter written by India's first prime minister to his Chinese counterpart in 1959 in which he “explicitly recognized” the 1890 treaty.

However, China has ignored the fact that Jawaharlal Nehru also reminded China in the letter of an 1842 treaty on Ladakh and the drawing of the McMahon Line in Simla in 1914, which the Chinese representative “initialed”. India alone should not be expected to honour historical agreements.



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INDIA - CHINA: WAY FORWARD THROUGH COOPERATION RATHER THAN COMPROMISE

Defence minister Nirmala Sitharaman during her official visit to the Nathu La border, greeted Chinese military officials with an Indian customary 'namaste'.

Greeting them with a customary 'namaste', she asked the PLA officials if they knew what it meant. Cutting short an Indian Army official who tried to explain to the Chinese what it meant, she told him, "Let them explain, they know what it is."

The bemused Chinese soldiers hit it right when they burst out it was a 'Ni Hao' or a Chinese 'hello, how are you'. And after that the PLA officers smartly folded their palms and blurted 'namaste'.

The Chinese PLA Captain who was doing the translation introduced himself as someone with royal antecedents to which the minister promptly said, "So we have a king to do the translation" which brought good cheer among the men from both sides.

The defence minister—India's first full-time lady defence minister—also waved at Chinese soldiers posted across the border at Nathu La and even tweeted a photo where she was seen smiling and waving at, what she said was, "a row of Chinese soldiers from across the fence who were taking pictures reaching Nathu La."

The Asian Age writes that "in her new assignment, the Raksha Mantri (Defence Minister) has shown a flair for diplomacy naturally rooted in a transparent personality.

The boundary dispute with China may not be sorted out anytime soon. But the defence minister's sincere gesture is like pouring cold water on whipping up hyper



Defence minister Nirmala Sitharaman during her official visit to the Nathu La border

nationalism on both sides. That is important. It helps to seek areas of cooperation when the mistrust quotient is conspicuous, and squeezes out space for diplomacy.

CHINA'S BELLIGERENCE CONSEQUENT TO JAPAN PM'S VISIT

It is debatable if the Defence Minister gesture will result in any long term or even short term benefits. China is a difficult customer. The visit to India by Japanese Prime Minister Shinzo Abe gave another opportunity to China to make belligerent statements.

Chinese foreign ministry spokesperson Hua Chunying warned that foreign investment in India's border states and remote areas (obviously those adjoining China) would be unwelcome.

Abhijeet Bhattacharyya, practising lawyer in the Supreme Court writes that

China's strategy appears to be to ensure that Indian terrain adjacent to Chinese territory remains chronically underdeveloped, backward and poverty-stricken, giving. The reference is to India's Northeast.

"Thus the more the resentment, dissatisfaction, frustration in India's investment-starved eastern and northeastern region, the easier it becomes for Beijing to foment trouble. It is the ideal way to catapult a rival to capitulate and win the psychological battle without even a shot having to be fired."

Bhattacharya examines what made the Chinese raise the objection to "any foreign investment" on Indian soil, including presumably by Japan, in "disputed areas" in the Northeast. And the added line that the "boundary of India and China border area has not been totally delimited... We have disputes on the eastern section of the boundary".

Bhattacharya argues that if China is “opposed” to “any foreign investment”, does this include China as well, why is it investing in India? Second, not long ago, when the Brics summit was held in Xiamen, Fujian, China and India, along with partners Brazil, Russia and South Africa, decided not to let “border disputes” come in the way of economics and commerce. Bhattacharya does not understand the volte face.

Third, by stating that no “third party should not meddle” in the Sino-Indian dispute, China is perhaps wary of Japanese investments in the north east.

Fourth, if China is so “opposed” to “investment” by “third parties” in a “disputed” territory like Northeast India, it needs to put its own actions under the scanner, particularly in Jammu and Kashmir. “Stop your mala fide intrusion through Gilgit-Baltistan, as they belong to India, but were illegally captured by Pakistan, making your CPEC project absolutely unwarranted and illegal.”

TREATING CHINA AS AN ADVERSARY

Former Foreign Secretary, Nirupama Rao, writing in the context of the Doklam crisis, argued in the news portal The Wire that India should treat China as an adversary — with whom a compromise can be achieved through pragmatic diplomacy — rather than an enemy which should be destroyed.

Pravin Sawhney (Editor, Force news magazine) writes that “on the face of it, her argument appears impeccable. However, from the military viewpoint, India has itself to blame for making China an enemy from an adversary, when it signed the 1993 Border Peace and Tranquillity Agreement (BPTA). Under the BPTA, India, on Chinese suggestion, agreed to formally address the disputed border as the Line of Actual Control (LAC). The argument was that by calling the border LAC — which by definition is a military line — both sides could resolve the issue in an incremental fashion, sector by sector, instead of as a single political deal for the whole border, which was not making any headway. The Chinese explained that each sector, once mutually agreed upon, could be secured under ‘equal and mutual security’ clause; once done, troops from that sector could be withdrawn. Rao takes credit for inserting this clause with

her Chinese counterpart, adopting it from the model of the Sino-Soviet treaty.”

This argument, writes Sawhney, “made political sense to the then Prime Minister, PV Narasimha Rao, who favoured the Nehruvian thinking that only small changes could be made to the de-facto border handed over by British-India. Any major adjustments or swapping of territory for border resolution were not acceptable.

“What was not understood by the Prime Minister and his diplomatic advisers was this: a military line, by definition, has to be held by military force since it can be altered tactically by the side with better border management backed by superior war-waging capabilities. If this logic is understood, it becomes clear why Chinese border transgressions started only after 1993 (except the 1986 Somdorong Chu crisis) and increased rapidly commensurate with its improved border management (roads and airlift ability) and war-waging capabilities relative to India.

“While good border management is meant for exercising military coercion, better war-waging capabilities ensure that it is successful. If this is not so, the country doing military coercion has a heavy penalty to pay.”

Sawhney argues that the Doklam crisis “has already imposed a big price on the Indian Army. Unlike Chinese forces, the Indian Army has been compelled to strengthen its border management locally by moving a large number of troops forward to hold vulnerable areas (and they are aplenty) along the 3,488-km military line. These troops, acclimatised for altitudes above 10,000 ft to 18,000 ft, will now stay there round the year. Given the poor infrastructure and inclement weather at high altitudes, providing snow and wind-proof tents, clothing, food, oil (to keep troops warm), ammunition (without proper storage), and casualty evacuation will now be a big burden on the already-scarce resources of the Indian Army Aviation and the Air Force....”

Then, there is that simply unfortunate clause — the ‘equal and mutual security’ in the 1993 treaty. Until 2005, China was assessed capable of inducting 30 divisions (each with 10,000 troops) into Tibet over three to four months. Today, it can do it in

72 hours. Since India cannot match this, Sawhney argues that the concept of ‘equal and mutual security’ will not hold for India. “Moreover, the 1996 bilateral agreement lays down the numbers of heavy equipment (artillery, tanks, missiles) and troops that each side can bring close to the LAC under the ‘equal and mutual security’ clause. This has injected legal restrictions on India.”

Against this backdrop, continues Sawhney “it is difficult to visualise China as an adversary which regularly nibbles at India’s territory. Instead of give-and-take (this is what compromise is about), China claims the entire state of Arunachal Pradesh and has disowned border with India in Ladakh.

“The way forward is through cooperation rather than compromise with Beijing. China, which is embarked on an ambitious geopolitical endeavour through the Belt and Road Initiative (BRI), appears amenable to mutually exploring options to assuage India’s sovereignty concerns about it. There is a possibility of the two sides developing mutual trust by synchronising BRI and India’s ‘Act East’ policy.”



TRUMP’S TOUGH MESSAGE ON PAKISTAN MAY NOT WORK

It is understood that President Donald Trump will dispatch his top diplomatic and military advisors to Pakistan in the coming weeks, turning up the heat on a nuclear-armed ally accused of harboring terror groups.

Weeks after Trump accused Islamabad of providing safe haven to “agents of chaos,” Secretary of State Rex Tillerson plans to depart for Pakistan late this month. He will be followed by Secretary of Defense Jim Mattis, according to US and Pakistani sources.

The visits are designed to drill home Trump’s message that Pakistani state support for jihadist groups has to end, according to officials briefed on the visits. Washington has long been frustrated by Pakistan’s willingness to offer cross-border safe havens to Taliban factions and armed Islamist groups fighting US troops and their Afghan allies.

The relationship reached the breaking point in 2011, when president Barack Obama sent commandos into Pakistan in 2011 to kill Al-Qaeda leader Osama Bin Laden, who was living in a military garrison town.

With little change since then, Trump came to office indicating that Washington's frustration had reached the point where something had to give.

Mattis told Congress last week that he will try "one more time" to "see if we can make this work."

"To this point, we have not seen any impact on military-to military-relations," said one Pentagon official, suggesting any change would not happen after Mattis' visit.

PAKISTAN UPSET AT DEVELOPMENTS

Visiting Washington, Pakistan's foreign minister Khawaja Asif appeared unwavering. He lashed out at "hollow allegations" about Pakistan harboring terrorists as "not acceptable."

"That is not the way you talk to 70-year-old friends," Asif said bitterly. "Instead of accusations and threats we should cooperate with each other for the peace in the region," he said while confirming Tillerson's visit.

Later, Asif was quoted as saying that his country is ready for a joint operation with the U.S. to destroy the Haqqani Network if it provides evidence about the presence of its safe havens in the country.

The Haqqani network has carried out a number of kidnappings and attacks against US interests in Afghanistan. The group is also blamed for several deadly attacks against Indian interests in Afghanistan, including the 2008 bombing of the Indian mission in Kabul that killed 58 people.

CALLING PAKISTAN'S BLUFF

Some optimists point to a visit by Pakistan's army chief to Kabul as evidence that Islamabad is moderating, after years of support propping up the Taliban. But many, having watched this debate for decades, are less convinced.

The Taliban and groups like LeT, they argue, remain a potent tool in the hands of Pakistani intelligence.

"Of course they don't get the message" said Christine Fair, a South Asia expert at

Georgetown University. "Pakistan is not going to do anything different than its already doing unless the administration can figure out a way to do what no administration has previously done."

"That is basically to call Pakistan's bluff and impose some meaningful punishment."

Trump has warned that military aid — which halved between 2012 and 2016 — could be cut further, a move that Fair dismisses as insufficient. Policy makers have also considered revoking Pakistan's non-NATO ally status, with deep symbolic but limited practical impact.

However, experts say punitive economic sanctions — that could force Pakistan closer to Turkey, China or Russia — seem a long way off. And Pakistan remains vital for the United States as a route to resupply its forces in Afghanistan and for supplying the Afghan army.

PAKISTAN STRATEGICALLY TOO IMPORTANT TO IGNORE

Syed Ata Hasnain (former GOC of the Srinagar-based 15 Corps, is associated with Vivekananda International Foundation and Institute of Peace and Conflict Studies) is not sure that President Trump can deliver on his tough talk. Pakistan's geostrategic value is unenviable: "It controls access to the heart of Asia and, in reverse, to the Indian Ocean. This will remain so as long as Iran is isolated. Without Pakistan's willing assistance no foreign force can fight in Afghanistan.....So, even as President Trump puts Pakistan on notice and places strictures on Habib Bank, it's a question of how far and for how long can the pressure be maintained. A good strategic mind should picture that Pakistan is one of the rarest of nations which has five civilisations as neighbours and each of them has a stake in its territory. That enhances its strategic importance, especially since the US, which is not a neighbour, has even greater stakes than its neighbours."

PAKISTAN'S QUASI DIPLOMATIC CAMPAIGN MAKES IMPACT

General Hasnain also notes that "in world forums it certainly seems to get space. It uses that space to create a

perception that Pakistan is the biggest sufferer of terrorism. India's efforts somehow do not seem to get across the message that the claim is untrue and that Pakistan is the largest exporter of terror. This is despite some high-end diplomatic achievements in the recent past."

Nowhere was the importance of Pakistan more evident to the General than, of all places, in Israel. At the recent World Summit on Counter Terrorism at Herzliya, Israel, (which has acquired an iconic status in the world of strategic affairs and analysis) on terror threats in the Middle East and its linkages to Europe, Pakistan was not even mentioned.

Indian authorities, he writes "perhaps do not realise that Pakistan undertakes a focused quasi diplomatic campaign to project it as the most moderate of nations. Retired diplomats, senior military officers and some academics, suave and articulate, are leading the charge in major world capitals and speak at all important think tanks, where they sell Islamabad's line. London's famed strategic speaking circuit, Washington's think tanks and even Belgium's numerous forums under the aegis of the European Union are places where the Pakistani presence is most noticeable. They help create the impression that Pakistan is facing deep challenges from Islamic extremist violence because they focus mostly on the internal security situation. The success of operations Zarb-e-Azb and Radd-ul-Fasad, the cleaning up of Karachi's badlands and the neutralisation of anti-minority groups such as Lashkar e Jhangvi are talked about. Hardly anyone in these audiences is aware of the Lashkar-e-Toiba (LeT), Jaish-e-Muhammad (JeM) or the Haqqani network. With the focus on ISIS (Daesh), these speakers discuss the dangers of ISIS finding its feet in Afghanistan or Pakistan and how much the government is doing to prevent that."

