

NEWS AND ANALYSIS ON INDIA

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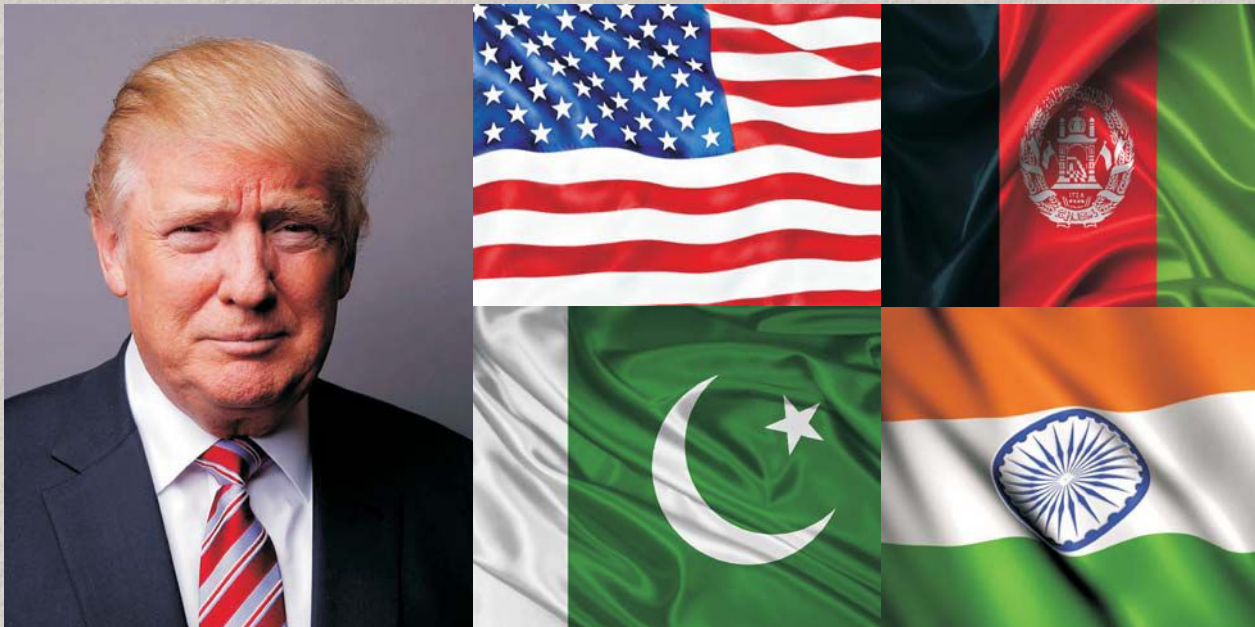
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2018 AND 2019 COMING: NERVOUSNESS IN THE GOVERNMENT

The BJP is today under some pressure, having achieved the impossible over these four years — a first-time ever government in Haryana and Assam, in a coalition in J&K and a return to power in Maharashtra through a fragile alliance, and storming the UP assembly in a decisive manner.

The year 2018 will be crucial because there will be elections in Karnataka, Mizoram, Nagaland, Meghalaya, Tripura; and then in the big three — Rajasthan, MP and Chhattisgarh.

Once again Prime Minister Modi's charisma and boundless energy will be required. Sandeep Banzai (Editor-in-Chief, Financial Chronicle; Visiting Fellow ORF and eminent author) argues that Modi "has been the cutting-edge differentiator on India's political landscape ever since he rocked it in May 2014, but now he needs to deliver on many of his promises."

BJP FAILS TO DELIVER: A CONGRESS VIEW

The economic parameters of late have suggested that the government is wanting in its promises. For the first time perhaps observers detect a sense of nervousness among the government's ministers and spokespersons.

The Prime Minister has defended the economy from the theory of 'slowdown'. He said certain sectors had recorded positive growth and he gave the examples of car sales (12 per cent), sale of commercial vehicles (23 per cent), sale of two wheelers (14 per cent) and increase in air traffic, air freight



Prime Minister Narendra Modi

and telephone subscribers.

P Chidambaram former Congress minister writes that the Prime Minister is right, some sectors are growing — but only very few. He argues that the economy will witness a recession, not a slowdown. The difference between a slowdown and a recession are obvious. While some sectors are growing, examples of sectors that have witnessed negative growth or a decline in output are:

- mining and quarrying: (-) 0.66 %
- manufacturing: 1.17
- construction: 2.0
- agriculture, forestry & fishing: 2.34

Together, these four sectors account for 40 per cent of the economy and that explains the slowdown, now acknowledged by the Prime Minister's newly-constituted Economic Advisory Council.

The government, he says "has killed the desire to invest in the economy. The chief culprit is the Ministry of Finance. It has

made retrospective tax demands for humongous sums. It has brought brutal and draconian amendments to various tax laws as well as made new laws. It has unleashed a raid raj. Assessment Officers have been vested with vast discretion and the power to not disclose reasons....

"The government has not been able to re-start stalled projects. In the power sector alone, 30,000 MW of projects are stranded locking up valuable capital. Bankers have told me that power, telecommunication, steel and construction are the most stressed sectors. There is no scope for new investments in these leading sectors."

And new projects worth only Rs 84,500 crore were announced during Q2 of 2017-18, the lowest in a quarter since this government took office.

The government, writes Chidambaram "has also made a complete mess of the NPA (Non Performing Assets) problem. Instead of empowering bank

managements, it has made whimsical appointments and transfers, charged bank managers with corruption, and frightened them into inaction. Ask chairpersons and CEOs, they will tell you they have no desire to lend, no desire to compromise non-performing accounts and no desire to raise capital, and their sole desire is to retire without incident!

“.....The bank credit system is in a shambles. Without reviving private investment and without re-starting bank credit, there is little hope of turning the economy around....”

THE FIRST CORRUPTION CASE IN THE BJP GOVERNMENT

What is even more worrying is that BJP President Amit Shah's son Jay Shah has created the first real corruption scandal in the BJP government.

Meghnad Desai (Indian- born, naturalised United Kingdom economist and Labour politician) finds it hard to believe that five Cabinet ministers, who have no business interfering in a private matter, defended Jay. Also, why should Home Minister Rajnath Singh, announce that there was no need for any investigation as Jay is innocent?

Desai says the “Jay Shah scandal will affect only one person — Narendra Modi. That is the way he himself has shaped Indian politics. Given his crusade against corruption, he cannot now take no action on this case. We have been through the Robert Vadra saga many times. Whether Jay Shah is guilty or innocent will be decided by the courts....”

“Amit Shah is pivotal to Narendra Modi's success. They are busy planning an election victory. Amit Shah is also party president.....Governments get stale as time passes. Power does tend to corrupt if only in the sense that you get careless and assume that you will be in power forever. Modi needs to stay at the top much longer if he is to deliver what he promised. He has to protect his reputation....”

BJP ADMINISTRATION HAS LOST SOME OF ITS LUSTRE

S Nihal Singh, senior political analyst writes that “Mr Shah's son's case is unique. The BJP president had to abandon his

much-advertised padyatra (tour) to oppose the ruling Marxist regime in Kerala to rush post-haste to Delhi to consider the consequences of the revelations in the charges made by the news website. And the BJP decided to field a Cabinet minister — no less — to controvert the allegations with the injured party resolving to go to court to demand considerable compensation, with the Assistant Solicitor-General lined up to plead the case of a private citizen.

“The timing of the controversy is particularly painful for the BJP because it has been Mr Modi's boast that unlike previous Congress-led administrations, there has not been a whisper of wrongdoing in the three years the BJP has been in power at the Centre. And there are reports of a minister of the BJP-led Maharashtra Government enriching himself by abusing his position.

“More than the political arguments, Mr Shah's son's case will be decided by legal procedures, but the picture of the purity of the BJP administration has lost some of its lustre....”

DIFFICULT TO MEASURE PROGRESS MADE UNDER BJP

Shankkar Aiyar (political economy analyst and author) discusses a rather little discussed subject that could have an impact on the manner in which people perceive the governance. He underscores the need for transparency to measure progress on ground in the absence of data. “Very simply not enough is known.”

For example, on job creation, it is a mystery as to how the \$2 trillion economy that averaged 7-plus per cent growth since 2014, translated into jobs. Indeed, the Economic Survey for 2016-17 carries employment statistics dated March 2012 — a five year gap in which the economy has added over 60 million to the workforce.

It is also difficult to correlate government spending to job creation. “Last year the Centre and the states together spent over Rs 47 trillion — that is over Rs 12,900 crore per day or roughly over Rs 500 crore per hour. This year the central government will be spending Rs 1.2 trillion on infrastructure projects that employ labour. Companies use available metrics to correlate investment and direct and indirect employment. What stops the

government to estimate employment generation, wage days at the least!”

Measuring progress is not just about estimating GDP growth, writes Aiyar. “The Centre and states spend roughly Rs 12 trillion — or Rs 3,200-plus crore per day on education, health and social services. Take education. Barely four of 10 Class V students can read a Class II text, the poor are switching to private schools and over 33% of million-plus schools don't maintain pupil-teacher ratio...”

There is also a data lag over the state of education and health care. “Reports on human development indicators, on social sector spend come with a lag, are incomplete and obfuscated with the terminology of approvals, matching spend and utilisation. If ministries were to present an outcome report before every budget they would at least be forced to assess outlays vs outcomes....”

This government, writes Aiyar “announced big ideas, each promising to disentangle public need from structural Centre-state issues. The outcomes fall between the unknown and the unstated. The idea of 100 new smart cities has been reduced to a ceremony of naming and ranking, ease of doing business has been tripped by multi-layered permission raj and the much-vaunted e-platform for agricultural produce has scarcely persuaded investment of faith.

“There is the gap between what governments know and what the people are told. More critically there is a gap in what the governments know and what they must know. To paraphrase a quote widely attributed to Galileo, there is an urgent need to measure what is measurable and make measurable what is not.”

TCA Srinivasa-Raghavan, a senior journalist and columnist is perhaps right in his assessment that Prime Minister Modi seems to have run into the classic Third Year or Mid-Term Problem. It has afflicted all but two Indian prime ministers who have lasted a full term, give or take a few months this way or that. The exceptions were Atal Bihari Vajpayee and Manmohan Singh in his first term.



GUJARAT ELECTIONS: BJP STRONG BUT IS TAKING CONGRESS SERIOUSLY

The ruling BJP appears to be taking the challenge from Rahul Gandhi seriously for the forthcoming assembly elections in the State.

Prime Minister Modi, BJP chief ministers from Uttar Pradesh and Madhya Pradesh, Yogi Adityanath and Shivraj Singh Chouhan, respectively, picked on Congress vice-president Rahul Gandhi's earlier election campaign in the State. Leena Misra, Resident Editor, The Indian Express, Gujarat writes that the bored crowd failed to respond to the insinuation that the Congress leader, a "foreigner," could hardly be trusted to rule India, a telling comment of how in these parts of Gujarat at least, the space for Hindutva (Hindu chauvinism) has shrunk in the 15 years since 2002 in the wake of the Gujarat riots.

No wonder, Modi quickly swung the agenda back to development declaring that 2017 would be a Vikasvaad (development) vs Vanshvaad (dynasty) fight, fiercely hitting out at the Nehru-Gandhi family. "However, empty chairs in the gathering under the blazing sun at Bhat village in Gandhinagar, where seven lakh cutting edge party workers were expected to listen to Narendra Modi, their most popular leader, a different story."

Textile and other small traders in Gujarat have been upset at the GST (General Sales Tax) rate and its slabs and have lost huge businesses during their month-long protest strike. On Facebook, as the prime minister spoke on Monday, the tiny red emojis depicting anger were crawling all over the live BJP page, indicating that the problem was not over yet.

Rahul Gandhi has stirred up questions on jobs, GST, demonetisation, privatisation of education, farm loans and the Tata Nano car, that has buried issues like Hindutva or cow protection and prohibition laws.

Leena Misra writes that "in the curtain raiser to the Gujarat elections, both Modi and Rahul are, of course, preparing the stage for the general elections in 2019. One thing is clear, though. The stakes for Modi's BJP are much higher than the Congress in the coming Gujarat election, because it has already staked its claim to winning 150 seats,

a three-fourth majority in the Assembly, and up from the 116 seats it has today. But if the Congress can give Modi a real fight in this Gujarat battle, it will be enough to charge up its despondent workers...."

BJP HAS STRONG ORGANISATIONAL ROOTS

S Nihal Singh, senior political analyst believes that other than the Jay Shah case (the alleged corruption case against BJP President Amit Shah's son), the Gujarat elections are likely to influence the future political landscape of the country.

Present indications however, suggest that the BJP will return to power in the state with a reduced majority, given the Patidars' (Patel) agitation, with the Congress improving upon its performance.

The BJP's advantage is that the Opposition remains divided. It has been in power in the State since 1995, with a brief 16-month interlude in the mid-1990s, when a splinter group, led by Shankersinh Vaghela and Dilip Parikh, held power in a minority government supported by the Congress. No regional party has succeeded in winning more than one or, at the most, two terms in Gujarat. Most attempts to create regional parties were short-lived. In fact, most non-Congress and non-BJP governments were led by leaders who defected from national parties.

The reason for this is provided by evidence from a post-poll survey conducted in 2004 by Lokniti-CSDS points to the contrary. Almost 60 per cent of Gujarati respondents said that they completely or somewhat agreed with the statement that "compared to national parties, regional/local parties can provide better government in states".

And since the mid-1990s, the BJP has been able to embody an increasingly dominant form of regional identity. Gilles Verniers (Verniers is assistant professor of political science and co-director of the Trivedi Centre for Political Data, Ashoka University) and Shrimankar (PhD candidate at the School of Politics and International Relations, University of Nottingham) analyse that "the sources of the regional character of the BJP in Gujarat come from the way its organisation was built, and the transformations brought by

Narendra Modi during his tenure as chief minister."

The party organisation in the state is built from the ground, in various sub-regional strongholds controlled by prominent party leaders. These local bosses enjoyed great autonomy vis-a-vis the party high command in Delhi.

"Strong local anchorage, deep ties with local business communities and control over local structures of power have always been the strengths of the BJP in Gujarat. In the mid-1990s, however, competition between faction leaders took a sour turn and led to major defections, leaving the state party in disarray.

"The situation changed once Modi took control of the party and the state in 2001. The new chief minister, appointed by the Centre, sought to undermine the party's sub-regional bosses first by pitting them against each other, then by garnering party funding from large corporations instead of the party's local clientelistic networks. He also appointed leaders of many municipal corporations and other local institutions directly, bypassing local party branches. In so doing, he deprived sub-regional leaders of their autonomy and developed the image of a leader who put state before party.

ROHINGYAS SETTLING IN INDIA PART OF CONSPIRACY: RSS LEADER BHAIYYAJI JOSHI

RSS general secretary Suresh Bhaiyyaji Joshi, second-in-command in the organisation, has alleged that Rohingyas were sneaking into India not for shelter but as part of a conspiracy to settle India.

"Why they were ousted from Myanmar needs to be probed. Why will any country unnecessarily take a step based on some grudge? When Myanmar government felt there were some problems, they (Rohingyas) were expelled..." he said.

He also called for a closer look at the places in India where Rohingyas had been living. "They are living Jammu, they are living in Hyderabad... We have a tradition of sheltering people. But if we shelter people without understanding their background, it could be dangerous for the country", he said.

KAZAKHSTAN'S ECONOMY EXPECTED TO GROW AT LEAST 3.4 PERCENT BY YEAR'S END

Kazakhstan's economy retained a 4.3-percent growth rate from January-September and is expected to grow 3.4 percent by the end of the year. Macroeconomic stability, investment activity and favourable conditions in foreign markets influenced the trend, in addition to initiatives taken as part of the state and sectoral programmes.

The industry, construction, trade, transport and communication sectors became the main drivers of growth. The industry sector shows a steady growth of 8.3 percent since the beginning of the year.

Mining volume increased 11.3 percent and manufacturing by 5.7 percent. Pharmaceuticals, light industry, food, and beverage and petroleum production also demonstrated significant growth. Ferrous metallurgy production rose 7.8 percent; non-ferrous, 6.6 percent.

Agricultural growth remains at 1.9 percent, while the construction industry rose from 0.1 percent to 3.5 percent in the nine-month period.

Transportation services increased 4.7 percent, trade and communications by 3 percent and real estate transactions by 2.1 percent.

The volume of investments in fixed assets increased by 4.4 percent. The greatest increase in investments was reported in trade, construction and industry due to ongoing modernisation in the heat and water supply network.

The gross inflow of foreign direct investment increased by 8.6 percent (US\$10.5 billion) in the first half of the year. The country's international reserves were \$89.4 billion due to the 10.2-percent growth of gold and foreign currency reserves.

Kazakhstan's external trade turnover reached \$48.7 billion, showing a growth

of 26.4 percent, with export volumes growing by 32.2 percent to \$30.3 billion and imports increasing 17.9 percent to \$18.4 billion.

The socio-economic development forecast was revised according to the GDP growth rate for 2016 and indicators for the current year.

Nominal GDP in 2017 is projected to be 51,855.3 billion tenge (US\$155.4 billion), which would be 2,114.7 billion tenge (US\$6.3 billion) higher than the indicator approved in February. The per capita GDP is expected to increase to \$8,700.

INVESTMENTS IN KAZAKH LIVESTOCK SECTOR GROW

The focus of investment interest in agriculture is increasingly shifting towards livestock, as the investment growth rate in cultivating seasonal crops has slowed compared to the previous year, reported finprom.kz. Investment in livestock has hiked almost 15 billion tenge (US\$44.49 million), or 51 percent, since January.

Over eight months of this year, 162.4 billion tenge (US\$481.67 million) was supplied in the development of enterprises and other participants in the agricultural market, or 7.2 percent more than in the same period last year.

The largest share of investments in the industry has traditionally supported crop production, namely the cultivation of seasonal crops. The inflow amount was 99.3 billion tenge (US\$294.5 million).

The investment growth rate in the area, however, is slowing. The figure increased 1.3 billion tenge (US\$3.85 million) this year compared to January-August 2016, when the increase was 41.2 billion tenge (US\$122.19 million). The investment flow in cultivating perennial crops dropped 8.4

billion tenge (US\$24.9 million) to 3.5 billion tenge (US\$10.38 million).

Investors are increasing financing in livestock, although the volumes are noticeably less than in crop production. During the first eight months, 43.7 billion tenge (US\$129.6 million) was directed to livestock enterprises and farms.

The amount is the sharpest increase in the last five years. As a result, 26.9 percent of all agricultural investments were directed to developing the livestock sector.

Investments in livestock mainly come from private funds, which this year have hiked from 17.1 billion tenge (US\$50.7 million) to 38.7 billion tenge (US\$114.78 million). At the same time, the volume of funds borrowed from creditors fell 2.4 billion tenge (US\$7.1 million) to 5 billion tenge (US\$14.8 million).

Enterprises and farms engaged in cultivating seasonal crops, however, have relied this year on borrowed funds and bank loans. From January-August, 18.8 billion tenge (US\$56 million) in loan funds was attracted to the sector, a 3.2 billion tenge (US\$9.5 million) increase since last year.

To improve the effectiveness of state support to industry enterprises, the Ministry of Agriculture presented road maps recently to develop priority agricultural areas and improve state support for the agro-industrial complex. Road maps have been developed in the main areas of seed growing, agro-chemistry, producing plant protection products, intensive technical re-equipment of the agro-industrial complex, fodder production (forage balance), transhumance sheep breeding and developing a network of wholesale distribution centres.

“At the same time, the rise of Modi as a polarising figure after the Gujarat riots enabled him to develop a strong regionalist stance, expressed by a continuous confrontational attitude towards Delhi...”

This stands in stark contrast to that of the Congress state unit during the same

period. Until the mid-1980s, Congress chief ministers were given considerable autonomy by the central branch in running the state-level organisation. Things changed after Rajiv Gandhi became the Congress president, as appointments and electoral strategy came to be dictated from Delhi.

“Today, both the Congress and BJP state units are under the control of their parties' high commands. The BJP, however, has considerable advantages by virtue of power at the Centre and the PM's appeal. It seems unlikely that a strategy consisting of pitting a national leader in quest of credibility

against a popular PM hailing from Gujarat and belonging to a party that has succeeded in presenting itself as the embodiment of a dominant version of Gujarat's regional identity, will pay off."

COMMUNALISING POLITICS IN GUJARAT

Despite the advantage that the BJP apparently has, the party is nervous about the outcome of the elections. There is no other reason for the party to seek to communalise tempers as it has done on previous elections to polarise voters. The Asian Age sees a design in the controversial statements on the Taj Mahal. (See the story below on Taj Mahal for a background).

Not long after the Yogi Adityanath government in Uttar Pradesh removed the Taj Mahal from the list of attractions in its official booklet on tourism in the state, a UP BJP MLA, who is an accused in the Muzaffarnagar riots case, said at a Sunday rally that the monument built by Mughal emperor Shah Jahan was a "blot" on Indian "culture", and spoke of the history of the Muslim period as "kalank katha", or a black chapter.

The Asian Age says what should bother sane elements is that these statements (even though the central BJP has detached itself from them) are being made in the backdrop of the hectic election campaign in Gujarat and Himachal Pradesh, specially Gujarat where the ruling party is said to be facing a strong challenge. The statements have the potential for communal mobilisation of Hindu votes, and causing a schism in society.

"Communal politics and communal history demonise "the other" — in this case India's Muslims. This is amply reflected in the BJP MLA's odious remark and its subsequent elaboration and implied defence by a national BJP spokesman, which should be a matter of worry. The spokesman in question said Muslim rule in India was "barbaric" and "a period of incomparable intolerance" even as he maintained — to make matters worse — that his party had no views on specific monuments and its members were free to hold whatever opinion they liked."

The BJP has ruled Gujarat for 22 years. "Yet, sensing the acuteness of the electoral challenge it is confronted with for the

Assembly polls due in December, the saffron party isn't content to seek the popular mandate on the strength of its government's performance, and is keen to take out an insurance policy by stoking communal politics. This is the meaning of despatching the ace communalist UP CM to Gujarat for the campaign."



THE TAJ MAHAL CONTROVERSY

The Hindu festival of Diwali (also called the festival of lights) celebrates the return of Lord Ram after 14 years of exile during which he defeated the demon king Ravana. It symbolises the victory of good over evil. The festival also coincides with the Hindu New Year.

This is thus an important time for Hindus and currently for the BJP and the RSS. BJP's chief minister of Uttar Pradesh, Yogi Adityanath with his background of priesthood, has been camping at Ayodhya to celebrate the festival.

It is in this background that the Taj Mahal controversy has developed last week. BJP's Meerut, MLA Sangeet Som, known for his inflammatory remarks, has questioned the Taj Mahal's place in history and said his party's governments were working to erase the "blot" (kalank katha) of Akbar, Aurangzeb and Babur from history books.

