

NEWS AND ANALYSIS ON INDIA

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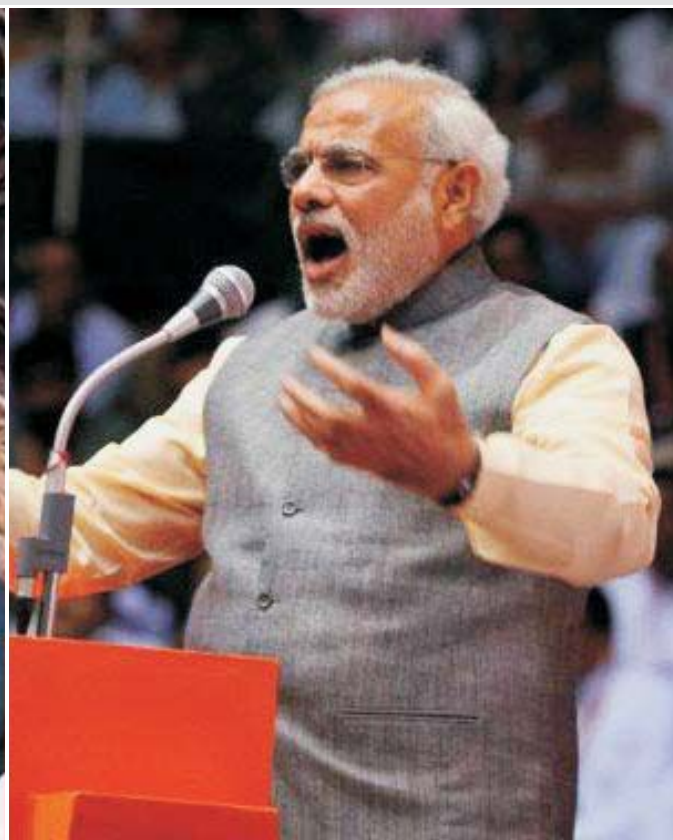
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# MODI'S “UNBELIEVABLE” CHARGE AGAINST MANMOHAN SINGH

AMULYA  
GANGULI

It is not often that a former prime minister accuses his successor of spreading falsehood and canards against him, but this is exactly what Manmohan Singh has done. The provocation was Narendra Modi's charge that Singh along with the former vice-president, Hamid Ansari, and a few others had colluded with Pakistan to influence the Gujarat elections during a “secret” meeting with, among others, the Pakistan high commissioner and a former Pakistani foreign minister.

As BJP M.P. Shatrughan Sinha has said, the accusation is “unbelievable”. Anyone who has known or even seen Manmohan Singh will vouch for his transparent honesty and integrity. He may not have been able to check the scams that took place when he was prime minister, but few doubted his personal uprightness.

Moreover, a meeting where he is present cannot be a secret one since he is safeguarded by the commandos of the special protection group, which provides security to the prime minister and former prime ministers along with the immediate members of their families. Modi's office would have known, therefore, where Manmohan Singh was and who were with him even if the subject of discussion might not have been known to outsiders. However, as the former Pakistan foreign minister, Khurshid Mahmud Kasuri, later said, the word, Gujarat, was not even uttered.

If Modi nevertheless levelled his “unbelievable” allegation, the reason perhaps was his nervousness about the Gujarat results. He may also have been riled by the comment of the host of the “secret” meeting, former Congress minister Mani Shankar Aiyar, now known mainly for shooting his mouth off, who used the word, “neech”,

meaning low or low-born, to describe Modi.

As is the prime minister's wont, he lost no time in going hammer and tongs at Aiyar, saying that he had once hatched a plot to engage a hit man against Modi in a so-called “supari” operation. Like Modi's absurd charge against Manmohan Singh, this was yet another outrageous allegation. No matter how much, the BJP and the Congress dislike one another, it is inconceivable that the latter will go to the extent of conspiring with an unfriendly foreign country to meddle in a local election or engage an assassin to bump off the prime minister.

These weren't the only instances when Modi transgressed the limits of dignified criticism. He also did so when he compared Rahul Gandhi's ascent to the Congress president's post to that of the Mughal emperor, Aurangzeb, succeeding his father Shahjehan, while adding that Rahul was also out on bail.

The prime minister's reference to Aurangzeb was a continuation of what Aiyar had said about the transfer of power in Mughal times when no elections were held. His point was that the charge of dynasticism against the Nehru-Gandhi family was erroneous since the chosen leaders in a democracy had no option but to stand for elections. However, such fine-tuning did not deter Modi from mentioning Aurangzeb in his speeches which fitted in with his characterization of the Nehru-Gandhis as the Delhi sultanate or a continuation of the Muslim rule in India before the coming of the British.

The saffron subtext in using these Muslim nomenclatures was, first, to arouse anti-Muslim feelings among the voters which has always been the mainstay of the BJP's politics and, secondly, to portray the

dynasty as pro-Muslim. Not surprisingly, while Modi referred to Aurangzeb, the most hated of Mughal rulers in the Hindutva camp's view, a BJP spokesperson mentioned Babur and Alauddin Khilji, the BJP's pet hate at present in view of the controversy over the yet to be released film, Padmavati, in which Khilji plays a role.

The intensity of the diatribes against the Congress can be explained by the fact that for the first time in more than two decades, the BJP faced a stiff challenge from the Congress in a state which it had come to regard as its pocket borough. For the ruling party, the challenge was all the more surprising because it came from someone who used to be derided by the BJP and its hundreds of supporters in the social media as Pappu or an adolescent.

But Rahul's emergence as a sober and articulate politician could not but have been a cause for worry for the BJP because even if it won in Gujarat if only because the people of the state could not be expected to let down a fellow Gujarati prime minister, it is now clear that Rahul will be the main and an effective challenger to Modi's supremacy in the 2019 general election.

As long as the BJP was dreaming of ushering in a Congress-mukt (free) India, the party could mock Rahul and take it easy because it felt that it will soon be the master of all it surveys. But, now, the scene is different, not least because there is every possibility that the next round of elections will not as easy as the polls in Himachal Pradesh and Gujarat because the party's position does not seem to be all that secure in Madhya Pradesh, Chhattisgarh and Rajasthan. An ill-tempered BJP is likely to continue raving and ranting against the Congress in the foreseeable future.





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## COVER STORY

### CONTROVERSIAL DINNER, 'SECRET MEETING' AND MALICIOUS INNUENDOS

Mani Shankar Aiyar, the suspended Congress leader who had made a controversial remark calling Prime Minister Modi “neech” person (a low-life kind of person), hosted a rather controversial dinner that was attended by former prime minister Manmohan Singh, and included former Pakistan Foreign Minister Khurshid Kasuri and Pakistan High Commissioner to India Sohail Mahmood, former high commissioners to Pakistan, former foreign secretaries and foreign ministers, a former vice president and a former army chief and a few journalists.

The dinner raised a bitter war of words between the Congress and the BJP with observers questioning the reactions from the prime minister.

#### PM'S INTERPRETATION OF THE MEETING

Karan Thapar (president of Infotainment Television and a TV anchor) who was invited to the dinner but was unable to attend writes that prime minister's “deliberately and maliciously misconstrued an innocent meeting at Mani Shankar Aiyar's residence on December 6 and presented it as a conspiracy by Pakistan to interfere in the Gujarat polls.....The intention was to talk about the India-Pakistan situation, obviously with specific reference to Kashmir and terror....”

This transparent and irreproachable meeting, writes Thapar was presented by the prime minister as “a secret meeting” to allege Pakistan's hand in the Gujarat elections. With heavy insinuation, he said: “Pakistan's high commissioner, former foreign minister,



*Suspended Congress leader Mani Shankar Aiyar and Prime Minister Narendra Modi.*

India's former vice-president and India's former PM Manmohan Singh all met at Aiyar's house for three hours and then, the next day, Mani Shankar calls Modi neech. This is a serious and sensitive issue... what is the reason for such a secret meeting amidst Gujarat elections?”

The prime minister then proceeded to draw two connections. First, he claimed “after the meeting, people of Gujarat, backward communities, poor people and Modi were insulted, don't you think such events raise doubts here?”

Speaking at Sanand, he claimed the meeting was held a day after “a former chief of the Pakistan army”, Arshad Rafiq, had called for Ahmed Patel to be made chief minister of Gujarat. “Why is Pakistan's senior retired army officer exercising his brain in the Gujarat elections?”, he asked.

Thapar says that “normally Modi is meticulous about the accusations he raises and the innuendos he levels. Such juvenile and hallucinatory conspiracy theories are not

his style. Does this suggest that fear and foreboding of the Gujarat outcome has put him in a funk? Is this electoral panic?”

#### MANMOHAN SINGH'S UNCHARACTERISTIC ATTACK ON PM

The Congress reaction was severe. In an uncharacteristic attack, Manmohan Singh, former prime minister asked Modi to “show the maturity and gravitas expected of the high office he holds” and apologise for his “ill thought transgression” to restore the dignity of the office he occupies.

“I reject the innuendoes and falsehoods as I did not discuss Gujarat elections with anyone else at the dinner hosted by Aiyar as alleged by Modi. Nor was the Gujarat issue raised by anyone else present at the dinner. The discussion was confined to India-Pakistan relations,” he said.

Singh reminded the Prime Minister that “he had gone to Pakistan uninvited after the terrorist attacks in Udhampur and

## TALK WAS ON PAKISTAN TIES, SAY DINNER GUESTS

And at least three participants in the dinner meeting hosted by Mani Shankar Aiyar have sought to set the record straight. Sharat Sabharwal, a former Indian High Commissioner to Pakistan from 2009-2013, and deputy high commissioner from 1995-1999, said: "It was only a discussion on India and Pakistan relations, in the nature of many such discussions. There was nothing to do with internal political scenario."

Chinmaya Gharekhan, a former special envoy of the Prime Minister on west Asia from 2005 to 2009, said: "I can say that there was absolutely no mention, let alone discussion, of Gujarat or any other domestic political issue, Indian or Pakistani."

Rahul Singh, writer and journalist, said that he was "appalled" and that "there was no mention whatsoever of India's domestic politics, nor of the Gujarat election".

Gurdaspur." He also dared the Prime Minister to "tell the country the reason for inviting the infamous ISI of Pakistan to our strategic Air Base in Pathankot to investigate a terror attack that emanated from Pakistan."