India therefore, needs to enhance its quasi diplomatic outreach.

PAKISTAN TRYING TO STRIKE A BALANCE

Viveik Katju (former Secretary, Ministry of External Affairs) agrees with the views expressed by General Hasnain. While US generals, he says, may want harsh action against a recalcitrant Pakistan, the State

Department is dragging its feet. Part of this was evident during the just-concluded visit of Pakistan foreign minister Khawaja Asif to Washington. He described his meeting with his US counterpart, Secretary of State Rex Tillerson, as “excellent” while that with national security adviser Gen HR McMaster only as “not bad”. The latter would have no doubt read out the riot act to the generally abrasive Pakistan minister.

On his part, Asif took an aggressive approach in Washington, telling his hosts that they had “lost” the Afghan war and to stop using his country as a “whipping boy”. This was in keeping with Pakistan’s initial defiant and angry posture to Trump’s dire warnings and demands.

However, Katju notes that Pakistan is simultaneously taking a more sober and pragmatic approach too and as its part, Pakistan army chief Gen Qamar Bajwa visited Kabul last fortnight to seek to assure President Ashraf Ghani and his colleagues of his country’s cooperation with Afghanistan in the struggle against terrorism. It is early days, but he seems to have made some headway in Kabul, for Mattis informed the House committee, “Based on a visit three days ago of the chief of the army staff of Pakistan to Kabul, we actually have for the first time a sense of some optimism out of the Afghan government”.

This is significant for India whose “stock is high in Kabul”, but “Ghani can be mercurial in his thinking and articulation.”

Even in counter-terrorism, which is an obvious area of strategic convergence between India and the US, Katju cautions. Even as the US will and has imposed sanctions and will cooperate with India on the intelligence front against the LeT, the JeM and the Hizb-ul-Mujahideen, “but it is India that must act to eliminate their threat. And if in India’s so doing the US feels that its interests in Pakistan are threatened, it would not be reluctant to try to restrain India, as it has in the past.”

PAKISTAN AND TRUMP READY FOR TALKS: INDIA NEEDS TO WATCH DEVELOPMENTS

That is what troubles the strategic community in India. Despite the fact that

the Trump administration’s anti-terror rhetoric towards Pakistan is seen as a positive move, but according to C Raja Mohan (director, Carnegie India, Delhi and contributing editor on foreign affairs for ‘The Indian Express’) the strategic community “can’t really believe the US establishment could depart from decades of strategic indulgence towards Pakistan....”

The reason for the apprehension is the enduring geopolitical importance of Pakistan. Another factor, says Mohan “is that Pakistan is part of both the problem and solution for peace in Afghanistan. Its long border with land-locked Afghanistan makes Pakistan’s cooperation critical for Washington’s strategy to stabilise the current government in Kabul. But the fact is that Pakistan’s agenda in Afghanistan has not converged with that of the United States...”

Mohan believes that the Trump administration is trying “one last time” to get the Pakistan army’s cooperation. It is opening up a negotiation this time with a variety of threats — new sanctions, withdrawing Pakistan’s status as a “major non-NATO ally”, declaring Islamabad as a state sponsor of terrorism and urging India to play a larger role in Afghanistan.

Pakistan’s initial reaction to Trump’s new regional policy — made in a speech at the end of August — was anger and outrage but it appears that Pakistan is now ready to talk to the US following high-level meetings in recent weeks.

“As the US and Pakistan begin negotiations, India will inevitably be part of the discussion — call it “re-hyphenation” or what you will. After all, India and Pakistan have multiple problems, and Islamabad has never stopped trying to mobilise the great powers to blunt India’s natural preponderance in the region. In its conversation with US officials, Pakistan is likely to insist on a big say in shaping the future political order in Kabul, object to any role for India in Afghanistan and would want the US to get Delhi to talk Kashmir to Islamabad.

“India, therefore, has a real interest in these talks, for they involve the future of the South Asian regional order — including Islamabad’s relations with Kabul and Delhi, the Pakistan army’s dominance over the domestic polity and Rawalpindi’s use of

terror as an instrument of regional policy. Instead of worrying about “re-hyphenation”, India should focus on shaping the outcomes from the US-Pak negotiations...”



COMMENT

US SOUTH ASIA POLICY: BETTING ON INDIA, BUT NOT GIVING UP ON PAKISTAN

Tarun Basu

US President Donald Trump signalled a radical shift in a much awaited speech recently, spelling out his policy towards South Asia, a region he neglected in his first controversy-tinged six months in office. If one’s reading were correct, it meant the final demise of India-Pakistan equivalence - a work in progress during the previous two administrations - and weighing in strongly in favour of India.

Speaking at Fort Myers, Trump declared that his administration’s “new strategy is to change the approach and how to deal with Pakistan”. He said “we can no longer be silent about Pakistan’s safe havens for terrorist organizations” and said “it is time for Pakistan to demonstrate its commitment to civilization, order, and to peace”.

The words did not go down well in Pakistan. There were official and citizen protests over the new US move which had enormous implications for the region. Trump also said “another critical part of the South Asia strategy for America is to further develop its strategic partnership with India - the world’s largest democracy and a key security and economic partner of the United States.”

Is the South Asia strategy of the Trump administration a radical change from the past? Does it herald a new era of Indo-US ties which had been in a state of drift for the last few years despite summit-level direction?

Democratic President Barack Obama, who assumed office in January 2009, broadly continued the policy of the previous Republican administration of President George W Bush, keeping South Asia high on the administration’s radar, particularly because of the ongoing “war on terror” in

Afghanistan and the growing salience of India in US eyes because of "shared values" and democratic practices.

Early in his term Obama, a somewhat idealistic president, had sought a change in the administration's South Asia outlook when he told aides he wanted to end the zero-sum game and shift the focus to India, where there were opportunities for American. He said too much time was being spent on Pakistan, which was playing a smoke-and-mirrors game with the US, and its counter-terrorism cooperation had become not just questionable but dubious. "I would like to see a more India-focussed South Asia strategy," Obama reportedly told aides.

It was obvious to Washington that its stakes in India were going to be much higher. India is likely to pass China to become the world's most populous nation in the next 20-25 years. It is a country whose middle class now numbers 300 million and is expected to double over the next twenty years. That will be more than the current population of the EU, which will decline over that period. It will be a growing market for American goods and services.

As Robert O Blake, Assistant Secretary, South and Central Asian Affairs, US State Department, said in a speech at the School of Advanced International Studies, Johns Hopkins University, in 2009, "India is a country with which the United States shares increasingly convergent values and interests."

This policy orientation coincided with the time of re-evaluation of Pakistan's role in the region where it was seen to promise much but deliver selectively in targeting terrorists and their safe havens. Pakistan was seen as an increasingly desperate place with terrorism increasing, social parameters declining and, according to a former official, growth stunted both physically and morally. Towards the end of the Obama administration, Pakistan had turned into what was called a "frenemy." There were rising grievances in the administration and how it was conveniently blindsided in dealing with groups like the Haqqani network, that was a favourite of Pakistan's military and intelligence establishment, but was the bete noire of the US-led NATO forces and the government of Afghanistan. This was also the time when the Americans

began to find alternatives to Pakistan's perceived indispensability in the 'war on terror' with their role as logistical conduit to American counter-terror forces in the war in Afghanistan. It took some months before the Americans could find a logistical fallback in Central Asia, which has now become the its main launch pad for Afghanistan operations, reducing thereby Islamabad's importance in its South Asian strategic calculus.

During one such South Asia review meeting, Obama is said to have remarked that he wanted to go beyond a "strategic partnership" with India, saying he was not interested so much in selling India weapons as in educating its children and investing in their future.

When Prime Minister Narendra Modi arrived in Washington on June 25, 2017, it was sheer happenstance that the Trump administration had just completed its South Asia review and ties with China were wilting, particularly when Trump realised that Xi Jinping would not honour his promise on helping the US contain North Korea's military ambitions. With Pakistan's critical supporting role having diminished, if not ended completely, with the creation of an aerial logistical bridge to Afghanistan from Central Asia, Modi's visit could not have been better timed.

According to people in the know, if Modi had come earlier he may have met a man who was still finding his presidential feet, was mired in domestic battles and was yet to focus on South Asia, a remote and unfamiliar geopolitical arena for him. Among Asian leaders, he had met Chinese President Xi and was left quite charmed by him. But that honeymoon didn't take long to sour.

Trump had always been wary of China's economic policies and has been pressuring China to open its doors wider to American business. He even talked of investigating China's suspected violation of international trade law by alleged stealth of intellectual property. This could lead to tariffs and restrictions on Chinese investment in the US, which would seriously impair ties.

Trump and Modi exuded good optics and Trump said all the right things about India. But Trump, a man with a mercantile world view, also added a caveat on the Indian

partnership being predicated on New Delhi's good behaviour on trade issues.

While talking about the need to pursue a strategic partnership with India, Trump said rather gratuitously that "India makes billions of dollars in trade with the United States, and we want them to help us more with Afghanistan, especially in the area of economic assistance and development". What that help means is open to interpretation. But earlier administrations have goaded New Delhi to take on a more proactive role in the "Indo-Pacific region" commensurate with its size and status.

India needs to get off the fence and get on to the pitch, said one former official, implying that sections in the Trump administration wanted India to either put boots on the ground or share in some measure for the counterterror operations that were in its interests as well. India has already rejected any active military involvement in Afghanistan, knowing well that such action would entail huge security risks.

Whatever the vicissitudes in American politics, India is likely to remain a key strategic partner for the US for the next few decades as Washington seeks to hedge what it sees as a menacing rise of China with a network of allies and partners with New Delhi as the fulcrum of its strategy.

At the same time, Washington will not push Islamabad into a corner - Defence Secretary James Mattis said the US will try "one more time" - but will work on it in a measured way to make it realise the futility of its double-dealing, terror-nurturing tactical policies. But can a leopard change its spots?

(The author is a veteran journalist and President, SPS. He can be contacted at tarun.basu@spsindia.in)

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DON'T LOOK AT CPEC FROM INDIAN PERSPECTIVE: PAKISTAN URGES US

Pakistan Interior Minister Ahsan Iqbal has urged the US not to look at the CPEC

from an Indian perspective but as an economic plan for bringing peace and stability to South Asia, days after US Defence Secretary James Mattis backed India and said the China-Pakistan economic corridor passes through disputed territory and Washington can not ignore this fact.

On Oct 11, Iqbal urged the US to deal with Pakistan on its own merit, instead of tagging it to other states and issues in the region, reports Dawn news.

"The China-Pakistan Economic Corridor is not a conspiracy against anyone. It is not a security plan. It's a plan for economic prosperity, which is bringing investment in the energy, infrastructure and other key sectors," he said at the Johns Hopkins School of Advanced International Studies here.

Iqbal said US concerns about the over \$50 billion China-Pakistan Economic Corridor were unfounded.

"It will benefit all and will provide a platform for bringing together South and Central Asian, Middle Eastern and African countries by physically joining them through an economic corridor.

"So, I think, the US should not look at CPEC from the Indian perspective, but as a source for peace, stability and prosperity in the region.

"CPEC can bring the much-needed stability to a region that has suffered from war for the last several decades," the Minister added.

Iqbal added: "Pakistan is also a sovereign nation. We have our own dignity and want others to respect that.

"If the US looks at the region from India's perspective, it will harm the region and US interests too. So, it's necessary that the US should view the situation from an independent perspective, not from someone else's point of view."

The Trump administration threw its weight behind India's opposition to the CPEC, saying it passes through a disputed territory and no country should put itself into a position of dictating the Belt and Road initiative.

India skipped the Belt and Road Forum (BRF) summit in China in May this year over sovereignty concerns as it passes

through Pakistan-administered Kashmir. The CPEC is a flagship project of China's Belt and Road initiative. The 3,000 km, over \$50 billion corridor stretches from Kashgar in western China to Gwadar port in Pakistan on the Arabian sea.



INDIA REITERATES NEED FOR AFGHAN-LED, AFGHAN-OWNED RECONCILIATION

India has reiterated the need for an Afghan-led, Afghan-owned and Afghan-controlled national peace and reconciliation in the strife-torn country, the External Affairs Ministry said on Oct 12.

New Delhi's views were made known when an Indian delegation led by Ruchi Ghanashyam, Secretary (West) in the Ministry of External Affairs, participated in a meeting of the Shanghai Cooperation Organisation (SCO)-Afghanistan Contact Group in Moscow on Oct 11.

"India shared its perspectives on the situation in Afghanistan, including security challenges posed by terrorism imposed from beyond its borders, the need to strengthen Afghan National Defence and Security Forces, need for an Afghan-led, Afghan-owned and Afghan-controlled national peace and reconciliation in an environment free of terror and violence, continued assistance for socio-economic development based on priorities of the people of Afghanistan, and ensuring greater connectivity and regional integration for Afghanistan," the ministry said in a statement.

"India conveyed its readiness to work closely with the SCO member states in efforts to bring peace, prosperity and stability in Afghanistan," it stated.

India has been a major partner for Afghanistan in terms of development aid but Defence Minister Nirmala Sitharaman has gone on record saying that there will be no Indian boots on the ground in the war-ravaged country.