His remarks came days after the Uttar Pradesh government omitted Taj Mahal from a tourism department booklet. The BJP at the centre has delinked itself from Som's remarks.

An immense mausoleum of white marble, built in Agra between 1631 and 1648 by order of the Mughal emperor Shah Jahan in memory of his favourite wife, the Taj Mahal is the jewel of Muslim art in India and one of the universally admired masterpieces of the world's heritage.

Uttar Pradesh Chief Minister Yogi Adityanath sought to placate those offended by Som's remarks by saying it doesn't matter who built the Taj Mahal. "It is not necessary to go into why Taj Mahal was built, who built it, and for what purpose... What is important is that Taj Mahal was built by the

blood and sweat of India's labourers and sons)," he said.

But a day later, Vinay Katiyar, a BJP MP from Kanpur, claimed the Mughal mausoleum was built on a Hindu Shiva temple. "It was our temple but was made a mausoleum as they had more power. But it is a grand monument and national heritage... people come to see it and so it should be kept safe and secure," he said.

Katiyar was in the forefront of the Ram temple movement of Ayodhya. He is also an accused in the Babri case, said no political meaning should be derived from the grand Diwali celebrations in Ayodhya by the Adityanath government.

Meanwhile, Governor Ram Naik warned not to play politics over Taj Mahal. "The Taj is one of the wonders of the world and the pride of our country. So don't drag it into controversies and play politics over it," he was quoted as saying.



RAHUL GANDHI MORE ACCEPTABLE NOW

Sonia Gandhi has herself confirmed that Rahul Gandhi will succeed her as the president of the Congress Party. This also ends the speculation that her daughter Priyanka might succeed her, rather than her son.

To be fair to Rahul Gandhi who has been the butt of many jokes, has tried to raise a new kind of Congress organisation with election being held. But for a variety of reasons these efforts could not be sustained or expanded.

But, writes the Asian Age "Rahul Gandhi's acceptability in his party and in the country is far greater today than it ever was. The reason is that he has spoken out with clarity on a number of key issues — in the US recently and within the country while campaigning for the upcoming Gujarat poll. He does not come across as mentally deficient at all, as opponents' propaganda had portrayed him."

BIG CHALLENGES FOR CONGRESS

But beyond the individual, the Hindustan Times notes that the "Congress

GURDASPUR BY-ELECTIONS: CONGRESS WINS

Sunil Jakhar, candidate of the ruling party, the Congress won an impressive victory in the Gurdaspur Lok Sabha byelection in Punjab. The outcome does not make any substantial difference to the Lok Sabha numbers. Still, according to the Tribune published from Punjab, a defeat of the ruling Congress would have rendered the Amarinder Singh government deeply wounded; the Congress, it appears, has not yet run afoul of the voter; on the other hand, Punjab remains curiously indifferent to Narendra Modi's charm and charisma.

has also woken up to the social media game, and for the first time in years, is creating counter narratives on Twitter, Facebook and WhatsApp. Remember, it was on social media that the BJP was able to carve out a distinct space in the run up to the 2014 general polls.

"This has coincided with challenges the government is facing on the economy. Whether the Congress has created the discontent or is merely tapping into the discontent remains an open question.

"This is however not to suggest that the Opposition is back, for the Congress has real challenges to overcome. Its organisational elections have not yet reached a logical conclusion; Rahul Gandhi's communication skills need further refinement and public outreach must be more consistent; the Congress organisation is weak even as the BJP has created among the most formidable election machines any party has had so far; the Congress has not been able to create a younger generation of leaders from backward communities, the OBC groups in particular, which the BJP is systematically wooing; it remains dismally weak in Bihar and Uttar Pradesh which are so important on the national stage; and, it has not yet made decisions on leadership in key poll-bound states."

AN ELECTORAL UNDERSTANDING OF THE LEFT WITH THE CONGRESS ?

The debate over entering into an electoral understanding with the Congress continues within the CPI(M). Jayant Jacob, an author at Hindustan Times writes that the line that the CPI(M) follows at present is keeping equal distance from Congress and BJP. But this line proved to be flexible when the party contested the last assembly elections in West Bengal with the Congress. Also, a near unanimous view has emerged that the BJP "is its biggest enemy though both the Congress and the BJP have the same class character and follow similar neo-liberal economic policies."

There is also a tussle between the CPI(M) in West Bengal (where it ruled for more than three decades and from where it used to send as many as 42 members to the Lok Sabha) and their counterparts from Kerala (who can contest from 20 Lok Sabha seats). Presently, the CPI(M) has just nine MPs in Lok Sabha, its worst ever tally. It had 24 in 2009 and more than 50 in 2004.

The CPI(M) thus needs electoral allies for its own survival. "The prescription for its survival such as the grand objective of Left unity looks great only on paper. There are around 32 Left parties in the country and each is convinced that its political and tactical line is correct. Getting the political tactical line is the foremost task for Left parties. The CPI (M) is obsessed with class divides and class struggles to address caste equations. What they fail to recognise is that in a country where 51.8% of the population is below 35 years, the youth constitute just 6.5% of its total membership."

The CPI(M), writes Jacob "wants to rally all secular and like minded parties together to take on the BJP. But its apathy to the Congress is more selective than ideological. The party had no qualms in supporting Congress leader Pranab Mukherjee as president. Most leaders in West Bengal continue to root for an electoral understanding with the Congress. Down but not out, the Congress remains the largest Opposition party in the country and the Left would do well to understand that mounting a

united Opposition is not possible without it. The reality the CPI(M) tends to forget is that the Congress needs them mostly in West Bengal and in other big states such as Tamil Nadu, the depleting Left would be among the junior partners for the Congress. That means going for an electoral understanding with the Congress is a necessity for the Left, which still remains a moral political force compared to most other parties."



JAMMU AND KASHMIR TIME FOR A POLITICAL INITIATIVE: DGP

At least 160 militants have been killed in J&K Police's latest security campaign this year but Kashmir needs a "political initiative" and the central government should take steps to prevent "jobless" youth from being "influenced by a lot of unwanted and dangerous stuff", State DGP Shesh Paul Vaid told The Indian Express in an exclusive interview.

"There is no doubt that there is a need for a political initiative. Whether there is one going to be taken soon, I am ignorant about it. But I think some progress is happening. Political initiative is the need of the hour," said Vaid.

According to J&K's top police officer, "there is a problem in the political narrative in Kashmir".

"Mainstream parties do not talk about India, tell people how it benefits them to be a part of India. Look at what a senior leader has been saying — stone-pelters are freedom fighters. He has been a chief minister... The mainstream political leaders need to speak in favour of India here and that will help change the narrative on the ground. I don't know why they hesitate," said Vaid. He was apparently referring to a reported remark by NC president Farooq Abdullah.

Following the massive unrest that followed the killing of militant leader Burhan Wani in an encounter last year, Vaid said his worry now is to prevent another "trigger" that will spark strife on the streets again.



“My worry is that there shouldn’t be a trigger like the one last year. We are constantly preventing a trigger that is planned from across. But we must also be aware and prevent sudden triggers created by controversies surrounding issues like Article 35 A. We can’t do much in such cases,” he said.

Identifying social media as a major challenge for police, Vaid said, “We are under attack in cyberspace in a major way and it can’t be blocked. We need to create a counter narrative — cyber jihad is a reality. We know that Jamaat-ud-Dawa has recruited thousands of men across Pakistan, telling them that you don’t need to go and fight in Kashmir, you can do that sitting inside your home — they call them cyber mujahids. This is the kind of attack we are facing from our neighbouring country. We need to do something about it.”

According to Vaid, radicalisation has taken root in Kashmir. “When I came to Kashmir in 1990, it wasn’t like this at all. Radicalisation has taken place. But it isn’t what ISIS or Al-Qaida propagates,” he said.

Speaking of measures to prevent the spread of militancy in the Valley, Vaid said the Centre should take steps focused on youth in Kashmir. “The youth are jobless. He will offer namaaz and then his mobile is his madrassa. He spends a lot of time on social media where he gets influenced by a lot of unwanted and dangerous stuff. We need to have schemes and programmes to engage youth... to earn livelihoods. We need to focus on youth who are 10th-pass, 12th-pass. We need to engage them in work where they can earn — for example, TV repair, motor repair, plumbing courses, etc. I mean, provide them courses where they will learn a skill so that they can earn. The tourism industry can also come as a huge help. Idle youth is a potential bomb,” he said.

On the challenge posed by militancy, Vaid said that “south (Kashmir) remains the priority”. “We have already killed 160 militants till now this year, most of them in the south. Remember what the situation was last year. Things have changed considerably there. In the south, Shopian (district) especially remains a concern. Tral is a concern, too,” he said.

“Though there aren’t exact figures of

active militants available, there are around 70-80 in north, 90-odd in the south and 10-15 in central Kashmir. The total is less than 200 today,” Vaid said.

The DGP said that “as far as HM (Hizbul Mujahideen) and LeT (Lashkar-e-Toiba) are concerned, a majority of their commanders have been neutralised. There are only six-seven commanders who are left. This has led to a lot of improvement in the situation and helped in halting the recruitment,” he said.

However, Vaid described the rise of Jaish-e-Mohammad as “a new phenomenon”. “Three-four fresh groups of Jaish have been pushed. These groups are active in the Tral area, north Kashmir and the Pulwama-Anantnag area. We have had some successes, like we killed Khalid recently. He was a top commander of Jaish who was active for a long time. In Hajin, we killed two (militants) recently. One of them was local, who was extremely important. I have information that Mehmood, who is a Pakistani, was also injured in that operation. That is a big blow to them (militants),” he said.

A NEW WORRYING PHENOMENON

In a new worrying phenomenon there have been five incidents of soldiers being set upon by mobs in the Valley, including the border district of Kupwara and central Kashmir’s Ganderbal. The provocation this time are the braid-chopping incidents, the origin and continuity of which is rooted in mystery.

Although the soldiers have shown extraordinary restraint, the Tribune writes “these incidents expose the hollowness of claims that Kashmir is on the path to recovery. Instead, militancy, once aptly described as “agitational terrorism”, has become “mobocracy”. After a successful anti-terrorism campaign by the Army — killing of 19 top terrorists was no mean feat — the state government has failed to capitalise upon the gains. Lumpen elements have felt emboldened to bait the Army in the streets and then upload the incidents on social media. Separatists have succeeded in integrating the belief that braid-chopping was the handiwork of Indian intelligence agencies in their toxic discourse. The government and the police

have behaved as mute spectators with no control over the narrative. Rather, the government may have tacitly aided the separatist agenda by announcing a reward for anyone catching the braid-choppers. Since then, braid-chopping incidents have seen a rise.”

COMPREHENSIVE STRATEGY ON EDUCATION

The Centre along with the state government has drafted a comprehensive strategy to bring education back on track in insurgency-hit Kashmir, where many schools were burned in the unrest since the summer of 2016.

Elements of the strategy include exchange programmes and video conferences for students, health cards for teachers, and funds to rebuild razed schools. The proposed interventions starting this November, includes CBSE affiliation to state schools and “adopting” NCERT textbooks for students.

To promote cultural integration, students of Class 9 and 11 of Kashmir schools are likely to be sent on exchange programmes with “sister schools” across the country. There will be video conferencing to promote knowledge and idea exchanges, and a “one-to-one buddy” programme.

Health insurance smart cards for schoolteachers and financial assistance to 36 schools razed by arsonists are the other highlights of the plan.

According to a senior ministry official, some of the high-priority districts identified by the state government are Anantnag, Budgam, Baramulla, Shopian and Pulwama.

“One of the key interventions required is to increase avenues for connectivity with other parts of the country. Increased interaction with peer groups will lead to richer exchange of ideas, experience of cultural integration and mutual respect,” the official said.

The ministry would identify suitable and interested schools outside Jammu and Kashmir to become “sister” schools for the exchange programme and video interactions.

By February 2018, a feasibility study for adopting NCERT books and CBSE affiliation would be conducted. It was suggested that NCERT textbooks can be

introduced in phases from Class 1. “The NCERT textbooks are well-written and researched in terms of content. Also, the textbooks can go a long way in improving the quality of classroom transaction in the state. CBSE will conduct an extensive outreach effort for greater penetration in the state,” the official said.

The ministry also suggested providing emotional and career counselling to students, especially dropouts and those affected by the state’s long conflict. “Repeated disturbances impact students’ productivity ... and put immense psychological pressure on them, which reflects in the form of increased insecurity about their academic pursuits and career prospects,” the senior official said.

Around Rs 61.27 crore is earmarked for these interventions. The Union cabinet’s approval will be sought for the health cards for teachers and for building new Kendriya Vidyalayas (Central schools).



DARJEELING: MAMATA BANERJEE SEES A BJP CONSPIRACY

The Calcutta High Court Tuesday put a stay on the removal of central forces from Darjeeling, directing the Centre to file an affidavit in the matter by October 23.

The state government had earlier in the day moved the court after the Ministry of Home Affairs ordered pulling out of 7 of the 15 Central Armed Police Forces (CAPF) companies deployed in the hills, apparently to press them on duties in other cities for the festival season.

The orders of the withdrawal of central forces currently present in the hills came two days after a police sub-inspector was killed in clash between a police raid team and alleged supporters of the GJM party chief Bimal Gurung. Gurung and few GMJ leaders are hiding since the state authorities slapped a number of cases against them including under sections of the Unlawful Activities (Prevention) Act.

West Bengal Chief Minister Mamata Banerjee called the Centre’s decision to withdraw companies of the Central Armed

Police Forces from Darjeeling “politically motivated” and “undemocratic”. In a letter to Prime Minister and Home Minister, Banerjee accused the Centre of taking a “politically and administratively” bad decision with an intention to “destabilise and divide Bengal”.

Smelling a conspiracy behind the Centre’s move, Banerjee said Gurung had sent Rajnath Singh a letter congratulating him for the taking the decision. “Their understanding and game plan to disturb Darjeeling have come out in the open. The Centre does not want peace to prevail in the hills. It seems the Centre is being run from the BJP party office,” Banerjee said.



GLOBAL HUNGER INDEX: INDIA AT 100

The Global Hunger Index (GHI), which takes into account such diverse and representative variables as the percentage of undernourished children, child mortality rates and stunting and wasting among children, has revealed that India has slipped 45 places and is now ranked 100 among 119 nations. India’s ranking, which indicates the existence of chronic hunger among certain segments of the population, places the country in the ‘serious’ category.

The latest report shows India has slipped three more places and ranks among the lowest of the low, joining Djibouti and Rwanda in the 100th slot among 119 nations, rubbing shoulders with sub-Saharan African nations that don’t have the means to do better.

The annual survey by the International Food Policy Research Institute, Irish aid agency Concern Worldwide and German private aid organisation Welthungerhilfe, bases its research on five parameters, of which India fares badly in children’s weight as measured against their height, in effect, malnourishment.

India’s school meal system provides a daily meal to the poorest of the poor. And yet, writes the Asian Age over 20 per cent of our children are found suffering from the weight-to-height ratio, known as

“wasting”. “Stagnation on this index shows that a complex problem remains despite boasting, again, of the most widespread merited subsidies in grains and provisions to those living below the poverty line. Here too, the BPL (Below Poverty Line) classification, a minimalist index of money for essentials in the hands of poor families, is itself under fire. Imagine the nutrients one can get to nourish children when the BPL line is set at Rs 32 per day of purchasing power parity for rural India and Rs 47 for urban families.”

The greatest stumbling block is possibly in getting the subsidies actually through to the deserving. “The arguments over subsidies may continue and some of them may have found an answer in direct benefit transfers. The point is nutrition goes way beyond subsidies. We must spend far more in keeping with our national wealth towards the health of women and children, of increasing the awareness in mothers who play the key role in raising children when they are very young and children’s education, with which greater awareness of nutrition and health issues will naturally follow.”

BJP’S SURPRISE RESPONSE

Health experts are surprised over the reaction of the BJP which has stated that the steep decline in India’s rankings can be attributed to the rise in the number of countries in the GHI list. Even if one were to take this parameter into consideration, India has slipped by a couple of notches. The BJP has also argued that India’s improved score between 2008 and 2017 is an indicator of progress.

The Telegraph writes that “the ranking is also a testimony to the widening of social disparities that have led to strange contradictions in the Indian context - the country is the second largest producer of food; it also has the second-highest population of children lacking access to nutrition.

“The consequences of this mix of institutional denial and apathy - a malaise that afflicts all political dispensations - are alarming. One-fifth of India’s children under five are underweight; over a third are stunted. The challenges, evidently, are formidable. Food security, fundamental to

public health and India's economic productivity, is still a distant goal, notwithstanding the passage of relevant legislations. This further underscores the need for greater investments in public welfare schemes that are, more often than not, dismissed as relics of a discredited vision....Hunger cannot be abolished without identifying its links with health, hygiene, public distribution systems and, perhaps the most intractable of all issues, politics.”



2.5 M POLLUTION-LINKED DEATHS IN INDIA: STUDY

India has topped the list of countries with pollution-related deaths in 2015, with 2.51 million people dying prematurely in the country that year due to diseases linked to air, water and other forms of pollution, according to a new study published in the reputed medical journal, The Lancet.

India accounted for about 28 per cent of an estimated 9 million pollution-linked deaths worldwide in 2015, the study found. It also topped the list of deaths linked to polluted air (1.81 million) and water (0.64 million).

Most of the pollution-related deaths — 92 per cent — were reported in low and middle income countries, and in rapidly industrialising nations such as India, China, Pakistan, Bangladesh, Madagascar and Kenya, the study said. China, with 1.8 million pollution-linked deaths in 2015, followed India on The Lancet list. Most of these deaths were due to non-communicable diseases caused by pollution, such as heart disease, stroke, lung cancer and chronic obstructive pulmonary disease (COPD), according to The Lancet Commission on Pollution and Health's study.

The study is part of a two-year project that involved more than 40 international health and environmental authors led by Philip Landrigan, an environmental scientist, and Richard Fuller, founder of NGO Pure Earth, and the secretariat of the Global Alliance on Health and Pollution. Among the authors of the study are former environment minister Jairam Ramesh and IIT-Delhi's Prof Mukesh Khare.

DELHI'S CLEANEST DIWALI IN THREE YEARS

It was Delhi's cleanest Diwali in three years following a Supreme Court ban on sale of crackers in the national capital region (NCR) but pollution still soared as many residents went ahead with their fireworks.

According to data and monitoring by System of Air Quality and Weather Forecasting and Research (SAFAR) and the Central Pollution Control Board, Delhi had an air quality index (AQI) of 319, which falls in the very poor category last Thursday. During this level of air quality, people are asked to avoid all outdoor physical activities and stay indoors as much as possible.

However, this was much better than 2016 when AQI on Diwali was 431 and 343 in 2015. In the early hours of Friday, the day after Diwali, the AQI for Delhi was 340. In 2016, the AQI of the day after was 445 while in 2015 it was 360.

According to The Lancet report, air pollution was the biggest contributor, linked to 6.5 million deaths in 2015, ahead of water pollution (1.8 million) and workplace-related pollution (0.8 million).

Of the 2.51 million deaths in India, 1.81 were related to air pollution, 0.64 million to water pollution, 0.17 million to occupational exposure and 95,000 linked to lead pollution, according to the study.

Dr Sundeep Salvi, a member of the Health Ministry's steering committee on air pollution and health, described the findings as "major" and said that it was "time to wake up" and start finding innovative solutions.

"For this, the government will need to take a lead role and formulate strategies on an urgent basis. Otherwise, the growing economy in the country will be a curse to the common man because this is coming at the cost of suffering and death," Salvi said.

The Lancet study concluded that pollution is now the largest environmental cause of disease and death in the world today — three times more those from HIV-AIDS, TB and malaria put together.

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ARMY

WILL LOOK INTO MICHAEL HERSHMAN'S INTERVIEW ON BOFORS: CBI

The CBI on Oct 18 said it will look into the facts and circumstances mentioned in an interview of Michael Hershman, the first secret Bofors investigator of the Fairfax Group deployed by the Indian government.

"The agency has learnt of the matter pertaining to Bofors aired on a certain TV Channel containing interview of Michael Hershman. Facts and circumstances as mentioned in the interview will be looked into as per the due process by the CBI," CBI spokesperson Abhishek Dayal said in a statement.

The Central Bureau of Investigation (CBI) move comes a day after Republic TV's interview with Hershman, wherein he made several revelation regarding Bofors and named some powerful politicians in India linked with the deal signed between the then Rajiv Gandhi-led government and Swedish company Bofors in 1986.

The deal for 410 howitzers was completed in March 1986.

The alleged corruption in the Bofors guns deal had created a scandal in 1989, leading to the fall of Rajiv Gandhi government. Kickbacks were alleged, but no evidence was found.

In 1986, the then Finance Minister V.P. Singh ordered an investigation. To do so, Singh got in touch with private investigation group Fairfax.

Hershman, who first found the Bofors papers, was the secret investigator of the Fairfax Group, deployed by the Indian government.

Now, a six-member Public Accounts



Michael Hershman, the first secret Bofors investigator of the Fairfax Group

Committee's sub-committee on defence, headed by Biju Janata Dal MP Bhartruhari Mahtab, is looking into non-compliance of certain aspects of the Comptroller and Auditor General's report of 1986 on the deal.



NAVY

INDIAN NAVY COMMISSIONS INS KILTAN - 'SILENT KILLER ON THE PROWL'

India's naval defence got a boost on Oct 16 with the commissioning of the indigenously-developed anti-submarine warfare stealth corvette INS Kiltan, nicknamed "silent killer on the prow", which is capable of fighting in nuclear, biological and chemical warfare.

Defence Minister Nirmala Sitharaman commissioned INS Kiltan, the third of the

four anti-submarine warfare stealth warships built under the Rs 7,800-crore Project 28. Two similar corvettes -- INS Kamorta and INS Kadmat -- have already been commissioned by the navy.

With the inclusion of INS Kiltan, which is 100 tonnes lighter than the previous corvettes and capable of carrying heavy weapons load, the Indian Navy's capability to protect its warships and detect and target enemy vessels have been further augmented.

The warship has a superstructure of carbon fibre composite material imported from Sweden, which has improved its stealth features and lower maintenance costs. The corvettes have been built by Kolkata-based Garden Reach Shipbuilders and Engineers (GRSE) and designed by the navy's Directorate of Naval Design.

The ship, measuring 109 meters long and 14 meters at the beam, is propelled by four diesel engines to achieve speeds in excess of 25 knots and has an endurance of around 3,500 nautical miles.

It has enhanced stealth features resulting in a reduced Radar Cross Section (RCS) achieved by X-form of hull and superstructure along with optimally sloped surfaces.