"Fearing (defeat)...desperation of Prime Minister to hurl every abuse and latch on to every straw is palpable. Sadly and regrettably, Modi is setting a dangerous precedent by his insatiable desire to tarnish every constitutional office, including that of a Former Prime Minister and Army Chief," Singh said.

Among those who attended the meeting included besides Kapoor and Haider, former External Affairs Minister Natwar Singh, diplomats T C A Raghavan, Sharat Sabharwal, K S Bajpai, M K Bhadrakumar, C R Gharekhan, Satinder Lambah and journalists Prem Shankar Jha, Ajay Shukla, Rahul Khushwant Singh.

Congress President Rahul Gandhi defending Manmohan Singh slammed Prime Minister Modi's comments as unacceptable.

## BJP'S SHARP REACTION

The BJP reacted sharply. Calling the dinner meeting a "misadventure" and

"worrisome," Union Finance Minister Arun Jaitley said that instead of asking for an apology from the Prime Minister, the Congress should explain why such a meeting was held in the first place given the current circumstances of India-Pakistan relations.

The ruling party also took strong exception to Pakistan government's reaction to Modi's remark. Condemning what he called the "unwarranted" statement by Pakistan on Gujarat elections, Union Law Minister Ravi Shankar Prasad alleged that it seemed to suggest that it was aimed at bailing out the Congress party. Earlier, Pakistan's Foreign Office spokesman Mohammad Faisal tweeted: "India should stop dragging Pakistan into its electoral debate and win victories on own strength rather than fabricated conspiracies, which are utterly baseless and irresponsible".

Prasad told reporters in the national capital. "Today a very curious statement has been released by Pakistan foreign office condemning Pakistan being dragged into India's election and stated that Indians must learn to fight the elections on their own...I wish to tell Pakistan that Indians are capable of contesting... (elections in) India's democracy on their own as they do... India's Prime Minister is a popularly elected PM."

Prasad asserted that India "completely abhors any outside interference in India's electoral affairs." He added: "The role of Pakistan in promoting terrorism in India is too well known in the entire world. Please stop giving us lessons. We are proud of India's democracy. We are very proud of India's democracy and totally condemn this unwarranted statement from Pakistan."

## PM'S "NONE-TOO-VEILED INNUENDO"

Reaction from the media have not been very polite to the prime minister and his party. The Indian Express writes that PM Narendra Modi's "none-too-veiled innuendo in an election speech in Banaskantha district on Sunday has severely let down his constitutional commitment and office. A day after the first phase of polling in Gujarat, he spoke about a former Pakistani army officer allegedly showing undue interest in the election and supporting Ahmed Patel for chief minister. And about a dinner meeting at Congress leader Mani Shankar Aiyar's home, where

Indian dignitaries, including a former PM, vice-president and army chief, met with a Pakistani delegation, including the Pak high commissioner, to hold secret talks in the midst of Gujarat polls. The import of the PM's statements was inescapable and grim: Speaking in the same breath of the Congress, Pakistan and a Muslim candidate for CM, he suggested that they are partners in an unholy, rather anti-national, conspiracy. In one stroke, he labelled his political opponent as unpatriotic and lent the immense weight of his office to a shameful politics of stereotyping that holds all of India's Muslims to be pro-Pakistan and guilty."

## THE GUJARAT ELECTIONS EFFECT ON PM NARENDRA MODI?

Jyoti Malhotra, Consulting Editor, Indian Express suggests that "as the high-voltage Gujarat election campaign winds down, Prime Minister Narendra Modi's comments on the Indian Muslim-Pakistan Muslim continuum is not only having a deeply divisive effect inside the country, it is also poisoning the waters beyond India's borders."

Commenting on the Pakistan foreign office statement Monday that "India should stop dragging Pakistan into its electoral debate and win victories on own strength rather than fabricated conspiracies, which are utterly baseless and irresponsible", Malhotra wonders "why did the PM, in his speech in Palanpur, Gujarat.....drag former prime minister Manmohan Singh's name into the contentious argument in which he named both former vice-president Hamid Ansari as well as Pakistan high commissioner Sohail Mehmood, who were present.....at a dinner meeting organized by suspended Congressman Mani Shankar Aiyar".

The prime minister "also targetted an alleged comment by a Pakistani general saying Congress leader Ahmed Patel should be made the chief minister of Gujarat, by asking whether Pakistan was now going to influence an Indian election."

Malhotra writes that "as the election campaign has become shriller and Congress leader Rahul Gandhi has perceptibly taken the high moral ground, Modi's speeches seem to have increasingly focused on anti-Muslim rhetoric. Even RSS leaders are beginning to wonder if the election, that too

## KAZAKHSTAN FEATURE

## 26 YEARS OF KAZAKHSTAN'S INDEPENDENCE



Treasury of every country is measured by its independence. Today, there are many who are dying for the sake of this word and who cannot attain that sacred privilege. Kazakhstan gained independence on December 16, 1991. How did the Central Asian tour become a century after the 70th anniversary of the Soviet Union?

On December 16, 1991, the Supreme Council of Kazakhstan adopted the law "On Independence and the sovereignty of the state".

And what has Kazakhstan achieved in the 26 years of independence? Let's look at the thread. 1992 - the first year of the history of independent Kazakhstan. In order to maintain the integrity of the young state, it has first set boundaries. Later on, was established an internal army and joined the OSCE on January 30, UN on March 3, and UNESCO on May 22. Having created its own armies, Kazakhstan abandoned the Semipalatinsk nuclear test site, which was "inherited" from the Soviet era and abandoned its nuclear weapons. Therefore, the step of the Kazakh people, who voluntarily abandoned nuclear weapons for global peace and calm, was the first and unique event in world practice.

In May 1992 during the official visit of the President of Kazakhstan Nursultan Nazarbayev to Portugal, Kazakhstan signed the nuclear non-proliferation treaty. In 1993, he adopted the country's

constitution. In November 1993, the Kazakh national currency - "tenge" went into circulation. In 1994, the capital of Kazakhstan was moved from city of Almaty to Aqmola, and on October 20, 1997, President Nazarbayev signed a decree on declaring Aqmola as the capital of the Republic. In 1998 Aqmola was renamed into Astana. In 1999, by the decision of UNESCO, the capital of Kazakhstan was awarded with the highest title "City of Peace". This title is given to young cities that have made a significant contribution to the socio-economic, political and cultural development, to the achievement of sustainable inter-ethnic relations and to the world culture.

In 2000, Kazakhstan entered the path of development. That period Astana became a member of the Assembly of International Capitals and Major Cities.

The Kashagan oil field has been discovered in the Kazakh part of the Caspian Sea which It is the largest oil field in the world discovered in the last 40 years.

In September 2003, at the initiative of Nazarbayev, the Congress of Leaders of World and Traditional Religions was held in Astana. This event was organized for the first time in the world. It was difficult to believe that the current leaders of the various religions were sitting on a table.

In 2006-2010, Kazakhstan's independence became stronger, and the young state at one time began to stabilize the world. The OSCE Summit was held in Astana in December 2010. Heads of state and government of 38 OSCE participating States, high-ranking officials, as well as representatives of other international and regional organizations took part in the summit.

in BJP's favourite home state Gujarat, is becoming so tight that the PM is being forced to add to the vitriol."

## TARGETING MUSLIMS COULD PRODUCE A BACKLASH ?

The Asian Age is of the opinion that because the BJP is not confident of its development claim in the Gujarat elections PM Modi "has seen it fit to practically accuse

former PM Manmohan Singh and recently retired vice-president Hamid Ansari, and others, of treason.....

"Observers note that over more than two decades of BJP rule in the state, the deep-going Hindutva preaching by BJP-RSS appears to have left a patina of Hindu communal beliefs across social layers. It is to this the BJP election campaign has repeatedly appealed as an invaluable resource, more markedly so in this election

The VII Winter Asian Games will be held in Astana and Almaty in January-February 2011. Thousands of athletes from 27 countries participated in the panic.

As a result of secret voting held at the International Exhibition Bureau on November 22, 2012, Astana was granted the right to host the international exhibition EXPO-2017. 115 international and 22 international organizations took part in the international exhibition in the Kazakh steppes. More than 3.5 million people from all over the world have visited the exhibition.

Today, Astana has been a nominee for the National Geographic magazine, the city of Bolashak. The New York Times has included Kazakhstan in the list of countries where it is mandatory. Kazakhstan was recognized as a peacekeeper not only to preserve peace in his own country but also to establish peace in other countries. For the first time "Astana Process" has offered its platform to stop the fighting in Syria, and for the first time deployed armed opposition representatives to a table with the authorities. At present Kazakhstan is a non-permanent member of the UN Security Council. This is another victory of Kazakh diplomacy. Today there are embassies and diplomatic missions of more than 70 countries in Kazakhstan. The Kazakh embassies are working in more than 100 countries around the world. Kazakhstan is a member of about 70 international organizations.

The special place in the system of Kazakhstan's foreign policy prioritizes the initiative to convene the Conference on Interaction and Confidence Building Measures in Asia (CICA). Kazakhs also worked hard to enhance the image of the Shanghai Cooperation Organization.

and by none other than the PM himself.

"Linking the Congress to the Muslim community exclusively is an old ploy of polarising the votes of Hindu-born citizens, but Congress leader Rahul Gandhi seems to have practically neutralised the propaganda through his temple visits. The logical next step is Pakistan, and Mr Modi has taken the lead in trying to link top Congress individuals to a Pakistan-inspired effort to topple the Modi regime — surely a



dream plot for spy thrillers.”

Hasan Suroor, London-based commentator writes about the possibility of a Muslim reaction.

So far, “Muslims have mostly not risen to the RSS bait and refrained from reacting emotionally. They have resigned to their new de facto second class status and gone into a shell hoping against hope for achhe din (good times) to return. Or, what in retrospect seem like achhe din compared to the daily humiliation they have been subjected to post 2014. But this pragmatic approach is driven by nothing more than a combination of fear, a sense of helplessness, and simple survival instinct. To read some profound meaning into it and present it as a sign of Muslim moderation is to make virtue of necessity. What they're doing is what non-Muslim minorities in Muslim countries have always done to stay safe. Which is to keep a low profile, acknowledge their minority (read inferior) status and the humiliations it brings, and carry on — quietly focussing on education, jobs and other bread-and-butter issues.”

Suroor’s “issue with Muslims is that they have come to this “sensible” strategy 70 years too late....” Muslims made the task of far right Hindu nationalist forces “easier and in effect play into their hands by constantly harping on issues around Muslim religious and cultural identity. And invoking faith related “sensitivities” to demand mostly bogus concessions. Instead, “they should have got a measure of their vulnerability right after Independence and chosen a more pragmatic course rather than the path they took under a short-sighted leadership....”