At his weekly media briefing, Ravish Kumar, spokesperson of the External Affairs Ministry, said that India would continue to offer economic assistance to Afghanistan.

"We have identified more than 100 projects. We have also identified six big projects," Kumar said. "We will also now start training their police force after the Afghan National Army."

Wednesday's meeting of the SCO-Afghanistan Contact Group was held after a gap of seven years after member states of the Eurasian bloc decided to resume the meetings at its summit in Astana, Kazakhstan, in June this year.

The next meeting of the Contact Group will be held in Beijing in early 2018.



COMMENT

PAKISTAN'S ISI THWARTS US PLANS IN AFGHANISTAN

C Uday Bhaskar

Almost 16 years to the day since the US embarked upon its war on terrorism against the Afghan Taliban on October 7, 2001 as reprisal for the enormity of the 9/11 terrorist attacks, it appears that a White House administration is again issuing dire warnings to Rawalpindi (GHQ of the Pakistan Army) while still dangling the familiar 'carrot.'

At a congressional hearing of the US Senate Foreign Relations Committee in Washington DC on Tuesday (October 4), General Joseph Dunford, Chairman, US Joints Chiefs of Staff, observed candidly: "I think it's clear to me that the ISI has connections with terrorist groups." This is not the first time that an incumbent in his chair has come to such a determination.

The US Defense Secretary Jim Mattis had a similar assessment, adding that while Pakistan may have come down on terrorism, "the ISI appears to run its own foreign policy." This is an unusually unambiguous assertion by a US Def Sec but General Mattis added the caveat too: "We need to try one more time to make this strategy work with them; by, with and through the Pakistanis. And if our best efforts fail, the President (Trump) is prepared to take whatever steps are necessary."

The war in Afghanistan, where Pakistan was accorded the status of a major non-

NATO ally, has been expensive for the USA both in terms of blood and treasure. A study by the Brown University estimates that, as of 2016, the US may have spent up to US \$ 2 trillion towards the Afghan campaign, which still remains inconclusive and messy.

As a benchmark, it may be relevant to note that India's GDP in 2016 was estimated to be US \$ 2.26 trillion. The total number of people killed since the US led war against terror began in October 2001 has crossed 370,000 and the number displaced is upwards of 800,000. And the violence continues.

Will the latest warning by the Trump team have the desired effect on the Pakistani Inter Services Intelligence (ISI) and the 'deep-state' in that country? It is difficult to be optimistic.

Three high-level political visits in end September frame the intractable nature of the Afghan war. They were dramatically illustrated by events in Kabul. Mattis arrived in Kabul from Delhi (September 26) and a few hours later the airport was subjected to rocket fire by the local Taliban. This attack on the Kabul airport led to a delay in the visit of Abdullah Abdullah, CEO of Afghanistan to Delhi.

It is pertinent to note that in their public remarks in Kabul and Delhi, the two men reiterated the imperative of closing down safe havens and sanctuaries for terror groups and dismantling the infrastructure in the region that supports such bloodshed.

The not so subtle reference was to Pakistan and its deep-state that continues to support groups such as the Haqqani network, the Lashkar-e-Taiba and its affiliates.

This brings us to the third visit - that of Pakistani Prime Minister Shahid Khaqan Abbasi in end September to the USA where he asserted that charges of Pakistan sheltering terrorists were "untrue" - and that the only cross-border movement of terrorists was "from Afghanistan to Pakistan!"

Abbasi went further and categorically ruled out any role for India in the reconstruction of Afghanistan, adding, "Zero, we don't foresee any political or military role for India in Afghanistan."

This inflexible veto that Pakistan has accorded unto itself in relation to the

internal affairs of Afghanistan and the brazen manner in which it continues to deny the role being played by Rawalpindi in supporting terror groups lies at the core of the political and military challenge for the USA, India and Afghanistan.

This was reiterated during the Mattis-Nirmala Sitharaman (India's Defence Minister) meeting in Delhi. A highly respected US marine corps general, Mattis has first-hand experience of the war in Afghanistan and is deeply aware of Pakistani duplicity, wherein the US taxpayers money is being spent to attack and kill US military personnel!

The (George W) Bush and (Barack) Obama administrations were aware of this fundamental contradiction - that in September 2001- before 9/11, Pakistan was one of just three nations in the world who recognised the Afghan Taliban and their regime in Kabul at that time.

Yet the White House chose to overlook this contradiction and allowed Pakistan to become a non-NATO ally in the global war on terror. Further ironies followed, for in October 2001 when the US and its allies were bombing Afghanistan - the wily General Pervez Musharraf was able to strike a deal with the Pentagon and safely withdraw Pak army personnel in Afghanistan who were assisting the Taliban.

The metaphor hunting with the (US) hound and running with the (Taliban) hare could not be more apt.

But the more relevant question that many US citizens ask in anger is how the world's lone superpower could allow such perfidy to continue for years. This is the question that President Trump is seeking to answer and introduce a much needed corrective to US South Asia policy.

India, which is also a stakeholder in the war against terror is a major development partner in the reconstruction of Afghanistan and has provided aid in excess of US \$ 2 billion. During the Mattis visit Defence Minister Sitharaman confirmed that while Delhi would not send any troops to Afghanistan, it would enhance its training role for security and police personnel.

The critical military equipment that the Afghan military needs is a complex matter and India is constrained by its own military

inventory gaps and the dependence on Russian origin equipment that cannot be supplied without involving Moscow in the deliberations.

The sub-text of the three visits illuminates both the nature of the Afghan conundrum and the difficulties inherent in crafting policy options that will be more effective than what has been the cost-benefit analysis of the last 16 years. To add to the complexity, Beijing has also become an interlocutor.

Even as the Mattis-Abdullah visits were taking place, the second meeting of the China-Afghanistan-Pakistan (CAP) Practical Cooperation Dialogue was held in Kabul (September 26,27).

Weaning Rawalpindi away from supporting terror groups will not be a swift binary choice and the White House has considerable experience in the matter. Whether President Trump will be able to cut the Gordian knot remains moot.

(C Uday Bhaskar is Director, Society for Policy Studies, New Delhi)

In arrangement with South Asia Monitor



NEPAL: MAJOR POLITICAL REALIGNMENT

The formation of the Left alliance is seen with much skepticism. This is not for the first time that the Nepal Communist Party (Maoist Centre) and the Communist Party of Nepal-Unified Marxist Leninist have come together — they have joined hands to form a government in the past. What no one anticipated were the moves to form a single party.

The move however, marks a major shift in Nepal's polity because the status-quoist UML and the radical Maoists have been at loggerheads for decades and have differed on significant issues — in particular, state restructuring after the Constituent Assembly elections of 2008 and 2013. While these parties worked together along with other political forces in the run-up to abolishing the monarchy, there has been little love lost between them over the past decade.

The Maoists have also undergone a series of splits during this period. Hardline sections led by Mohan Baidya 'Kiran' and Netra Bikram Chand branched off to form their own parties, while Baburam Bhattarai, who preferred greater parliamentary engagement and was unflinching on the state restructuring demand, also left the parent party. So far the UML has been steadfast in opposing greater federalisation, basing its argument on the principle of national unity, while the Maoist-Centre has changed positions depending on the prevailing power equations to suit its chairman, and ex-Prime Minister, Pushpa Kamal Dahal 'Prachanda'.

But in the run-up to the elections, Dahal obviously sees a possibility of winning more seats by being in a Left alliance, which is why he chose to talk to the UML even though he currently shares power with the Nepali Congress. The UML did well overall in the local body elections held recently, but fared relatively poorly in the second phase of the polls in which a greater number of the contests were in the Terai region. The Maoists surprised many with a decent haul in this phase. Electorally, according to both Hindu, it makes sense for the two parties to come together in an alliance.

INDIA'S DIPLOMATIC FAILURE

The move is seen as India's biggest diplomatic failure since it brought the Maoists to the centrestage of Nepali politics. Only two months ago during Deuba's state visit, Modi had heaped praise on the maturity of Deuba and Dahal. The alliance had helped the fall of the supposedly anti-India government headed by Oli.

The new Left alliance may not officially assume an anti-India posture, but their worldview is fairly well-known. The Chinese ambassador to Nepal recently stated that Beijing wants to be the biggest stakeholder in Nepal. But all these issues will take time to become clear.

Meanwhile, the future of the three non-Left former prime ministers — Oli, Dahal and Baburam Bhattarai — together in one single party is still unclear. For the Nepali Congress, the new Left alliance will be a difficult adversary to overcome, and it would have to strive to bring other centrist forces under its own "democratic" alliance.



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Ph: 0124-4003770, +91 9810622100
Fax: 0124-4003772
Email: nbn@asianews.co.in,
neetusingh@asianews.co.in
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MYANMAR VIOLENCE A DELIBERATE STRATEGY TO EXPEL ROHINGYA: UN

A report by the UN human rights office says attacks against Rohingya Muslims in Myanmar point to a strategy to instill “widespread fear and trauma” and prevent them from ever returning to their homes. The report released Wednesday is based on 65 interviews conducted in mid-September with Rohingya, individually and in groups, as more than half a million people from the ethnic group fled into Bangladesh during a violent crackdown in Myanmar.

The attacks against Rohingya in Myanmar’s northern Rakhine state by security forces and Buddhist mobs were “coordinated and systematic,” with the intent of not only driving the population out of Myanmar but preventing them from returning, the report said.

Some of those interviewed said that before and during attacks, megaphones were used to announce: “You do not belong here go to Bangladesh. If you do not leave, we will torch your houses and kill you.”

According to the UN researchers, measures against the minority group began almost a month before the August 25 attacks on police posts by Muslim militants that served as a pretext for what Myanmar’s military called “clearance operations” in Rakhine.

“Information we have received indicates that days and up to a month before the 25th of August, that the Myanmar security forces imposed further restrictions on access to markets, medical clinics, schools and religious sites,” Karin Friedrich, who was part of the UN mission to Bangladesh, said



Fire rages through shelters in the Baw Du Ba camp near Sittwe, in Rakhine State, Myanmar,

at a news conference. “Rohingya men aged 15 to 40 were reportedly arrested by the Myanmar police” and detained without any charges, she said.

UN human rights chief Zeid Ra’ad al-Hussein said the Myanmar government’s denial of rights, including citizenship, to the Rohingya appeared to be part of “a cynical ploy to forcibly transfer large numbers of people without possibility of return.” He has also described the systematic attacks and widespread burning of villages as “textbook ethnic cleansing.”

Firstly, the Sunni-Shia divide is now layered with a Sunni-Sunni split, with Turkey aligning with Qatar against Saudi Arabia and the UAE. While Qatari economy is bleeding, the slowing down of the UAE economy is palpable. Property prices have fallen in Dubai and in Abu Dhabi, despite deeper oil revenue-laden pockets, the excess supply of property is hurting. Yemeni intervention alongside Saudi Arabia is taking its toll on finances and people.

Secondly, the newly elevated Saudi Crown Prince, Mohammed bin Salman, is tightly aligned with the Crown Prince of Abu Dhabi. The bonhomie between the two heirs to thrones, writes Singh “is a product of shared concerns about Arab Spring uprooting their autocratic regimes. It was enhanced by resentment over President Obama unshackling Iran, by a nuclear deal with it, to facilitate the fight against the IS in Syria-Iraq. Their collective lobbying with the Trump team, even before Trump

INDIA AND THE GULF: NEW ALIGNMENTS

K C Singh, former Secretary, Ministry of External Affairs, assess the situation in the Gulf, the West Asian region and India’s place in it.

assumed office, helped draw him to the Riyadh summit, where he reversed Obama's Iran doctrine, treating it as a selective partner rather than a permanent antagonist. The consequences of this flip-flop are still playing out negatively."

Thirdly, the UAE has taken badly Pakistani reluctance to send troops to Yemen as it thought Nawaz Sharif owed it a debt for having intervened with President Musharraf in 1999, in combination with Saudi Arabia, to organise his exile rather than incarceration. The Indian Government and PM Modi are using this disenchantment to cement relations with the Saudis and Emiratis. Prime Minister Modi may be visiting the UAE again early next year, to further isolate Pakistan.

On the financial front, the Saudis and Emiratis are finally seriously looking to invest in India. The Abu Dhabi Investment Authority is the third-biggest sovereign fund in the world, behind the trillion-dollar Norwegian and \$900-billion Chinese funds. It has been wooed for long by India without success. Now, it seems an arrangement to the satisfaction of both sides is in the works. Even defence cooperation is possible as India has allowed the private sector to tap technologies, including from the West, narrowing thus the gap between Gulf countries' desire for cutting-edge defence equipment and India marketing largely antiquated stuff.

Saudi Aramco CEO indicated the new approach, saying that they were looking at 'mega investments' as India was now a 'market of investment priority and not a choice anymore'. India, on its part, is diversifying its procurement base with the arrival of the first cargo of US crude. The Gulf oil industry, seeing the US now as a competitor rather than a hungry consumer, is turning to India and China. Saudi Aramco has just opened an India office.

India, writes Singh "has to realise that excessive bonhomie with the UAE and Saudi Arabia will complicate its ability to engage Iran and Qatar. Euphoria over the allotment of temple land during Modi's last trip to the UAE is mere theatre as Sheikh Zayed had quietly earmarked a huge site for a cremation ground in 2002, which would have had a temple. Sheikh Mohammad is merely continuing his father's tolerant and inclusive policies and

not making a special gesture for PM Modi, or India."