The very low under water acoustic signature makes it a "silent killer on the prow". This has been achieved by using advanced techniques for propeller design and mountings of main machinery. The ship's advanced stealth features make it less susceptible to detection by the enemy and help in effective employment of soft kill measure.

Apart from its integral ASW capable helicopter, the array of weapons include heavy weight torpedoes, ASW rockets, 76 mm caliber medium range gun and two multi-barrel 30 mm guns as close-in-weapon system with dedicated fire control systems.

The warship, manned by a crew of 13 officers and 178 sailors, is also fitted with indigenous missile decoy rockets and advanced electronic support measure system to detect and map enemy transmissions and direction finder equipment. Commander Naushad Ali Khan is its first Commanding Officer.

At the function, which was also attended by Navy Chief Admiral Sunil Lanba, Sitharaman said the addition of INS Kiltan to the naval fleet was a reaffirmation of the navy's relentless pursuit of self-reliance through indigenisation. "This has helped the Indian Navy to seamlessly transform from a buyer's to a builder's navy," the Minister said.

Sitharaman exhorted that India needed to benchmark its shipbuilding practices to international best practices and produce quality ships in a shorter time frame and at competitive costs. "The government fully appreciates the nation's defence requirements and requisite finances for the armed forces and defence industry would be made available for the modernisation and development plans of the navy."

Admiral Lanba said the commissioning marked yet another milestone in the force's journey of indigenous warship building. "The Indian Navy is deeply committed to the principle of indigenisation and the government's thrust on 'Make in India'. Commissioning of four ships in the last year, all built

in Indian shipyards, is a testimony of our resolve."

The ship's keel was laid on August 10, 2010 and launched on March 26, 2013. Its maiden sea trials commenced on May 6, 2017 and it was finally handed over to the Indian Navy by GRSE on October 14, 2017.

The ship gets its name from old INS Kiltan (P79), a Petya class ASW ship that served the nation for 18 years before being decommissioned in June 1987. That ship was named after the coral island belonging to the Lakshadweep group of islands in India.

NAVAL AIRCRAFT FAILS TO FIND TRACE OF 10 MISSING INDIANS

An Indian Naval patrol aircraft failed to find any more survivors of merchant ship Emerald Star that sank off the coast of Japan last week, even as 10 Indians are still missing.

A P8-I maritime surveillance aircraft of the Indian Navy on Oct 16 joined the search and rescue operations to look for any survivors.

The Indian Navy said a capsized life boat around 10 meters long was found, and the information was relayed to the Japanese coast guard in Okinawa. The crew of the P8-I aircraft were told that the Japanese coast guard had already located the life boat and searched the area, but no survivors or bodies were found.

No other debris or survivors were sighted, the Indian Navy said.

Ten Indians went missing after the Emerald Star sank off the coast of Japan last week.



AIR FORCE IAF AIRCRAFT TO LAND ON AGRA EXPRESSWAY

Going ahead with its plan to use highways as landing strips during emergencies, the Indian Air Force (IAF) will conduct an exercise next week where a number of aircraft will land on the Lucknow-Agra Expressway, officials said on Oct 18.

According to Defence Ministry officials, the operational exercise will be carried out on October 24, and a number of fighter and transport aircraft of the Indian Air Force will land and takeoff from the highway.

The event is being organised by the Indian Air Force, together with the Uttar Pradesh government.

The aircraft that will join the exercise include An-32 transport aircraft, and leading fighter jets in the IAF inventory including Su-30, Jaguar and Mirage 2000.

On May 21, 2016, a Mirage-2000 fighter plane of the IAF had touched down on the Yamuna Expressway as a display of capability to land fighter jets on highways.

According to officials of the Road and Transport Ministry, 12 highways have been cleared for similar landing operations, with three of those connecting Maoist-affected areas in Odisha, Jharkhand and Chhattisgarh, which also witness vagaries of nature like floods and cyclones almost every year.

These strips would be used in case of emergencies such as disaster relief, humanitarian assistance, as well as in situations of war or conflict.

The efforts that go in preparing a strip of a highway for landing of a military aircraft includes thickening the layer of tar, and at the time of operation, a make-shift air traffic control, safety services, rescue vehicles and bird clearance parties have also to be there.

In 2016, Minister of Road, Transport, Highways and Shipping Nitin Gadkari had announced the project and the formation of a committee to come up with specifications for highway stretches that can double up as airstrips.

The committee will look into details like feasibility of the stretches, and their length and breadth, among other factors.



JAMMU AND KASHMIR PM MODI CELEBRATES DIWALI WITH SOLDIERS ON LOC, CALLS THEM 'MY FAMILY'

After Defence Minister celebrate Diwali with soldiers in Andaman and

Nicobar Islands, Prime Minister Narendra Modi on Oct 19 celebrated the festival of lights with soldiers in this idyllic valley of Jammu and Kashmir, telling them how he gets energised by spending time with the Armed Forces which he called "my family".

Dressed like soldiers in military camouflage, Modi sported a black aviator on his eyes and spent nearly two hours with the troops in the Gurez valley near the Line of Control (LoC) -- the de facto border that divides Jammu and Kashmir between India and Pakistan.

He offered sweets and gifts and exchanged greetings with them, appreciating the sacrifices of armed forces in protecting the country.

He said like everyone else he too wished to spend Diwali with his family. "Therefore, I came here to be with you because you are my family. When I shake hands with you, you may think it is a formality. But it is not a formality for me. I get new energy," he said in his address to the gathering of the men in uniform.

The Prime Minister said he had been told that the soldiers on the borders regularly practice yoga which would "definitely enhance their abilities, and give them a sense of calm".

He said soldiers who leave the armed forces after completing their duty tenure "can become excellent yoga trainers".

The Chief of Army Staff, Gen. B.S. Rawat, and other senior Army Officers were present on the occasion.

This is the fourth successive Diwali Modi celebrated with soldiers. In 2014, months after he took the power, Modi spent the festival at Siachen, the world's highest battlefield.

ARMY CHIEF VISITS SRINAGAR TO REVIEW SITUATION

Indian Army chief General Bipin Rawat on Oct 18 reviewed the security situation in the Kashmir Valley.

The General was received by Lt General D. Anbu, the Northern Army Commander, and Chinar Corps Commander Lt General J.S. Sandhu.

"The Army chief addressed all offic-

ers at the Badami Bagh cantonment here and complimented them for providing excellent military leadership in the most challenging circumstances.

"He also commended all ranks for their relentless pursuit towards achieving the objective of bringing peace and normalcy to the Valley," Defence Ministry spokesman Colonel Rajesh Kalia said.

"General Rawat was briefed by the Chinar Corps Commander on the latest operations and updated on the overall security scenario along the Line of Control as well as in the hinterland."



INDIA - RUSSIA INDIA, RUSSIA TO BEGIN ANNUAL JOINT MILITARY EXERCISE

The India-Russia annual joint military exercises called INDRA began on Oct 20. This year, all three services are involved in the 10-day exercises being conducted in Russia.

The indigenously built Indian Naval ships INS Satpura and INS Kadmat on Oct 19 reached Vladivostok Port. The rest of Indian contingent comprising of army and air force personnel had reached Vladivostok on Oct 18 in IL-76 aircraft of the Indian Air Force.

The Defence Ministry, in a statement from New Delhi, said the INDRA-2107 will be "a landmark event in the history of Indo-Russian defence cooperation".

Conducted at the 249th Combined Army Range Sergiyevskiy and in the Sea of Japan near Vladivostok, it is the first tri-service bilateral exercise between the two countries. In its previous nine editions, INDRA has been conducted as a single service exercise alternately between the two countries.

The Indian contingent is comprising 350 personnel from army, 80 from air force, two IL 76 aircraft and one Frigate and Corvette each from the navy.

Russia was represented by approximately 1,000 troops of the 5th Army, marines and ships of Pacific Fleet and air-

craft from Eastern Military District, an official release said.

"INDRA-2017 will serve towards strengthening mutual confidence and interoperability as well as sharing of the best practices between the armed forces of both the countries," the statement said.

"The joint tri-service exercise will be a demonstration of the increasing commitment of both nations to address common challenges across the full spectrum of operations," it added.



INDIA - AFGHANISTAN INDIA CONDEMNS TERROR ATTACK IN AFGHANISTAN

India on Oct 19 strongly condemned the terror attack by the Taliban on a military base in Afghanistan's Kandahar province that claimed at least 43 lives and expressed solidarity with the violence-hit nation.

India said the continued terror attacks in Afghanistan demonstrate that safe havens and support systems continue to be available to terrorists. "We strongly condemn the barbaric attack at the Afghan National Army base in Kandahar province. Coming on the heels of similar tragedies in Paktia and Ghazni, we share the grief of the families of the victims and the suffering of the Afghan people," the External Affairs Ministry said in a statement.

It said "India is gravely concerned" at the recent escalation of terrorist violence against Afghanistan, "despite hopes recently kindled by new strategies as well as efforts" for bringing peace in the country.

"The beginning of Afghan-owned and Afghan-led national reconciliation requires an end to violence. States hosting the terrorists and their sanctuaries must eliminate them immediately and without distinction," the statement said.

"India expresses solidarity with the people and the government of Afghanistan in these difficult times," it said.

At least 43 soldiers were killed and an-

other nine wounded on Thursday in a co-ordinated attack by the Taliban on a military base in Kandahar.



CHINA CHINA TO BUILD WORLD- CLASS ARMED FORCES BY MID- 21ST CENTURY: XI

President Xi Jinping said on Oct 18 that the Communist Party of China (CPC) will strive to fully transform the country's armed forces into world-class military by the mid-21st century.

By 2020, mechanization will be basically achieved, with IT application coming a long way and strategic capabilities seeing a big improvement, Xi said at the opening session of the 19th CPC National Congress.

The modernization of the national defence and armed forces should be basically completed by 2035, he added.

The CPC will build a powerful and modernized Army, Navy, Air Force, rocket force and strategic support force, develop strong and efficient joint operations commanding institutions for theatre commands and create a modern combat system with distinctive Chinese characteristics, he said.

"A military is built to fight," he said, stressing combat capability as the criterion to meet, Xinhua news agency reported.

Technology was the core combat capability, he said, adding that people's military would be made more innovative.

The CPC will speed up development of intelligent military and improve combat capabilities for joint operations based on network information system and the ability to fight under multi-dimensional conditions.

Founded in 1927, the People's Liberation Army now commands about two million service personnel.

Today, a new military structure has been established with the Central Military Commission exercising overall leadership, the theatre commands responsible

for military operations and the services focusing on developing capabilities.

The Chinese military has carried out major missions related to the protection of maritime rights, countering terrorism, maintaining stability, disaster rescue and relief, international peacekeeping, escort services in the Gulf of Aden and humanitarian assistance.

Xi said Beijing will never seek hegemony or engage in expansion "no matter what stage of development it reaches".

"China will never pursue development at the expense of others' interests and its development does not pose a threat to any other country," he said at the opening of the 19th National Congress of the Communist Party of China, Xinhua news agency reported.

Xi said Beijing pursued a defensive national defence policy and remained firm on an independent foreign policy. But China would never give up its legitimate rights and interests.

"No one should expect China to swallow anything that undermines its interests," he said.



COMMENT 'IT WAS ENTIRELY UNEXPECTED THAT THE CHINESE WOULD ATTACK' (PART I OF II)

Bertil Lintner

It was entirely unexpected that the Chinese would attack. The Indians had observed a massive build-up across the border and there had been several encounters between the Indian Army and the Chinese PLA in the days before the main attack, including bombardment of Dhola and Khenzeman on October 19, 1962. But the ferocity and the sheer coordination of the Chinese attacks on October 20, 1962, and the days that followed stunned the Indian security establishment as well as international observers. At day-break on that day, artillery guns and mortars began intense bombardments across the Thagla Ridge.

According to Brigadier John Dalvi: At

exactly 5 on the morning of 20th October 1962, the Chinese Opposite Bridge III fired two Verey lights. This signal was followed by a cannonade of over 150 guns and heavy mortars, exposed on the forward slopes of Thagla... this was a moment of truth. Thagla Ridge was no longer, at that moment, a piece of ground. It was the crucible to test, weigh and purify India's foreign defence policies.

Dalvi called it "The Day of Reckoning -- 20th October 1962". The all-out assault on Indian positions north of Tawang was on.

On the western front in Aksai Chin, the fighting was spread out over a swathe of land from north to south, covering a distance of approximately 600 kilometres. But the thrust of the Chinese towards the south was confined to a relatively narrow area, which measured approximately 20 kilometres from west to east. Most of the attacks by the PLA seemed to be confined to dislodging Indian troops from the outposts that had been established as a result of the government's Forward Policy rather than for capturing territory. According to Indian military analysts, "In the Western sector, [the] Chinese had a limited aim. They were already in occupation of most of the Aksai Chin plateau through which they had constructed the Western Highway connecting Tibet and Xinjiang. In this war, their aim was to remove the Indian posts which they perceived were across their 1960 Claim Line."

They had no intention to move forward deep into Indian territory, as they did in NEFA (The North-East Frontier Agency).

The Aksai Chin plateau was and still is virtually unpopulated; this had made it possible for the Chinese to build their highway there in the mid-1950s without the Indians finding out about it until a year after it had been completed. The name Aksai Chin means "the desert of white stones", and the altitude varies between 4,300 and 6,900 metres above sea level.

In the past, some Ladakhi villagers used the area for summer grazing and made it part of the Cashmere wool trade, but otherwise there has been no commercial activity worth mentioning in the area.

Whatever ancient trade routes that existed were secondary, and the only valley, if it may be called such, is along the River Chip Chap that flows from Xinjiang to Jammu and Kashmir. During the 1962 War, the Chinese captured several Indian positions in the valley and have since controlled most of the area.

During the weeks of fighting in this western sector of the theatre of the 1962 War, it became obvious that the Chinese knew exactly where the Indians were, how many there were at each position, and what kind of weaponry they had. As was the case in the NEFA in the east, pre-war intelligence gathering had been carried out in the Aksai Chin area by small teams of surveyors who could move freely and, presumably, undetected on the barren plateau.

A contentious issue on the eastern front was the location of the Indian outpost at Dhola in the River Namka Chu gorge, where the borders of India, Bhutan, and Tibet intersect northwest of Tawang. The post was created on February 24, 1962, and according to the Henderson Brooks-Bhagat Report, the site "was established north of the McMahon Line as shown on maps prior to the October/November 1962 edition. It is believed that the old edition was given to the Chinese by our External Affairs Ministry to indicate the McMahon Line. It is also learnt that we tried to clarify the error in our maps, but the Chinese did not accept our contention." The Chinese, in any case, would not have paid much attention to Indian maps. Their objective was entirely different: To teach India a lesson.

This remark in the Henderson Brooks-Bhagat Report is any way a far cry from the claim by Neville Maxwell and others that the establishment of the Dhola outpost triggered the 1962 War and that India was the aggressor.

Chinese troops had crossed the Namka Chu on September 8, surrounded an Indian outpost in the gorge, and destroyed two bridges on the river. The nearby Dhola Post was reinforced and firing from both sides continued in the area throughout September. Three Indian soldiers were wounded when the Chinese threw hand grenades at their position, but otherwise, there were no casualties. ■ ■ ■

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A NEW LINE-UP AGAINST CHINA

AMULYA
GANGULI

Donald Trump's tweet about a "much better relationship" with Pakistan was a blip which India can ignore. It was the result of the role which the Pakistan army played to rescue an American-Canadian family from the clutches of the Haqqani terror network.

The army probably knew that if it did not act, then the American Seals may intervene as they did in Osama bin Laden's case. That would have been another blow to Pakistani prestige.

Pakistan will not be pleased, however, that following the episode, Indian-American ties have entered a higher trajectory with the promise of a century of partnership between the two democracies.

China, too, is not happy because the India-US bonhomie is now directly aimed at China in the context of the latter's provocative acts in the South China Sea.

There is little doubt that Chinese President Xi Jinping's emergence as the world's most powerful man, as *The Economist* has said, has persuaded New Delhi and Washington to lay a stronger base for their relations.

Even if the British magazine's characterization of Xi Jinping is hyperbolic, there is little doubt that China's rise and rise have worrying consequences for the rest of the world, much like Hitler's ascent once did.

Like the Nazi dictator, the Chinese President is an autocrat, running a one-party state where the ordinary people have no voice. He is also so proud of his authoritarian rule which has no time for human right that he has urged the other countries to follow the stifling Chinese model.

As the successor of Mao Zedong and Deng Xiaoping with his own version of Thoughts for the nation such as those

encapsulated the Great Helmsman's Little Red Book, Xi Jinping is obviously looking forward to a long stint at the top during which he expects to mould the world – or at least China's immediate neighbourhood – to his own liking with the help of China's economic and military clout.

For the rest of the world, the scene is a menacing one, made all the more frightening than in Hitler's time because of China's nuclear prowess. But, just as the democracies came together in the 1940s to checkmate Germany with the help of Stalin's Soviet Union, the democracies are again putting up a united front against China.

As before, America is playing a key role and, because the scene is in Asia, India is also a vital part of the front. What is more, the US Secretary of State Rex Tillerson has unambiguously spelt out its objective, which is to confront China's challenge to the "rules-based order" and to the "sovereignty of neighbouring countries".

Rarely before has America's position vis-à-vis China been so clearly articulated. There are no doubts now about the impending line-up – like that of the Allies against Hitler.

As Tillerson has said, India and the US are now "in the business of equipping other countries to defend their sovereignty, build greater connectivity, and have a louder voice in a regional architecture that promotes their interests and develops their economies".

Which countries will be part of this "regional architecture"? Apart from India, Japan – a longstanding ally of the US – will be there perhaps along with Australia, another old US ally.

There is every likelihood of countries like the Philippines and Vietnam, which have felt the heat of the Dragon's breath, will be formal or informal partners of the new line-up along with Afghanistan, a

victim of Pakistan-based terrorists like India.

Then, there are the smaller countries – Nepal, Bangladesh, Myanmar, Sri Lanka, Maldives – which are being wooed by both India and China and are unwilling to antagonize either. For the moment, they may not be part of the "architecture" but will wait and see how the scene unfolds.

China, naturally, is displeased with the latest turn of events and has ascribed them to America's "bias". It is also unlikely to take kindly to America's wish to "dramatically deepen" its ties with India.

What form this deepening will take is as yet unclear, but China will be concerned about it because the improved Indo-American relations will make it all the more difficult for Beijing to throw its weight about along the border, as it did during the standoff with India in Doklam, because the Indian forces are likely to become progressively better equipped with US assistance.

While America's concerns will probably be about China's island-building in the South China Sea, India's focus will be on ways to curb China's aggrandizing tendencies along the border by building up its own strength.

New Delhi is also aware that if it can keep China at bay, Pakistan will be partially dissuaded from sponsoring terrorism in India and Afghanistan because of the realization that its goal of weakening India with a thousand cuts, as General Zia-ul-Haq said, is unlikely to be attained in the near future.

The new line-up, therefore, will introduce a balance of power in South and East Asia. It may be a delicate equilibrium and incorporate the sense of a hostile truce. But it will avert to a considerable extent the possibility of a shooting war. ■ ■ ■

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US, PAKISTAN, AFGHANISTAN, INDIA: THE UNPREDICTABLE TRUMP

A day after Pakistani security forces rescued an American-Canadian family from the clutches of the Haqqani terror network, the unpredictable US President Donald Trump said he has started to develop a much better relationship with Pakistan.

“Starting to develop a much better relationship with Pakistan and its leaders. I want to thank them for their cooperation on many fronts,” Trump tweeted. Later, he said, “Yesterday, things happened with Pakistan. I have openly said Pakistan took tremendous advantage of our country for many years, but we’re starting to have a real relationship with Pakistan, and they’re to respect us as a nation again, and so are other nations.”

“They are starting to respect the United States of America again,” he said and thanked the leaders of Pakistan for “what they’ve been doing”. He said that “in this administration, we will call evil by its name”.

US Vice President Mike Pence has also praised Pakistan in helping the US secure the release its citizens. “Just this week, Pakistan took an important step to answer the President’s call to do more in the fight against terrorism, as they helped secure the release of an American family that had been held hostage for more than five years,” the Vice-President said.

INDIAN REACTION

India however, remain unfazed by the US President’s comments, saying this is the outcome of a familiar pattern, with Pakistan trying to demonstrate “good behaviour” and US being made to believe that Islamabad is serious in its fight against terror.



American-Canadian family rescued by Pakistani security forces.

Officials in New Delhi, who follow Trump’s comments closely, are keen to see the follow-up actions of the US President. This could form part of the discussions between Indian officials and leaders when US Secretary of State Rex Tillerson visits India in the last week of October.

There was no official word from the Ministry of External Affairs on Trump’s comments but South Block sources said that this reflected the “very transactional” nature of President Trump. “Time and again, Pakistan has done it and taken some small steps to deflect pressure,” the source, who has sat in multiple meetings with current and past US administration officials, said. “This tweet does not mean that everything is hunky dory with American ties with Pakistan... but it shows that there is a lot of give-and-take in their relationship. We have to take that into account before coming to any conclusion.”

Former Foreign Secretary Kanwal Sibal

told The Indian Express, “I hope the US administration will not be conned by the Pakistan government by such small, limited and piece-meal measures... the US, one only hopes, has learnt some lessons from the past, when they have done similar operations (like the rescue of abducted American couple).”

PAKISTAN’S CLARIFICATION

On the release of an American-Canadian family, Pakistan’s military spokesman Maj Gen Asif Ghafoor ruled out any such possibility of joint operations with any country against militants in the country. “The joint military operations in Pakistan were out of question. There is no concept of joint operation on Pakistani soil. There was never such cooperation (in the past) and there will not be such cooperation (in future). Full stop,” he said.

Sharing details of the rescue operation to free the couple, held hostage since 2012, from militants, the spokesman said that the

US approached Pakistan through its ambassador in Islamabad and “we moved troops in response.”

ANALYSES

US WILL NOT SACRIFICE ITS INTERESTS FOR INDIA

The Asian Age sees no surprise at Trump’s tweets. It notes that “recently US secretary of state Rex Tillerson, who is expected in New Delhi later this month, observed after meeting Pakistan foreign minister Khawaja Asif recently that Pakistan was crucial to stability in the region.

“Pakistan’s “all-weather friendship” with China is relatively recent but its deep-going relationship with America goes back six decades. When this very structural relationship comes under strain, the Pakistanis hand the US the equivalent of a lollipop, which in this case was the rescuing of an American man and his family.

“This pattern has repeated itself and there is no surprise here. The surprise is that the Indians should begin to look upon America as a friend. This appears to have been the case with the present government.....For a country like America, with vital interests strewn around the world, it is unlikely that in any region it will choose one country over another specially if these are in conflict, as in the case of India and Pakistan.