Suroor writes that “the Muslim leadership opted for a strategy that was bound at some stage to produce a Hindu backlash. That it did not happen earlier was because for a long time there was a solid liberal Hindu core but it got eroded over the years — not least because many liberal Hindus lost patience with a community that seemed to have a chip on its shoulder about its minority status....”

So, according to Suroor “the current “sensible” strategy is a legacy of the lessons learnt in 1992 when Babri Masjid was demolished....”

As for the Indian Muslims' capacity to lead an Islamic renaissance, Suroor says “there's no doubt that they are among the world's most moderate Muslims but they're also among the least educated, and most economically backward. All of which makes them extremely vulnerable to external radical influences. So far, they have been able to resist them because of their grounding in a liberal and culturally diverse ethos. But when that ethos is sought to be banished in the name of “Hindu pride” and Muslims find themselves excluded from the mainstream discourse and disenfranchised as part of a “Hindu-India” project, it will make them more vulnerable to radicalisation.”



## GUJARAT: AN ELECTION OF HIGH POLITICAL STAKES

All eyes are now on the result of the Gujarat elections with the counting of votes on 18 December. The campaigning has been bitter with the BJP and the Congress giving no quarter to each other. While the PM Modi led a very aggressive campaigning, Rahul Gandhi claimed that there was a “zabardast” (strong) wave of feeling against the BJP.

Most exit polls give the BJP a clear victory with some predicting a close finish.

There is an obvious anti-incumbency factor working against the ruling BJP in Gujarat, but the victory margins of the BJP in 2012 elections suggests that the Congress has an uphill arithmetic to circumvent to dislodge the BJP from its perch.

An analysis of 2012 victory margins of BJP and Congress by Ravish Tiwari and Lalmani Verma (columnists associated with The Indian Express) reveal that “the BJP’s average victory margins were almost double the victory margins of Congress during 2012 Assembly elections in the state.

“While the BJP won 115 seats (in a House of 182) with an average margin of 26,236 votes, the Congress’s average victory margin stood at 13,577 votes across the 61 seats it won in 2012.”

For the incumbent BJP therefore, “the comparatively better average victory margins than Congress could be a relatively bigger

cushion for the party to absorb electoral shocks as compared to its rival Congress in its currently held seats....alternatively, the Congress, which is sliding on a relatively thin cushion of victory margin on its seats, has a bigger arithmetic challenge to dislodge the BJP in urban seats as compared to rural seats where BJP’s victory margins are comparable to that of itself.”

The exit poll results validate the thesis. The final say will come today (18 December) when the results are declared.

## DOMINANT THEME OF THE ELECTION CAMPAIGN HAS BEEN THE ACUTE POLARISATION

Whatever the result, the dominant theme of the election campaign has been the acute polarisation that is sought to be attempted.

Pratap Bhanu Mehta (vice-chancellor, Ashoka University) writes: “Narendra Modi’s innuendo in an election speech in Banaskantha, in which he strung together communal canards and conspiracy theories, marks a new and dangerous low in Indian politics.”

He states that the “innuendo that former Pakistani officials were showing undue interest in supporting Ahmed Patel, that the former Prime Minister of India somehow held secret talks at the residence of Mani Shankar Aiyar during the Gujarat elections, whose purpose was to hatch some anti-national conspiracy, would be laughable if it were not shameful and dangerous.”

These innuendos, says Mehta “also show a prime minister creating the wildest conspiracy theories, not because they serve the national interest, but because they satiate his need for claiming monopoly over patriotism, perpetual scapegoating and playing the politics of victimhood....”

The entire Gujarat campaign says Mehta “has been, even by the low standards set during the last three years, dripping in communal innuendo. At points, the BJP campaign has presented our only choices as being between Mandir and Masjid. The arguments over history, from Khilji to Babar, the pet themes of this election, are not about history: They are about Hindu majoritarianism wanting to make Muslims increasingly irrelevant to India’s history....”

In the Gujarat campaign, more than any other in recent years a “sense of control and confidence has gone, the potential communal poison is not just one element that might be contained, but is becoming his whole being, and the politics of hope has been replaced entirely by the politics of fear. Only this can explain why a party that has been for so long in power in Gujarat, is running as if it were a vicious rabble-rousing outfit.

“But more seriously, Modi is increasingly showing a combination of qualities that should worry even his supporters. The more his power has grown, the more his speeches exude insecurity. A combination of great power and a deep sense of insecurity does not bode well.....”

The irony, says Mehta is that Modi, in all probability, will win the Gujarat election. **‘MODI DOESN’T WANT ONLY TO RULE INDIA BUT TO CHANGE HER’**

The Pioneer highlights another feature that comes out of the BJP campaign. The party today is “not only an electoral machine that fights every election in an unprecedentedly ferocious manner, but that Modi doesn’t want only to rule India but to change her. And therein lies the rub.”

With a strong mandate the prime minister is trying to “shape the national discourse in the manner he deems best for India, and he is doing precisely that...” Modi has unashamedly “accepted his Indic cultural identity and provenance as a source of pride and is consequently “ripping apart the traditional discourse on this issue.”

Of course, writes The Pioneer “the dangers of such a winner-takes-all approach in setting the national ideological agenda and shaping the political discourse is that if and when he is on the losing side it could all come back to bite him with a vengeance in a soft part of the anatomy. But he realises that, which is why Team Modi is so single-mindedly focused on winning elections at all costs till such time the dominant discourse is owned by the BJP just as it was by the Congress for 50 years. Only then will none of the above matter and ‘normal’ politics focussed on issues of governance, prosperity and development gain exclusive traction, rather than being part of the mix as they are currently.”

## GUJARAT ELECTIONS: RAISING PAKISTAN AS AN ISSUE

Spokesperson of Pakistan’s ministry of foreign affairs Mohammad Faisal has denied charges by Prime Minister Narendra Modi that Pakistan was trying to influence the outcome of the assembly elections in Gujarat as “utterly baseless and irresponsible”.

“India should stop dragging Pakistan into its electoral debate and win victories on own strength rather than fabricated conspiracies, which are utterly baseless and irresponsible” he said.

Prime Minister Modi had referred to a Facebook post by the former director general of the Pakistan army Sardar Arshad Rafiq, saying that senior Congress leader Ahmed Patel should be the next Gujarat chief minister.

Modi drew a connection between Aiyar’s ‘neech’ (low person) remark and Pakistan’s interference.

“There were media reports yesterday about a meeting at Mani Shankar Aiyar’s house. It was attended by Pakistan’s high commissioner, Pakistan’s former foreign minister, India’s former vice president and former prime minister Manmohan Singh,” Modi said. “The next day, Mani Shankar Aiyar said Modi was ‘neech’. This is a serious matter,” he said adding that they met for almost three hours.

This was not the first time the BJP has referred to Pakistan in an election campaign. Last year, ahead of the Assam

election, which it won, the BJP said if the Congress won, fireworks would go off in celebration in Pakistan.

“Modi is back to the same old Pakistan bogey. It was Mian Musharraf in 2002 ... Sir Creek issues in 2012, and now he’s talking about Pakistan’s interference in Gujarat polls. If Modi thinks that Pakistan is meddling in Gujarat polls, why doesn’t he expel the Pakistani high commissioner in India?” the party’s national spokesperson Manish Tewari asked.

The first and second phase of the Gujarat elections ended on December 14.

The BJP has governed Gujarat for 22 years. The Congress is hoping to unseat the BJP by tapping the angst over the agrarian crisis and the implementation of the goods and services tax, and on the strength of a coalition it has built with Patidars (Patels), some other backward classes, and Dalits.

The BJP is hoping to retain power on the strength of the popularity of Prime Minister Modi, who was chief minister of the state for 13 years, and its record of development and governance.

Analysts expect it to be a close fight, although the BJP has maintained that it is confident of bettering its tally of 119 seats in the 182-member assembly in 2012. Opinion polls give the Congress anything between 37 and 85 seats, and the BJP 92-141.

## POLITICS OF CASTE

Christophe Jaffrelot (senior research fellow at CERISciences Po/CNRS, Paris and professor of Indian Politics and Sociology at King’s India Institute, London) and Gilles Verniers (assistant professor of Political Science, Ashoka University) notes that while religious polarisation remains the dominant theme, “after decades, Gujarat is back to caste politics. In the 1980s, it was the first state to see violent protests against caste-based reservations after Madhavsingh Solanki (4 time Chief Minister of Gujarat) introduced new quotas, first for Dalits and then OBCs. From the 1990s onwards, the rise of Hindutva politics blurred caste identities, and in the 2000s, communal polarisation further accentuated this process. In the early



2010s, a class-based sense of belongingness asserted itself at the expense of caste, evident from the way Narendra Modi promoted the notion of the “neo-middle class” in the 2012 election campaign. This idea, which referred to the emergence of a new, aspirational category has disappeared from the BJP discourse — much like the correlative concept of the “Gujarat model”.

The two authors suggest that although religious polarisation remains the order of the day “but caste politics is back, although not necessarily in the sense one would expect.

While the equation that Hardik Patel has developed with the Congress suggests that the grand old party is aligning itself with the largest dominant caste (Patels) of Gujarat, the BJP has nominated more candidates from this community.

The Congress is also promoting OBC representation at the expense of the upper castes (by nominating more than a third of its candidates from this category) which represent only 10 per cent of its candidates, against 25 per cent in 2012. The BJP is also chasing the OBC vote, although to a lesser extent than the Congress.

The two authors conclude: “The caste analysis of candidates bears no predictive value as far as the outcome is concerned, but it enables us to understand how parties read the electorate. It reveals the kind of signals they seek to send to voters. Both the Congress and BJP have adapted their strategies to a new reading of politics in Gujarat...”

## THE STAKES FOR BJP AND CONGRESS

But all said and done, Surjit Bhalla (contributing editor, ‘The Indian Express’, and senior India analyst at Observatory Group, a New York-based macro policy advisory group) says “the Gujarat election result is important, and particularly so for the Congress. A close fight will signal its revival, and signal to the BJP that Modi’s personal popularity will no longer dominate the vote, as the electorate gets increasingly concerned about a slow growth economy.”