COMMENT

INDIA AND EU: REDISCOVERING EACH OTHER

Bhaswati Mukherjee

It was a summit based on huge expectations on both sides, the first between the leaders of India and the European Union since Brexit. The meeting was rich in symbolism, marking 55 years of diplomatic relations between the world's two largest democracies. Political goodwill and determination to overcome road blocks was evident in the body language and statements emanating from the leaders, with President of the European Council, Donald Tusk, quoting Nobel laureate Rabindranath Tagore: "It is important for the two sides to swim in the same direction despite their differences".

Held in the shadow of repeated terrorist strikes in a continent which had once prided itself on its liberal democratic values, the Joint Summit Statement represented a political breakthrough on several issues. It was complemented by separate statements on combating terrorism, on clean energy and climate change, and on smart and sustainable urbanisation. The President of the European Commission, Jean-Claude Juncker, underlined: "We are the world's two largest democracies. We are two of the world's biggest economies. We share the same values and the belief that freedom, equality, tolerance and the rule of law. Working together with a like-minded partner like India simply makes sense. It is natural."

Informed sources have indicated that many sensitive issues relating to India's neighbourhood, including threats to India from jihadi terrorist groups based in Pakistan, the situation in Afghanistan and the potential for regional destabilisation by the flight of the Rohingyas from Myanmar to Bangladesh, were discussed at summit level in a free and frank atmosphere.

The actual language does not seem to accurately reflect the spirit of these

discussions. Nevertheless forward movement is clear from the agreement to take decisive action against globally proscribed terrorists and terror entities including Hafeez Saeed, Dawood Ibrahim, Lashkar-e-Taiba, Jaish-e-Mohammad and others. It was agreed: "The European Union and India share a common vision of key global and regional challenges. The leaders addressed a number of pressing situations in the EU's and India's immediate neighbourhoods, as well as further afield."

There was an indirect reference to Rohingyas with leaders committing themselves to strengthen cooperation "on migration and refugees, including under the United Nations process towards adopting Global Compacts for Safe, Orderly and Regular Migration and on Refugees."

Other positive political developments include agreement to continue joint naval exercises and to expand cooperation in the area of maritime security. On 4 October, 2017, the Italian flagship and headquarters of the EU's Naval Force Operation Atalanta, ITS Fasan, conducted joint manoeuvres with the Indian Navy vessel INS Trishul off the coast of Somalia. This represents the first joint EU-India naval exercise and an important step forward in defence and military collaboration.

Leaders also welcomed the imminent operationalisation of the EU-India Horizontal Agreement on certain aspects of air services. The implementation of this agreement will restore legal certainty to EU's aviation relations with India.

In a personal gesture to Prime Minister Narendra Modi, European Investment Bank (EIB) agreed to a new partnership with the International Solar Alliance to mobilise finance to develop and deploy affordable solar energy in solar-rich countries. The EIB also confirmed plans to provide a record EUR 800m for renewable energy investment across India.

In another show of solidarity, the EIB agreed to provide EUR 500 million to support the construction of a new 18-station rapid transit line in Bangalore and the purchase of 96 train cars for use on the line. This support for investment to expand the second longest urban metro system in the country is the largest EIB loan in India

and also the largest support for sustainable transport outside Europe.

An expected setback was the failure to kick-start the long stalemated negotiation on the BTIA (Broad based Trade and Investment Agreement). Since the Lisbon Treaty, the EU has not succeeded in concluding a Free Trade Agreement (FTA) with any developing country with the exception of Vietnam. It has no FTA with China, its largest trading partner.

Juncker tried to gloss over this amazing anomaly that the EU, India's largest trading partner, with bilateral trade in goods exceeding 88 billion dollars in 2016, is unable to demonstrate flexibility in recommencing the negotiations 'without conditions'. He acknowledged: "We agreed that we should take our trading relationship to the next level. It is high time for a Free Trade Agreement between India and the EU. Once the circumstances are right – and only once the circumstances are right – we will resume. Today's Summit is an important step in the right direction and after hearing Prime Minister Modi I am confident we can move forward. Our chief negotiators will next sit down in November to chart a way forward."

The emphasis on "circumstances being right" inserts conditionalities into an already difficult and contentious discussion. At the 13th India EU Summit in March 2016, President Juncker had spoken in a similar manner. He had emphasised that there should, in the first instance, be "movement on outstanding issues", further complicating the negotiation.

The silver lining in the dark cloud is the indication that the principal interlocutors would be meeting next month to discuss these road blocks. The Summit document also acknowledges that "Trade and investment represent important aspects of the EU-India strategic partnership." It continues: "Leaders expressed their shared commitment to strengthening the economic partnership between the EU and India and to achieving the full potential of this aspect of our relationship. There are efforts on both sides to re-engage actively towards a timely relaunch of the negotiations for a comprehensive and mutually-beneficial Free Trade Agreement."

Of great significance was the welcoming

by Summit leaders of the recent launch of the Investment Facilitation Mechanism for EU investments in India. This measure will facilitate and encourage EU investments by providing concrete on-the-spot support to EU companies intending to invest in India, in particular by providing procedural guidance.

The absence of perceptible movement on the BTIA represents a constant irritant in the common quest to discover a new strategic paradigm. Indian interlocutors try to put a good face on the deadlock by noting that, in the worst case scenario, trade between India and EU would be governed by WTO regulations. In the background of this sombre analysis, a trade deal has never looked so far away.

To redefine the partnership and make it relevant remains the need of the hour. Well known analyst Bernd von Muenchow-Pohl made the pertinent observation that "Shared values do not equal shared interests". He continues: "Since 2005, the EU-India relationship trudges along from Summit to Summit, occasionally issuing a new joint declaration or a similar document without adding much in terms of new substance, but seemingly trying to reassure each other of continued commitment."

Taken from this negative perspective, the 14th Summit has certainly broken a new ground. It has put to rest the nagging suspicion that India and the EU were irrevocably moving from "strategic dissonance to strategic divorce". In the ultimate analysis, the 14th Summit demonstrated that India and the EU have slowly but surely rediscovered each other. In a relationship supposedly based on three common characteristics, "democracy, diversity and internal differences", increasing cooperation on strategic and defence issues should ultimately lead to a breakthrough on trade and business. What is required is political will and increasing recognition of each other's strength and importance in an increasingly challenging international scenario. This was amply demonstrated at this Summit.

(The author is a former Indian ambassador to The Netherlands and UNESCO)

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WITH FRESH & BOLD ECONOMIC THINKING, ECONOMY CAN BOUNCE BACK

The Indian economy is currently in a paradoxical situation. The world has been praising India for its rapid economic growth, inflation is down, forex reserves are more than \$400 billion, fiscal deficit is on target and current account deficit until recently has been less than 1% of GDP and comfortably financed by capital inflows.

India's oil imports in Financial Year 2013 was \$164 billion and by Financial Year 2017 it was only \$83 billion, thereby lowering the current account deficit as a percentage of GDP from 4.8% in Financial Year 2013 to just 1.1% in Financial Year 2017. The government has also had two straight years of good monsoons. However, both the supporters and detractors of the present government have described the state of the economy as 'sinking' and as being 'in a tailspin', etc. This has prompted several agencies to lower India's growth forecast.

The stock market is at an all-time high in anticipation of a surge in earnings which is yet to materialise. The newly appointed head of the NITI Aayog, Rajiv Kumar, has been quite candid in admitting that lack of investment and anaemic job creation are significant challenges for this government.

With International Monetary Fund (IMF) lowering India's growth projection to 6.7%, half-a-percentage point less than its previous two forecasts in April and July, there seems to be unanimity in



predictions. The IMF's move comes close on the heels of Reserve Bank of India (RBI) cutting growth estimates last week by 60 basis points to 6.7%.

Just a couple of weeks ago, Organisation for Economic Co-operation and Development (OECD) cut the projection for 2017-18 to 6.7% from 7.3% earlier, while Asian Development Bank and World Bank slashed their projections to 7%, from 7.4% and 7.2%, respectively. They have all blamed it squarely on the note ban and the rollout of goods and services tax (GST).

Joining the detractors, domestic ratings agency India Ratings, a unit of global ratings agency Fitch, said last week that the corporates will shy away from investments despite the prevailing low interest rates.

Growth in gross fixed capital formation, which is a proxy for gauging

investments, is also declining, the agency said, pointing out that it decelerated to 3 percent in Q1 Financial Year 2018 as against 6 percent in Financial Year 2016.

Even as the government spending was up during FY 2016-17, there was a decline in the gross fixed capital formation in the same years, and the number has come down till 27.5 percent in Q1 FY18, it said.

A decline in private investments is one of the major factors attributed to a decline in overall economic growth.

Over 125 non-stressed corporates in the top-200 companies will invest the most, while the remaining 75 which find themselves classified as stressed will wait for their capacity utilisation rates to grow beyond 40 percent before taking a call on investments, it said.

Sectors which will see investments will be oil and gas, auto and telecom,

while the stressed infrastructure, metals and thermal and wind power will be reluctant.

Besides, Banks will be unwilling to fund the investments because of problems on capital that they face, it said.

The principal reason for the decline in growth is a fall in the manufacturing sector, where the Gross Value Added (GVA) fell sharply to 1.2 per cent, from 10.7 per cent a year ago.

The major reason for slowdown in growth at 5.7 per cent is on account of manufacturing, where the GVA is largely contributed by the private sector. In all, 74 per cent of the GVA comes from the corporate sector.

Growth in gross domestic product (GDP) has plummeted by 3.5 percentage points in just six quarters, from 9.2% in January-March 2016 to 5.7% in April-June 2017. The Reserve Bank of India (RBI) has slashed its GDP growth forecast for 2017-18 from 7.3% to 6.8%.

Captains of industry, usually silent or docile, are voicing their concerns about the economy, not only on ease of doing business but also on scarcity of jobs. Data for 107 companies in the organized sector, excluding information technology and financial services—part of the BSE 500—show that the number of persons employed by them has declined by more than 2% between end-March 2015 and end-March 2017. The latest RBI survey in six metropolitan cities shows eroding consumer confidence, dipping business sentiment in manufacturing, mounting concerns about jobs, and sliding growth perceptions.

In a recent article in Livemint, Deepak Nayyar, emeritus professor of economics, Jawaharlal Nehru University and former chief economic adviser, government of India, vividly recalls evidence of the recent slowdown in growth in the longer-term perspective. The period 2003/04-2007/08 witnessed the most rapid sustained GDP growth in India at 8.8% per annum, riding on the boom in the world economy. Then came the bust, as growth dropped to 3.9% in 2008-09. Surprisingly, GDP growth rose to 9.5% per annum during 2009/10-

2010/11. This recovery was attributable to counter-cyclical macroeconomic policies, the size of the home market and a financial sector less fragile and more regulated than elsewhere. But the resilience did not last long. Growth slowed to 5.4% per annum during 2011/12-2013/14, as fiscal imbalances mounted, inflation quickened, and the current account deficit in the balance of payments widened.

In retrospect, it is clear that the present National Democratic Alliance (NDA) government inherited a difficult economic situation which was a legacy of the last three years of the United Progressive Alliance (UPA) government. It was good fortune, more than anything else, that resolved these problems. The sharp drop in world oil prices, from more than \$110 per barrel to less than \$50 per barrel, continued as a bonanza for three years. It slashed the current account deficit, brought inflation under control, and helped moderate fiscal deficits. GDP growth also revived to an average level of 7.5% per annum during 2014/15-2016/17.

There is a popular perception that the slowdown in economic growth, which has continued for six successive quarters, is attributable to the demonetization in November 2016 and the introduction of GST in July 2017, but this belief is not tenable since it can at best explain the decelerating growth in the last two quarters. Of course, there can be no doubt that demonetization has had an adverse impact on output and employment in the economy, particularly the informal, unorganized sector, which would have affected growth in 2016-17 and will do so in 2017-18 as well.

Similarly, GST has probably had an adverse effect on output, in the April-June 2017 quarter, on account of production cuts and destocking before its introduction. Yet, it is clear that even if these episodes have temporarily accentuated problems, they are not responsible for the slowdown. The structural constraints on growth lie elsewhere and have been with us for six years rather than just six quarters.

The government is mulling to revive

economic fortunes through measures, which may include a stimulus. There is a damage-limitation mode that seeks to mollify people with doses of populism, such as the cut in excise duties on petrol and diesel or goods and services tax (GST) reliefs and concessions to small businesses and exporters. This approach circumvents the issue. It is essential to recognize that there is a problem, so that there can be a meaningful debate on possible solutions.

Politically, the government is on the defensive. And it is creditable that it has so far refrained from taking hasty and populist spending decisions.

Indeed, both the demonetization episode of 2016 and the introduction of GST in July have indeed imposed short-term costs in the form of lowering of growth rate in the current fiscal.

But there is no gainsaying the fact that the culture as well as the regime for direct and indirect tax compliance in India is undergoing a fundamental shift for the better in a way that has not happened before. This is certainly going to expand the 'production possibility frontier' of the economy. A lot will, however, depend on follow-up policy actions on the part of the government.