“There are two lessons straightaway. To combat terrorism, India must not count on any other nation. And in its dealings with Afghanistan, New Delhi must stand on its own feet and look out for itself.”

MAJOR DIFFERENCES IN THE US OVER PAKISTAN

C Raja Mohan (director, Carnegie India, Delhi and contributing editor on foreign affairs for ‘The Indian Express’) writes that “while it is too early to jump to conclusions on where the Trump administration and Pakistan are headed, there is no denying the complex issues at hand in the US policy towards Pakistan. Many old South Asia hands in Washington have argued that Trump’s hardline posture towards Pakistan was neither desirable nor sustainable. Some in Washington believe that American concerns about nuclear stability in the region and the need for Rawalpindi’s support in America’s global war

NO THREAT TO DEMOCRACY FROM PAKISTAN ARMY: ARMY SPOKESPERSON

Pakistan Army poses “no threat” to democracy in the country, military spokesman Maj Gen Asif Ghafoor said as he cautioned the political leaders that there could be a danger to the democratic institution if feelings of the people are not met.

He also defended Army chief Gen Qamar Javed Bajwa’s remarks on the economy, saying the “economy and security are interlinked.”

“There is no threat to democracy from the Pakistan Army; [but] there could be a threat to democracy if its [democracy’s] requirements are not being met,” Ghafoor said.

His remarks came a day after Interior Minister Ahsan Iqbal said that Pakistan Army should refrain from commenting on economic issues as “irresponsible” statements could tarnish the country’s image globally.

The powerful army, which enjoys considerable influence over policy decisions in Pakistan, has ruled the country for much of its life since it gained independence 70 years ago.

on terror tend to limit America’s coercive options towards Pakistan.

“Others, however, insist that the full spectrum of possibilities for compelling Pakistan to change course on destabilising Afghanistan and India have not been tried out. On the face of it, the White House appears ready to use some stick to get Pakistan to see reason. It can indeed claim that pressure on Pakistan is beginning to work as the Pakistan army begins to reach out to Kabul and offers to bring the Taliban to the negotiating table.”

Mohan acknowledges that while there are major differences in this US on how to deal with Pakistan, “but few in Washington disagree with the proposition that frustration with Rawalpindi in both the executive and legislative branches of the US government has reached a peak. This does not mean the US is about to give up on Pakistan. As Secretary Mattis put it,

Washington wants to give another chance to Rawalpindi.”

India, says Mohan must however, “find ways to effectively intervene in the limited but inviting strategic space that is opening up between America, Pakistan and Afghanistan. India’s renewed economic assistance to Afghanistan constitutes one set of tools. Expanded military assistance is another.”

TRUMP PAK TWEET IS NO U-TURN

Alyssa Ayres (senior fellow for India, Pakistan, and South Asia at the Council on Foreign Relations in New York) presents an American perspective of Trump’s tweet by stating that it contains no big message on US policy toward Pakistan. It only addressed a specific event rather than a broad policy. “The bigger picture still shows that ties between Washington and Islamabad have frayed badly as Pakistan’s reluctance to tackle all types of terrorist groups over the years has created mounting frustration in the US. What’s more, as further news emerges about the hostage rescue, it already appears that coercion from Washington led to the rescue, suggesting a different kind of interaction than the word “cooperation” suggests....”

The New York Times has reported that the United States had Navy SEALs at the ready if Pakistani forces had not acted upon the request and information from Washington.

The praise-tweet for the specific rescue action, therefore according to Ayres “actually fits coherently with the administration’s approach to Pakistan as laid out in August by noting a positive action that the US sought in the first place. Hardly a U-turn.”

There is no change in the “larger picture, painted over many years, of a major problem with a country reluctant to go after all terrorists operating from Pakistani territory. This problem of selective counterterrorism has bedeviled the US-Pakistan relationship, has undermined efforts to stabilize Afghanistan, and of course the continued open activities of designated terrorist groups in Pakistan who target India remains an outrage. Over on Capitol Hill, US lawmakers have crafted increasingly stricter conditions on security assistance to Pakistan, such as one requiring sufficient action against the Haqqani Network in order to

access around one-third of the Coalition Support Funds (CSF).”

AfPAK: TRUMP NEEDS TO REBALANCE HIS APPROACH

K C Singh, former secretary, MEA Singh writes that “the Trump administration will soon realise that no AfPak policy will work unless all regional powers honestly cooperate.....Mr Trump needs to rebalance his approach to South and West Asia if his Afghan policy has to work. Otherwise, ironically, the creator of radical Islamist forces to counter the Soviets in Afghanistan will find the roles reversed, with the Russians using the Taliban to undermine the US in Afghanistan. The Indians may act likewise if they see Pakistan gaining control over the new US Afghan doctrine. The moral is that while tweets can entertain or provoke, they cannot really resolve geostrategic riddles.”

IMPACT ON INDIA-PAKISTAN RELATIONS

On the question of India-Pakistan relations, Singh says they “remain bogged in mutual recrimination. The Narendra Modi-Ajit Doval doctrine of no dialogue till support to terror ends is unrealistic. At best, Pakistan should be held accountable for attacks traceable to its state agencies. Otherwise the veto on India-Pakistan relations passes into the hands of any single jihadi who is willing to die. Unfortunately, popularly-elected Prime Minister Nawaz Sharif has been decapitated by judicial writ. Pakistan is already in electoral mode with parliamentary elections due next year. Mr Modi faces a crucial Gujarat Assembly election soon, and may even be forced to call early Lok Sabha elections if the economy does not rebound or a bad monsoon is anticipated. Thus, bilateral ties in the foreseeable future will be run by hawks on both sides. Afghanistan can be the greatest confidence-builder between the two nations, or the theatre of extreme offshore rivalry.

G Parthasarathy, former secretary, MEA is more categorical in his assessment and suggestions on the approach that India should take with respect to Pakistan in the above environment. Given the propensity of President Trump to change his stance suddenly on foreign policy

issues, he suggests “India would be well advised not to be overly dependent on consistency in Trump Administration policies.....”

“New Delhi now has to undertake a concerted diplomatic effort to take advantage of current developments. No effort should be spared to make Pakistan pay a heavy price for its errant conduct. Dialogue, if any, with Pakistan, should be almost exclusively focused on terrorism. India has to simultaneously take measures to engage people and organisations across Pakistan who seek better ties with it, while meeting humanitarian needs of people, particularly children, in Pakistan requiring medical treatment in India, as External Affairs Minister Sushma Swaraj has consistently demonstrated. Indian diplomacy should have a humane dimension. There are sections of people in Pakistan who are tired of the country’s domination by the army.

“Diplomatically, India should make common cause with Afghanistan, insisting that Pakistan does not just put all its terrorist outfits temporarily in cold storage to win American “understanding”, but defangs and dismantles them. These range from the Taliban and Haqqani network, active in Afghanistan, to the Lashkar-e-Taiba, Jaish-e-Mohammed and Hizb-ul-Mujahideen, operating against India. China should be reminded to fulfil its obligations, agreed to during the BRICS Summit, to pressurise Pakistan to act against designated terrorist groups. The international community and multilateral financial Institutions like World Bank should be asked to link development funding for Pakistan to action against terrorism.....”

US MAY BE MORE SERIOUS THIS TIME

Sankar Sen (Senior Fellow, Institute of Social Sciences; former Director-General, National Human Rights Commission; and former Director, National Police Academy) is of the opinion that the US may be more serious this time.

He recalls that before Trump’s stinging indictment of Pakistan, he had received a report jointly compiled by scholars and experts from Asia Foundation Centre, Heritage Foundation, and Hudson Institute. The report advised the President to state that

he intends to review the intelligence of Pakistan’s involvement in supporting terrorism much more critically than his predecessors. The group acknowledged that there is no silver bullet that can change the decade-old Pakistan policy of supporting terrorists.

The key question that arises, writes Sen “is whether America is now serious and decisive in taking on Pakistan and then carry out the threats advanced by President Trump. Earlier, President Obama had told his advisers in 2009 that “we need to make clear to people that the cancer is in Pakistan”, sending its CIA Chief and National Security Adviser to deliver the message. The Secretary of State, Hillary Clinton, had warned in 2011 that “you can’t keep a snake in your backyard and hope that it will bite your neighbour”.

“The situation this time appears to be somewhat different. Military strategists and experts are of the view that infusion of more American troops in Afghanistan will not serve any purpose, if Pakistan continues to harbour and support the Afghan Taliban.

“America has already started tightening the screws on Pakistan. It has given the country a taste of his financial vulnerability by banning operations of Habib Bank in the US. This bank is one of Pakistan’s leading financial institutions.

“The Trump administration has also indicated to Pakistan that it has other weapons in its armoury like stripping the country of its status as a non-NATO ally and then impose a ban on suspected ISI activists engaged in undercover operations in America. Further, if the US declares Pakistan as a terror state, it will dry up billions of dollars by way of IMF loans and Pakistan’s access to global finance.” Sen says there is also the possibility of a western visa ban.

Apologists for Pakistan in the Pentagon and the State Department have argued that excessive might eventually posit Pakistan in China’s camp. But China will not be able to do much to stave off the financial meltdown if the US decides to effect a squeeze. Beijing is also concerned over the growing ascendancy of the jihadis in Pakistan.



TILLERSON SEEKS STRONGER TIES WITH INDIA

In a major India specific address, U.S. Secretary of State Rex Tillerson said India and America are “two bookends of stability – on either side of the globe” and the “emerging Delhi-Washington strategic partnership” has the potential to anchor the rules based world order for the next hundred years.

Tillerson, who will be travelling to India and Pakistan next week, said both countries are “important elements” in the U.S. policy for stabilising South Asia and characterised China a destabilising force. “China’s provocative actions in the South China Sea directly challenge the international law and norms that the United State and India both stand for,” he said,

Speaking at the Centre for Strategic and International Studies (CSIS) on ‘U.S.-India Partnership of the next 100 years: The foundations of a free and open Indo-Pacific’,

the Secretary of State said the new “regional approach” on Afghanistan involved seeking a resolution to tensions between India and Pakistan also. “We intent to work closely with India and Pakistan and we hope to ease tensions along their borders as well..Pakistan has two very troubled borders. We would like to help take the tensions down on both of those”.

“We see it as a regional issue. We solve Afghanistan by addressing the regional challenges. Pakistan is important element in that India is important element in that. Of how we achieve the ultimate the objective, which is a stable Afghanistan, which no longer serves as a launch pad for terrorism,” he said, adding that such an improvement in Afghanistan will benefit Pakistan and Afghanistan. “India’s significant role is in giving development assistance to Afghanistan...” he said. Mr. Tillerson said the new South Asia policy of the U.S. was a message to the Taliban and others that “we are not going anywhere and we are going to be here as long as it takes...”

“... We don’t see it as one issue, and (it is) about stabilising the entire region... (A stable Afghanistan) will create a better condition for India Pakistan relationship,” he said.

Tillerson said America’s “relationships in the region stand on their own merits”, a position that is in line with the position of the previous Obama administration. “We expect Pakistan to take decisive action against terrorist groups based there that threaten its own people and the broader region. In doing so, Pakistan furthers stability and peace for itself and its neighbours, and improves its own international standing,” he said.

Tillerson’s explanation of the new South Asia policy of the U.S. calls into question the interpretation of it as an acceptance of the Indian line, and a rejection of Pakistan’s position. Pakistan maintains that terrorism and insurgencies in Jammu and Kashmir and Afghanistan are all part of the same problem. Tillerson’s views also echoed President Donald Trump who said last week that he was developing better relations with Pakistan.

US, INDIA CONVERGENCE ON CHINA

Tillerson was categorical in his support for the Indian position on China and its aid and financing support for other countries in the region, terming it “predatory economics.”

“We have watched activities and actions in this region, particularly of China, that brings financing mechanisms that saddle countries in debt... they don’t often create the jobs that they should... too often foreign workers are brought in... financing that are structured in such a way that it is very difficult for them to obtain future financing... often there are triggers that often turn debt into equity,” he said, distinguishing India’s approach to world order from China’s.

“China is rising. India is rising. If you watch out these two taking their rightful place in the world, they have gone about it in different ways... We have an important relationship with China but we will never have the same relationship with them as we have with India, a big democracy,” Mr. Tillerson said, underscoring the dramatic increase in defence partnership between the two countries. He said the high levels of technology sharing with India that the U.S. has been doing is a reflection of the trust between the countries and the strength of the partnership.

Repeatedly referring to India’s democratic politics, Tillerson also referred to India’s Muslim minority. “India’s diverse population includes more than 170 million Muslims — the third-largest Muslim population in the world. Yet we do not encounter significant numbers of Indian Muslims among foreign fighters in the ranks of ISIS or other terror groups, which speaks to the strengths of Indian society,” he said, adding that India “can also serve as a clear example of a diverse, dynamic, and pluralistic country to others.”

CHINESE REACTION

In another comment likely to upset Beijing, Tillerson said Washington saw room to invite others, including Australia, to join US-India-Japan security cooperation, something Beijing has opposed as an attempt by democracies to gang up on it.

China’s reaction was swift. Chinese Foreign Ministry spokesman Lu Kang told reporters Thursday it hopes the United States can abandon its bias and see China objectively, following US Secretary of State Rex Tillerson’s call for a broader alliance to check instances of Beijing’s “disadvantageous” influence in Asia. “China will never develop itself at the expense of other countries. At the same time we will never give up our justly deserved rights and interests.”

EXPERT REACTIONS

Several India watchers who listened to the Secretary of State’s first full fledged foreign policy speech lauded it.

“This is an excellent approach from India’s perspective. He has touched upon all issues that bring our countries closer, and underscored the importance of the partnership,” said Mukesh Aghi, president of the U.S.-India Strategic Partnership Forum. Nisha Biswal, former Assistant Secretary of State and President-designate of the U.S.-India Business Council, said: “The speech mapped out what is at stake for both countries, not only for the new few years, but the next century. It is not by accident that the first major foreign policy speech by the secretary is on U.S.-India relations.

Richard M. Rossow of the Wadhvani Chair in U.S. India Policy Studies at CSIS

said “Secretary Tillerson has explicitly called out China for predatory economic practices. India has been the conscience of the world. India was the first country to do so. India has influenced the U.S. thinking on this.”

US OFFICIAL CLARIFIES OBJECTIVE OF TILLERSON'S VISIT TO PAKISTAN

Separately a State Department official has said that the Rex Tillerson is visiting Islamabad to implement the South Asia strategy of President Donald Trump. He urged Pakistan to take “decisive action” against militant groups based inside the country. “We are breaking from the status quo on US-Pakistan relations and the Secretary by going to Pakistan will be implementing the president’s strategy,” a State Department official told reporters after Tillerson delivered a major India-policy speech.

“America’s relationship with India do not come at the expense of Pakistan or vice versa. The things that the US can do to help alleviate some of the tensions on Pakistan’s borders around Afghanistan and in India,” the official said.

“When the president gave his remarks about Pakistan, he talked about a lot of the positive aspects of the bilateral relationship. US and Pakistani military have worked together against common enemies,” the official added. “We recently had the rescue of the Coleman family,” the official said, noting that people of Pakistan have suffered from terrorism and extremism. At the same time, Pakistan has to take decisive action against militant groups based in Pakistan that are a threat to the region,” the official said.

“I think that we are having much more serious conversations about being a partner for achieving our priorities in the region,” the official said responding to a question.

“We have many common interests and common enemies in the region when it comes to our bilateral discussions with Pakistan which was with the Secretary (of State) will be talking about (during his Pakistan trip),” the official said.

“But we have said that it is time for Pakistan to demonstrate fully that it is willing to assist the United States in its

core counter terrorism goals in the region. And the Secretary will be discussing that on his trip,” the State Department official said.

(For more on this subject, please see the International chapter)



HAFIZ SAEED, A TEST CASE FOR TRUMP'S SOUTH ASIA POLICY

Pakistan’s Punjab government Tuesday sought the extension of detention of Mumbai attack mastermind Hafiz Saeed under public safety law, two days after withdrawing its application to prolong his house arrest under the anti-terrorism law. Saeed, the Jamat-ud-Dawah chief has been under house arrest since January along with his four close aides -Abdullah Ubaid, Malik Zafar Iqbal, Abdul Rehman Abid and Qazi Kashif Hussain.

Their detention period is scheduled to expire on October 24. Under the law, the government can detain a person for up to three months under different charges. The government can extend the detention only after the approval from the judicial review board.

Earlier, the Punjab Home Department had withdrawn its request from federal board to seek the extension to detention of Saeed and others under “anti-terrorism act”.

Explaining as to why the government withdrew its application seeking extension to detention of Saeed and others, the Punjab government said since it has extended the detention of Saeed and four others for October 24 under the Maintenance of Public Order Ordinance 1960, it does not require to have their house arrest extended under the anti-terrorism law.

On January 31, Saeed and four others were detained by the Punjab government for 90 days under preventative detention under the Anti-Terrorism Act 1997. However, the last two extensions were made on the ‘public safety law’.

The Jamat-ud-Dawah (JuD) has already been declared as a foreign terrorist organisation by the United States in June

2014. The JuD chief carries a reward of USD 10 million announced by the US for his role in terror activities.

DECISION TO WITHDRAW TERROR AN ‘OUTRAGE’

The Hindu calls Pakistan’s decision to withdraw terror charges against Hafiz Saeed an “outrage, and calls into question its professed seriousness to address terrorist violence emanating from its territory..... Saeed’s house arrest this year appeared to have been prompted by a tough message from the U.S. government; it was also effected to avoid sanctions by the UN’s body on terror funding, the Financial Action Task Force (FATF), which has been conducting a review of Pakistan’s actions this year. The fact is that since 2002, when the LeT was first designated a terror group by the UN Security Council’s Taliban/al-Qaeda sanctions committee, Pakistan has done very little to hold Saeed to account, which is a sign of the immense power he wields given the LeT/JuD’s reach and its role in the intelligence agencies’ operations. Despite all the evidence and testimonies detailing Saeed’s visits to the 26/11 terror training camps, his instructions during the attacks, and his call for violent attacks in India, the Pakistani government has allowed, if not enabled, him to build a virtual citadel in the town of Muridke near the provincial capital Lahore.”

Oddly enough, notes the Hindu “it was only a few weeks ago that Pakistan’s Foreign Minister Khawaja Asif held that Saeed was a “liability”. It may, therefore, be no coincidence that the terror charges were dropped at a time when the U.S. President has openly praised Pakistan for cooperating in the release of American hostages. Also, the U.S. and Afghanistan have only just revived talks with Pakistan on reining in the Taliban. Regardless of the reasons, if Pakistan doesn’t take steps to reverse this latest move on Saeed, it will be seen as an open challenge to India, the U.S. and the international community. While the UN has strict sanctions on Saeed, the U.S. too has designated him a terrorist, with a \$10 million bounty, for the 26/11 Mumbai attacks in which American citizens too were killed. This is, in essence, a test of U.S. President Donald Trump’s new South Asia policy...”

INDIA NEEDS TO FIND ITS MOJO TO DEAL WITH PAKISTAN

The Tribune writes that “the Pakistan administration did not feel the need to continue with the façade of pretending to rein in one of its strategic assets once it successfully pulled off the caper of “rescuing” Western hostages from a militant organisation mentored by the spy agency, ISI. Sections of the media will make much of this let off but the fact is that Saeed and his cohorts will remain under house arrest under another law.”

Pakistan, the paper writes “is currently divided over the usefulness of its resident militant leaders. The ISI wants to de-radicalise militant-linked organisations by bringing them into political processes. Saeed duly formed a political party and contested the byelections featuring former PM Nawaz Sharif’s wife. But a section of the Pakistani establishment was not pleased with this rather blatant attempt to whitewash a militant organisation. Its

election commission has refused to register his political party because it has links with militants and accused by the US and India of involvement in the Mumbai attacks. This is Pakistan at its quintessential enigmatic best: If a door is shut, a window remains open.

“The US seemed to be siding with the Indian approach soon after Trump became President. It may not bother with India’s woes if the Pakistani army appears to be playing ball in Afghanistan. India needs to find its mojo to deal with Pakistan. Raining down verbal fire is neither helpful nor sustainable.



COMMENT INDIA SHOULD RAISE STAKES AGAINST PAKISTAN, INCLUDING MILITARY OPTIONS

Brig Anil Gupta (retd)

The recent terrorist attack on the Border Security Force (BSF) battalion headquarters in Srinagar has confirmed three things. First, the army and not the civilian government, continues to call the shots in Pakistan. Second, the realm of India-Pakistan relations does not fall in the domain of foreign policy but is an adjunct of defence policy and hence is formulated at the general headquarters (GHQ) in Rawalpindi and not in Islamabad by the prime or foreign minister. Third, the Pakistan Army continues to use terror as an instrument of policy against India disregarding international opinion and UN pronouncements.

The Pakistan Army has, so far, dismissed with contempt not only stern warnings by the Donald Trump administration, but also friendly advice from its all-weather ally China. It is also true that the Pakistan Army has been frustrated to such an extent that it is looking for an opportunity to convey a message that it still possesses assets that can cause damage to India within its territory, thus gaining publicity to keep the Kashmir issue alive globally.

The ‘deep state’ within Pakistan is bent upon provoking India and either is not

afraid of the consequences or is overconfident that India would continue to exercise restraint. They are still looking for India’s ‘red lines’.

Terrorists follow the Clausewitzian strategy of “flowing water”: Water continues to flow by changing its course when confronted by an obstacle, so terrorists will continue to enter India unmindful of the resistance on the line of control (LOC) or international border (IB) until technology is leveraged to stop infiltration.

The BSF must get credit for the initial response and the determination with which the intrusion into their complex was contested, resulting in the elimination of one terrorist at the entrance. Subsequent operations to eliminate the remaining terrorists were also well executed, synchronized and coordinated with other elements of security forces participating in the operation.

Credit should be given to Pakistan for two things, the choice of Srinagar, the capital city, and the choice of target, in the heart of the one of the city’s most secure zones, which houses not only a number of security installations, international airport but also a residential colony in which the who’s who of the government stays.

Why did they choose this time and place when Pakistan is already under international pressure to shun cross-border terrorism and has been put on a stern warning list by the Trump Administration? There have to be some compelling reasons. Such ‘high visibility’ attacks are usually undertaken to break the shackles of frustration and desperation, to convey a message or to scuttle a move that may result in thaw in Indo-Pak relations.

In this case, the Pakistan Army is facing a stiff challenge from the Indian Army and BSF at the LOC and IB, thwarting their multifarious attempts to push in as many terrorists as possible so that the ongoing turmoil in Kashmir can be portrayed to the global community as a ‘home grown’ movement.