Bhalla opines “that if the BJP were to win by less than a 100 seats, it would be seen as having lost the election. If this happens, it is a safe bet that the economy, vikas (development), will be the talking

point of post-match analysis — in the media, among politicians, and among economists... Even if the BJP wins comfortably (our base-line forecast), the economy is the only weapon that the political opposition has. Demonetisation is now more than a year old, and GST will likely improve in tax collection. The RBI expects the economy to recover to 7.8 per cent in the next three months. If it does, the Opposition will have lost their most potent weapon against PM Modi’s popularity. If it doesn’t, the Opposition will remain in battle.”

## COMPARISON OF THE BJP AND CONGRESS ORGANISATIONAL MODELS

Finally, an assessment of the election organisations of the BJP and the Congress.

Prashant Jha in his book ‘How the BJP Wins (2017)’ calls today’s BJP “India’s greatest election machine”. To Rajesh Mahapatra (Chief Content Officer at Hindustan Times), this machine “is highly centralised with a defined chain of command, a capacity for fast decision-making and clear accountability. The party is even becoming a zero-tolerance zone for competing factions. And Shah’s disciplinary interventions can extend all the way to the booth level....

“Most importantly, this highly centralised military-corporate machine has space for only one message — Prime Minister Narendra Modi. Increasingly as well, the BJP candidate is fast becoming a mere signboard, who is only expected to carry the Modi message. Funding for the elections has overwhelmingly become top down in the BJP and, therefore, personal resources of the local candidate now counts for little.”

In contrast, says Mahapatra “the Congress remains tied to its past organisational traditions, even as it has added a smart phone and a laptop to its overall capacity. The Congress organisation is the classic “satrap model”. Nodes of influence or local potentates are joined together to create a power grid that, in essence, turns into a large patron-client network. At the state level, one can even sometimes discern a franchise model in the satrap style, in which a powerful bloc runs the Congress for a while. This is a highly

negotiated and leaky (for both money and power) arrangement, which is always open to various kinds of pulls and pressures. The leader of the Congress, in fact, can perhaps be seen as the great coordinator, whose chief role is to assemble, connect and animate political networks.”

Mahapatra however tries that “the Gujarat elections of 2017, however, have revealed new types of vulnerabilities and strengths in these two very different political organisations in India. The military-corporate machine, as it turns out, is not only expensive to run in terms of money and resources but that it is also far more fragile when its main message goes off script. That is to say, the BJP was found to be expending much more energy and resources to hold on to its centre.” Because of its one-message campaign, there it almost felt like over exposure and the Prime Minister’s narrative.

“The Congress, on the other hand, with the flexibility that comes with the satrap model displayed far more resilience. Rahul Gandhi and his team, for one, revealed nimbleness and agility in absorbing and incorporating various contradictory forces.”

In getting into strategic alliances with the Patels and the OBCs, or getting the Dalits, Muslims and tribals on board, “the satrap model was far more open to negotiations, listening to other voices and interests and more importantly able to stitch together and hold contradictory pulls and pressures — that might rock the boat but not necessarily sink it.”

However, “the power of the BJP is now so immense and overwhelming that any arrangement will be starkly unequal for any other party or group. Put differently, there is something about a political machine that makes it relentless and insatiable...”

When the dust finally settles on the Gujarat elections these two different political organisational models are likely to come up for review.



## PM TARGETING WOMEN VOTERS TO RETAIN POWER IN 2019

In the opinion of analysts Vrishti Beniwal and Bibhudatta Pradhan, Prime

Minister Narendra Modi "is shifting attention and planning a raft of female-focused policies before the 2019 national election."

Writing in the economic Times, the authors state following the popular roll out of cooking gas for rural families that frees women from smoky woodfires, Modi is pushing to outlaw so-called instant divorce in Muslim communities. He's also keen to reserve seats for women in parliament and backroom consultations have begun, according to two people with knowledge of the matter.

"Women emerging as a vote bloc would be a crucial factor in deciding the election" though there is no sign that they vote for a party that picks their issues, according to Sanjay Kumar, director of the New Delhi-based Centre for the Study of Developing Societies. Yet, "there is a trend to mobilize them. There is greater thrust on women's issues by Modi's government."

Women outnumbered men at polling booths in half of India's states in 2014, but a Pew survey conducted this year showed they were also more critical of Modi's policies, including his handling of rising prices, pollution, and communal tensions. His choice of a Hindu monk to lead one of the worst states for women in India has also raised some eyebrows.

But "rank paternalism in much of" the ruling party's leadership is constraining Modi's ability to effect significant change" says Sumit Ganguly, professor at the Tagore Chair in Indian Cultures and Civilizations at Indiana University, Bloomington, referring to the chief minister of Uttar Pradesh Swami Adityanath who has voiced -- among other views -- that women need protection, not independence.

## STATUS OF WOMEN

India's gender gap ranking has fallen 21 places from last year mainly due to poorer political empowerment, healthy life expectancy, and basic literacy for the bulk of women, according to a 2017 report from the World Economic Forum. The rate of crime against women is little changed since Modi came to power in 2014, and the share of women in India's workforce is declining from what was already one of the lowest among emerging economies.

"In the arena of women's workforce

participation India has moved backward instead of forward in recent years," said Alyssa Ayres, senior fellow for India, Pakistan and South Asia at the Council on Foreign Relations. "This is not just an issue of equality, which of course it is, but one that can have a major impact on the country's prosperity."

India's gross domestic product in 2025 would be 60 percent higher if women attain equal status at work than if it stays at current levels, according to McKinsey & Co.

Vrishti Beniwal and Bibhudatta Pradhan point out that "Modi is trying the bridge the gap. His administration has:

"Provided safer cooking fuel to poor families as the government tries to reduce premature deaths from household air pollution Increased maternity leave and mandated childcare facilities for working mothers Proposed minimum wages and social security benefits for India's 3.9 million domestic workers, of which 67 percent are women Started campaigns to encourage education for girls

His next plan is to make punishable the act of triple talak, in which a Muslim man can instantly leave his wife by saying the word "talaq" -- which means divorce -- three times. Modi is also reviving the Women's Reservation Bill, the people said, asking not to be identified as they aren't authorized to speak to the media. The move, which proposes to reserve a third of the seats in federal and state legislatures for women, has been pending for close to two decades due to lack of consensus among political parties."

Ranjana Kumari, director of the Centre for Social Research, said she doesn't expect major opposition if Modi's administration revives the reservation bill.

"In a deeply patriarchal society, to change the mindset is not easy, but definitely not impossible," said Nandita Das, an actor-filmmaker and social activist, whose movies have addressed topics such as sexual abuse and the caste hierarchy. "We are seeing that the tipping point has come when issues of women have finally, at long last, taken centerstage."

But not everyone is as optimistic. "Women are half of society, so focusing on them is critical," said Nikita Sud, associate professor of Development Studies at the University of Oxford. "However, one

individual cannot initiate progressive change for half a billion people."



## CONGRESS HAS A NEW PRESIDENT AND NEW CHALLENGES

Rahul Gandhi officially taking over as Congress president is being seen as the dawn of a new era for the party, a generational shift. Obviously, one of the most challenging jobs in Indian politics, he takes control of the party from his mother Sonia, who served as the Congress chief for a record 19 years.

He will be the fifth from the Nehru-Gandhi family to take the leadership role at a juncture when the party is facing an existential crisis with its powerful political opponent, the BJP, working ceaselessly to deliver on its vow of a 'Congress-mukt Bharat (Congress free India).

At 47, writes KV Prasad, Resident Editor of The Tribune "Rahul Gandhi is young, but not in the same league as both his grandmother Indira Gandhi in 1959 and father Rajiv Gandhi in 1984 were a shade above 40 when they became party president under different circumstances."

Ironically, the conditions and challenges that propelled Sonia Gandhi to first step into the political theatre in August 1997 have rearranged and resurfaced in a more virulent form when she is relinquishing the presidentship.

His task is therefore, cut-out - to take the party out of one of its worst phases.

## RAHUL GANDHI SHOULD NOT "REINVENT" HIMSELF AND THE GRAND OLD PARTY

Rahul Gandhi has been given free advice by many both by his own colleagues in the party and by other outside the party. There is a chorus of voices asking him to "reinvent" himself and the Grand Old Party. Manini Chatterjee, political journalist, The Telegraph suggests "he should do neither'.

True, he became everybody's favourite whipping boy and was seen as inept and inarticulate - a reluctant politician forced

into the family profession by his mother and wholly unsuited to it. The clamour for "reinvention" is only to be expected.

In his early years, "he seemed ill at ease among politicians, especially the veterans belonging to his own party. Much like his father.... Rahul too started out wanting to "revamp" the Youth Congress and the National Students Union of India by encouraging young men and women from non-political backgrounds to enter the organizations through the process of elections.

"That experience may have helped him understand the workings of his party and of politics in general. But it was the Congress's ignominious defeat in 2014 that was the best thing to happen to Rahul Gandhi. In the months leading up to 2014 and for several months after that, the ridiculing of Rahul reached new heights - and he cut a sorry figure in contrast to the 56-inch larger-than-life macho and muscular Narendra Modi who dominated all public discourse."

That discourse, writes Chatterjee "has been changing of late. Even his detractors see Rahul in a better light these days and he has received a fair measure of appreciation for his robust campaign in Gujarat and his ability to attract a range of allies in the state. Rahul, in short, has certainly matured since he first entered politics nearly 14 years ago.

Rahul, Chatterjee repeats, "should resolutely resist such a reinvention of himself. For the truth is that Rahul Gandhi's true strength lies in being himself, and the so-called "Pappu" (bumbling idiot) persona is integral to it. If Pappu denotes a bumbling idiot to many, it also means someone who is simple and sincere, without guile or malice.

"Rahul Gandhi is not the best of orators but all his speeches have a mark of sincerity about them. Read closely, they also reveal an understanding of India's uniqueness and a deep empathy for those living on the margins."

For example, in 2013, at a speech at the Confederation of Indian Industries, Rahul Gandhi had said, "China is a dragon. India is called an elephant. But we are not an elephant, we're a beehive." He was criticised for that remark but, says Chatterjee, "Rahul

had meant there was nothing threatening about India, and beneath the seeming cacophony and chaos, there was also great harmony, with millions of individuals working, singly and collectively, to create a thriving society."

Many will advise Rahul to re-fashion the Congress party to suit the changing times in India - make it more palatable to the dominant and 'aspirational' middle classes, play soft Hindutva to undercut the Bharatiya Janata Party's appeal, ignore the rights of the minorities, Dalits, adivasis and under-privileged who are being smothered by the sangh parivar's majoritarian embrace.