Two BJP grandees, Yashwant Sinha, an ex-finance minister, and Arun Shourie, a former cabinet minister, have been critical of Modi's recent handling of economic reforms. But the prime minister has to walk a tight rope as pandering to populist policies could risk damaging investor confidence. The BJP has won praise from investors after trimming the fiscal deficit from 4.5 per cent of the gross domestic product (GDP) in 2013-14.

Prime Minister Narendra Modi has sought to win the perception battle about the state of the economy by brushing aside growing criticism in several quarters, including from some within his own party, about the slowdown. Dubbing the critics of economic slowdown as 'pessimists' who spread stories of gloom, Modi took the rare step last week of defending his record in a 90-minute speech, calling the economic slowdown

a blip, and promising relief. Modi has tried to present a rosy picture of the economy – robust, fundamentally strong and treading the upward growth curve – by cherry-picking of data to build a positive narrative.

The government seems to have woken to the gravity of the situation. Pushed into a tight corner, the Prime Minister recently talked of stepping up fiscal stimulus that could reduce political damage ahead of a round of state polls beginning in December.

Amongst the positives, apart from the fact that growth and investment have historically shown poor trends and that this is not a unique situation, the fundamentals of the economy are surely stronger than usual. The government has done a good job of sticking to its fiscal deficit targets while the RBI has done the same with inflation.

Moreover, the country's foreign exchange reserves have crossed \$400 billion — huge by any standard.


To put things in perspective, these reserves equaled 78 percent of India's total external debt (both short and long term) at the end of March. It may be debatable whether the country needs such a huge trove of reserves, but they are considerable enough to ensure short-run and medium-term stability of the economy.

In an interview two days after the October monetary policy that left the policy rate unchanged, Reserve Bank of India (RBI) governor Urjit Patel said there are visible signs of upturn and economic growth is likely to exceed 7% in the last two quarters of the year as projected in last week's monetary policy report.

However, the most concerning factor of the economy, which also has had a similar long-term history, is unemployment. Lack of jobs is an aspect of the Indian economy that simply can no longer be ignored. Since India missed its own industrial boom and directly ended up becoming a service-led economy, jobless growth has been a problem for long. This is because services are not as labour-intensive as manufacturing.

All in all, optimists still believe that the falling growth rate will reverse its trend soon as history proves. This will happen over the next few quarters as the after-effects of the twin shocks of demonetization and GST subside. Investment will hopefully see a revival once the banks find their balance sheets improving. But the problem of job growth will pose the real challenge to the Modi government.

All the same there is no room for complacency, Mr. Modi needs fresh and bold economic thinking to steer the future of 1.3 billion aspiring Indians and the next big battle for the ballot in 2019.



ECONOMIC OUTLOOK

DEMONETIZATION, GST IMPACT: IMF LOWERS INDIA'S 2017 GROWTH FORECAST TO 6.7%, HOPEFUL OF UPTICK?

Last Tuesday, the International Monetary Fund (IMF) pared its growth forecast for the Indian economy by half a percentage point to 6.7% for 2017, blaming the lingering disruptions caused by demonetization of high value currencies last year and the roll out of the Goods and Services Tax (GST).

India's GDP grew 5.7 per cent on a year-on-year basis during the April-June period (Q1). During the previous quarter (January-March) the GDP had grown by 6.1 per cent. The GDP growth rate for the same quarter last year was 7.9 per cent.

However, IMF said the structural reforms undertaken by the Prime Minister Narendra Modi-led government would trigger a recovery—above 8% in the medium term.

In its latest World Economic Outlook, IMF said the global economy is going through a cyclical upswing that began midway through 2016. It raised the global growth estimate marginally for 2017 to 3.6% while flagging downside risks. The upward revisions in its growth forecasts including for the euro area,

Japan, China, emerging Europe, and Russia more than offset downward revisions for the United States, the United Kingdom, and India.

“In India, growth momentum slowed, reflecting the lingering impact of the authorities' currency exchange initiative as well as uncertainty related to the midyear introduction of the countrywide Goods and Services Tax,” it said in the WEO.

However, IMF expects the Indian economy to recover sharply in 2018 to grow at 7.4%, though 30 basis points lower than its earlier estimate in April.

One basis point is one-hundredth of a percentage point.

Both the Asian Development Bank as well as the Organisation for Economic Cooperation and Development (OECD) have also cut their growth projections for India to 7% and 6.7%, respectively, for fiscal 2017-18.

IMF said a gradual recovery in India's growth trajectory is a result of implementation of important structural reforms. GST, “which promises the unification of India's vast domestic market, is among several key structural reforms under implementation that are expected to help push growth above 8% in the medium term,” it added.

The multilateral lending agency said India needs to focus on simplifying and easing labour market regulations and land acquisition procedures which are long-standing requirements for improving the business climate. It also called for bridging the gender gap in accessing social services, finance and education to accelerate growth in developing countries like India.

IMF said given faster-than-expected declines in inflation rates in many larger economies, including India, “the projected level of monetary policy interest rates for the group is somewhat lower than in the April 2017 WEO.”

In its monetary policy review last week, the Reserve Bank of India (RBI) kept its policy rates unchanged and marginally raised its inflation forecast for rest of the year.

Highlighting the growing income

inequality within and among emerging market economies, IMF said a country's growth rate does not always foretell matching gains in income for the majority of the population. "In China and India, for example, where real per capita GDP grew by 9.6% and 4.9% a year, respectively, in 1993–2007, the median household income is estimated to have grown less—by 7.3% a year in China and only 1.5% a year in India," it said.

The latest report, released ahead of the annual meetings of the IMF and the World Bank in Washington this week, puts China slightly ahead of India in terms of growth rate for the year 2017. The IMF raised its current year growth forecast for China to 6.8%, 0.1 percentage more than its two previous projections in April and July -- pushing the Communist giant above India at the top of the global growth tally.

In its South Asia Economic Focus (Fall 2017) released on Monday, the World Bank reduced India's GDP growth forecast to 7% for 2017-18 from 7.2% estimated earlier, blaming disruptions caused by demonetization and GST implementation, while maintaining at the same time that the Indian economy would claw back to grow at 7.4% by 2019-20.

Downgrade a blip in much positive long-term picture: Maurice Obstfeld, Economic Counsellor and Director of Research Department at the International Monetary Fund (IMF) told reporters after the release of its flagship World Economic report that the downgrade in India's growth for the current fiscal by 0.5 per cent to 6.7 per cent is a "blip" in a much positive long-term picture of its economy. Responding to a question during News Conference, Obstfeld appeared to be confident about the future of Indian economy.

"In general, the state of India's economy is quite good. The government has energetically perused structural reforms, including the GST which will have a payoff longer term," he said. The country has benefited from the improved terms of trade. It has also benefited from return of normal monsoonal rain season

given the large share of agriculture, he said.

However, for this year there were two headwinds, the IMF official said. Number one, the implementation of the GST itself particularly in July and August had some disruptive effects which IMF believes is passing, he said. The Goods and Services Tax (GST) was implemented in India from July 1 this year. It brings the economy under a uniform tax regime.

"The other headwind came from demonetization, which led to temporarily cash shortages, which now has been overcome," said the IMF official. The Indian government scrapped Rs 500 and Rs 1,000 currency notes on November 8 last year, claiming that the move would eradicate black money, fake currency and corruption.

World Bank too lowers growth target, but positive on growth acceleration: A day after the International Monetary Fund cut India's growth forecast because of the 'lingering impact' of demonetization (DeMo) and the Goods and Services Tax (GST) roll-out, the World Bank has followed suit, projecting a drop on account of the 'disruptions' and 'uncertainties' associated with the same two initiatives.

In its South Asia Economic Focus, a biannual economic update, the World Bank also said India's economic momentum has been affected by disruptions from the withdrawal of banknotes and uncertainties around the goods and services tax (GST). As a result, growth is expected to slow from 8.6 per cent in 2015 to 7 per cent in 2017. However, it added that sound policies around balancing public spending with private investment could accelerate growth to 7.3 per cent by 2018.

The World Bank's projection of 7 per cent growth in 2017, however, would appear to be less ominous than the IMF's forecast of 6.7 per cent by trimming its earlier projection of 7.3 per cent for the year.

While sustained growth is expected to translate to continued poverty reduction, more focus could be made to help benefit the informal economy more, said the

report released ahead of the annual meeting of IMF and the World Bank.

A slowdown in India's growth rate, the bank said, has also affected the growth rate of South Asia. As a result, South Asia has fallen to second place after East Asia and the Pacific. "Real GDP growth slowed to 7.1 per cent in 2016, from 8 per cent in FY16, and further to 5.7 per cent in Q1FY17," it said.

Going further, the recent slowdown in India's economic growth is an "aberration" mainly due to the temporary disruptions in preparation for the GST, the World Bank said, pointing out that it will get corrected in the coming months.

"There's been a deceleration in the first quarter, but we think that's mostly due to temporary disruptions in preparation for the GST, which by the way is going to have a hugely positive impact on the economy," Kim told a group of reporters during a conference call ahead of the annual meeting of the International Monetary Fund and the World Bank in Washington.

Kim was responding to questions on slowdown in India's growth in the first quarter, which the Opposition and several economists have attributed to demonetization and the GST.

Responding to questions, the World Bank president insisted that this slowdown is temporary.

"We think that the recent slowdown is an aberration which will correct in the coming months, and the GDP growth will stabilise during the year. We've been watching carefully, as Prime Minister (Narendra) Modi has really worked on improving the business environment, and so, we think all of those efforts will pay off as well," Kim said.

Next week, both the World Bank and the IMF are expected to come out with their new GDP figures and growth projections for India and the rest of the world.

Ahead of the annual meeting, Kim said after years of disappointing growth, the global economy has begun to accelerate, and trade is picking up as well, but investment remains weak.

"We are concerned that downside risks such as a rise in protectionism, policy uncertainty, or possible financial market turbulence could derail this fragile recovery," he said.

The most substantial medium-term risks are associated with private investment recovery, which continues to face several domestic impediments such as corporate debt overhang, regulatory and policy challenges, along with the risk of an imminent increase in US interest rates.

PMEAC REJECTS FISCAL STIMULUS, PRIORITIZES JOB CREATION

As widely reported in the media, the newly constituted Economic Advisory Council to the Prime Minister (EAC-PM) wants the government to stick to its fiscal consolidation road map and has rejected the idea of mid-year fiscal stimulus at the cost of fiscal prudence to spur a revival in economic growth.

Though the government aims to keep the fiscal deficit — the gap between the revenue earnings and expenditure — at 3.2% of the GDP, it is facing renewed calls from the industry for a booster dose to encourage investments, crucial for creating jobs.

Ila Patnaik, a professor at the National Institute of Public Finance and Policy (NIPFP), said a stimulus package will breach the fiscal deficit target that will, in turn, effect India's credit ratings. "The trouble of a large fiscal deficit is its tendency to spill over to the current account. And high twin deficits would increase the fragility of the economy," Patnaik added.

The government wants to raise its capital expenditure beyond the budgeted Rs.3.10 lakh crore but is cautious that it does not breach its fiscal deficit target. It has already met 92% of its fiscal deficit estimate of Rs.5.46 lakh crore for 2017-18. Compounding the problem is the reluctance of private investment to pick up.

The Council, which met for the first time last Wednesday, has identified ten themes, including economic growth and job creations that need focused attention.

Chief Economic Adviser Arvind Subramanian gave a presentation to the council on ways to accelerate economic growth, including investments and exports by using a combination of different policy levers.

"We will come out with implementable solutions for economic problems and present them to the Prime Minister," council's chairman Bibek Debroy told reporters after the meeting.

When asked whether the government can breach fiscal deficit to provide stimulus to the industry, Debroy said, "There is a consensus (among the members)... that the fiscal consolidation exercise should not be deviated."

The industry is seeking fiscal stimulus to tide over the economic slowdown. The economic growth has slipped to a three-year low of 5.7 per cent in the first quarter of the current fiscal.

The PMEAC will chalk out a blueprint to facilitate the integration of the informal into the formal economy. The other focus areas are monetary policy, public spending, agriculture and animal husbandry, institutions of economic governance, patterns of consumption and production and the social sector. The council will finalize its recommendations on five of the 10 identified areas in a month.

The PMEAC is an independent body designed to guide the government on policy decisions.

According to an official statement, another key issue recognised was effective tracking of key economic parameters, through possible mechanisms for instituting an 'economy track monitor' using lead indicators and trigger for action, based on informed assessment and analysis.

Surely, the government is looking for ways to revive the economy after the growth fell to its slowest pace in three years at 5.7% in the first quarter. But the areas identified by the committee suggest that these are heavily influenced by the election-bound government. While the government is forced to open its kitty further for agriculture and social sector, it is already facing the prospects of the runaway fiscal deficit.

The committee has a Herculean task ahead to safeguard the government's immediate interests while protecting the long-term goals of the growing economy. Planning may be constrained by the fact that the government has only one more Budget to go and less than 18 months before the general elections. That is the big challenge.