That is why the attack, though carried out by Jaish-e-Mohammad (JeM), is being projected as handiwork of Afzal Guru Squad, giving it a local flavour. Coupled with this is the considerable success of the security forces in eliminating more than 150

NAWAZ SHARIF, DAUGHTER INDICTED IN CORRUPTION CASE

Pakistan's ousted prime minister Nawaz Sharif, his daughter and son-in-law were indicted Thursday by an anti-graft court in a corruption case related to the Avenfield property in London.

The National Accountability Bureau had registered three cases of corruption and money laundering against 67-year-old Sharif, his family members and Finance Minister Ishaq Dar in the accountability court in Islamabad on September 8.

The cases were registered weeks after the Supreme Court disqualified Sharif as prime minister on July 28 in the Panama Papers scandal.

The accountability court indicted Sharif, his daughter Maryam Nawaz and son-in-law Capt (retd) Mohammad Safdar in the London properties reference.

Sharif and his sons -- Hassan and Hussain -- are likely to be indicted in the other two references later.

Sharif's family alleges that the cases are politically motivated.

terrorists, including commanders, in the hinterland. 'Operation Arjun,' launched by the BSF along the IB, has caused grievous pain to elements of the 'deep state', hence selection of a BSF camp is likely retaliation.

The Pakistan Army does not subscribe to the "liability theory" of Foreign Minister Khawaja Muhammad Asif and carried out this strike to convey to the civilian government and global community their disagreement and disapproval of this theory. Terrorists continue to be the army's assets and terrorism its preferred policy to deal with India. Through this strike, the 'deep state' wants to convey that peace cannot return to trouble-torn Kashmir until they so desire.

The squeezing of terror funds and exposure of leaders of the Hurriyat as conduits of terror funding has added to the Pakistani army's frustration. By choosing to attack Srinagar's most secured location, Pakistan also wants to put a question mark on the impact of 'Operation All Out' and raise the sagging morale of the terrorists by conveying to them that it would continue to provide them the oxygen they require.

Pakistan has succeeded in conveying the intended messages. It has also raised many questions. How did heavily armed terrorists manage to enter the most secure zone of Srinagar and reach their target? Is any insider involved? Was it a reconnaissance for a bigger mission? Is the international airport the ultimate objective? Is it yet another intelligence failure? Did they infiltrate from the LOC or the IB? Was the Mughal Road used to enter the Valley? With Hafiz Saeed in the docks and LeT suffering losses in the Valley, has JeM reemerged as the 'preferred outfit' of the 'deep state'? In view of the forthcoming festival season, has Pakistan managed to induct such groups in other parts of the country?

The revival of militancy in Srinagar town is not a good omen. Its implications can be disastrous and adversely affect the security forces' resolve to minimise militancy by this winter. It would be naive to assume that annexation of Kashmir to complete the unfinished agenda of partition is the only and ultimate aim. Pakistan's concept of nationalism is based on anti-India and anti-Hindu narrative. It considers India as an existential threat. Its national policy is to

ensure balkanization of India to justify the "Two Nation Theory".

The challenge posed by Pakistan needs a holistic response in the political, economic, diplomatic and security domains. Despite government intentions, there is little headway in revamping India's internal security apparatus. A plethora of security forces and multifarious agencies and lack of proper control and coordination continues to be the bane.

Restructuring and revamping of our security apparatus is an urgent need. The proposed Comprehensive Integrated Border Management System (CIBMS) should be installed on a war-footing to stop infiltration as the first step towards closing the tap of cross-border terrorism. A serious move to form a separate ministry of Homeland Security and rejuvenate the National Counter Terrorism Centre (NCTC) can no longer be ignored. Forming a dedicated Internal Security Administrative Cadre should be given a serious thought. We need to modernize and reorganize the intelligence set up as well.

HUMINT continues to be another weakness and TECHINT capability needs more investment. Though, the government has earmarked funds for modernization and reorganization of state police forces, the project is yet to take off. Formal training capsules and modules for in service skill enhancement need to be evolved and introduced as part of systems approach to training for police personnel. There is also need to amend the Constitution to add internal security as a pillar of national defence. To enhance India's surgical strike capability, an adequate number of MQ-9 Reaper UAVs should be procured from USA. Terrorism cannot be eliminated completely as long as the over ground terror support network is not dismantled.

A lot needs to be done domestically and globally to economically strangle Pakistan. The country is largely dependent on doles and foreign funds. Efforts should be made to declare Pakistan a terrorist state by the UN and impose economic sanctions against it. Seeing the present trend, Pakistan is unlikely to relent unless the stakes are substantially raised and unbearable pain caused to it. There are number of unexplored military options

with India. We should consider employing them even if it involves escalation of the conflict.

(The author is a Jammu based political commentator, columnist, security and strategic analyst)

In arrangement with South Asia Monitor



COMMENT

PAKISTAN IS HEADING TOWARDS DISASTER

Jai K Verma

The 2017 report of the Fragile States Index places Pakistan in the list of the first 20 failed countries, which should be worrisome for the country. Instead of continuing with the low intensity war against its neighbours, Pakistan should make efforts to implement reforms in diverse fields.

Pakistan was carved out of India on the basis of the 'two-nation' theory broadly intended to foster separation and hatred. This philosophy persists today, with greater vengeance.

With its vicious policies, Pakistan has antagonised another neighbour, Afghanistan, on its Western front while Shia Iran can never trust Sunni Pakistan, helping terrorist outfits on behalf of Wahabi Saudi Arabia. Iran recently threatened Pakistan with stringent action if it did not control non-state actors who were fomenting terror.

Pakistan earlier had cordial relations with Afghanistan and Iran. In the India-Pakistan war of 1965 & 1971, Pakistan did not need to deploy troops on the Afghan or Iranian borders as there was no danger from them. The situation has drastically changed now.

Pakistan's fourth neighbour is China. Diplomatically, both countries are "all weather friends;" China has rescued Pakistan on many occasions, but Beijing has placed severe restrictions along the China- Pakistan border, as some Islamic terrorist groups are helping Uighur Muslims fighting for a separate homeland in China's Xinjiang autonomous region.

The recently concluded BRICS (Brazil, Russia, India, China, South Africa) summit in China included names of several Pakistan-based terrorist organisations in its joint declaration, indicating that China is hardening its attitude towards Pakistan and terrorism. Pakistan appears surrounded by hostile or threatening neighbours.

However, the major danger to the country is from internal forces; contradicting mindsets, military domination, corrupt and inept politicians, different nationalities, rising population, depleting water resources and a worsening economic situation. Such forces may be responsible for Pakistan imploding.

The Punjabi-dominated Pakistan army has not allowed civil institutions to strengthen and has exploited all other nationalities. In 1971, Pakistan was split and Bangladesh emerged. Now, Balochistan, Sindh, Khyber Pakhtunkhwa and Kashmir all want separate nations. The people of Gilgit and Baltistan are fighting for an independent Balawaristan. While Muhajiris, Saraikis and Chitralis want more autonomy, as the Punjabis are exploiting them too. Former Prime Minister Nawaz Sharif actually stated that the country was facing the danger of disintegration.

Former President General Zia-ul-Haq decided to join the United States to evict the USSR from Afghanistan. He needed Jihadis to do this and proceeded to inject religion into the polity and Islamized the army and the country. Saudi Arabia and other West Asian countries pumped petrodollars into Pakistan and helped inculcate the 'madrasa culture' in the country, which radicalised many Pakistanis. The country is still paying a heavy price for this extremism.

Pakistan waged a low-intensity war against India and Afghanistan and created terrorist outfits like Lashkar-e-Toiba (L-e-T), Jaish-e-Mohammed (J-e-M), Hizbul Mujahideen (HM), Harkat-ul-Mujahideen (H-u-M), Sipah-e-Sahaba Pakistan (SSP), Ahle Sunnat Wal Jamaat (ASWJ), Lashkar-e-Jhangvi and Tehreek-e-Taliban Pakistan (TTP).

Few of these terrorist organisations broke free and refused to obey the Inter Services Intelligence (ISI) and are conducting terrorist activities within the country. Sunni outfits like SSP & ASWJ are

killing Shias, thus increasing the animosity between two prominent sects of Muslims. Shias make up more than 20 percent of Pakistan's population.

The US, earlier the country's largest economic aid donor, recently warned Pakistan to change its policies, of "harbouring" terrorists who are attacking US troops in Afghanistan. US President Donald Trump also said Pakistan provides "safe haven" to terrorists.

Pakistan is now aligning with China and expects it to invest USD 50 billion or more for the China-Pakistan Economic Corridor (CPEC). It is likely that Communist China will annex several parts of Pakistan, since Islamabad will never be able to repay the huge debt.

The GDP growth rate is a poor 3 percent. The country must repay loans worth USD 73 billion and more. Exports are dwindling while imports are increasing. The education system is in disarray. Terrorists from across the world reach Pakistan to get training in exploding bombs and carrying out terrorist acts. Pakistan's ailing education system needs a total revamp to save the country from falling apart.

The defence budget should be curtailed and more money spent on education, family planning and health. Civilian institutions must be strengthened and army must return to the barracks. The domineering Pakistan army must allow civil institutions to grow and a civilian leadership to formulate policies. Powers of the ISI should be curtailed and Pakistan must destroy all terrorist training centres and terrorists, without distinction. Legitimate grievances of all the nationalities should be redressed and rights of minorities, including Shias, ensured.

The population of the country is increasing threateningly. In 1951, the former West Pakistan had a population of 33.7 million which has now swelled to 207.77 million. The country must adopt stringent family planning measures otherwise its very survival is at stake.

Pakistan has launched several operations against terrorists but these operations have not yielded desired results as security forces differentiated between "good" and "bad" terrorists.

In August 2017, Jamaat-ud-Dawa (J-u-D) formed a political party, Milli Muslim League (MML) and declared its intent to contest elections. With extremism and fundamentalism at its zenith, these political parties could acquire power and control the nuclear warheads.

Pakistan is heading towards disaster. If terrorists capture the country, it will be detrimental not only for Pakistan but for world. Pakistani rulers must chalk out a comprehensive policy to save the country from catastrophe.

(The writer is a Delhi-based strategic analyst and a retired senior intelligence officer)

In arrangement with South Asia Monitor



AFGHANISTAN: QUADRILATERAL GROUP MEETS MINUS TALIBAN

Senior representatives from the US, China, Pakistan and Afghanistan met in Muscat, Oman, on Oct 16 to revive stalled peace talks with the Taliban, but the insurgent group failed to participate in the meeting being held after a year. In the backdrop of the meeting, India, a close partner in Afghanistan's rebuilding efforts, sent National Security Advisor Ajit Doval to Kabul to meet with the leadership.

The sixth round of Quadrilateral Coordination Group's (QCG) meeting between the US, Pakistan, China and Afghanistan was being held in Muscat to revive peace talks between the Afghan government and the Taliban. The meeting was expected to focus on implementing commitments, especially Pakistan's promises, regarding fighting terrorism in its tribal regions.

The Pakistan team was led by Foreign Secretary Tehmina Janjua.

Ahead of the meet, Afghan Foreign Ministry spokesman Shekib Mustaghni said in addition to discussions on commitments, the delegates would share ideas on counter-terrorism efforts. "The meeting (QCG) is aimed to review Pakistan's commitments on

(peace) talks that had been made at previous meetings," said Mustaghni.

The peace talks on Afghanistan were halted last year in May after an American drone killed then Taliban chief Mullah Akhtar Mansoor in southern part of Balochistan bordering Iran.

From Afghanistan, in addition to the Deputy Foreign Minister, a representative from the High Peace Council (HPC) also attended the meeting.

A statement from the Indian Ministry of External Affairs said that NSA Ajit Doval paid a visit to Afghanistan at the invitation of his Afghan counterpart Hanif Atmar.

Doval called on President Ashraf Ghani and Chief Executive Abdullah Abdullah. NSA Atmar hosted a working lunch for Doval where the Ministers of Defence, Interior, NDS, Chief of Army Staff, Independent Directorate of Local Governance and senior officials of the National Security Council were also present, the statement said.

Both sides exchanged views on various facets of the bilateral strategic partnership and regional and global issues of mutual interest. Both sides emphasised that "bilateral and sincere regional cooperation is important for peace, security and stability in the region" and welcomed the opportunities created by the new US strategy for bringing peace and security in Afghanistan. It was agreed to further strengthen strategic dialogue and consultations for achieving the shared objectives, it said.

Doval on behalf of Prime Minister Narendra Modi invited President Ghani to visit India. The invitation was accepted.

Meanwhile, a Pakistani media outlet said that Islamabad had approached the Taliban and asked it to prepare a team to participate in the peace negotiations. The Taliban had earlier refused to accept Islamabad's call to join the political dialogue.

Afghan Senate members said they were not hopeful of any positive result emerging from the meeting. "(The Afghan) government should make it clear when we will see the results of such meetings," Senator Abdul Rahman Achakzai said.

The first quadrilateral meet was held

between Afghanistan, Pakistan, China and US on the sidelines of the Heart of Asia Summit in 2015, and following that four other meetings were held in Kabul and Islamabad.

The talks in Oman come after Pakistan last week said that India's "controversial role" in Afghanistan was not in the interest of regional stability and not acceptable to Pakistan.

The Muscat meeting also comes days after Pakistani authorities played an important role in securing the release of a Canadian-American couple from the Taliban-linked Haqqani network's captivity -- a development that was appreciated by the US.



INDIA - CHINA: MINISTER NIRMALA'S GOODWILL GESTURE

The defence minister Nirmala Sitharaman's explaining the niceties of namaste to Chinese troops at Nathu La has triggered an unexpected wave of goodwill that extends from that border outpost in the high Himalaya to Beijing.

The Statesman writes that it could possibly be the first sign of a "de-frost" in relations that have been under severe strain at Doklam, the Tsang Po lake and other points along the disputed Line of Actual Control.

The Chinese media has spoken of a "warm-hearted scene", and the Global Times went as far as saying her greeting the soldiers "conveys her hopes for peace on the Sino-Indian border and unwillingness to see a new stand-off".

One expert analyst observed that "the greeting sends a goodwill signal towards mending bilateral ties and putting relations back on track toward normality". A very significant change from the rhetoric that had "gone ballistic" during the 73-day impasse at Doklam.

True that what took place at the "recognised" border with Sikkim need not be replicated elsewhere on the LAC, still, Sitharaman has re-written the narrative a little, for which much appreciation is due.

It would be unfair to the minister and the defence establishment to suggest any "going soft". The ground realities are not being ignored, military preparedness is being backed up by overdue efforts to upgrade roads, bridges and other infrastructure in "frontier" areas.

CONFLICTING VIEWS ON DEALING WITH CHINA

M K Bhadrakumar, former ambassador takes a different perspective on India - China relations post - Doklam.

He mentions another narrative in India that runs counter to the one that sees an unexpected wave of goodwill after Defence Minister's namaste gesture.

He sees a pointed orchestration in the various statements mentioning generally that Doklam has not really ended and that China maintains a sizeable presence of its troops near the site. The Chief of Air Staff, Air Chief Marshal BS Dhanoa, has said that "their forces in the Chumbi valley are still deployed...." Army Chief, Gen Bipin Rawat, insinuated on September 6: "As far as the northern adversary (read China) is concerned, the flexing of muscle has started. The salami slicing, taking over territory in a very gradual manner, testing our limits of threshold is something we have to be wary about and remain prepared (sic) for situations emerging which could gradually emerge into conflict."

Fortunately, the Ministry of External Affairs promptly clarified on October 6: "We have seen recent press reports on Doklam. There are no new developments at the face-off site and its vicinity since the August 28 disengagement. The status quo prevails in this area. Any suggestion to the contrary is incorrect."

The sensational reports regarding fresh Chinese deployment to Doklam, writes Bhadrakumar "were timed to coincide with Foreign Secretary S Jaishankar's visit to Bhutan for consultations on October 5 and the scheduled visit by the new Defence Minister, Nirmala Sitharaman, to the Sikkim region the next day as part of her familiarisation tour of border areas." He obliquely mentions that it is the army that stands to gain from such assessments citing "General Rawat's recent demand for an increase in the defence budget to enable

the Army to fight two-and-a-half wars simultaneously.”

China has taken a detached view of this. Chinese commentators have clarified that India is not a “major focus for China’s international strategy” currently. Most importantly, in China’s view, Sitharaman’s goodwill gesture faithfully reflects the “realistic and responsible attitude” of the Modi government. Beijing anticipates that a “new era of crisis management” is possible in India-China relations following the Doklam standoff.

However, argues Bhadrakumar, “while the two leaderships are exploring more cooperation and their focus and priority should be on avoiding friction and conflict, there is dissonance within India on this account. It is not only that the Army has corporate interests in bargaining for bigger budget allocation, the Indian public opinion too is distrustful of China’s intentions – although only a maverick section of extreme nationalists demands military confrontation with China. Therefore, the path ahead is challenging for the Indian leadership “to fix the stagnated ties” with China.”



19TH NATIONAL PARTY CONGRESS: XI’S STRONG MESSAGE TO NEIGHBOURS

Delivering a strong message to China’s neighbours and world powers, President Xi Jinping in his three and a half hour speech said that his country will not give up its legitimate rights or let anyone undermine its interests.

Addressing the 19th National Congress of the ruling Communist Party of China (CPC) at the Great Hall of the People in Beijing, Xi also said that the country will enhance relations along its borders and open up more to the world.

“China will never pursue development at the expense of others’ interests, but nor will China ever give up its legitimate rights and interests. No one should expect China to swallow anything that undermines its interests,” Xi said, adding that the country would never seek “hegemony or engage” in any expansion.

The Chinese President also underscored the importance of the “five principles of peaceful coexistence” or Panchsheel — the set of principles that India and China agreed to in 1954. “China will deepen relations with its neighbours in accordance with the principles of amity, sincerity, mutual benefit and inclusiveness and the policy of forging friendship and partnership with its neighbours,” Xi said.

To allay fears among neighbouring countries triggered by China’s rise, Xi invited “peoples of all countries to join China’s effort to build a common destiny for mankind and enduring peace and stability”.

He said that Beijing will maintain a defensive policy when it comes to national security, and refrain from interfering in the domestic affairs of other countries.

The Chinese President however, asserted that China would never allow separatist activity in the country, in what appeared to be an indirect reference to the Dalai Lama. “Any separatist activity is certain to meet with resolute opposition of the Chinese people. We will never allow anyone, any organisation, or any political party, at any time or in any form to separate any part of Chinese territory from China,” he said.

China, which protested against the Dalai Lama’s visit to Arunachal Pradesh earlier this year, has repeatedly referred to the spiritual leader as an “anti-China separatist”.

ON NATIONAL SECURITY AND REGIONAL CONFLICTS

Referring to national security, Xi said, “We will improve our national defence mobilisation system, and build a strong, well-structured and modern border defence, coastal defence and air defence.” He added that the government would accelerate development in border areas and ensure their safety and security, and step up efforts to ensure that China becomes a strong maritime country.

Xi acknowledged that contentious issues often arose in some regions and that unconventional security threats like “terrorism, cyber insecurity, major infectious diseases and climate change” continue to spread. The Chinese government has always maintained that regional conflicts include the Korean Peninsula, the South China Sea, Kashmir and Afghanistan.

“We should commit to settling disputes through dialogue and resolving differences through discussion, coordinate responses to traditional and non-traditional threats, and oppose terrorism in all its forms,” Xi said.

The Chinese President said that China rejected “cold war mentality and power politics” and preferred developing state-to-state relations with “communication, not confrontation, partnership not alliance”. “We... oppose acts that impose one’s will on others or interfere in the internal affairs of others as well as the practice of the strong bullying the weak,” he said.

ON MODERNISING THE MILITARY

The President also vowed to make it his mission to modernise China’s military within the next two decades. “We will upgrade our military capabilities, and see that by the year 2020, mechanisation is basically achieved... Make it our mission to see that by 2035, the modernisation of our national defence and forces is basically completed,” he said.

Xi said that the military would be strengthened to adapt to the “new era” and would have to shoulder the “missions and tasks of the new era entrusted to them by the party and the people”.

“A military is built to fight. Our military must regard combat capability as the criterion to meet in all its work and focus on how to win when it is called on. We will develop new combat forces and support forces, conduct military training under combat conditions...and the ability to fight under multidimensional conditions. This will enable us to effectively shape our military posture, manage crises, and deter and win wars,” he said.

ROAD-MAP TO REALISE “CHINESE DREAM”

President Xi Jinping also unveiled his vision of China’s future of achieving “moderate” prosperity in the next four years, and emerging as an advanced socialist nation by 2050.

In his “work report” of the past five years Xi was unambiguous in declaring that China stood at “new historical juncture,” and would pursue its own path of developing “socialism with Chinese

characteristics". This implied that a western style "opening up" was not on Beijing's radar. Xi also underscored that the Chinese path of the development, can be adapted appropriately by developing countries.

Some scholars such as Joshua Cooper Ramo have proposed that the "Beijing Consensus" supporting China's economic development model can emerge as alternative to the Washington Consensus of policies advocated by the IMF, the World Bank and the US Treasury.

Xi highlighted that the Chinese model was "blazing a new trail for other developing countries to achieve modernisation". He added that the Chinese path offers "a new option for other countries and nations who want to speed up their development while preserving their independence..."

In an interview with the state-broadcaster China Global Television Network (CGTN), China commentator Robert Lawrence Kuhn observed that Xi's speech recognised the linkage and integration between achieving the goal of a "moderately prosperous society" by 2021 — the centenary of the Communist party of China — and the eventual goal of becoming an advanced nation by 2049 when the People's Republic of China (PRC) celebrates its 100th anniversary.

DOCTRINE OF "FOUR COMPREHENSIVES"

Xi substantiated his doctrine of "four comprehensives," covering deeper all-round reforms, a strict internal vigilance over the CPC, including a relentless anti-corruption campaign, as well as instilling the "rule of law" as the pathway for China's all-round modernisation.

He announced a new anti-graft law, and the establishment of a national anti-corruption body to achieve these goals. Xi also declared that a new "Leading Group" within the party would be established to ensure comprehensive governance through the "Rule of Law".

During the course of the once-in-five years Congress which ends on October 24, the 2280 delegates will elect a Central Committee. In turn, the Central Committee will elect a 25-member Politburo, as well an apex 7-member or more

Standing Committee of the Politburo. The General Secretary of the CPC, the highest ranking official of the party — a position currently occupied by Mr. Xi — would be picked from the Politburo Standing Committee's ranks.

There is considerable speculation on whether Wang Qishan, Mr. Xi ally in the anti-corruption drive would be accommodated in the top-seven leadership rung, despite attaining the unofficial retirement age of 69. Mr. Xi's continuation in leadership beyond his second term that ends in 2022 is also being keenly watched.

CHINA'S NEW MUSCULAR APPROACH: GLOBAL IMPACT

According to observers, Xi Jinping muscular foreign policy could become even more assertive following this month's congress of the ruling Communist Party, where delegates will agree to support his policies and endorse his second five-year term as party secretary general.