But, stresses Chatterjee, "just as he should remain himself and not try to emulate the bombast and the bluster of his chief adversary, Rahul should not be tempted to change the basic DNA of the Congress for illusory and temporary electoral gains. Rajiv Gandhi made that mistake in the 1980s - by going against his own instinct to play the so-called 'Hindu' and then the 'Muslim' card and the Congress never quite recovered from that ideological compromise...."

"In their zeal to make India "great" again, our current rulers have brought out the worst in us - hubris, hate, bigotry, mutual ill-will. Rahul's challenge is to bring out the good India still harbours deep in its recesses. For that he must stay simple, play straight."

## TASKS TO DO

However, Rahul Gandhi needs to perform Aurangzeb Naqshbandi, writing in the Hindustan Times identifies some of the challenges that Rahul will need to confront:

**Organisational overhaul:** A complete organisational overhaul ensuring a smooth transition that strikes a balance between young leaders and the old guard, which in the past had some reservations about his style of functioning. Strategising on an election campaign for state elections in 2018 culminating in the general elections in 2019.

**States:** Among the states, crucial will be to retain Karnataka and challenge the BJP in Madhya Pradesh, Chhattisgarh and Rajasthan. This cannot be accomplished without addressing problems such as infighting and regional leadership gaps.

"The party desperately needs to get its

## STORMY WINTER SESSION

The Winter session began last Friday with Prime Minister Narendra Modi hoping the session this year will be 'fruitful' and the Opposition will participate in the debate and discussion with a positive approach.

"I have faith and all-party meeting yesterday (Thursday) shared same idea that this Parliament session should be held with positive approach to move the country forward. I also hope that country will be benefited and democracy will be strengthened from the session," he said.

The Winter Session, which commenced more than a month after its supposed schedule, will end on January 5, 2018.

This Winter Session of Parliament will have 14 sittings, seven less than last year.

The session is expected to be rocky as the Congress is likely to raise the Modi's statement against former prime minister Manmohan Singh. Modi, at an election rally in Gujarat, had accused Singh and Mani Shankar Aiyar of hatching a conspiracy to influence the Gujarat elections. The allegations were made a couple of days after the Congress leaders met Pakistani officials at Aiyar's house.

The Opposition is also expected to corner the BJP-led NDA government over the delay in the Winter Session allegedly in the wake of Gujarat Assembly elections.

The Government seek to pass 25 pending bills and table 14 new ones, including a bill to criminalise the practice of 'triple talaq' among Muslim community.

The NDA will again introduce Constitutional Amendment Bill 123, with an aim to provide constitutional rights to the National Backward Classes Commission (NCBC). The Opposition had stalled the bill in the Rajya Sabha in the Monsoon Session.

house in order in key states of Uttar Pradesh, Bihar, Andhra Pradesh, Telangana, Tamil Nadu, Odisha and West Bengal, where it has ceded political space to rivals."

**Restoring morale:** It will be crucial to galvanise a demoralised party cadre that has been struggling to recover after a series of electoral setbacks.



Alliances: With around 16 months left for the next Lok Sabha election, one of the biggest challenges will be to establish alliance partners to prevent a division of the opposition vote that could help the BJP.

## ITS ALL ABOUT LEADERSHIP

The Hindu sums Rahul's challenge well: "Leadership is vital for the Congress to address its three big challenges: reviving the party organisation; firming up alliances; and formulating a cohesive programme as the main opposition party that is looking for another chance to govern India. Historically, once the Congress is edged out of a two-party contest in a State, its local organisation tends to fray. With the party ruling in half-a-dozen States and running at third or lower place in big States such as Uttar Pradesh and smaller terrains like Delhi, the challenge is obvious. Alliance-formation has remained reactive since 2014 and Mr. Gandhi will have to forge decisions on pacts with regional parties, somewhat similar to what Ms. Gandhi did painstakingly before the 2004 election. A transitional moment such as the leadership change also gives the Congress an opportunity to bring its offshoots, such as the Trinamool Congress, into an understanding. All of this will be easier achieved if the Congress can articulate its outlook and agenda. It needs to spell out where it stands on the economy, social inclusion, minority rights, foreign policy, welfare. Simply reacting to the Modi government or being un-Modi will not suffice."



## LINKAGES BETWEEN MOSQUE DEMOLITION IN 1992 AND COMMUNAL HATE CRIMES

Lynchings in the name of religion have ceased to become uncommon incidents. This is a country known for its tolerance and catholicism. In another case of communal vendetta, Afrazul Khan was a migrant labourer from Malda district of West Bengal, was hacked to death and burnt for his grievous sin of being Muslim. The man who hacked and burnt him was Shambhulal Regar, described by Anand

Shrivastava, IG Udaipur range, as someone with a "fairly successful marble trading business". The incident was captured on camera. Then came the words. In videos shot after the murder, the murderer shouted into the camera: Love jihad, Babri Masjid, Hindu girls, Padmavati. He screamed revenge against "these people" who have polluted his land.

Syeda Hamid, former member, Planning Commission writes that these "hate-Muslims-kill-Muslims incidents are reported almost daily. Leaders express "sympathy" and dole out cash but give the goons open license to kill.....The police generally responds to the powerful.

"Women and men of courage stand up to agitate.....A few activists, journalists and lawyers will struggle to keep the issue alive. But the fabric of the nation, which began fraying with the demolition of the Babri Masjid in 1992, has been torn to shreds after a quarter century. A complicit state has looked the other way and the incendiary rhetoric has become legitimised."

Mukul Kesavan, (historian, novelist and political and social essayist) writing in The Telegraph agrees: "There is a straight line that connects the razing of the Babri Masjid in 1992 with the butchering and burning alive of a Bengali Muslim labourer in Rajasthan last week: what they have in common is a sense of impunity. The mob in Ayodhya and the politicians who urged them on in their task of destruction, as well as Shambhulal Regar, who murdered Mohammad Afrazul while his nephew filmed him in the act, didn't believe that they would be punished for their crimes. And they believed this for a very particular reason: the vandals and the killer thought they were channeling the grievances of India's Hindu majority."

6 December 1992, Kesavan recalls, "is a landmark date in the history of the republic: confronted by a mob claiming to act in a Hindu cause, it blinked. The State became a bystander as the mob destroyed the mosque thus signalling both its impotence - there was a Congress government at the Centre - and its cooption - the BJP's Kalyan Singh was the chief minister of UP. The State's failure to maintain order, to uphold its laws, was critical in this matter because the Ram temple movement led by the

Bharatiya Janata Party was a political cause: the projected bhavya mandir (grand Ram temple) was less a religious shrine than a symbol of the Hindu ownership of the Indian nation. The real estate in dispute was not the site on which the Babri Masjid stood, but the constitutional ground on which the republic was built.

"By intimidating the State into inaction (or complicity), the kar sevaks (Hindu volunteers) flaunted through spectacle - the tearing down of a medieval mosque in broad daylight - this sense of impunity. By first failing to prevent the demolition and then failing to bring the vandals and their political patrons to justice, the republic demoralized its own institutions and encouraged them to make their peace with Hindu majoritarianism. The history of the republic over the next twenty-five years has, in large part, been the story of this appeasement."

For a quarter of a century the judiciary has been unable to give a verdict. The Supreme Court has begun hearing the title suit urgently without the criminal case being settled.

Given "the symbolic importance of the razing of the Babri Masjid, the fact that criminal prosecutions have not been successfully concluded in twenty five years (during which time the Allahabad High Court effectively ruled in favour of the Hindu parties to the title suit in its 2010 judgment) has helped amplify this sense of impunity, the notion that you could get away with virtually anything in a majoritarian cause...."

"It should come as no surprise, then, that North India has seen a rash of lynchings in the name of cow protection by murderous vigilantes who believe that they have the tacit support of the State...."



## BRIEFS

### MHA RELEASES RS 174 CRORE TO SIX STATES FOR BORDER DEVELOPMENT

The Home Ministry has released Rs 174 crore to six states having an international border for development of infrastructure in forward areas, an official said.

The states that will be benefited include Gujarat, Himachal Pradesh and Uttar Pradesh.

"An amount of Rs 174.32 crore was released to Assam, Gujarat, Himachal Pradesh, Manipur, Uttar Pradesh and West Bengal under the Border Area Development Programme (BADP)," the official said.

The fully centrally funded BADP programme covers all villages which are located within the 0-10 km of the international border in 17 states.

However, priority is given to those villages which are identified by border guarding forces for speedy development of infrastructure.

The schemes permissible under BADP include activities relating to, skill development programmes, promotion of sports activities, promotion of rural tourism, border tourism and protection of heritage sites.

Construction of helipads in remote and inaccessible hilly areas, which do not

have road connectivity, skill development training to farmers for the use of modern/scientific technique in farming, organic farming are other areas which come under the BADP.

Assam shares International Border with Bangladesh, West Bengal shares border with Nepal and Bhutan, Gujarat with Pakistan, Manipur with Myanmar, Uttar Pradesh with Nepal and Himachal Pradesh with China and Nepal.

### JHARKHAND KISSING CONTEST: BJP TAKES OFFENCE

The Bharatiya Janata Party Tuesday accused Christian leaders of the Jharkhand Mukti Morcha of hatching a well-founded conspiracy to malign the tribal culture and custom by introducing western concepts after a JMM legislator organised a kissing contest among tribal couples.

"It's a serious issue and these leaders should immediately seek a public apology

from respective tribal village heads. They have no business except to lure people into alcoholism and immoral fun and frolic," BJP's senior tribal leader Hemlal Murmu said.

JMM's Littipara legislator Simon Marandi had organised a kissing contest at his native village Dumaria in Jharkhand's Pakur district on Saturday evening. The contest was part of various other events during the two-day fair, Dumaria Mela, which he has been organising for the last 37 years.

Over 18-odd tribal couples locked lips in the presence of thousands of people of Pahariya community, a particularly vulnerable tribal group (PVTG) of Santhal Pargana. JMM's MLA Marandi had said it was an initiative to check growing cases of divorces and differences between couples in the tribal community in the region.

Tribal groups also lodged a protest against the incident. ■ ■ ■

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Asia News Agency presents its latest Special Study on "India-China Doklam Stand-Off: Its Nature, Chinese Motives And Lessons Learnt".

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Significantly, the study discusses the diplomatic and military lessons that experts have identified.