INDIA'S POTENTIAL TO BE A CLEANER ECONOMY

Union Finance Minister Arun Jaitley has said that India is capable of becoming a much cleaner and bigger economy amongst the other emerging economies, as it is capable of taking and implementing bold decisions. "Amongst the emerging economies, India today has the potential for not only being a large market but being a much cleaner economy," said Arun Jaitley at a Confederation of Indian Industry (CII) and US India Business Council (USIBC) at an event in New York.

Jaitley, now visiting the US for the upcoming annual IMF-World Bank meetings, highlighted implementation of the landmark Goods and Services Tax (GST) regime, close on the heels of a concerted attack on black money with demonetisation of high-denomination currencies last November.

"All the steps including financial inclusion, demonetisation, the Goods and Services Tax (GST) to the direct tax incentive, each one of this falls into place where brick by brick you lay down the structure in order to integrate an informal economy into a much larger formal economy," Jaitley said.

He expressed the view that with the recent initiatives, India today is among the most open and globally integrated at a time when other economies are turning protectionist. In a strong defence of the Modi Government's push on GST, Jaitley asserted that the transition to the new tax regime has been "fairly smooth" even though an "ill-informed" Opposition has tried to derail its implementation.

Referring to the GST Council as India's first genuine federal institution, he dwelt on how it meets every month,

reviews the situation and takes decisions, stressing: "It's been a fairly smooth transition."

Overall, the Government's reform push in the last three years has made India an attractive destination for foreign investment. As much as 95 per cent of foreign direct investment now comes through the automatic route, with the Foreign Investment Promotion Board having been abolished.

The Government has been able to change domestic public opinion in favour of inviting foreign investment into sectors of production that were earlier considered out of bounds because of ideological or security considerations, he said. "We have been able to invest FDI (foreign direct investment) in almost every sector of the economy," Jaitley said.



AGRICULTURE KHARIF FOODGRAINS PRODUCTION COULD DROP DUE TO DEFICIENT MONSOON

The cumulative rainfall for southwest monsoon this year (July to September) has been 5% less than normal. The distribution has been uneven, with excess rains in some parts and shortage in several other areas like Uttar Pradesh, Haryana, Punjab, Madhya Pradesh and parts of Maharashtra.

This has impacted sowing. As compared with last year, sowing is lower for foodgrains and oilseeds. Even the government's first advance estimates say that kharif foodgrains production could be 2.8% lower than last year. Oilseed production could drop by around 8%. The decline is also because last year had seen a sharp increase in both the sowing area and production of most crops.

Given the volatility in farm prices, farm incomes remain stressed. In the three months to June 2017, agriculture GVA slowed to 2.3%, the slowest since March 2016. Kharif crop constitutes around 50% of overall farm output and any shortfall in production will reflect in

lower agriculture GVA growth unless it is made up by rabi crops. Also, industries like textiles, edible oils, sugar, seeds, fertilisers, tractors and farm equipment have strong links with agriculture output.

While states like Maharashtra, Karnataka, Uttar Pradesh and Punjab have announced farm loan waivers, others may also do so, which will put further pressure on the stressed budget of states.

Reservoir levels are important for rabi crops, the sowing of which starts from October. Water storage at 91 major reservoirs looks healthy, at 87% of normal. However, some states like Andhra Pradesh, Tamil Nadu, Madhya Pradesh, Karnataka have deficient water reservoir levels.



POLICY INITIATIVES GST COUNCIL EASES RULES, CUT RATES

Facing severe criticism over the implementation of goods and services tax, the government has announced a slew of measures to ease the concerns of traders, exporters and small business.

The GST Council, in its last meeting, has slashed rates on 27 items of common consumption, including roti, khakra, namkeens, stationery and man-made yarn -- with most of them brought to five percent category.

Tax rate on man made yarn was reduced to 12 percent from the current 18 percent, which is expected to provide relief to the textile industry.

Moreover, tax rate on unbranded namkeen, unbranded ayurvedic medicine, e-waste, paper waste, rubber waste, plastic waste was reduced to 5 percent.

The tax rate on services, including government contracts involving large labour, job work services in relation to imitation jewellery, some food and food products has been reduced from 12 percent to 5 percent.

Further, the Council has exempted exporters from payment of IGST and allowed smaller businesses to file

quarterly results. It also brought relief for consumers by reducing tax rates on about 27 items including man-made yarn, stationery and snacks.

Going further, the council increased the threshold under composition scheme to Rs 1 crore from Rs 75 lakh now, another key step to reduce compliance burden for the smaller firms.

Besides, businesses having annual turnover of up to Rs 1.5 crore could now file their returns on quarterly basis, instead of monthly returns required now. These firms will file quarterly returns in forms GSTR-1,2 and 3 and pay taxes only on a quarterly basis, starting from the third quarter of this fiscal. The registered buyers from such small taxpayers would be eligible to avail input tax credit (ITC) on a monthly basis.

The GST Council decision follows demand from industry to reduce GST woes which has been compounded by economic slowdown. Going forward, Minister of State for Finance Shiv Pratap Shukla has assured that the GST Council will continue to rationalise rates and the highest tax slab of 28 per cent would be gradually brought down. The GST has a 4-tier structure of 5, 12, 18 and 28 per cent. While majority of common use items have been exempted from GST, 28 per cent tax is levied on luxury, demerit and 'sin goods'.

"The GST Council has already taken pro-active measures in rationalising GST rates in the recent past and the trend would continue in future wherever the taxation is deemed to be slightly on the higher side. The 28 per cent GST tax slab would fall as per genuine and legitimate aspirations of the people," Shukla was quoted as saying in a statement by PHD Chamber of Commerce and Industry. He said all glitches and loopholes in implementation of GST will be removed within a year of its implementation.

Positive reactions: According to analysts, the GST breather given to small and medium enterprises (SMEs) and exporters will address their liquidity issues, improve efficiencies and act as a shot-in-the-arm for the economy as a whole. The Council has also hiked the

threshold turnover for the composition scheme that allows SMEs to pay 1-5 per cent tax without going through tedious formalities. The government's move to relax IGST for six months and faster processing of refunds for exporters would address their liquidity issues and improve business efficiencies in the short-term, analysts at ratings agency Crisil said.

Industry and trade have welcomed the government's move saying the action steps were in right direction and aimed at boosting the export as well as SME sector.

"The GST Council gave major relief to export sector which has been facing liquidity problems due to delay in refunds of taxes. Now, exporters will get their July refunds by October 10 and the August refunds by October 18. Further, government will provide exemption on inputs required for export production through advance authorisation, EPCG and EOU Schemes. The Government has also resolved the problem of merchant exporters by putting a duty of 0.1 per cent on any supply from manufacturing to merchant.

Federation of Indian Export Organisations (FIEO) Ganesh Kumar Gupta termed GST Council decisions as very pragmatic saying it shows the flexible approach of the government which will ameliorate the problem of export sector and will impart much needed competitiveness to exports.

The Council decision on reduction in tax rates were also welcomed by the experts who said it will contain inflation.

Here are some of items whose rates have been slashed:

- Sliced dried mangoes reduced from 12% to 5%
- Khakra and plain chapattis reduced to 5%
- ICDS food packets for children reduced from 18% to 5%
- Unbranded namkeen down to 5%
- Unbranded ayurvedic medicines down from 12% to 5%
- Plastic and rubber waste down from 18% to 5%
- Paper waste from 12% to 5%

- Yarn brought from 18% to 12%
- Many stones used in flooring, except marble and granite-will be now taxed at 18% instead of 28%
- A lot of items in stationery were at 28% now at 18%
- Diesel engine parts - brought down to 18% from 28%
- Services - zari job work - down from 12% to 5%

GST: COPING WITH A CUMBERSOME TAX REFORM

Even after three months of its introduction, the Goods & Services Tax is embroiled in unending controversy due to several procedural bottlenecks being faced by trade and industry. Before its advent, industry leaders and mandarins in the central government were unanimous in saying the new direct regime, once implemented, would boost GDP growth by 1.5 to 2 per cent. But the country's experience with GST thus far paints a different picture.

The GDP growth in the first three months of the current financial year fell to a three-year low of 5.7 per cent. And that three-month period included July, the month that saw the implementation of GST amid much fanfare. That means instead of boosting economy as propagated by the proponents of the new tax regime, GST has led to decline in the growth numbers.

Maybe three month period is too short a period to gauge the impact of GST, a structural reform that has converted India into a single market for majority of goods and services, but there is a widespread feeling among industry circles that the Narendra Modi-led government has rushed in GST without readying proper technology and implementation ecosystem for the new tax regime. And that's causing teething problems to traders and MSMEs.

Eminent Professor Nageshwar Rao's critique published in "The Hans" finds echo in what many analysts have already voiced their concern. Under GST, businesses are required to file three returns every month – one each for sales and purchases and the third one is a wrap-up of both. For small businesses, that's

cumbersome and costly process.

As a result, a large number of business units have failed to file returns for the first month i.e., July till now, forcing the government to extend the deadline twice from the original September 5 date. More than 20 lakh registered businesses are yet to file returns for the first month. That's a clear indication of situation prevailing in the industry and trade.

As if procedural issues are not enough, GST Council, the all-powerful body comprising Union Finance Minister and his counterparts from the states, has revised tax rates, added new levies and made numerous changes during the last three months. Thus the Council changed goal posts every time it met, thereby exposing the central government's unpreparedness for the historic tax reform. For instance, automobile industry found itself in a piquant situation when the Centre increased cess on luxury vehicles from 15 per cent to 25 per cent.

That change came within one month after GST rollout. As a consequence, automakers had to roll back price cuts they offered to consumers. In the last meeting at Hyderabad too, the Council revised tax rates for 40 products. Of course, many household items turned cheaper because of the tax cuts, but frequent revisions will obviously leave an adverse impact on businesses.

However, the GST Council at its latest meeting on Friday made life a lot easier for small businesses by allowing them to file their returns every three months. MSMEs with annual turnover up to Rs 1.5 crore will benefit from it. But it's time the government appointed an expert committee on GST and go for changes at one go instead of the ongoing piecemeal exercises.



MONEY & BANKING PROVIDING FOR LOAN LOSSES: BAD LOAN PROVISIONING AT RS 3.3 TN IN FY18

Banks are likely to need nearly Rs 3.3 lakh crore this fiscal as provisioning for

large NPA accounts in the current financial year, said a Crisil report. The report said with the economic value of assets underlying NPAs eroding with time, and resolutions are hard to come by, banks would need to step up on provisioning, mainly for large corporate NPAs. It will facilitate faster clean-up of their balance sheets. "Our estimates show that banks would need to set aside close to Rs 3.3 lakh crore this fiscal, or 50 per cent more than Rs 2.2 lakh crore they provided for NPAs last fiscal," Crisil said in the report released in Mumbai on last Thursday.

The provisioning quantum was arrived at after an account-by-account analysis of the economic value of assets underlying large corporate NPAs. The potential write-downs could be in the 25-75 per cent range, the rating agency said. While some of the NPA accounts have been adequately provided for, the majority of them will require higher provisioning compared with current levels, based on the residual economic value of the assets, it said. "It could lead to a net loss of nearly Rs 60,000 crore for the banking sector this fiscal with public sector banks (PSBs) bearing the brunt of increase in provisions and the resultant impact on profitability because of their higher stock of NPAs," the report said.

Though the assessment assumes effective resolution of stressed assets this fiscal, any delay would extend the pain on profitability into the next fiscal too. It further said banks operating profitability is likely to stabilise by the end of this fiscal.



INDUSTRY

INFLATION, IIP NUMBERS GIVE SIGH OF RELIEF TO GOVT.

The latest economic numbers come as a breath of fresh air to the Modi government battling slowdown. Retail inflation came in at 3.28 per cent in September, little changed from August, while industrial production grew to a

nine-month high of 4.3 per cent in August.

One of the reasons for stable inflation is moderation of food inflation to 1.25 per cent in September from 1.67 per cent in the previous month. Higher food prices were the main reason for spike in consumer price based inflation (retail inflation) in previous months. Vegetables softened to 3.92 per cent in September from 9.97 per cent in August. Pulses continued with deflationary trend at (-) 22.51 per cent and eggs prices dropped 0.15 per cent.

The inflation rose in the fuel to 5.56 per cent from 3.66 per cent in August. Inflation in fruits, meat & fish, and prepared meals also increased, data show.

Compared to August numbers, a significant price decline in the food and beverages category compensated for the price increase in other components, said Soumya Kanti Ghosh, chief economic adviser of the SBI group.

"Within food inflation, a decrease in price of vegetables, cereals and fruits has contributed to the decline. We expect CPI inflation to remain sub-4 per cent till December 17 and remain sub-4.5 per cent thereafter this fiscal," he said.

Aditi Nayar, principal economist at ICRA, said the mild easing in food inflation in September 2017 relative to the previous month, was offset by the considerable rise in inflation for housing, on the back of the HRA revision.

As a result of the uptick in inflation for housing, and pan, tobacco and intoxicants, core inflation rose to 4.6 per cent in September 2017 from 4.5 per cent in the previous month.

The other piece of good news is factory output. The government data showed that the industrial production grew in August mainly on account of robust performance of mining and power sectors, coupled with higher capital goods production. Factory output growth measured in terms of Index of Industrial Production (IIP) was 4 per cent in August 2016.