"Xi's on a roll," said June Teufel Dreyer, professor of political science at the University of Miami. She predicted he would continue expanding China's influence by gradually increasing pressure on other countries, a tactic seen in Beijing's steady island-building efforts in the South China Sea, for instance.

In an address Wednesday to the congress' opening session, Xi reiterated that China pursues an "independent foreign policy of peace" and maintains a defensive military posture. However, he also warned other countries not to underestimate China's willingness to stand up for itself.

"No one should expect China to swallow anything that undermines its interests," Xi told delegates .

China has succeeded in leveraging its booming economy and mountain of foreign currency holdings to influence other nations and further its global ambitions. A key watershed came this year, when the People's Liberation Army began manning China's first overseas base in Djibouti, reversing decades of rhetoric eschewing such facilities as imperialist Cold War holdovers.

The overall goal seems clear: Restore China to its traditional role as East Asia's

leading nation and a global economic and cultural force. By 2050, Xi said, China would be "a global leader in terms of composite national strength and international influence."

"Xi presents very bold visions for where China should be headed and what China must become," said Jingdong Yuan, an Asia-Pacific security expert at Australia's University of Sydney.

A more forceful post-congress approach could include expanding China's role in international bodies and new China-sponsored initiatives such as the Asian Infrastructure Development Bank. China could also become more assertive in regional hot spots such as the South and East China Seas and its contested border with India.

Perhaps no strategy reflects Xi's vision more clearly than the "Belt and Road Initiative" launched around the time of Xi's elevation five years ago. The massive undertaking seeks to link China to Southeast Asia, Central Asia, Africa, Europe and beyond with a sprawling network of roads, railways, ports and other economic projects valued in the hundreds of billions of dollars. The goal is to make China an indispensable economic partner with expanded political influence, while offering new opportunities for Chinese businesses weighed down by overcapacity and shrinking markets at home.

To do this, China has refined its diplomacy to take advantage of favorable global trends while not going so far that it would damage relationships with its neighbors and the United States, Yuan said.

In some areas, China has proved unyielding. Beijing, for instance, angrily rejected last year's ruling by an international tribunal in The Hague on a Philippine case that invalidated most of China's territorial claims in the contested South China Sea.

However, pragmatism is not missing in China's approach. Beijing has largely resisted the urge to fire back when U.S. President Donald Trump+ lambasts China for not doing enough on North Korea or allegedly cheating at trade, instead offering measured responses.

In China's latest border standoff with

India, Beijing agreed to a mutual pullback of forces just days ahead of a China-hosted summit of large developing economies attended by both Xi and his Indian counterpart, Narendra Modi.

INDIA TO ASSESS IMPACT

India will obviously be closely watching the final outcomes of the congress of the ruling Communist Party. India experts on China feel that due to the current excessive focus on the political and military leadership selection issues, there will few substantial pronouncements on external dimensions at the Congress, except for a few innocuous passages in the work report by the party secretary.

Srikant Kondapalli (professor of international studies, with expertise on China, at Delhi's Jawaharlal Nehru University) writes that even such pithy statements provide guidance to the foreign policy establishment of China for the next five years and beyond. The 16th Party Congress in 2002, for instance formulated a "three pillars" foreign policy strategy for China to include relations with major powers, neighbours, and developing countries. The next 17th Party Congress in 2007 extended these three pillars to include multilateralism and soft power. The 18th Party Congress in 2012, which brought Xi Jinping to power, reiterated the five pillars in addition to directing the armed forces to play bigger role "commensurate to the international standing" of China.

External Affairs Minister Sushma Swaraj noticed during her trip to Beijing in February 2015 that of the five pillars, China is reluctant to include India in the "new type of major power" category.

Since the 18th Party Congress, Chinese President Xi Jinping has used strong language against India although some feel this is mainly to assuage nationalist domestic constituents. But Kondapalli states that "India, has gradually noticed that China's armed forces and border guards have been ramping up their nibbling activities on the undefined border...."

Xi's first comments on relations with India were however encouraging. Speaking to the Indian media before embarking on his first visit to Delhi in 2014 after taking

over as President, Xi was moderate in his views and suggested the expansion of strategic communication among leaders, maintaining border stability, enhancing economic cooperation and people-to-people contacts. Next in command, Premier Li Keqiang also made his first overseas visit to India.

The Indian leadership was however, surprised with China's forays in the Depsang plains in April-May 2013, Chumar in 2014 as well as 2015 — both of which took place in the Western sector — as well as in the Barahoti area of the Middle sector in mid-2016. And a few months ago, Doklam happened.

"Strategic communication bereft of a serious intent to resolve outstanding issues between the two countries convinced the Indian leadership to firm up on border management."

Kondapalli also notes that "following the 18th party injunctions, India also suddenly saw major Chinese forays in the Indian Ocean Region with China opening a naval base at Djibouti, in addition to port facilities built at Hambantota in Sri Lanka and Gwadar in Pakistan....."

"India, then, will be carefully watching the missions the Communist Party entrusts to the Chinese military both in the continental and maritime spheres. Besides, cyber and space domains will also be watched carefully as new domains for possible conflict, competition or even cooperation between the two "simultaneously rising" countries in Asia.

"India is also pondering about the endgame around China's One Belt One Road initiative launched since September 2013...."



A MILITARY ANALYSES OF DOKLAM

Vinod Saighal (retired Major-General of the Indian Army is the author of Third Millennium Equipose) examines the real reasons that compelled China to de-escalate in Doklam.

The reasons that have been cited in the public domain include: Beijing realised

because of its strategic interests, India was unlikely to budge; the coming 19th CPC meeting in November 2017 later on in the year and the BRICS meeting at Xiamen; the possibility that Putin advised his counterpart that without the participation of the Indian Prime Minister the summit would not measure up to expectation.

With the passage of time, the former General finds it easier to deduce the deeper reasons for the Chinese backing down.

More than 70 days since the start of the confrontation, there were no signs of India backing down. Overblown rhetoric followed by threats in case India did not pull back had reached a stage when the Chinese public would have mounted intense pressure for action.

For the countries of the region watching the situation apprehensively China would have appeared to be a paper tiger. On the other hand the quiet confidence of the Indian reaction was something the Chinese did not expect.

A re-appraisal within the PLA, CMC as well as the top government echelons "led to considerable doubt and misgivings about the outcome in case China went on to physically evict the Indian troops from their positions..."

Over the years India had quietly built up its strength on its vulnerable border to a level that it felt confident of being able to take on anything that the Chinese would field against them. And most operative factors operative on the ground favoured India.

"The Chinese have not fought any major land war for 38 years. On the Indian side there have been confrontations on the borders with its Western adversary very frequently, sometimes on a daily basis. Besides the Indian soldiers had proved their mettle against heavy odds in the Kargil War where the advantage lay with the opponent.

"Another important factor that is overlooked is morale and motivation. For the Indian soldier these are very high because they are fighting for their motherland. Not so the Chinese soldier..."

COMMENT

DJIBOUTI ON NEW DELHI'S RADAR: HORN OF AFRICA IS NEW ARENA OF INDIA-CHINA RIVALRY

C Uday Bhaskar

The visit of President Ram Nath Kovind to Djibouti (October 3 -4) is the first ever high level political visit by an Indian leader to that small nation in the Horn of Africa. While India has old, traditional trade-related linkages with this former French colony that attained independence in 1977, current political and diplomatic contact has been limited. Thus Kovind's visit marks the emergence of Djibouti on the Indian radar, albeit in a modest manner.

Djibouti is a small nation with a population under one million and an area of 23,000 sq. km. (similar to Rwanda) but few natural resources. Often referred to as an 'oasis of stability' in a turbulent region, its neighbours Ethiopia, Eritrea and Somaliland and their recent political history provide the contrast.

The strategic significance of Djibouti is inversely proportional to its small demography and derives from its geographical location at the entrance to the Red Sea and proximity to the Gulf of Aden. The maritime connectivity and related trade relevance that this location accords has been acknowledged over centuries and Djibouti has become a nation of relevance for most major powers.

The Djibouti government is deeply cognizant of the advantages that accrue to it due to geography and has been leasing its real-estate to external entities in a pragmatic manner. Thus, six countries have varying degrees of military presence in Djibouti - the largest being the 4,000 strong US troop deployment in the only permanent military base that the Pentagon has in Africa. Other nations include France, Britain, Italy, Japan and, most recently China, which commissioned its first overseas military 'support' facility in the Horn of Africa in July 2017. India has now made its first substantive political contact with Djibouti and is likely to progressively enhance its engagement.

During the Kovind meeting with his

counterpart President Ismail Omar Guelleh, reference was made to maritime cooperation in the Indian Ocean Region (IOR) and the options for Delhi to enable Djibouti in capacity building in certain niche areas that could generate local employment. India may not immediately emulate the USA, China and France in stationing military personnel in Djibouti in a sizeable manner. Yet the strategic importance of the extended Indo-Pacific maritime domain (that links the Red Sea through the Malacca strait to East Asia) for the major powers is reflected in the way the Horn of Africa has become such a sought after destination for extra-regional powers.

While the USA and its allies including France and Britain have a century old inheritance by way of their political presence in the littoral and Indian Ocean islands, China is the most recent entrant to the IOR. The strategic compulsion driving Beijing is evidenced in the high degree of importance accorded to the One Belt-One Road (OBOR or Belt Road Initiative) by Chinese President Xi Jinping and his core team. This macro rail-road-sea connectivity project envisions a total transformation of the existing trade connectivity links in critical parts of Asia, Africa and Europe; the Horn of Africa is a critical node in this ambitious endeavour.

The challenge for India, which has voiced its reservations about OBOR, will be in arriving at an astute determination about Beijing's intent in either jeopardizing or inhibiting Delhi's pursuit of its own national interest in the extended IOR. China has been steadily increasing its footprint among the Indian Ocean island nations and Maldives is a case in point.

Diego Garcia and Djibouti already offer the USA the equivalent of permanent aircraft carriers in the IOR and Beijing has its own anxiety about US military-maritime presence that is distilled as the Malacca dilemma. The Indian presidential visit would suggest that Delhi is not oblivious to the strategic index currently accorded to Djibouti, but how this will be concretised remains a work in progress and will be closely watched in the neighbourhood and beyond.

(The author is Director, Society for Policy Studies, New Delhi)

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INDIA - US: NIKKI HALEY ON INDIA, PAKISTAN, AFGHANISTAN

India can help the US keep an eye on Pakistan as President Donald Trump has “taken tougher approach to Islamabad harbouring terrorists”, US Ambassador to the UN Nikki Haley has said. Noting that Trump recently announced a new strategy for combating terrorism in Afghanistan and South Asia, Haley said one of the pillars of that strategy is the development of America’s strategic partnership with India.

“America’s overriding interest in Afghanistan and throughout South Asia are to eliminate terrorist safe havens that threaten us. And to keep nuclear weapons out of the hands of terrorists, we will use all the elements of our national power economic diplomatic and military to pursue these goals,” she said.

Critically we will look to our economic and security partnerships with India, she added.

In her address to an event organised by US India Friendship Council, Haley said Trump has taken a “tougher approach to Pakistan harboring terrorists.”

“Pakistan has been a partner to the US at times. We value and respect that. But, we cannot tolerate this government or any other government giving safe haven to terrorists who target Americans. This new approach will require understanding and restraint from both Pakistan and India,” she said.

The US, she said, is looking at India to help US more in Afghanistan particularly in economic and development assistance.



US Ambassador to the UN Nikki Haley

India has already made important contributions to the stability of Afghanistan. “We are really going to need India’s help in Afghanistan. They are the good neighbours and partner that we have in the region,” she said.

“So, having them help not only with infrastructure and the aide that they can give towards rebuilding Afghanistan, (They can) also help us to keep an eye on Pakistan,” Haley said.

“That is going to be really important in making sure that we hold them accountable, because we are at a point where we kind of laid the ground work that we need to see better partnership from Pakistan. We can’t continue to see them harboring the terrorists. We have to see something change. India is going to witnessing that. India is going to help us with that,” Haley said in response to a question.

The Trump Administration is hoping to expand India’s contribution in Afghanistan through a deep partnership, she said.

The partnership between India and America is strong and getting stronger because it is rooted in a shared belief in hard work education family and achievement, she said. “President Trump said when he hosted Prime Minister Modi on his visit to the US in June that, India has a true friend in the US and it is a friendship based on shared values,” Haley said.

Speaking in the Iran context, she said “It would be catastrophic for the safety of Americans and the world if Iran became a nuclear power. But India is a nuclear power and nobody gives it a second thought. Why,” she asked. “Because India is a democracy that threatens no one,” she said.

The US and India have both felt the pain of terrorism and we share the commitment of defeating terrorists and the hateful ideology that motivates them, Haley said.

Responding to a question, Haley said India is a responsible nuclear power. “We

want to show the world that yes there are countries that have nuclear weapon, but they are not supposed to act like North Korea. They are not supposed to manage themselves like Iran,” she said.

ON INDIA BECOMING PERMANENT MEMBER OF UN SECURITY COUNCIL

The key to India becoming a permanent member of the UN Security Council is “not to touch the veto”, US Ambassador to the UN Nikki Haley has said as she identified Russia and China as the two global powers against changes in the current structure of the Security Council. “(This reform of the UN Security Council) is much more about the veto.

The permanent five (members of the Security Council) have the ability to veto. Russia, China, UK (United Kingdom), US and France and none of them want to give that up. So, the key to getting India on the Security Council would have to be not to touch the veto,” Haley said at an event organised on the US Capitol by US India Friendship Council.

US is open to Security Council reform and always have been responding. But the US Congress or the Senate can't have much role in reforming the Security Council.

Haley said the US is already on board, but there is need to focus “on Russia and China”, the two permanent members of the Security Council who “do not want to see any” changes in the Security Council. “It's a UN issue, it's going to require UN reform and I think, India has to go and bring together as many supporters as it can in order to really effect that change in the Security Council,” Haley said.

For long India has been calling for reform of the UN Security Council. India and a large number of countries believe that the current UN and its powerful Security Council does not reflect the ground realities of the 21st century. Last month, foreign minister of G4 countries – India, Brazil, Germany and Japan – met in New York on the sidelines of the UN General Assembly to push their case for reform of the Security Council including expansion of its permanent and non-permanent members.

India has also received support from several other multilateral groupings during

the current General Assembly session in this regard, including BRICS and IBSA. Several countries have taken up the floor of general assembly to support India's permanent membership.

(For more on this subject, please see the Neighbours chapter)



INDIA REITERATES CONCERN TO US OVER H1-B VISA ISSUE

India Tuesday reiterated its concern to the US over the latest bid to introduce stricter norms for issuance of H1-B visas which are largely availed by Indian IT firms.

The Indian concerns were conveyed during a meeting between External Affairs Minister Sushma Swaraj and a 9 member US Congressional delegation from the House Committee on Science, Space and Technology.

US President Donald Trump has called for stricter norms for issuance of H1-B visas, largely availed of by Indian IT firms. A private member's bill was also introduced earlier this year in the US Congress by Democrat Zoe Lofgren which seeks to increase the minimum salary of an H1-B visa holder to a whopping \$130,000 from the current minimum of \$60,000.

Sushma Swaraj also raised the issue with US Secretary of State Rex Tillerson during a meeting on the sidelines of the UN General Assembly Session last month.

While Trump has spoken of restricting the H1-B visa system as part of his policy of putting Americans first, so far there have been no changes to it and for this year the same levels of 65,000 for general H1-B visas and 20,000 for those with advanced US degrees have been kept. Indians get most of the H1-B visas, although there are no national quotas for the facility nor is it specifically designed for Indians.



INDIA - ITALY: ITALIAN PM'S VISIT TO REPAIR TIES

Italian Prime Minister Paolo Gentiloni will visit India on October 30,

in a visit described as a “breakthrough” that will effectively put to rest more than five years of tensions over the Italian Marines case.

“The visit of Prime Minister Gentiloni now is a breakthrough, which will consolidate the progress in ties we have witnessed since Ms. Swaraj's visit,” former Ambassador to Italy Anil Wadhwa, who completed his tenure in June, told *The Hindu*.

Diplomatic ties between India and Italy virtually came to a standstill over the m.v. *Enrica Lexie* case, the ship on which two Italian marines were on guard duty in February 2012, when two Indian fishermen were shot and killed off the coast of Kerala. The marines, Latorre Massimiliano and Salvatore Girone, were suspected of shooting the fishermen, and taken into custody, although Italy claimed the ship was in international waters and hence only subject to the International Tribunal for the Law of the Sea (ITLOS).

As the case moved to the Supreme Court, India refused to hand over the Italian marines, except giving them furlough to travel to Italy on a few occasions, which became a major campaign issue in Italy. Finally, in September 2014, the government let Latorre return home after the Supreme Court issued an order on health grounds, while Girone was allowed to go in May 2016. Both are now in Italy, pending the order from the arbitration court at The Hague, where the trial against them will be held.

“Ties between the two countries were virtually in a freeze over the Marines issue,” said former Ambassador to Italy Anil Wadhwa, who was tasked with restarting the dialogue process when he arrived in Rome in March 2016. After a few months of discussions, the visit of External Affairs Minister Sushma Swaraj kick-started the talks when she visited the Vatican for the canonisation of Mother Teresa in September last year.

The decision to release the marines in 2016 bore fruit as India and Italy re-engaged, officials said. Italy reversed its decision to block India from the Missile Technology Control Regime, and the European Union and India also re-engaged.



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STATE OF THE ECONOMY

ECO RECOVERY UNDERWAY

INDIAN ECONOMY ON SOLID TRACK: IMF CHIEF

It is time for the vociferous critics of demonetization and Goods and Services Tax (GST) to take a break. The critics have failed to grasp what International Monetary Fund Chief Christine Lagarde could comprehend: These two structural changes have put the Indian economy on a “solid track”, and that it is important to not get bogged down by short-term losses.

Describing the two major recent reforms in India - demonetization and Goods and Services Tax (GST) - as a monumental effort, Lagarde said it is hardly surprising that there "is a little bit of a short-term slowdown" as a result.

"For the medium term, we see a very solid track ahead for the Indian economy," she said to a question on India.

"We very much hope that the combination of fiscal, because the deficit has been reduced, inflation has been down significantly, and the structural reforms will actually deliver the jobs that the Indian population, particularly the young Indian people expect in the future," Lagarde said.

True, the IMF did downgrade India recently — slashed the country's growth projection for the current and next fiscal — but it has come round to appreciate the fact that temporary disruptions shouldn't overshadow medium and long-term gains.



International Monetary Fund Chief Christine Lagarde

Lagarde's confidence in the Indian economy is inspiring. She has the big picture in mind where the economy will flourish after a brief spell of hiccups. With fiscal deficit restrained, and inflation down significantly, Lagarde feels that the nation, particularly the youth, will benefit as the economy would start delivering and meeting expectations. The critics of the structural reforms ought to realise that a surgery of the economy could only have happened when it was in robust health to absorb the aftershocks of the operation. Hence, the timing was critical.

Finance Minister Arun Jaitley sums it up succinctly: It was the best time to “really fix the roof” because back then the world economy was growing at a pithy two-and-a-half per cent, and India was surging ahead full throttle as “the fastest growing major economy”. To maintain the status quo would have been

the easiest job, but the Modi government took it upon itself to transform the economy. The very critics who blame the government for temporary disruptions should know that the two unprecedented measures required enormous courage and conviction since a noisy democracy like India will always resist reforms that truly benefit the people.

Looking at the prevailing situation, one cannot deny that certain sectors — especially, manufacturing, and textile — require help from the Centre. The government has also addressed the concerns of micro, small and medium-sized enterprises in its GST revisions. At every step, efforts are being undertaken to lessen the pain, create employment opportunities and restore people's faith in the system. The detractors conveniently overlook these initiatives in their doomsday narrative. The Congress party, which had originally mooted the

GST has now become its staunchest critic. Such irresponsible behaviour for petty political gains will only pose hindrances in the country's growth trajectory. Populism, as practised by the Congress for years, was hurting the economy. Tired of corruption and nepotism, people sought change and voted the NDA to power.

Today, the BJP is tackling the very issues, such as black money, which the Congress had swept under the carpet.

Both demonetization and GST can be viewed as spring cleaning, ridding the economy of the cobwebs of deceit and duplicity and ushering in a system of transparency and accountability. The movers and shakers of the world economy realise that, making it evident in their thumping approval of Jaitley.

This would now lead to increased investors' confidence. India will be their preferred destination because the Chinese economy is floundering, having reached a saturation point. With the global economy gaining momentum — 3.6 per cent this year, 3.7 in 2018 — India will recuperate faster than expected. A higher growth trajectory is in the offing. All India needs to do now is tide over the crisis in two fiscal quarters. It will reap far more dividends than what it had in the time prior to currency swap and GST.

Echoing the similar sentiments, Economic Affairs Secretary S C Garg has also said the temporary disruptive effect of the Goods and Services Tax (GST) is over as the manufacturing sector recorded positive growth of 3.1 per cent in August. Commenting on the twin data on industrial output and price situation, he said that the benign and moderate inflation has become the order of the day.

"Manufacturing grew by 3.1 per cent in August after two months of negative growth of -0.5 per cent and -0.3 per cent. Temporary disruptive effect of GST is over," he said in a tweet. Overall, industrial production grew at a nine-month high of 4.3 per cent in August, mainly on account of robust performance of mining and power sectors coupled with higher capital goods output. India's economic growth slipped to a three-year low of 5.7 per cent in the first quarter

of the current fiscal.

Yet another reflection of healthy underlying demand trend is evident in strong import growth and an indication that growth recovery is expected to have taken hold in the September quarter, says a Morgan Stanley report.

Global Appreciation in Defence of the Reforms: According to Finance Minister Arun Jaitley, contrary to the criticism by vested interests, the two major reforms introduced by the government have evoked global appreciation for the country.

Hitting out at the Congress Party and other domestic critics of the Modi Government's initiatives on demonetization and the Goods and Services Tax (GST) regime, "There is global appreciation of the fact that India has the capacity and courage to carry out structural reforms like demonetization and GST," Jaitley told reporters in Washington on conclusion of his recent week-long US visit for the IMF-World Bank annual meetings.

It was not populism, but a long-felt recognition of India's long-term interest that led the Modi Government to push ahead with these critical reforms, Jaitley said, noting: "Populism is what we did not indulge in. We could have let people live in a cash dominated economy and let India continue to have a shadow economy... (But) we gave a blow to that kind of an economy."

As for the timing of the twin initiatives, the Finance Minister said it was the right time to press ahead as the country was having a high growth rate. "When the world was growing at two-and-a-half per cent, India was the fastest-growing major economy in the world. That was the time to really fix the roof. You don't have to wait for a downward slide in order to do it," he remarked.