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## DEFENCE ACQUISITION COUNCIL MAY CLEAR ALL BACKLOG BY YEAR END: SITHARAMAN

Defence Minister Nirmala Sitharaman on Dec 14 said the Defence Acquisition Council (DAC) may clear all its backlog by the end of December.

Addressing the 90th Annual General Meeting of Ficci in New Delhi, she also said that government will allocate more funds for defence research and development in next budget.

Sitharaman, after taking charge of the crucial ministry in September this year, had decided to hold meetings of the DAC every fortnight.

"I have made sure that the procurement meetings, acquisition council meetings are not held once in a quarter... In fact, it has been a hectic time for ministry officials and without complaining they have been looking at everything that has been waiting for months," she said.

"I may be confident enough to say that by December 31, the Defence Acquisition Council would be on the top of it. In the sense, no more waiting list," she said.

The minister however also clarified that it may not mean all proposals cleared will be immediately procured, as it will have to go through cost negotiations and other formalities.

"The attempt first is to clear the backlog..." she said adding that emphasis is on transparency and on taking decisions.

Sitharaman also said that wherever possible, the government has tried to devolve procurement powers.



*Defence Minister Nirmala Sitharaman*

About the shortcomings in research related to defence, she said: "It is no good to say we are seized of the matter but yes, we are seized of the matter. The fact is that this time there will be substantial allocation for R&D."

with naval officers, before taking a quick voyage in the submarine.

It is named after the first Foxtrot-class submarine - INS Kalvari - which was inducted into the Navy on December 8, 1967. This indigenous version comes days after the golden jubilee of the Navy's submarine wing.

This is the first conventional submarine to be inducted into the Indian Navy. Kalvari means Tiger Shark.

Modi was received at the Naval Dockyard by Navy Chief Sunil Lanba and presented a 100-man Guard of Honour.

He thanked France for its help and collaboration in developing the Scorpene submarines, which encompass superior stealth and combat capabilities. "It signifies strengthening of the growing strategic ties between India and France," Modi said.

The Scorpene were being built by the Mazagaon Dockyard Ltd (MDL) hereunder

## NAVY PM COMMISSIONS INDIA'S 1ST INDIGENOUSLY-BUILT SCORPENE SUBMARINE

Heralding it as a significant new era to boost India's defence and security, Prime Minister Narendra Modi on Dec 14 commissioned the country's first indigenously-built Scorpene-class submarine INS Kalvari into the Indian Navy in Mumbai.

He formally unveiled the commissioning plaque and shook hands



Project 75 with the transfer of technology from a foreign collaborator -- DCNS of France.

He said the INS Kalvari will provide a significant boost and synergise the country's defence, economic, technical and international powers, along with people power on the global arena.

It will play a crucial role in India's security and regional stability, he added.

Modi said India was fully alert with regard to its global, strategic and economic interests in the Indian Ocean. "India's humanitarian commitment to national security and diplomacy makes us stand apart in the world. So, a safe and secure India is good not just for this country but for entire humanity."

He said India was playing a crucial role in confronting "all challenges emanating from the high seas, be it terrorism, piracy, narcotics smuggling or illegal fishing" for the countries in the Indian Ocean rim.

In her address, Defence Minister Nirmala Sitharaman said submarines were "lethal, potent and cutting platforms in modern warfare, essential for peace and deterrence".

INS Kalvari is manned by a team comprising of eight officers and 35 sailors with Captain S.D. Mehendale at the helm.

The commissioning will augment the offensive capability of the Indian Navy and the Western Naval Command in particular.

The second in the series of six submarines in this project, INS Khanderi is currently undergoing sea trials and all the submarines are due to be inducted gradually into the Indian Navy by 2020.

The state-of-the-art features of the Scorpenes include superior stealth and ability to launch crippling attacks with precision-guided weapons.

The attacks can be carried out with torpedoes both while submerged or on the surface -- in all war theatres including the tropics, giving it an unmatched invulnerability.

The submarine has an overall length of 67.5 meters and a height of about 12.3 metres. The hull form, fin and hydroplanes are specifically designed to produce minimum underwater resistance.

Maharashtra Governor C.V. Rao, Chief Minister Devendra Fadnavis and French Ambassador Alexandre Zeigler were present at the event.

## NAVY'S SUB-SEA POWER IS BELOW PAR

Rahul Singh (has covered defence and military affairs at the Hindustan Times for over a decade) writes that "INS Kalvari is the first of six the Scorpene submarines being built at Mazagon Dock Shipbuilders Limited (MDL) in Mumbai, under licence from French firm Naval Group, previously called DCNS.... The navy hopes to induct the remaining five diesel-electric attack boats by 2020.

"Military affairs experts said the commissioning of INS Kalvari would be a significant milestone in the navy's submarine-building programme but the country needs to push harder to meet the target of building 24 submarines by 2030.

"The government set this target in 1999 to sharpen the navy's underwater prowess.

"The navy commissioned INS Sindhusashtra in July 2000, but the Kilo-class submarine imported from Russia wasn't part of the 1999 plan. INS Kalvari is the second submarine to roll out of MDL after the yard built INS Shankul, a German HDW Type 209 boat commissioned in May 1994."

The Scorpene submarines, writes Singh "are expected to become the mainstay of the Indian fleet, replacing the ageing Russian Kilo-class and German HDW vessels that are almost three decades old.

"India operates a fleet of 14 conventional submarines, including INS Kalvari, nuclear-powered attack boat INS Chakra leased from Russia and INS Arihant, the homegrown submarine that can launch nuclear ballistic missiles.

"The commissioning of INS Arihant last year completed India's nuclear triad or the ability to launch strategic weapons from land, air and sea...."

India's sub-sea power is way behind China's and it will not be easy for India to match the Chinese underwater fleet in the near future, said retired Commodore C Uday Bhaskar, the director of Society for Policy Studies. "We have to focus on using our underwater capabilities in a more

innovative manner to meet the desired political objectives," he said.

Singh notes "the navy has set the ball rolling for building another six advanced conventional submarines in the country under Project-75I as part of the overall scheme to deploy a robust underwater force....

"But the project remains on the drawing board, despite the defence ministry granting "acceptance of necessity" for the submarines a decade ago."

At his annual Navy Day press conference on December 1, navy chief Admiral Sunil Lanba announced that India's plan to build nuclear-powered attack submarines was taking shape. "The process has started," he said, without disclosing details.

## AUSTRALIA READY TO JOIN MALABAR NAVAL EXERCISE

In light of the increasing strategic importance of the Indo-Pacific region, Australia is willing to join the Malabar naval exercise if invited by the other three participating nations of India, the US and Japan, a senior Australian official said in New Delhi on Dec 13.

"Australia, of course, stands very willing to join Malabar should we be invited to do so," Secretary of the Department of Foreign Affairs and Trade of Australia Frances Adamson said at a media roundtable.

"But that invitation could only come from the other three," Adamson, who was here to participate in the inaugural 2+2 Foreign Secretaries and Defence Secretaries Dialogue between India and Australia and the fourth India-Australia-Japan trilateral meeting, said.

Originally started by India and the US in 1992, Japan became a permanent member of the Malabar naval exercise in 2015 after participating in some earlier editions. Australia took part in the 2007 exercise but left thereafter.

Regarding the 2+2 Dialogue on Dec 12, Adamson said that both sides shared their perspectives on the region with a particular focus on the Indo-Pacific, "and within the Indo-Pacific, a particular focus on the Indian Ocean".

Stating that Australia is an Indian Ocean country as much as it is a Pacific country,

she said that the conversation quickly turned to cooperation in the maritime domain and the importance of maritime domain awareness.

"We have been over a period of many years now developing a bilateral defence relationship, including through Ausindex, our bilateral naval exercise, including through the exchange of senior-level visits, including discussions of a whole range of maritime issues," she said.

"But it is not limited to maritime domain either. The conversation also includes practical dimensions to our military-to-military cooperation."

Regarding Dec 13's India-Australia-Japan trilateral meeting, Adamson said that the three sides discussed North Korea's nuclear and ballistic missile programmes, counter-terrorism, cyber security and regional security issues.

Referring to the white paper on Australia's new foreign policy released last month, she said that it recognised that India now sat in the front rank of Australia's international partnerships. "Beyond an increasingly important economic relationship, our security intents are congruent, particularly in relation to the stability and openness of the Indian Ocean," she said

The white paper also encourages India's strategic engagements with East Asia and the US. "In addition to our bilateral relationship, Australia's trilateral and quadrilateral dialogues with India are an essential part of our approach to order-building in the Indo-Pacific," Adamson said.

India, Australia, the US and Japan last month discussed the security and prosperity of the Indo-Pacific region at a quadrilateral meeting in the Philippines on the sidelines of the East Asia and ASEAN summits.

Adamson said that the white paper sets five priorities fundamental to Australia's future.

The first is to promote an open, inclusive and prosperous Indo-Pacific in which the rights of all states are respected. "We seek a region in which our ability to prosecute our interests freely is not constrained by the exercise of coercive power," the Australian official said in what can be seen as a veiled

reference to China's aggressiveness in the South China Sea.

The second is to deliver opportunities for Australian businesses globally and stand against protectionism. This includes an India Economic Strategy.

The third is to ensure Australians remain safe, secure and free by guarding against terrorism, cyber, transnational crime and foreign interference.

The fourth priority is to promote and protect the international rules that support stability and prosperity and enable cooperation to tackle global challenges and the fifth priority is to step up support for a more resilient Pacific.

Adamson also said that Australia would be supportive if India decided to join the Asia-Pacific Economic Cooperation (APEC) a forum of 21 Pacific Rim member economies.

To a separate question on when the first consignment of uranium from Australia will reach India after the two countries signed a civilian nuclear cooperation agreement, she said that no governmental obstacles remained and only the commercial contract was awaited.



## AIR FORCE BOEING TO MAKE AIRCRAFT COMPONENTS NEAR BENGALURU

Global aerospace major Boeing would make aircraft components and subsystems at a new facility it would soon set up on the city's outskirts, a senior official said on Dec 12.

"The state government on Monday approved Boeing's proposal to set up an engineering and technology facility with electronics and avionics manufacturing and assembly at an investment of Rs 1,152 crore," Karnataka Udyog Mitra Managing Director B.K. Shivakumar said in Bengaluru.

The facility will be built on 41.7 acres of land the American firm has been allotted in the Aerospace Park at Devanahalli, about 40km from the city, and adjacent to the

Bengaluru international airport.

"When commissioned, the Boeing facility will provide 2,300 direct jobs and many more indirect or associative jobs," said Shivakumar.