The previous high in IIP growth was

recorded at 5.7 per cent in November 2016. IIP growth during April-August period of this fiscal stood at 2.2 per cent, down from 5.9 per cent in the same period in 2016-17.

The July IIP number has also been revised to 0.94 per cent from 1.2 per cent provisional estimates released last month.

The output growth in manufacturing sector, which constitutes 77.63 per cent of the index, however, decelerated to 3.1 per cent in August from 5.5 per cent a year ago.

The output of the mining and electricity sectors grew at 9.4 per cent and 8.3 per cent.

The consumer durables and consumer non-durables sectors recorded growth of 1.6 per cent and 6.9 per cent, respectively. In terms of industries, 10 out of 23 industry groups in the manufacturing sector have shown a positive growth during August 2017.

The industry group 'Manufacture of computer, electronic and optical products' showed the highest positive growth of 24.9 per cent, followed by 16.5 per cent in pharmaceuticals, medicinal chemical and botanical products.

On the other hand, the industry group 'Manufacture of furniture' showed the highest negative growth of (-) 16 per cent, followed by (-) 15.1 per cent in 'tobacco products' and (-) 11.4 per cent in 'Printing and reproduction of recorded media'.

As per use-based classification, the growth rates in August 2017 over August 2016 are 7.1 per cent in primary goods, 5.4 per cent in capital goods, (-) 0.2 per cent in intermediate goods and 2.5 per cent in infrastructure/ construction goods.

In terms of industries, 10 out of 23 industry groups in the manufacturing sector have shown positive growth during August 2017.

This growth has allayed fears of the GST impacting industrial production to a great extent. However, caution should be exercised in interpreting it as broad-based recovery because 13 out of the 23 segments of manufacturing posted

a fall in August, though this was a little better than 15 segments contracting in July.

“IIP recovery is not yet broad-based,” says India Ratings Chief Economist Devendra Pant.

CARE Ratings Chief Economist Madan Sabnavis says it would be necessary to see if this number could be maintained in the next three months.

“Three successive impressive growth rates would indicate a real recovery. Or else it would be more a case of the restocking impact of the GST effect,” he said.

Cumulative growth in overall factory output for April-August, the first five months of the current financial year, was 2.2 per cent. This is much lower than the equivalent growth of 5.9 per cent during the corresponding period of 2016-17.

India Inc set to see another disappointing quarter

Diwali may be round the corner, but corporate India's second-quarter performance is unlikely to create any fireworks.

Brokerages expect another tepid quarter following poor demand and an uptick in input costs, besides the lingering effect of the disruption caused by the GST.

Analysts continue to paint a disappointing picture of India Inc's scorecard. Except a few sectors such as private banks, metals and automobiles, results from the rest of the pack are expected to be between tepid and moderate.

India's top 50 listed firms, which comprise the benchmark NSE Nifty50 index, are expected to report a mild recovery in earnings during the July-September 2017 quarter, driven by a relatively good show by banks and commodity producers.

However, domestic manufacturers and information technology (IT) exporters are likely to continue in the slow lane due to a combination of the disruption due to the goods and services tax (GST), poor demand, and rise in input costs

“The story for the September 2017 quarter remains the same as that of the past three quarters. Banks and commodity producers are likely to be the only large sectors reporting profit growth owing to base effects. Excluding these, the profit is likely to contract by nine per cent Year-on-Year, the same as in the past two quarters. The weakness is fairly broad-based and is a function of weak demand as well as rise in input costs,” Edelweiss Securities' Prateek Parekh and Akshay Gattani said in their earnings estimates report for 2nd quarter.

Combined net sales are likely to grow by 15 per cent Year-on-Year during 2nd quarter, up from 10.4 per cent YoY growth during the first quarter and 3.9 per cent growth during the corresponding quarter a year ago. For banks and non-banking financial firms, net sales are gross revenues net of interest expenses, while for others it is total income from sales of goods and services (net of indirect taxes). The estimated profit for the quarter may exclude exceptional gains and losses.

Kotak Institutional Equities expects some earnings recovery for consumer companies, led by post-GST restocking and the early onset of the festive season. “We model 5.7 per cent YoY growth in net profits of our coverage universe, led by strong growth in energy (higher refining margins), industrials, and metals and mining (higher realisations) sectors, despite drag from automobiles (margin compression due to high input costs), pharmaceuticals and telecom,” wrote Kotak Institutional Equities' Sanjeev Prasad in his report.

Among individual companies, State Bank of India (SBI) is expected to top the earnings growth chart due to a sharp turnaround in its earnings after a disastrous show last year. Brokerages expect SBI to report a net profit of Rs 1,832 crore in the current quarter, against adjusted net profit of Rs 21 crore a year ago. Similarly, Axis Bank's net profit is likely to quadruple during the quarter on a YoY basis due to a low base last year.

Besides financials, commodity producers such as Tata Steel, Vedanta,

Hindustan Petroleum, and Coal India are slated to post robust growth. For example, Tata Steel's net loss is likely to fall by two-thirds in the current quarter, thanks to a rise in global steel prices. Non-ferrous metals and crude oil major Vedanta's net profit is also likely to more than double during the quarter due to a better show by zinc and aluminium divisions.

At the other extreme, mobile operator Bharti Airtel and pharma companies such as Sun Pharmaceutical Industries and Lupin are likely to be laggards and expected to report a sharp decline in their net profit. Few other companies likely to report a decline in net profit include Bosch, ICICI Bank, Housing Development Finance Corporation, Adani Ports, UltraTech Cement, Maruti Suzuki, and Reliance Industries.

In all, 31 index companies are expected to report a rise in net profit during the quarter, while 19 companies are expected to report a decline in their earnings during the quarter.

For the IT services sector, the outlook is modest even as the second quarter is considered to be seasonally strong.

Brokerages expect another tough quarter for IT exporters, with Tata Consultancy Services and Infosys reporting a decline in net profit and flat- to-low single-digit growth in their revenue. Wipro and HCL Technologies are expected to do marginally better, with low single-digit growth in net sales and net profit during the quarter.

Consumer goods companies such as ITC and Hindustan Unilever are expected to report low single-digit growth in net profit and earnings.



AUTO SECTOR PASSENGER VEHICLE SALES GROW 11 PER CENT IN SEPTEMBER

Passenger vehicle sales in India grew by 11.32 per cent in September, riding

on good growth in utility vehicles segment and festive season purchases. According to data released by the Society of Indian Automobile Manufacturers (SIAM) last Monday, domestic passenger vehicle sales were at 3,09,955 units in September, as against 2,78,428 in the same month last year.

“Automobile industry at the moment is looking at improvement in all segments from last year,” SIAM President Abhay Firodia told reporters. Overall vehicle sales across categories registered 10 per cent growth to 24,90,034 units, from 22,63,620 in September 2016. Although the auto industry has faced difficulties in the wake of demonetization, transition from BS-III to BS-IV norms and uncertainty of GST implementation, it has recovered from those tough times, Firodia said.

“Now it is on the mending path. We hope that this momentum will be maintained,” he said. Car sales last month went up by 6.86 per cent to 2,08,656 units as against 1,95,259 units in September last year, while utility vehicle sales were up 26.21 per cent to 84,374 units as against 66,851 units. The increase in PV sales in September was driven by festive season purchases, with SUV models like Maruti Suzuki’s Brezza, Hyundai Creta, Mahindra Scorpio, Ford Ecosport and Honda W-RV witnessing good traction, said SIAM officials.

Market leader Maruti Suzuki India’s PV sales were up 9.65 per cent at 1,50,521 units last month, while that of rival Hyundai Motors India was at 50,028 units, up 17.42 per cent. Mahindra & Mahindra saw its PV sales grow by 23.32 per cent to 25,327 units while homegrown competitor Tata Motors clocked 19,334 units, up 18.24 per cent from September 2016.

As per SIAM data, two-wheeler sales in September grew 9.05 per cent to 20,41,024 units compared to 18,71,621 in the year-ago month. Motorcycle sales last month were up 6.98 per cent to 12,69,612 units compared to 11,86,759 units in September 2016.

Market leader Hero MotoCorp posted bike sales of 6,14,949 units last month,

up 7.77 per cent from the same month last year. Bajaj Auto’s motorcycle sales during the month were at 2,47,418 units, up 7.34 per cent from September last year.

However, Honda Motorcycle and Scooter India (HMSI) saw its motorcycle sales drop marginally to 1,83,366 units from 1,83,785 units in September 2016.



TELECOM SECTOR AIRTEL TO ACQUIRE TATA'S MOBILE BUSINESS FOR FREE

Bharti Airtel will acquire Tata Group’s loss-making mobile telephony business, almost for free, boosting its spectrum holding and raising subscriber base while saving the Tatas from the prospect of having to shut down the struggling unit. Airtel, for whom it will be the 7th acquisition in five years, will from November 1 take over 4 crore customers of Tata Teleservices Ltd (TTSL) and Tata Teleservices Maharashtra Ltd (TTML) in 19 telecom circles or zones on “a debt-free cash-free basis”, the two groups announced in separate but identical press statements.

TTSL and TTML employees in the 19 circles, managing the consumer mobile business, along with 178.5 MHz of spectrum across 800, 1800, 2100 Mhz (3G, 4G) bands would be transferred to Airtel.

While all of the Rs 31,000 crore debt will remain with the Tatas, Airtel will assume payment of close to 20 per cent of the Rs 9,000-10,000 crore deferred payments for the spectrum to the government. Tatas will pay the rest. The telecom sector is in a consolidation mode since the September 2016 entry of India’s richest man Mukesh Ambani’s Reliance Jio, which has given incumbent operators a run for their money through free voice calling and cheap data offers. Jio has gained 12.8 crore subscribers within a year.

In February, Airtel absorbed Telenor’s operations in seven circles — Andhra

Pradesh, Bihar, Maharashtra, Gujarat, UP (East), UP (West) and Assam in a similar no cash deal. Earlier this year, Vodafone India and Idea Cellular agreed to merge their operations to create the country’s largest telecom operator worth of more than \$23 billion (roughly Rs 1,51,153 crore) with 35 per cent market share.

With this deal, Airtel will have over 32 crore customers, way below 40 crore users with the merged Vodafone-Idea entity.

“Instead of closing down the consumer mobile business, which would have entailed a much higher cost and involved letting go of employees and vendors etc, we have chosen this route,” Tata Group chief financial officer Saurabh Agrawal told PTI. He said Tatas will retain stake in the tower company, Viom, and explore transferring the enterprise business to Tata Communications and retail fixed-line and broadband business to satellite TV arm Tata Sky. The board of the two firms will evaluate the opportunity.

IT SECTOR IN FOR TOUGH TIMES

According to a Survey reported in the Pioneer, Indian IT professionals are likely to see reduced job opportunities in the next six months as traditional roles are increasingly getting disrupted in the wake of automation and digitization.

Experis IT Employment Outlook Survey results released last Tuesday showed that IT hiring intentions will further slacken between October 2017 to March 2018.

The IT industry is looking at adjusting the talent pool, considering major hiring in junior and mid levels while contemplating layoffs in the senior slab, the Survey of 500 India IT employers across India has said.

“The collective number of layoffs that the IT giants are contemplating is way higher than what the Indian IT industry has ever witnessed and this trend is likely to continue for the next 6-12 months,” the survey stated.

IT professionals should upskill themselves to get into cutting-edge

technologies where the demand will be huge, it added.

"A rise in new enabling technologies such as software as a service (SaaS) offerings, cloud—based enterprise resource planning (ERP) software, Artificial Intelligence's (AI) unprecedented speed, accuracy and cost efficiency is significant to maintain the competitive edge which are driving the businesses now," said Manmeet Singh, President at Experis, ManpowerGroup India.

Singh further said "with this ongoing transformation, these technologies bring underlying technical complexity, which spurs the demand for young professionals resulting in Talent Refresh cycle in the Indian IT industry that would continue for the next 2 years".

Though the overall Indian IT employment outlook is fairly positive, the focus is shifting from scale to skill and upskilling employees is the new plan of action for employers.

A majority of employers said they want trained freshers in the system. Companies are now looking for fresh talent in the market that is upskilled already with the latest technologies and is ready to hit the ground.

However, discounting reports of reduced employment opportunities, senior industry leaders have said that hiring in the information technology sector in India is intact in the second half of the current fiscal for IT professionals.

They said with IT companies continuing to grow, there is nothing abnormal on the recruitment front and added survey reports talking about hiring intentions slackening in the October 2017-March 2018 period don't reflect ground reality.

V Balakrishnan, also ex-CFO of Infosys, said Indian IT companies are still growing between five and seven per cent, and the hiring gets fine-tuned to the growth.

"I don't think they are downsizing the workforce. May be some 5 per cent which happens every year...on performance issues (separations)," he said.

"I think all of them (IT firms) have confirmed that hiring is intact. Hiring will get adjusted to the growth. They are hiring less as growth has come down. I don't think there is anything abnormal in that," Balakrishnan said.



ENERGY SECURITY MODI MEETS TOP GLOBAL, INDIAN OIL CHIEFS, TALKS INVESTMENT

Prime Minister Narendra Modi has signalled his government's willingness for more reforms in oil and gas in his meeting with some of the top bosses of oil multinationals here today.