Quizzed on the carping criticism not only by the Opposition parties but by some leaders from within the BJP fold as well such as former Union Ministers, Yashwant Sinha and Arun Shourie, Jaitley commented that the Congress was never interested in dealing with black money or the shadow economy, so their concern about demonetization is 'natural'. On

GST, however, it was curious that the Congress should be opposing the initiative since it was pushing for it while heading the predecessor UPA Government.

"Now, they are trying to change their stand. All their State Finance Ministers support it, but the party, which is an opportunist party, opposes it," he said. Asserting that the slowdown in the wake of the two initiatives is just 'transient', with some of the latest data already suggesting that a rebound of the economy was underway, Jaitley dismissed the critics as people who 'don't see beyond their nose' and are plagued by 'immaturity'.

Jaitley, who also visited New York and Boston before arriving in Washington for the Fund-Bank meetings, spoke of the 'great interest about India in the US and among its investors', adding: "Both those inside the Government and the US companies have shown great interest in investing in India now."

"You have Indians investing in the US, you have US companies investing in India. And, in November, a large contingent of US corporates are coming to India to invest," he said. Jaitley, who held meetings with US Treasury Secretary Steve Mnuchin and Commerce Secretary Wilbur Ross, called the India-US relationship a strategic one that is bound to be further consolidated.

India happens to be among the largest recipients of foreign direct investment from the US, and the expansion of cooperation in defence and aviation sectors has the potential to raise bilateral trade to a soaring level, he said in the context of projections that it could touch the level of \$500 billion annually.

BJP's spokesperson's defence: Toeing the official line, a national spokesperson of BJP on economic affairs has highlighted the positive outcomes of demonetization and GST reforms. According to him, demonetization has pushed people to move business transactions to banking channels, establishing audit trails. This is a prerequisite for successful implementation of the goods and services tax.

Once the benefits of GST, such as input tax credit and removal of the

cascading effects of tax are implemented, consumer prices will come down. With better tax compliance, the government can also lower indirect tax rates. This indication has already been given by the Union finance minister.

The complete online structure of the GST Network, after full implementation by December 2017, will bring ease of doing business (EODB). Once initial transactions are uploaded into the system, other information will be transmitted automatically. With online registration, returns, assessment and refunds without intervention by tax personnel, the day-to-day life of businessmen will become hassle-free. Similarly, more and more processes, including e-tendering, are being done online through technological innovation.

For the first time the government has made a concerted bid to enhance manufacturing in India with EODB. The World Bank has recognized 20 economic reforms of the Modi government that will be considered in this year's international ranking. This will significantly improve India's EODB ranking. It has helped attract foreign direct investment, which is now at an all-time high of \$62 billion. This indicates faith in the future of the economy.

A major criticism of the previous UPA government was policy paralysis and lack of ownership of problems. The current government is active on all fronts. Mr Modi is personally overseeing stalled projects in infrastructure, power and steel under the Pro-Active Governance and Timely Implementation (Pragati) Initiative, through a three-tier system (PMO, Union government secretaries, and chief secretaries of states). Twenty such meetings of Pragati have led to a cumulative review of 183 projects with a total investment of Rs +8.79 lakh crore.

The UPA government compromised loans from public sector banks. The present government has inherited the NPA problem along with several macroeconomic destabilising factors — high inflation, a fiscal deficit of over 4.5 per cent of GDP and falling GDP growth. The government is now identifying and resolving NPAs through

Pragati, the Insolvency & Bankruptcy Code and the Benami Properties Act, which was passed 28 years back but was not notified.

Indian is among the world's fastest growing economies, the seventh largest economy by nominal GDP and the third largest by purchasing power parity (World Bank, 2015). But the benefits of this growth are unevenly distributed. As per the Global Wealth Report, 2016, the top one per cent of our population has over 58 per cent of the total wealth of the country. Large-scale corruption is the main cause of uneven growth.

Curbing corruption and eliminating black money is a key mandate of the present government. Mr. Modi's initiatives to fight this menace include the setting up of a special investigation team; the Foreign Assets Declaration Scheme; renegotiation of bilateral treaties on double taxation avoidance agreements with Mauritius, Cyprus and Singapore; the Income Disclosure Scheme (IDS) I & II; the Benami Transactions (Prohibition) Amendment Act (2016); demonetization; deregistration of shell companies and GST. These efforts have helped establish a clean business environment. According to the spokesperson, the gloom is nowhere in sight, with healthy foreign exchange reserves, the current account and fiscal deficit under control, a strong rupee, healthy tax collections boosting government revenue, corruption and crony capitalism under check, a targeted delivery mechanism for financial participation and a proactive government committed to structural reforms.

The gloom is nowhere in sight, with healthy foreign exchange reserves, the current account and fiscal deficit under control, a strong rupee, healthy tax collections boosting government revenue, corruption and crony capitalism under check, a leak-proof and targeted delivery mechanism for financial participation and a proactive government committed to structural reforms.

Mr. Modi can only be criticized for squeezing too many reforms into a small time span. He believes in accountability, has created a performance matrix, and is

setting tough targets. His commitment to doubling farmers' income by 2022, providing five crore low-cost housing units, electrification of all villages, electricity to every house, bullet trains, a corruption-free business ecosystem, self-employment, rural roads, regional low-cost air connectivity, and two lakh km of optical fibre connectivity, all point to his pro-poor and business-friendly approach.

He was voted to office to change the status-quo and create a new normal. That is what his government is doing.

NITI PITCHES FOR FISCAL STIMULUS TO BOOST GDP

Niti Aayog Vice Chairman Rajiv Kumar has pitched for fiscal stimulus to boost growth with a rider that additional expenditure should be used only for increasing productivity and capital expenditure. Faced with slowing economic growth, the industry has been clamouring for a stimulus package from the government. "I do see a case for stimulus," Kumar told PTI in an interview last week. He added however that additional expenditure should be used judiciously. Kumar's comments come amid Finance Minister Arun Jaitley saying that he has not promised any fiscal stimulus, but would respond to the emerging situation.

India's GDP growth touched a three year low figure of 5.7 per cent in the first quarter of current fiscal.

However, the Finance minister had ruled out giving a fiscal stimulus to support growth of economy while talking to reporters during his recent visit to Washington.

Jaitley's remarks followed increased speculation over a possible fiscal stimulus that can go above Rs 40,000 crore after six successive quarters of dip in the economic growth, which slid to 3-year low of 5.7 per cent in the April-June quarter.

The Reserve Bank had also cautioned the government against a stimulus package to revive the sagging growth, arguing that breaching the fiscal deficit target will fire up inflation and hurt long-term macroeconomic stability.

Brokerage firm Nomura has warned that the present macro problems are due to higher spending, not a lack of that. It has also argued that they are not due to low revenue receipts either, hence a pump priming may be counterproductive this time around.

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 suggested that stimulus to the industry should not be at the cost of fiscal prudence.

Chairman of the EAC-PM Bibek Debroy had recently said, "There is a consensus (among the members)... that the fiscal consolidation exercise should not be deviated."

As of August end, the government has already run up 96.1 per cent of its fiscal deficit targets for the financial year 2017-18 as it has advanced spending on core infra sectors like roads, ports and railways.

HOW EAC'S SOLUTIONS CAN HELP TO FIX THE ECONOMY!

Last week, the Economic Advisory Council to the Prime Minister (EAC), headed by Bibek Debroy, came out with 10 themes for accelerating growth and employment over the next few months.

To start with, the reconstitution of the Council in itself is a good beginning. Not that a bunch of economists on the council possess a magic wand that can revive growth in a jiffy, but it signals that we are continuing with collective, institutional methods of decision-making, instead of relying on individuals. It could lend a timely advisory to the Prime Minister on "critical interventions" by interpreting signals emerging from various other high level think-pads or data and trends.

The IMF is the latest among multilateral agencies to have downgraded India's growth forecasts. The World Bank, OECD and ADB have also pared these numbers. Even the RBI cut its forecast for Financial Year 2018 growth by 70 bps.

Having said that, there is a cyclical

bounce-back around the corner as the effects of demonetisation and GST fade away gradually. Some of the high frequency indicators do indicate that as well. Auto sales, air traffic, rail freight and trade data offer positive cues.

According to an economist with a leading Corporate, the EAC will do well to look beyond the cyclical. In an analysis of the prevailing situation, his suggestions for growth revival strategy need a careful consideration when EAC has made it clear that it does not favour running a bigger deficit to pump-prime growth.

Options before EAC: In the realm of policy advice, the government already has NITI Aayog. The Aayog is preparing a 15-year vision and a seven-year strategy document, and has already circulated a three-year action agenda. Given the understanding that the EAC is supposed to focus on "critical interventions", it is expected to come out with some real quick solutions, as against the slow paced solutions to be covered under the Aayog's strategy paper. The quick solutions could include reviving the credit cycle or a growth-boosting Budget in the near term.

Economic entrepreneurship: The EAC will have to imaginatively spot windows of opportunities and nudge the government into action. The IMF in its latest outlook averred that "recent data point to the broadest synchronised upswing the world economy has experienced in the last decade". In this scenario, the EAC can me up with some bold policy suggestions even if it involves risk-taking that can enable India to take advantage of evolving developments.

Potential growth & productivity: Assessing the potential growth rate and productivity lie at the heart of policymaking. The EAC being a group of distinguished economists, can shed some light on India's growth potential, which seems to have been slipping of late. The potential growth and the output gap could determine future monetary and fiscal policy manoeuvres. Similar approach may be called for measures to boost productivity levels which have sagged.

New approaches to deepen growth: MF has highlighted that growth rates in India have not resulted in matching gains in income for a bulk of the population. It found in its study, that in India, real per capita GDP grew by 4.9 per cent a year during 1993-2007, but the median household income was estimated to have grown by 1.5 per cent a year. The Council should seek to deepen the growth dividend.

Narrow gap between the various think tanks: It will be big service if the EAC is able to narrow the differences of opinion among some high profile think tanks. There has been a huge chasm between the Finance Ministry and the Chief Economic Advisor even on issues like the inflation trajectory. Arriving at a golden mean will surely help.

IMF suggest an independent fiscal council to strengthen fiscal institutions

The International Monetary Fund (IMF) has suggested India to consider setting up an independent fiscal council, saying this institution has contributed to better outcomes in the countries where it has been introduced.

"India is engaging in very gradual fiscal consolidation which we regard as a welcome move," Vitor Gaspar, Director of IMF's Fiscal Affairs Department, told PTI in an interview last week.

"India has accepted a public debt anchor at 60% of GDP. We think that is appropriate. And that's something that will help India establish its public debt as a safe asset," he said.

Of the view that further progress can be made, Gaspar said India could further strengthen its fiscal institutions both at the level of the union and at the level of states.

"In the context of strengthening the fiscal responsibility frameworks, perhaps India could consider setting up an independent fiscal council," he suggested.

This is because the IMF has seen from the experience in other nations that this helps both in terms of transparency and accountability towards the general public, and also in terms of the quality of the policy debate in the country itself, he added.

“By and large, when it comes to fiscal discipline, we regard the recent steps as steps in the right direction,” Gaspar said, adding that the issue of an independent fiscal council has been raised with India in the context of Article IV consultations.

Describing introduction of Goods and Services Tax (GST) as of macroeconomic significance, Gaspar said this is a major change. GST promises to create a single market in India, to integrate India much further and therefore, from a medium to long-term perspective, it is something which is growth friendly, he said.

“The only qualification that we would have is that we would have preferred to see a simpler system in place and perhaps over time the structure of rates could be simplified further and the tax base could be widened,” he said. Since the GST has been introduced on July 1, there will be a steep learning curve concerning how it is functioning and it’s from that learning experience that the solutions will emerge, he noted.



INFLATION WATCH

WHOLESALE INFLATION EASES IN SEPT

As prices of food articles, led by vegetables, softened, wholesale inflation fell to 2.60 per cent in September. Inflation, based on the wholesale price index (WPI), had soared to a four-month high of 3.24 per cent in August 2017. It was 1.36 per cent in September 2016. The data released last Monday showed that inflation in food articles tapered to 2.04 per cent in September, as against 5.75 per cent in August on yearly basis.

Inflation in vegetable prices cooled to 15.48 per cent in September, as against a high of 44.91 per cent in the previous month. Onion prices, however, continued to rule high with 79.78 per cent increase in September. In egg, meat and fish segment the rate of price rise was 5.47 per cent. Inflation in manufactured products witnessed a slight increase at 2.72 per cent, against 2.45 per

cent in August. In fuel and power segment, inflation cooled to 9.01 per cent, against 9.99 per cent in August.

Fuel inflation has remained high in the past two months as petrol and diesel prices continued to rule high relentlessly on global crude oil rates, while power tariffs shot through the roof on lower domestic production. Pulses continued to witness deflation at 24.26 per cent, likewise in potato at 46.52 per cent and wheat at 1.71 per cent. The final print of July WPI inflation remained unchanged from provisional estimate of 1.88 per cent.

Data released earlier last week showed retail inflation at 3.28 per cent in September, unchanged from August, even as vegetable and cereal prices softened. Besides industrial production grew at a nine-month high of 4.3 per cent in August, mainly on account of robust performance of mining and power sectors coupled with higher capital goods output.

Earlier this month, the Reserve Bank kept benchmark interest rate unchanged on fears of rising inflation while lowering growth forecast to 6.7 per cent for the current fiscal. It also raised its inflation forecast.



MONEY & BANKING

CREDIT OFFTAKE UP 15 PC TO RS 80 TRILLION IN SEPTEMBER

Credit growth has turned around finally driven by higher growth in issuance of commercial papers

At a paltry 5.08 per cent, fiscal 2017 was the worst year in over six decades for bank credit-lowest since fiscal 1953 when it grew at a much lower 1.8 per cent

Analysts have been attributing the lower bank credit to a slew of factors like higher credit cost with banks, lender’s proclivity to keep away from corporates.

Reflecting growth, outstanding credit in the system till the end of September clipped at 14.6 per cent to Rs 80.09 trillion, against 13.6 per cent a year ago, according to Reserve Bank and Sebi data.

The year-on-year bank credit growth as of September 15 stood lower at 7.5 per cent as against a deposit growth of 10 per cent, according to RBI’s fortnightly data.

Industrial credit rose to Rs 75.45 trillion during the reporting month, up from Rs 66.4 trillion a year ago and Rs 59.36 trillion in September 2016. Corporate bonds during the same period inched up to Rs 25.87 trillion from Rs 21.95 trillion and Rs 18.66 trillion, while CPs rose to Rs 3.93 trillion from Rs 3.43 trillion and Rs 2.86 trillion, respectively according to regulatory data.

As the industry and the economy inches back to normalcy after the GST disruptions, outstanding loans (non-food credit) from banks to the industry and individuals stood at Rs 80.09 trillion as of September 29, while growth in food credit was lower at 13.6 per cent, show Reserve Bank data. But a closer reading of the numbers show that this was not driven by bank credit rather the lenders’ active participation in the bonds and commercial papers market.

Outstanding credit-loans and bonds and commercial papers (CPs) grew 14.6 per cent on an annual basis by end September. In the same period last year, this segment credit had grown at 13.8 per cent only. Net corporate bonds outstanding at end-September was Rs 25.87 trillion, up 18 per cent from Rs 21.95 trillion in September 2016, as per latest Sebi data.

Net outstanding on commercial papers stood at Rs 3.93 trillion at end September, up 12.6 per cent from Rs 3.49 trillion a year ago, according to RBI data. Analysts have been attributing the lower bank credit to a slew of factors like higher credit cost with banks, lender’s proclivity to keep away from corporate due to the twin balancesheet issues, and a growing corporate bond market. As a result most corporate are borrowing from the markets rather than from banks.

However, a recent Icra report said that driven by the excess liquidity in the system due to poor credit offtake, CD volume plunged to a decadal low of Rs 82,400 crore.

CUT IN POLICY RATES IN DECEMBER UNLIKELY

In the last MPC meeting, India's monetary policy-makers disagreed sharply over whether the economy needed another dose of stimulus, underlining their dilemma as growth slowed with inflation forecast to accelerate. While five on the six-member monetary policy committee voted to keep the key policy rate unchanged this month, one member said the Reserve Bank of India must be ready to tighten while another said August's 25 basis point cut was too little and too late. Governor Urjit Patel, his deputy Viral Acharya, and Pami Dua said recent indicators have been volatile and more data is needed to ascertain the magnitude of risks, according to minutes of the Oct. 3-4 meeting.

"The credibility of the MPC will be tested in the months ahead," said Michael Patra, the most hawkish member of the group. Data released after the RBI's decision showed inflation unexpectedly steadied at 3.3 percent in September from a year earlier. The monetary authority had raised its inflation forecast to a range of 4.2 percent to 4.6 percent for October-March, higher than its 4 percent medium-term target and the previous projection of 3.5 percent to 4.5 percent. It also lowered the estimate for gross value added — a key measure of growth — to 6.6 percent for the year through March 31, 2018, from 7.3 percent, keeping alive speculation that it could cut rates later this year. Gross domestic product had slowed to a three-year low in the April-June quarter, slugged by the government's cash ban and ahead of a new goods and services tax. The repurchase rate was left at a seven-year low of 6 percent.

Manufacturing Uncertainty: "The implementation of the GST has rendered prospects for the manufacturing sector uncertain in the short-term," Patel said. "This may further delay the acceleration in investment activity. However, there is a need for more data to assess whether the recent headwinds in overall GDP growth prints are transient or sustained." Acharya said given the central bank's inflation outlook "has risen quite some

distance over the target of 4 percent, there did not seem much room for monetary policy adjustment."

However, Patra said the RBI should be ready to raise interest rates if inflation breaches 4 percent. "The minutes revealed an intense debate on the growth and inflation outlook and appropriate policy response — but did not suggest a bias towards easing," Morgan Stanley economists wrote in a report.

There was one MPC member who called for a steep cut. Arch-dove Ravindra Dholakia argued that there was enough slack in the economy and inflation would rise only marginally, leaving enough room for more cuts. "In my view, the policy rate should have been cut by 50 basis points long back in June 2017," Dholakia said. "A cut of 25 basis points in August was too small and too late."

"While a significant decline in both headline inflation and inflation excluding food and fuel provides reason for cautious optimism, it remains unclear at this juncture whether these outcomes will sustain durably in the future" Patra said. "It is time to be in readiness to raise the policy rate to quell the underlying drivers of inflation if they strengthen further" "Why not stay on hold now, watch the shape and slope of the upturn and if it is benign, deliver credible monetary policy that supports the economy?"

The central bank kept the policy stance neutral with the objective of limiting the medium-term target for consumer price index (CPI) inflation of 4% within a band of plus/minus 2%, while supporting growth. The RBI had expressed concern over fiscal slippage, crude oil prices and global geopolitical escalation.

The RBI's meeting minutes, which revealed diversity in the opinions of the monetary policy members, on the basis of which Japanese brokerage Nomura suggested that there will not be a cut in the December policy as well, unless the Q2 growth numbers surprise.

Though the economy has bottomed out in the first quarter and retail inflation may stay under 3% in October, since core inflation is likely to be above 4%, we expect the rates to remain unchanged

even in the December policy, the brokerage added.



INDUSTRY

INDIA INC. CLAMOUR FOR CUT IN INTEREST RATES BY RBI

India Inc has again made a case for a cut in interest rates by the Reserve Bank (RBI) as there is a moderation in inflation.

Wholesale inflation fell to 2.60 percent in September as prices of food articles, led by vegetables, softened.

Reacting to the numbers, Ficci (Federation of Indian Chambers of Commerce and Industry) President Pankaj Patel said overall, inflation remains within RBI's indicative trajectory and this is an encouraging sign.

"We feel that there is a need for greater balance in our monetary policy approach which is largely focused on managing inflation," he said in a statement.

It urged the central bank to take a more balanced view especially when the industrial sector needs support to improve on its growth performance.

"We need an accommodative monetary policy at this juncture and hope RBI brings down the policy rate sooner rather than later," Patel added.

Sharing similar views, CII (Confederation of Indian Industry) said in the recently announced monetary policy review, the opportunity was lost as far moderation of interest rate is concerned.

"Given the moderation in both CPI and WPI inflation, the RBI should resume the rate easing cycle in its next monetary policy announcement to give a fillip to demand," it said.

On October 4, the Reserve Bank kept benchmark interest rate unchanged on fears of rising inflation, while lowering growth forecast to 6.7 per cent for the current fiscal.

QUARTERLY GST RETURN MAY DENT SMES' BUSINESSES

The Central government recently

allowed small traders and businessmen having turnover of up to Rs 1.5 crore to file GST return quarterly instead of monthly in order to bring simplicity and reduce compliance cost for small taxpayers.

Industrialists feel while this move would ease the compliance for the SMEs, they apprehend it may affect adversely and they could suffer business losses.

Industrialists and tax consultants say the repercussions of this move will be felt later (in about six months) and if corrective steps are not taken, it can prove death knell for small industries having a turnover of up to Rs 1.5 crore.

The small taxpayers with turnover up to Rs 1.5 crore constitute 90% of taxpayers' base but pay only 5-6% of the total tax.

"A majority of manufacturers in small, medium and large category procures finished goods from small manufacturers having turnover of less than Rs 1.5 crore and later they (buyers) claim input tax credit in their monthly return. Since these small players will file quarterly returns now, the accounts of buyers will be settled after three months only and if there is any discrepancy, it will lead to further delay. So, small, medium and large manufacturers will gradually shift to bigger manufacturers," said Ashwani Kohli, senior vice-president, Punjab Chamber of Small Exporters.

The industry feels that if large manufacturers buy components from industries having turnover greater than Rs 1.5 crore, they will get input tax credit refund in one and a half months as accounts are settled as soon as they file their returns.

Echoing similar sentiments, Mastan Singh Chambyal, a chartered accountant, said, "Though buyers can claim input tax credit from suppliers having turnover of up to Rs 1.5 crore on a provisional basis after filing their monthly returns, their accounts will be settled only after the suppliers file their quarterly returns. Further, if any discrepancy arises, the buyers will have to wait for few months. So the buyers will shift to suppliers in the organised sector having turnover of

over Rs 1.5 crore and file monthly return."



TELECOM FINANCIAL RELIEF FOR TELCOS ON THE ANVIL

Financially stressed telcos could expect post-Diwali gift from the government in form of a financial relief package, officials close to the development told Financial Chronicle.

The final note on the package, to be announced early December, would be put up to the cabinet over the fortnight. It is expected to be cleared by November end, sources added. Telecom Secretary Aruna Sundararajan confirmed that the IMG proposals will be placed before cabinet in two weeks.

The department of telecom is working on a financial relief package for telcos based on recommendations of an inter-ministerial panel, set up to address the stress in the telecom sector. The idea is to ease some pain of telcos, saddled with high debt.