The aerospace behemoth, which makes various types of aircraft for civil and military operations worldwide, has a global research and development centre in the city since a decade.

The high-level high committee of the state Industry Department also approved the proposal of CDC Development India Ltd to set up a Technology Innovation International Park in the hi-tech, defence and aerospace Park at a cost of Rs 740 crore, with an initial job potential for 25 high-skilled techies.

"CDC has been allotted 100 acres of land in the Aerospace Park to build its tech park," said Shivakumar.

Universal Builders has been allotted 21.3 acres of land in the hardware park area of the aerospace park at a cost of Rs 525 crore for a housing project.

The committee has also cleared the Indian Coast Guard's proposal to set up a training centre at Mangaluru, about 350km from here, at an investment of Rs 1,010 crore.

"The training centre will be built in 160 acres of land in the New Mangaluru Port Trust at Panambur and will create 250 direct jobs," added Shivakumar.

## IN DEFENCE OF THE RAFALE DEAL

Satish Chandra (former Deputy National Security Adviser and member, VIF executive committee) strongly defends the government from attacks by the Opposition on the Rafale deal.

Chandra writes the "Rafale deal negotiated by the BJP has been criticised on the grounds that it was costlier than the one concluded by the UPA, that it entailed no technology transfer, that there was no role for HAL and a private sector company would stand to benefit, and that it had no CCS (Cabinet Committee on Security) approval.

"However, firstly, it is erroneous to suggest that the UPA had "concluded" a deal with Dassault. The fact is that negotiations

by the UPA with Dassault progressed at a snail's pace and no contract was finalised.

"Secondly, due CCS approval had been obtained for concluding the Rafale deal prior to PM's visit to Paris in April, 2015, when it was announced.

"Thirdly, a price comparison between the deal under negotiation by the UPA and the one finally concluded by the BJP is like comparing apples to oranges as the two were quite different. The former was for 126 aircraft, of which 18 were to be imported and 108 to be locally assembled and the latter was for outright import of 36 aircraft. Further, the BJP contracted deal envisaged a much more sophisticated Rafale than that contemplated by the UPA in terms of weaponry and 13 India-specific enhancement capabilities not supplied to any other country. Additionally, it obtained better terms for performance-based logistic support as well as guarantees that a minimum of 75 per cent of the fleet would always be available for operations.....

"Finally, it is incorrect to suggest that the contract involves no technology transfer. This will inevitably occur through offsets. Under our defence procurement policy, Dassault is free to choose any Indian company, public or private, as its offset partner. Given the differences between Dassault and HAL which stymied the conclusion of the MMRCA deal for 126 Rafales, the former may opt for another Indian partner or partners. This should be of no concern to us."

### SOME PEOPLE HERE THINK BUYING FIGHTERS IS LIKE BUYING PULSES: PARRIKAR

Slamming the Congress for criticising the Rafale deal in the run-up to the Gujarat elections, Goa Chief Minister Manohar Parrikar said that in India, purchases of fighter aircraft is, unluckily, considered on par with buying pulses.

The former Defence Minister also said, that while buying fighter planes, the plane itself may cost less than its hi-tech accessories.

He also slammed his predecessor A.K. Antony for his questionable remarks on the Rafale purchase deal, which the then Minister had said was in violation of

vigilance guidelines and had delayed the purchase considerably.

"I am explaining this only to make you understand that an aircraft may cost 92 million Euros, but the other components will cost you 150 million Euros because you have to make it fighting fit. Unluckily we in India deal with aircraft purchases or the fighter purchases like we think of tur dal and moong dal. They are not," he said.

Elaborating on the intricacies of the Rafale deal, between the Indian and the French government for 36 fighters at a cost of Rs 58,000 crore, Parrikar said that the aircraft's actual cost is much lower than the price of other special equipment, which is also a part of the deal.

"I was watching many of the Congress stalwarts talking about Rafale in Gujarat election and I realised these people don't know anything about defence. A fighter aircraft is not only an aircraft. Aircraft is probably smaller part of the total cost. The real cost comes in special equipment," Parrikar said.

"How many of you know that this particular deal has a helmet to be worn by the pilot and a target was locked by just watching the target. It is a virtually 360-degree visibility. The pilot doesn't have to actually check up. You must have seen in many movies, pilot locking the opponent on his radar and then firing. Here he didn't have to do that. He has to just watch," he said.

"Our Rafale's will be coming with this equipment. You watch the opponent's target more or less and press the button, the computer does the rest. So you have an advantage of 10 to 15 seconds over your... That cost of development of helmet is included," he added.

Parrikar also said that the Indian Air Force was strategically on the back foot compared to its Pakistani counterparts vis a vis beyond visual range missiles and that the lacunae were plugged with the purchase of the Meteor missile, under the deal.

He claimed that between 1999 and 2014 till Narendra Modi came, Pakistan had acquired a capacity of 100 km range, whereas India had upgraded their BVR weaponry to only 60 km on the Su-30s. "So we were now, in danger of being shot down by Pakistani fighters staying 100 km away

and not being able to retaliate. Meteor does take care of that with 150 km range," he said.

Parrikar also singled out Antony for his "strange" noting on the Rafale purchase deal file, which had said "start discussion, finalise price and after everything is finished, please come back to me with all the documentary evidence how Dassault or the Rafale company was the lowest", saying this had delayed the agreement.

### TATA, GE JOIN HANDS TO MANUFACTURE JET ENGINE COMPONENTS

Industrial conglomerates GE and the Tata Group have entered into a pact to manufacture "CFM International LEAP" engine components in India, for the global supply chain, a company statement said on Dec 14.

According to the statement, the two companies also evinced their intention to jointly pursue military engine and aircraft system opportunities for the India market.

"We look forward to working with GE to build more expertise and strengthen India's defence manufacturing capabilities," said N. Chandrasekaran, Chairman of Tata Sons.

"Tata group's partnership with GE will help drive synergies in defence manufacturing and focus on innovation to support our armed forces," he added.

The strategic partnership envisages GE Aviation and Tata Sons' subsidiary, Tata Advanced Systems Limited (TASL), to join forces for "manufacturing, assembling, integration and testing of aircraft components".

Accordingly, a new Centre of Excellence will be established to help develop a robust ecosystem for aircraft engine manufacturing in India and build related capabilities.

"Tata Group is a leader in the Indian defence and aerospace sector, and we look forward to working together to meet the growing demand for LEAP engines. Our collaboration in building innovative technologies will support the 'Make in India' vision of the Indian government," said John L. Flannery, Chairman and CEO of GE.

The "LEAP" is one of the world's leading jet engines known for its



technological superiority, efficient fuel consumption and performance for powering single-aisle commercial jets. It is a product of CFM International, a 50/50 joint company of GE and Safran Aircraft Engines.

Traditionally, GE military engines have had a strong history in India. The company currently provides jet engines and marine gas turbines for many Indian military applications including the Light Combat Aircraft-Tejas Mk 1, Indian Navy P-8I aircraft and the P-17 Shivalik class frigates. Several military programmes under development that include the Light Combat Aircraft-Tejas Mk 2, P-17A & P-71 ships, and the AH-64 attack helicopters will be powered by GE engines.

On the other hand, TASL is focused on providing integrated solutions for aerospace, defence and homeland security.

Telangana Industry Minister K. T. Rama Rao, who had called on GE Chairman and CEO in Delhi on Wednesday, said he was excited over the announcement.

He said Hyderabad had attracted another major investment in defence and aerospace and hoped that this would give further boost to the sector.



## ARMY BSF'S 'OPERATION ARJUN' FORCED PAKISTAN RANGERS TO TALK

Rajnish Singh

After a month of heavy exchange of fire with Pakistan, it was finally the BSF's "Operation Arjun" that brought the Pakistani border guards to commit themselves to a peaceful resolution of issues, say defence officials on Dec 13.

"Operation Arjun", targeting farms and residences of Inter-Services Intelligence (ISI) officers and retired Pakistani Army officers, was unleashed after heavy Pakistani firing and shelling killed Border Security Force constable K.K. Appa Rao on August 25.

An official document accessed by IANS revealed that "Operation Arjun" continued till September 24, with the BSF using small

and medium arms as well as aerial weapons, causing heavy casualties and damage on the Pakistani side.

This led to the more heavy firing and intermittent shelling by the Pakistanis in the Akhnoor, Jammu and Samba sectors, mostly targeting BSF posts and civilian-inhabited areas in Jammu and Kashmir.

In the month-long cross-border firing between August 25 and September 24, seven Pakistan Rangers personnel and militant infiltrators, as well as 11 Pakistani civilians, were killed. "As many as 35 Pakistan Rangers were also injured in BSF's retaliatory firing."

Firing by Pakistan Rangers also claimed the lives of a BSF trooper and a civilian, the document showed, adding that six BSF personnel and 16 civilians were also injured in the ceasefire violations by the Rangers.

But "Operation Arjun" dramatically changed the situation, leading to the Pakistan Rangers initiating a request at the level of Director General for bi-annual border talks in a bid to end the spiralling clashes.

"Operation Arjun" followed the equally successful 2016 "Operation Rustam" by the BSF.

The BSF forced the Pakistan Rangers to silence their guns gradually and then talk, the document noted.

As a result, the Rangers' Director General told BSF chief K.K. Sharma they were ready for DG-level bi-annual border talks in New Delhi, the document said.

Three days of talks between the two sides took place from November 8 -- after a gap of over one year.

At the conference, the BSF chief said the dialogue was a limited success.

"My feeling is these conferences are held in a very friendly atmosphere and both sides are eager to make things better. Unfortunately, the situation in Pakistan is such that not much headway takes place on the actual ground, I am sorry to say," Sharma said.

"The limited takeaway was that a dialogue started after a long gap," Sharma added.

According to Sharma, the International Border in Jammu and Kashmir witnessed

1,020 incidents of ceasefire violations by Pakistani forces in the last one year, followed by numerous attempts by militants to sneak into India.



## INDIA - BANGLADESH INDIAN, BANGLADESHI DELEGATIONS TO PARTICIPATE IN 1971 WAR VICTORY CELEBRATIONS

A 72-member delegation from Bangladesh participated in Vijay Diwas (Victory Day) celebrations organised by the Indian Army's Eastern Command in Kolkata to commemorate the Indian armed forces' victory in the 1971 war.

A 30-member delegation from India, including four serving defence officers, joined in an event in Bangladesh capital Dhaka to commemorate the Indian victory in the India-Pakistan war that led to the creation of an independent Bangladesh, which was earlier called East Pakistan.