In a brainstorming session last Monday with CEOs of top global and Indian companies, including BP of the UK, Russia's Rosneft, Saudi Aramco and Reliance Industries, Modi held dwelt on ways to revive investment in oil and gas exploration and production.

Modi met BP Plc Chief Executive Bob Dudley, Rosneft CEO Igor Sechin, Royal Dutch Shell's Project and Technology Director Harry Brekermens, Saudi Aramco CEO Amin H Naseer, Exxon Mobil President for Gas and Power Rob Franklin, RIL Chairman Mukesh Ambani and Vedanta Resources head Anil Agarwal for over two hours to discuss the global oil and gas scenario.

The main theme of the meeting was to seek investment in exploration and production, processing, transportation and distribution network in oil and gas.

"The Prime Minister told leading companies such as BP, Shell, Rosneft, Exxon Mobil what should be the energy economy of India," petroleum minister Dharmendra Pradhan told reporters.

"The Prime Minister emphasised the need to move the engagement to a strategic partnership, going beyond the buyer-seller relationship... all major producers such as Saudi Arabia, Russia and the US have recognised the massive scale of India's energy engagement," he said.

Besides private investments, the government is keen on strategic partnerships and developing energy infrastructure in eastern India.

An official statement by the PMO after the meeting said: "Subjects such as the need for a unified energy policy, contract frameworks and arrangements, requirement of seismic data sets, encouragement for biofuels, improving gas supply, setting up of a gas hub and regulatory issues came up for discussion."

The Niti Aayog made a short presentation on the status, the likely scenario of demand and supply by 2030 and current government policies.

This is the second meeting Prime Minister had with CEOs of oil majors. His first meeting was in January 2016 where suggestions for reforming natural gas prices were made. More than a year later, the government allowed higher natural gas price for yet-to-be-produced fields in difficult areas like deep sea.

The government is looking at private investment to raise domestic oil and gas production, which has stagnated for the last few years while fuel demand has been rising by 5-6 per cent annually.

India is dependent on imports to meet its 80 per cent of the demand and more than half of its natural gas requirements.

The prime minister in 2015 had set a target of reducing India's oil dependence by 10 per cent to 67 per cent (based on import dependence of 77 per cent in 2014-15) by 2022.

Import dependence has only increased since then and the government is now looking for ways to raise domestic output. OPEC Secretary General Mohammed Barkindo and Oil Minister Dharmendra Pradhan also attended the meeting.

Former oil secretaries Vivek Rae and Vijay Kelkar were also invited for the meeting. Pradhan told the gathering that the liberalised India offers around USD 300 billion investment opportunity in the next 10 years in the oil and gas sector.

"We want investors, both domestic and global, who can bring in the best technology and capital," he said.

The government is devising policies to increase share of gas in the energy basket to 15 per cent from 7 per cent.

"We are planning a gas trading exchange and making sure there is open access to the gas grid. Global experience in this area would be useful," he stated.

According to Pradhan, in the last 40 months, the government has taken several policy initiatives in the energy sector in line with the prime minister's vision of energy access, efficiency, sustainability and security.



MARKETS

NIFTY CLOSES AT RECORD HIGH, SENSEX ENDS 250 POINTS UP, BANK, TELECOM STOCKS RISE

BSE Sensex closed higher by 250 points to 32,432.69, while the Nifty 50 rose 71.05 points to close at 10,167.45.

The Nifty showed fireworks a week before Diwali and cheered the Market by touching a new life high at 10,192, crossing its earlier high of 10,179. The strong rally was pushed by buoyant global markets. Market opened with a mild gap-up on better CPI number and strong IIP announced on Thursday, rallied further with strong Q2 results by TCS which gained over 2%, Nifty settled at record high closing of 10,164 gaining 0.66% Bharti Airtel gained the most by 7.6% on Tata Teleservices acquisition announcement. Major gainers were Tata steel (2.7%), Ultratech (2.2%), HDFC Bank (1.7%), and ICICI Bank (1.36%).

Domestic institutional investors went ahead with more buying. The rupee's appreciation against the US dollar also fuelled the rally.

The BSE Sensex opened positive, but shed some ground to settle the session higher by 250.47 points to 32,432.69, its biggest closing since 2 August. For the second straight week, the Sensex added 618.47 points, or 1.94%, while the NSE Nifty gained 187.75 points, or 1.88%.

The data late on Thursday showed annual consumer price inflation rose to 3.28% in September from a year earlier, in line with August and countering expectations for a 3.6% rate. At the same time, separate data showed industrial output hitting a nine-month high.

Although analysts still expected the Reserve Bank of India to keep rates steady in the months ahead, but further signs of steady inflation would raise the odds of a rate cut.

Overseas, World stocks rose for a fourth straight day on Friday on expectations of broad-based global growth, while the dollar headed for its worst week in five as investors awaited US inflation data.



TRADE

FIVE-YEAR EXPORT TARGET LIKELY TO BE RESET

The commerce ministry will revisit the \$900-billion exports target for 2019-20 as growth in shipments was slow in the first three years of the target period.

After holding an over three-hour long meeting with exporters last Thursday, commerce secretary Rita Teatota said there was certainly a need to revisit the five-year export target because nobody factored in the swing in global commodity prices and currency fluctuations.

"We are certainly not going to aim for the same target because we have not been able to show that growth rate in the first three years," she told reporters here.

On April 1, 2015, the government had announced a slew of incentives and new institutional mechanisms as part of the new Foreign Trade Policy (2015-2020) to nearly double the country's goods and services exports to \$900 billion by 2019-20.

India exports goods worth around \$300 billion per financial year, while services exports amounted to around \$150 billion annually.

On whether the ministry would come out with a mid-term review of the foreign trade policy, Teatota said commerce and industry minister Suresh Prabhu would take a call after returning from Morocco, where he is going for a WTO (World Trade Organisation) meeting.

However, she added that the mid-term review is on and some issues got addressed through the goods and services tax (GST).

Speaking to reporters, Prabhu said it was agreed in the meeting that each export promotion council (EPC) "is now going to prepare a concrete strategic action plan for what can be done in the foreseeable future" to boost exports.

He said the ministry would act on the suggestions made by the stakeholders.

Most of the issues are related to the finance ministry and "we are going to take up those issues with them", Prabhu added.

People who participated in the meeting include leading exporters, export promotion councils and industry associations.

Minister for textiles Smriti Irani also participated in the meeting.

Prabhu also stressed the importance of export-led growth and called for enhancing competitiveness and integration with the global value chain. The deliberations flagged global and domestic challenges faced by the exporters.

GST related issues regarding working capital blockage, delay in refunds and usability of MEIS/SEIS (Merchandise Exports from India Scheme and Service Exports from India Scheme) scrips were raised by the exporters.

In the context of the mid-term review of the FTP, exporters requested that more products be included under the MEIS and the interest subsidy scheme and sought an increase in the rates of incentive.

The meeting also provided inputs for a new export strategy to integrate India into the regional and global value chain, focus on high and medium technology sectors of exports and

unleash potential of services such as tourism and e-commerce.

INDIA SEEKS CUT IN LARGE FARM SUBSIDIES OF DEVELOPED COUNTRIES AT WTO MEET

India has sought a cut in the huge farm subsidies given by developed countries in a move to reduce distortions in global agricultural trade and also raised the issue of protecting its poor farmers' interests, end hunger and achieve food security at the two day mini ministerial meeting of the World Trade Organisation (WTO) in Marrakech on October 9-10.

Commerce and industry minister Suresh Prabhu who led discussions on behalf of the developing world, also reiterated India's commitment to the Doha Round that seeks to put in place a global agreement to lower trade barriers.

"He pointed out that any meaningful reform in agriculture must first seek to reduce the disproportionately large subsidies of the developed countries," said the commerce ministry in a release on Wednesday.

India and China have said the subsidies given by developed members including the US, EU and Canada under a flexibility in the WTO norms amount to nearly US\$ 160 billion which is more than 90% of the total global entitlements "resulting in a major asymmetry in the rules on agricultural trade".

Prabhu held bilaterals to push India's trade issues including those on public stock holding to safeguard the interests of its low incomeresource poor farmers and ensure food security to the poor and emphasised that these must be part of the outcome of the ministerial in December. "The minister pushed the agenda on behalf of India and the developing world...WTO director general in private agreed with the points put forward," said an official in the know.

India's demands on the farm front are important as the number of people dependent on agriculture in one way or another is close to 600 million, with

nearly 98% of Indian farmers being low income or resource poor and mostly engaged in subsistence farming.

This informal gathering of 35 key countries is crucial in the run up to the ministerial conference of the WTO in December to provide political impetus to the negotiations and guidance on potential outcomes. Since the previous ministerial in Nairobi failed to get a clear consensus on the future of the Doha development agenda, India reiterated its stance to first deal with the issues which were already under negotiation, before moving on to new ones. as developed countries like the US, EU and Japan and a few developing ones like Singapore are opposed to these and want new subjects like ecommerce, investment facilitation.

However, on the issue of fisheries subsidies, India stressed on the importance of suitable special and differential treatment provisions and the need to make a clear distinction between large scale commercial fishing and traditional fishing. WTO countries are trying to negotiate an agreement to cut subsidies given for fishing activities. Though India is already discussing fisheries subsidies and an outcome is likely on the issue, Prabhu pointed out that in India a large number of small, largely resource poor fish workers depended on traditional fishing activity as a source of livelihood. Hence, developing countries like India, possessing very low fishing capacity, would also need to retain policy space to promote and create such capacity.

INDO-BHUTAN TRADE INFRASTRUCTURE TO HAVE LARGE SCALE UPGRADATION

To ensure seamless trade of Bhutan with India and other third parties, India is widening its door for Bhutan. Development and upgradation of new Indo-Bhutan cross border trade routes are expected to give a quantum jump to the commercial strata of economically backward Himalayan foothills region in northern West Bengal.

According to senior officials in Bhutan Ministry of Economic Affairs, Indian commerce Ministry has informed Bhutan that planned LCS at Loksan and Nagrakata are being upgraded to permanent instead of keeping them seasonal. In addition, other permanent LCS will be established at places including Birpara, Rangapani, Upper Khogla in Bengal adjoining foothills. This decision follows an agreement of two countries to open up 16 other new trade routes.

"The development will come as a boon for overall commercial activity of the region," said CII North Bengal chapter Chairman Rajib Lochan. "Open international border between the two country facilitates opportunity for lakhs of Indians to get directly or indirectly involved into Bhutan's trade activities.

Industrially deprived Himalayan foothills region is entirely dependent on agriculture and tea. But both of them face deep crisis due to meteorological whims or fragile geology.

Apart from the trade with its largest trade partner India, being land locked, Bhutan is dependent on Indian passage for its third country trade. Though rupee value wise the indoBhutan trade figure is not too high against India's total exim value, but Bhutan's external trade as a whole is too important for thousands of Indian citizens in border areas.

According to Bhutan Customs statistics for the year 2016, with external trade volume worth Rs 7237.6 crore, Bhutan's trade with India remained of Rs 5932.8 crore with Rs 2432.4 balance of trade in favour of India.



INVESTMENT PE INVESTMENT AT RECORD HIGH OF \$8.7 BILLION IN JULY-SEPT.

An Ernst & Young Report last week said that Private equity/venture capital (PE/VC) investments in

India touched a record high of \$8.7 billion in the September quarter, a sharp increase over the last year, largely driven by big-ticket transactions.

According to EY's quarterly PE tracker for July-September 2017, PE/VC investments stood at a record high of \$8.7 billion, against \$3.1 billion in the same period last year.

The surge was driven by large transactions, with nine \$200-million-plus deals in the said quarter, the report said, adding SoftBank's \$2.5 billion investment in Flipkart was the largest ever PE investment in India.

"India is clearly maturing as a PE market, with bigger and complex deals becoming more common. Greater numbers of large deals and buyouts support this thesis, and it is clearly visible in the third quarter 2017 investment numbers," Vivek Soni, partner and leader for PE Advisory, EY said.

The quarter also saw record exits for PE players. Exits recorded a year-on-year rise of 128 per cent in value terms at \$4.7 billion across 65 deals, driven by exits via IPOs, open market and secondary sale, EY said.

July-September recorded the largest IPO exits ever with Fairfax selling its 12 per cent stake in ICICI Lombard for \$558 million.

"The good news is that there is a massive amount of dry powder available globally and most global funds are now keenly looking at India for investment opportunities. The compulsion of corporate India to deleverage by selling assets is expected to add momentum to the growth of buyout deals in India," Soni said.

In terms of individual sectors, e-commerce, real estate, and financial services were leading in terms of investments in July-September.

E-commerce recorded \$2.6 billion across 18 deals primarily driven by Softbank's \$2.5 billion investment in Flipkart. Real estate recorded \$2.3 billion across 13 deals and financial services announced deals worth \$1.4 billion across 25 transactions in the said quarter, the report noted. ■ ■ ■

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Asia News Agency

Ph: +91 9810622100

Fax: 0124-4003772

Email: nbn@asianews.co.in,

neetusingh@asianews.co.in

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Ph: +91 9810622100

Fax: 0124-4003772

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Ph: 0124-4003770, +91 9810622100

Fax: 0124-4003772

Email: nbn@asianews.co.in,

neetusingh@asianews.co.in

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