The package will aim to reduce the interest burden on telcos as the rate of interest on delayed payments would be re-adjusted based on marginal cost of lending (MCLR) by banks and not their prime lending rates (PLR). It will also extend spectrum loan repayment period from 10 to 16 years, as per the telecom commission recommendations.

The move would bring cash flow relief to operators since the net present value of the amount won't change. Deferred payment option for spectrum was one of the key demands of operators submitted before IMG.

The commission also approved IMG suggestion that in case of delay in payments of licence fee or spectrum usage charges, the interest will be charged on the basis of MCLR instead of PLR.

Officials said the interest in this case would be 2-3 per cent less than the prevailing rate. Debt raised on SBI prime lending rate basis is charged 13.7 per cent interest.

Under the new rule, telecom operators will need to pay 12 per cent interest on penalties and delayed payments. The telecom industry's total debt stands at Rs 4.60 lakh crore, as per industry estimates. Operators bought Rs 3.45 lakh crore spectrum since 2010 for which an upfront payment of Rs 1.9 lakh crore has been made and the balance Rs 3.08 lakh crore needs to be paid by 2028-29. Now this amount could be paid till 2034-35. Industry experts say the moves could release Rs 45,000 crore to operators, which could be redeployed.



OIL & GAS RIL-BP TO INVEST \$1.5BN IN 6 SATELLITE GAS DISCOVERIES

In a big boost to Oil & Gas sector, Reliance Industries and its partner BP will invest over \$1.5 billion in six satellite gas discoveries in the KG-D6 block, the combine has said in a refreshed plan for starting production from these finds by 2022.

This is part of Reliance-BP's plan to infuse Rs 40,000 crore (over \$5 billion) into the block and marks the beginning of the investment cycle in the east coast as a result of policy reforms, especially allowing remunerative price to producers, initiated by the government.

Reliance-BP plans to develop four deep-sea gas discoveries, identified as D-2, 6, 19, 22 in the vicinity of the present producing discovery in the KG-D6 block as well as nearby discoveries D-29 and 30.

The investment plan indicates that RIL-BP is taking into account the current conditions in the global oilfield services market to reduce cost. The government had in 2012 approved investment plan of a similar size for developing four discoveries. The companies, however, did not take up the project due to uncertainty over gas pricing policy. The refreshed plan envisages bringing to production six finds at nearly the same cost and indicates slightly higher output.

Peak output from the six satellite

discoveries are projected at 10-12 mcmd (million cubic metres per day) and will augment KG-D6 production, which had dropped sharply after the current discoveries failed to meet the promised output target.

Besides the six discoveries, Reliance-BP is also working on development plan for R-Series and MJ gas discoveries in the block. RIL-BP combine does not plan to alter the \$3.18 billion investment plan for D-34 or R-Series gas field in the same block, which was approved in August 2013. About 12.9 mcmd of gas for 13 years can be produced from from D-34 discovery, which is estimated to hold recoverable reserves of 1.4 trillion cubic feet. A separate development plan for the MJ find would be submitted by mid-2018.



MARKETS

MARKETS OPEN ON WEAK NOTE, SENSEX FALLS 194 POINTS

Benchmark sensex surrendered early gains to end over 194 points lower at

2,389.96 in a special Muhurat trading session on Thursday to mark the beginning of Hindu Samvat year 2074.

Banking stocks led the fall as participants booked profits to write their first entry with gains on the first session of Samvat 2074, brokers said.

The broader NSE Nifty too dipped below the 10,200-mark in the special one-hour Muhurat session.

The BSE Sensex opened higher at 32,656.75 and advanced to a high of 32,663.06 on token buying activity as investors and funds opened their new accounts on the first session of Samvat 2074. However, higher levels could not be sustained due to sudden sell-off by participants and the index slipped to 32,319.37, before settling 194.39 points, or 0.60 percent down at 32,389.96.

The gauge had lost 49.29 points in the previous two sessions.

On similar lines, the broad-based NSE Nifty index, after shuttling between 10,211.95 and 10,123.35, ended 64.30 points, or 0.63 percent lower at 10,146.55.

A weak trend at the European stock markets on Spain's escalating political crisis also fuelled selling towards the fag-end at the domestic bourses here, brokers added.

The Sensex gained 4,642.84 points, or 16.61 percent, in the Hindu Samvat year 2073, while the broader NSE Nifty surged 1,572.85 points, or 18.20 percent.

The laggards in the Muhurat session were banking, metal, PSU, infrastructure, power, oil and gas, auto, consumer durables, healthcare, realty, FMCG and IT sectors.

The broader markets outperformed the overall trend as investors created fresh positions, lifting the BSE small-cap index by 0.54 percent and mid-cap index by 0.17 percent.

Globally, in the Euro zone, Frankfurt's DAX fell 0.63 percent, while Paris CAC 40 shed 0.54 percent. London's FTSE too fell 0.35 percent.

In the Asian region, Hong Kong's Hang Seng fell 1.92 percent, Shanghai Composite Index slipped 0.34 percent, while Japan's Nikkei ended 0.40 per cent higher.

Positive macro data, IMF remarks cheer investors

Last week, Stock markets surged to all-time closing highs as positive macro data and encouraging comments by the IMF cheered investors, sending the benchmark BSE Sensex higher by 200 points.

The 30-share index scaled an all-time high of 32,687.32 in early trade before ending up by 200.95 points at 32,633.64, the highest closing level so far.

The broader NSE Nifty zoomed past the 10,200-mark for the first time to hit an all-time high of 10,242.95 in early trade. However, it pared some of gains to settle at record closing level of 10,230.85, up 63.40 points, or 0.62%.

It broke previous record high of 10,167.45, hit on October 13.

Market sentiment was buoyant in a truncated trading week ahead of Diwali and encouraging Q2 earnings from oil-to-telecom conglomerate Reliance Industries.

"Optimism over Q2 earnings and positive global cues continued to drive market to fresh highs," said Vinod Nair, Head of Research, Geojit Financial Services Ltd.

The rupee appreciating further to 64.68 against the dollar (intra-day) at the forex market too fuelled the rally.

Sentiments got a lift after IMF chief Christine Lagarde said the Indian economy is on a "very solid track" in the mid-term, triggering all-round buying activity.

Wholesale inflation softening to 2.6% from 3.24% in August and exports growing at 25% in September also enthused investors.

Unabated buying by domestic institutional investors (DIIs) helped the key indices scale new highs.

A firming trend at other Asian markets and a higher opening of European shares tracking gains across the US and Asia as investors bet on another strong earnings season, also boosted sentiments.

In the euro zone, stock exchanges in Frankfurt and Paris were up by 0.20% each in early trade. London's FTSE also rose 0.30%.

Among Sensex gainers, Bharti Airtel rose further by 4.96% after the company announced acquisition of Tata group's loss-making mobile telephony business, almost for free, boosting its spectrum holding and user base.

Other big gainers included M&M (3.08%), Tata Motors (2.85%), Hindustan Unilever (2.63%), Sun Pharma (2.52%), Cipla (2.42%), Dr Reddy's (1.93%), Bajaj Auto (1.80%), TCS (1.11%), ONGC (1.06%), among others.



TRADE

TEXTILE EXPORTERS FACE GROWTH, PROFITABILITY PRESSURES AMIDST MULTIPLE HEADWINDS

Indian textile exporters have been facing multiple headwinds over the past few months, which have affected their pace of growth and profitability. While market challenges such as subdued demand trends in the key importing countries and intense competitive pressures from nations such as Bangladesh and Vietnam have been witnessed over the past few years as well, unfavourable currency movements and high raw material prices in the past six to nine months and recent revision in duty drawback rates have added to exporters' woes. Notwithstanding a large domestic market for textiles, the trends hold importance given that exports continue to account for more than one-third of the Indian textile market.

Stagnancy in Indian textile exports in recent years: The Indian textile exports have remained stagnant in the past four fiscal years, after growing at a CAGR of nearly 13 per cent between FY2010 and FY2014 in US dollar terms. The growth between FY2010-FY2014 was driven by all the key segments including apparels, home textiles and cotton yarns (accounting for 46 per cent, 16 per cent and 9 per cent of Indian textile exports respectively), growing at a CAGR of 9 per cent, 15 per cent and 30 per cent respectively.

However, stagnancy in the recent years can be attributed primarily to de-growth in cotton yarn exports, as also the modest pace of growth in the apparels segment. While the slowdown in apparels segment has mainly been on account of subdued demand trends in key textile consuming regions of the US and European Union (EU) (accounting for a majority of exports from India), the cotton-yarn exports have been under pressure on account of a decline in demand from China, which used to account for more than 40 per cent of the total cotton yarn exports from India till last year and accounted for only 17 per cent of India's cotton yarn exports in 4M FY2018. The challenges have been further

augmented by intense competitive pressures from other leading textile exporting nations such as Vietnam and Bangladesh.

Recent trends adding to pressures: Besides the demand-side pressures, Indian exporters have been facing additional pressures in the form of currency trends and input prices. Notwithstanding the 2 per cent depreciation in the Indian Rupee vis-à-vis US dollar in the month of September 2017, the Indian Rupee sustained its strong performance against currencies of most of the countries competing in the global textile space during most part of the current calendar year. This reduced competitiveness of Indian exporters vis-à-vis their counterparts. Further, higher input prices (primarily cotton) vis-à-vis last year added to profitability pressures during H1 FY2018. While cotton prices have started correcting, which is expected to provide a respite during H2 FY2018, the recent revision in drawback rates (effective October 2017) is likely to exert some pressure on margins.

Subdued global demand trends in the apparels: The global apparel trade continues to shrink amid subdued demand trends in the key importing countries. Following the 5 per cent de-growth in CY2015 on account of a decline in imports by Europe and Japan, and 2 per cent decline in CY2016 on account of subdued demand from the US (even as demand from Europe recovered), the trade has once again shrunk by 2 per cent in H1CY2017. The decline can be partially explained by the increased focus on lower value apparels, which have pushed down realisations, while the volumes have remained stagnant.

COMPETITIVE PRESSURES FROM BANGLADESH AND VIETNAM

Amidst the sustained sluggish phase in the global apparel trade due to macroeconomic uncertainties in large apparel importing regions, growth in India's apparel exports remain volatile and not so encouraging. Although Indian apparel exports have outperformed trends in global apparel trade in recent years, as reflected in a 1 per cent, 2-year CAGR in Indian apparel exports vis-à-vis a 4 per

cent de-growth in global trade during the same period, the pace of growth has been modest as compared to some of the competing apparel-exporting nations such as Bangladesh and Vietnam, which have grown faster at a CAGR of 4 per cent and 6 per cent respectively during the same period.

As a result, India's share in global apparel trade has remained range-bound vis-à-vis an increase in share of Bangladesh and Vietnam. While Bangladesh benefits from access to cheaper labour and preferential access (in terms of duties) to EU, capacity build-up in Vietnam's textile sector in the recent years, in anticipation of Trans Pacific Partnership (TPP), has supported its growth. Accordingly, these countries have been able to garner a larger pie of \$27 billion market released by the global-leader China (6 per cent of the global apparel market) over the past two years. Further, recent currency trends (discussed in the next section) have only made it more challenging for Indian exporters, by making them less competitive vis-à-vis peers.

HIGHER INPUT PRICES

Adding to profitability worries India's textile exports, be it in the form of yarn or end-products (apparels/ home textiles etc.), are predominantly cotton-based, as reflected in their share of 70 per cent of India's total textile exports. Accordingly, movement in cotton prices plays an important role in determining the profitability of the Indian textile players, which holds true for exporters as well. Last year, the domestic prices of cotton fibre had increased significantly from a level of Rs 90-92/kg at the beginning of FY2017 to a peak of Rs140/kg in July 2016, driven by the tight stock position in the domestic market.

With crop output in the previous cotton season starting October 2016 being lower than initial expectations, the cotton prices remained firm at Rs120/ kg after a minor correction during Q3'FY2017. Even as the cotton prices continued to hold up till mid-September 2017, a pressure on end-product realisations was witnessed due to demand-side pressures in the domestic as well as export markets as well as currency appreciation. This holds true for yarn as

well as other product categories including apparels and home textiles.

A similar trend has been witnessed in costing and profitability of apparel and home textile exporters. This is reflected in an increase in raw material cost as well as other manufacturing costs as a percentage of output, for six companies in ICRA's sample, to 52 per cent and 31 per cent in Q1 FY2018 from 48 per cent and 29 per cent respectively in the corresponding previous quarter last fiscal. An increase in raw material prices vis-à-vis last year together with a decline in realisations on account of currency appreciation resulted in a sharp decline in operating profitability of the sample to 17 per cent in Q1 FY2018 from 22 per cent in Q1 FY2017

RUPEE DEPRECIATION

Indian Rupee depreciated by 2 per cent relative to the US dollar in the month of September 2017 led by various factors, including geo-political tensions, the indication by the US Federal Reserve that it may undertake another rate hike in 2017, as well as concerns that a potential fiscal stimulus by the Government of India to boost economic growth may result in a slippage relative to the deficit target for the year.

Nevertheless, the Indian Rupee sustained its strong performance against currencies of most of the countries competing in the global textile space during much of the current calendar year, appreciating by 5 per cent against US dollar in 8M CY2017. In comparison, currencies of other key nations competing in the textile space such as the Vietnamese Dong, the Bangladeshi Taka as well as the Pakistani Rupee depreciated by 0.5-2 per cent against the US\$ during the same period.

Considering that more than two-thirds of India's textile exports are dollar-denominated, in line with the dominance of US\$ based transactions in India's total exports (more than 85 per cent), a sustained strong performance of Indian Rupee vis-à-vis US\$ has been one of the major causes of concern for the Indian textile exporters in the past one year, as this has made it difficult for exporters to remain price-competitive. Though the Indian

Rupee has depreciated against the Euro, another major currency in which India's exports are denominated, this needs to be viewed in conjunction with the fact that the extent of depreciation in currencies of peers against Euro has been steeper during the current calendar year.

Considering that China still accounts for a majority of the exports to Europe, while Bangladesh is also a prominent player there, benefitting from a favourable duty structure, the relative currency movement against the Euro is adding to the challenges being faced by Indian exporters.

US WANTS STRONGER ECONOMIC, DEFENCE TIES WITH INDIA: TILLERSON

US Secretary of State Rex Tillerson has said before a visit to India this week that the Trump administration wanted to "dramatically deepen" cooperation with New Delhi, seeing it as a key partner in the face of negative Chinese influence in Asia.

Speaking on Wednesday, less than a month before President Donald Trump is due to make his first state visit to China, Tillerson said the United States had begun to discuss creating alternatives to Chinese infrastructure financing in Asia.

"India and the United States should be in the business of equipping other countries to defend their sovereignty, build greater connectivity, and have a louder voice in a regional architecture that promotes their interests and develops their economies," Tillerson added.

The US decision to expand relations with India almost certainly will upset India's rival, Pakistan, where Tillerson also will stop next week, said a senior State Department official, speaking on condition of anonymity.

Pakistan was the main US ally in South Asia for decades, but US officials are frustrated with what they charge has been Pakistan's failure to cut support for the Taliban insurgency in Afghanistan, where the administration wants India to play a bigger role in economic development.

INVESTMENT MODI'S AMBITIOUS INFRASTRUCTURE FUND GETS \$1-BILLION FROM ABU DHABI

Narendra Modi's ambitious National Investment and Infrastructure Fund has got a major boost with the Abu Dhabi Investment Authority committing to put in up to \$1 billion (about Rs 6,500 crore) and becoming its first significant shareholder, after being largely dormant for nearly two years since it was launched. Abu Dhabi Investment Authority will become the first institutional investor in the NIIF Master Fund and a shareholder in NIIF's investment management company — National Investment and Infrastructure Ltd.

This Investment Fund, was set up in December 2015 to boost the funding into the country's core sector by attracting investments from both domestic and international sources, but it had not been able to fetch a single investment in any project till recently.

The Abu Dhabi Investment Authority (ADIA) is the sovereign wealth fund of the Gulf emirate.

"As part of the comprehensive partnership agreement, ADIA will become the first institutional investor in NIIF's Master Fund and a shareholder in National Investment and Infrastructure Limited, the NIIF's investment management company," the NIIF said in a statement last Monday.

NIIF CEO Sujoy Bose said the agreement marks the culmination of an extensive process of collaboration with ADIA to develop an investment structure that is attractive to international investors, while remaining closely aligned with the NIIF's objectives.

"We are proud to have ADIA as our founding partner, and grateful for its support and contributions to date, and we now look forward to announcing further agreements with other investors," he said.

Khadem al Remeithi, executive director (real estate and infrastructure department), ADIA, said the fund was set to play an important role in facilitating the flow of foreign capital into India's infrastructure sector.



Six domestic institutional investors (DIIs) - HDFC Standard Life Insurance Company Limited, HDFC Asset Management Company Limited, Housing Development Finance Corporation Limited, ICICI Bank, Kotak Mahindra Old Mutual Life Insurance and Axis Bank - will also be joining the NIIF Master Fund along with ADIA, apart from the government.

Subhash Chandra Garg, secretary (economic affairs), said: "This agreement paves the way for creating significant economic impact through investment in commercially viable infrastructure development projects."

The corpus of the NIIF is proposed to be Rs 40,000 crore wherein the government will invest 49 per cent. It will raise third party capital for the remaining Rs 20,000 crore, from long-term international investors such as sovereign wealth funds, insurance and pension funds, and endowments.

NIIF's investment strategy includes a provision to anchor equity, quasi-equity and debt funds in partnership with investors targeting investments in the relevant sectors in India.

The Indian government has already approved its contribution of Rs 20,000 crore towards NIIF. But it has budgeted only Rs 1,000 crore for the current financial year 2017-18, since it was not required to contribute to it in the absence of other foreign or domestic investment into the fund. However, since more sovereign wealth funds are now likely to follow the ADIA way, the government, too, will most likely be required to raise its budgetary support for the NIIF.

The deal with ADIA follows an earlier memorandum of understanding (MoU) between the finance ministry and the UAE government to mobilise long-term investment into NIIF. India had also signed MoUs with Qatar Investment Authority and Russia's Rusnano OJSC earlier and has been in talks with Singapore's Temasek Holdings for investments under the NIIF framework

Earlier this year, finance minister Arun Jaitley had said the country required investments worth an estimated Rs 43 lakh crore (about \$646 billion) in the infrastructure sector over the next five years. As much as 70% of this requirement will

be in power, roads and urban infrastructure. Most public-sector banks are reeling under a very high level of NPAs and potential bad loans, their ability to fund large infrastructure projects is very limited. It's why funds such as NIIF assume significance.

INDIA POISED TO ATTRACT INVESTMENT WORTH \$10 BN IN FOOD PROCESSING

India has attracted investment commitments worth around \$10 billion in the food processing sector ahead of the mega World Food India event. Union Minister Harsimrat Kaur Badal said last week that the World Food India platform will reinvigorate India's position as a 'Global Food Factory' and a 'Global Sourcing Hub'.

The experiential platform will bring together culinary practices, flavours, fragrances from the world's cuisines, and celebrate India's rich cultural heritage and diverse uniqueness of its produce to create contemporary renditions and fusion food, she said about the November 3-5 event here in the Capital.

Badal said more investment was expected by the end of the event in which Japan, Denmark and Germany are participating as "partner countries" and Italy and The Netherlands are focus nations.

"We had kept a target of \$10 billion investment. I am happy to share that we have already achieved the target. More investment is likely to flow as we still have two-three weeks for the event," she said.

The sector will generate 1 million jobs in the next three years. She said: "We today have a \$600 billion retail sector, of which 70% is food retail and it will treble by 2020. Expenditure on food will also double next in six years. There is a huge market."



ECONOMIC NOTES

IGST ON GOLD IMPORTS EXEMPTED

The government has issued a notification allowing 36 banks and five canalising agencies, including MMTC and

MSTC, to import gold without paying a 3 per cent integrated goods and services tax (IGST). It's a big relief for financial institutions importing gold, as the 3 per cent tax was an additional burden on them.

Till now, importers' working capital used to get blocked until they got the refund on GST paid. However, the new notification removes that hurdle and smoothens the process of import. Analysts say gold imports on a consignment basis, which had almost stopped after the implementation of the GST, will resume again.

In the case of consignment import, an importer kept gold ready in stock and it was priced when sold. This was helpful as sudden demand helped banks to give virtually spot delivery. However, due to the 3 per cent IGST payable on imports, banks and other agencies had stopped it. The latest notification doesn't change anything for traders who will have to pay 10 per cent import duty and 3 per cent IGST and claim back the IGST as input credit. Gold refineries that import dore gold or unrefined gold, will have to pay the IGST. They are thus at a disadvantage compared to refined gold importers.

INDIA PURSUING EXCITING TRANSITION TO DIGITAL MODE

India is currently pursuing an "exciting" route of digital transformation which can be a learning experience for everyone, according to the IMF which is featuring a case study on the country's digital revolution in its new book.

Vitor Gaspar, Director of the International Monetary Fund's Fiscal Affairs Department, the IMF will put out book titled 'Digital Revolutions in Public Finance'.

"It is about what is happening in the world in terms of the use of digital technology in public finance. It is also looking at the future trying to foresee what is coming as a true set of revolutions. One of the case studies in the book is India," he said.

According to Gaspar, India is currently pursuing "an alternative and very exciting" route in which it is making the use of

digital technology and digital records in public administration with new technologies that make use of financial inclusion and bio metrics.

US TO MONITOR INDIA'S FOREX PRACTICES

Flagging a notable increase in the scale and persistence of India's net foreign exchange purchases, the US Department of Treasury has told the Congress that it will closely monitor India's foreign exchange and macroeconomic policies as part of its monitoring list of major trading partners.

"Over the first half of 2017, there has been a notable increase in the scale and persistence of India's net foreign exchange purchases, which have risen to around \$42 billion (1.8% of GDP) over the four quarters through June 2017," the Treasury said in its latest half-yearly report to the Congress.

In its report to the Congress "Foreign Exchange Policies of Major Trading Partners of the US," the Treasury said India has a significant bilateral goods trade surplus with the US totalling \$23 billion over the four quarters through June 2017. "Treasury will be closely monitoring India's foreign exchange and macroeconomic policies," it said.

In its report, the Treasury said it assesses net purchases of foreign currency, conducted repeatedly, totalling in excess of 2% of an economy's GDP over a period of 12 months to be persistent, one-sided intervention.

Switzerland and Brazil meet this criterion for the four quarters ending June 2017, as per Treasury estimates.

"India is very close to meeting this criterion for the four quarters ending June 2017, with net purchases of foreign currency slightly below 2% of GDP", it said.

This Administration places a very high priority on ensuring that American workers and companies face a level playing field when competing internationally. When our trading partners engage in currency manipulation, they impose significant, and often long-lasting, hardship on American workers and companies", the report said.



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