December 16 is celebrated as Victory Day in Bangladesh and Vijay Diwas in India. About 93,000 Pakistani soldiers, on this day in 1971, surrendered to the Indian forces.



## COMMENT WHY DISCLAIMING PAKISTAN OCCUPIED KASHMIR IS NOT PRUDENT

Priyanka Singh

Former Jammu & Kashmir Chief Minister Farooq Abdullah recently raised a furore by stating: "I tell them in plain terms-- not only the people of India, but also to the world -- that the part (of Jammu and Kashmir) which is with Pakistan (PoK), belongs to Pakistan and this side to India. This won't change." This statement on Jammu and Kashmir (J&K) in general, and Pakistan occupied Kashmir (PoK) in particular, was made even as Dineshwar Sharma, the newly appointed

interlocutor on J&K mandated to engage with a broad spectrum of stakeholders, made his maiden visit to the Valley. Within days, Farooq Abdullah supplemented his statement by noting: “How long shall we keep saying that (PoK) is our part? It (PoK) is not their father's share.” He further cautioned that “they (Pakistan) are not weak and are not wearing bangles. They too have atom bomb”, which, in his view, must prevent India from thinking of retaking PoK.

Abdullah's views elicited sharp criticism from certain quarters and endorsement from others. Some even resorted to legal action against Abdullah as the issue stirred heated debate in television channels. While a PIL (Public Interest Litigation) was filed in Delhi High Court against Abdullah, a court in Bihar ordered the registering of an FIR (First Information Report) against him. National Conference leader and former chief minister Omar Abdullah questioned the intent of past Congress-led governments on “taking back” PoK and challenged the present government to do so and prove his father wrong. Omar Abdullah also evoked former prime minister Atal Bihari Vajpayee's resolve to preserve the sanctity of the Line of Control (LoC) during the Kargil conflict in 1999.

This is not the first time that such an unrestrained reference undermining India's position on PoK has been made by senior political leaders. Nor have the reactions and responses to such assertions taken into account the fundamental link between PoK and J&K. Repeatedly, these back and forth statements have translated into high-decibel and divisive for and against debates without being sensitive to the potential fallout. Further, instead of harmonising the domestic discourse on PoK, these polarising debates lead to disjointed analyses and understanding on an issue so critical to India.

### UMBILICAL LINK

Its low-key standing claim on PoK notwithstanding, the territory does embody India's broader position on J&K; namely, the entire territory of the erstwhile princely state is an integral part of India. A part of the state's territory, PoK, comprising the so-called Azad Jammu and Kashmir (AJK) and Gilgit Baltistan (G-

B), has remained under Pakistan's control since the tribal raid and India-Pakistan war of 1947-48. Although the territory is largely forgotten by the people of India, and some have even forgone the claim, its salience to India's overall claim on J&K is undeniable. This is because there is an umbilical link between India's control over J&K and its standing claim on PoK. Via the Instrument of Accession, the entire territory of what then comprised the princely state of J&K, including what is since being referred to as PoK, acceded to India. The accession was signed in India's favour by the then ruler of the princely state, Maharaja Hari Singh, on October 26, 1947. It is this Instrument of Accession that warrants India's territorial control over the entire J&K. India's extant claim on PoK and its control on J&K are, therefore, inextricably linked. Besides, the Constitution of J&K contains a provision of 24 seats for the representatives of PoK “until the area of the State under the occupation of Pakistan ceases to be so.” Therefore, unless India's official stand on PoK is duly revised at some point, hopefully blueprinting a definitive settlement on J&K, it is premature and self-defeating to subtract PoK from its overall claim.

### DETERMINANTS OF DOMESTIC COMPLACENCY

The sustained neglect of India's claim on PoK in the domestic discourse on Kashmir and the indifference shown by successive political dispensations are responsible for building a cynical perception of the territory's insignificance in the broader scheme of things. Rash public statements smacking of political opportunism that contradict the official position on PoK have done considerable damage over time.

### UNINFORMED PUBLIC DISCOURSE

The public conversation on PoK within India is uninformed and pessimistic. It is a stark reality that there is an inadequate academic focus on PoK in India. This is probably because PoK is considered academically irrelevant and less rewarding in comparison to a purely Valley-centric discourse. Consequently, PoK has remained under-represented in

the conventional discourse on Kashmir. Instead, the near-exclusive focus during the last nearly three decades has been on alleged human rights violations perpetrated by the security forces. In this view, only criticisms of India's ‘hard’ approach towards the people of the Valley are considered genuine. Even as Valley-centric issues elicit concern and spawn serious discussions at elite platforms, the issues of political apathy and disenchantment prevalent in PoK are grossly neglected and even avoided. What exists, as a result, is a blinkered view of Kashmir – one that also fails to acknowledge that such a premature signalling on PoK would tantamount to disclaiming PoK with grave repercussions during future negotiations if and when they take place. While it is valid to argue that PoK's inclusion in the domestic debate may not necessarily resolve the Kashmir issue in India's favour, it is at the same time self-defeating to project the view that the Kashmir issue can be solved only by insulating it from India's standing claim on PoK.

India's subdued stance, a virtual abandonment of its claim on PoK, has ensured that the focus of Pakistan, of the international community and of the people of India remains confined to developments on the Indian side of the LoC. As a result, India's PoK policy has been deprived of suitable periodic adjustments to match evolving strategic objectives. Successive governments are responsible for engendering a trend that hugely disserves India's position. That the cartographic representation of PoK as part of India has not translated into mass perceptions of PoK as an integral part of India and the overall failure to mainstream PoK in the public discourse could partly be attributed to inept handling of the issue by the policy-makers.

### AN AGENDA OF THE RIGHT?

Even though India's position on PoK has never been categorically contested by any mainstream political group, ratcheting up the territorial claim is more than often discredited as mere rants by right-leaning constituencies within the country. Indeed, in the wider vacuum that exists, the right-leaning groups have frequently raked up the issue calling for the integration of PoK

with India. Therefore, on most occasions, discussions on PoK elicit responses to the effect that it is unnecessary raking up a claim that has already been more or less dispensed with. Added to this is the recent tendency to ascribe the raising of the PoK issue as a political agenda of particular constituencies. Together, such responses prevent a meaningful and coherent policy-oriented discussion on PoK.

## CUES FROM THE PAST

In contrast to the situation obtaining at present, PoK was vital to India's defence of its position on Kashmir in the initial years after independence. Former Defence Minister V K Krishna Menon's elaborate defence during his marathon UN speech in 1957 made repeated references to Pakistan's deceitful occupation of this portion of territory. It is generally perceived that following this impassioned plea, India's approach on PoK revolved around accepting the ceasefire line and later, LoC as a de facto border and perpetuating the territorial status quo. From "practical" considerations of ceding more territory to Pakistan during the 1960s engagement (Zulfiqar Ali Bhutto-Swaran Singh talks) to an alleged informal understanding on maintaining the territorial status quo during the Simla Talks, there was a virtual shift in the debate on Kashmir within India. The territorial aspects of the issue gradually assumed less significance in discussions as terror and violence abetted by Pakistan during the late 1980s assumed centre-stage.

Though never pronounced officially, it is believed that successive governments have veered towards the position of retaining the status quo as the permanent solution to the festering issue of Kashmir by simply converting the present LoC into a permanent border. As indicated above, this particular trend in India's policy posture began around the Simla Conference in 1972, which also laid out the roadmap to bilateralism on Kashmir and the conversion of the cease-fire line into LoC. The Simla agreement is widely considered part of India's quest to formalise the LoC as a permanent border. Former Prime Minister Manmohan Singh's oft-quoted articulation on making borders irrelevant rather than changing them, and heightened anticipation around Musharraf's four-point formula

(constructed around the status quo), were construed as India's best options while seeking a permanent solution to the Kashmir issue.

## RETHINK SOFT PEDALLING

Prudent as it may have appeared to reconcile to the territorial status quo in the past, policymakers must ask themselves whether such an approach has really worked in India's favour. While India may have been pursuing the option of formalising the LoC into a border, internal security indicators in J&K, dismal bilateral equations with Pakistan, and the persisting tug of war on Kashmir negate the previous approach. Pakistan's unrelenting perpetration of violence and instability in J&K persists and its hand is more visible than ever in the events that have unfolded after the killing of Burhan Wani. Pakistan's diplomats have not spared a single opportunity to raise the Kashmir issue internationally. It is abundantly clear that India has not gained anything by seeking to perpetuate the status quo. It is time to look at alternate options. Ceding territory as part of a "LoC plus" solution is not an option anymore.

India cannot afford to appear to be disowning its extant claim on PoK unless a steadfast guarantee, this time on paper, is extracted on retaining the territorial status quo. Until such a formulation appears on the horizon, it makes no difference to Pakistan whether India abandons its claim on PoK or not. On the contrary, even peripheral overtures indicating India's disinterestedness in PoK will potentially weaken its position on the broader issue of Kashmir. It is wishful thinking to assume that Pakistan would welcome the territorial status quo as propounded by some sections in India. The Kashmir issue substantially governs the undercurrents of Pakistan's domestic polity. It is important to understand that Pakistan has long refused to accept the status quo by proclaiming support for secessionist groups in J&K. Its revisionist designs are even more obvious from the way Pakistan commissions militancy in the Valley and continues to house militant camps in PoK.

Due care is required to ensure that stray references by India's previous leaders suggesting maintenance of the status quo are not interpreted as a climb down/

divergence from the stated official position. Instead, they must be understood as individual quests to explore pragmatic ways to resolve a protracted issue. It is equally important to articulate that India will not cede territory it controls and see whether Pakistan is willing to conduct a dialogue within this framework. Till the time India approaches a conclusive negotiation stage, it is important that loose references contradicting India's claim on PoK are avoided at all cost.

## WAY FORWARD: SHED RHETORIC, SHORE UP CLAIM

Of late, the China Pakistan Economic Corridor (CPEC) has given India's claim on PoK a new lease of life. India has skilfully spun its reservations on the CPEC around the principle of territorial sovereignty and integrity. Therefore, apart from the bilateral imperatives vis-a-vis Pakistan as discussed above, presently, there are pressing geopolitical imperatives that must be heeded while formulating India's policy position on PoK. In this regard, disregarding the territorial claim on PoK will only weaken India's position on CPEC.

With CPEC placed under China's Belt and Road Initiative (BRI), asserting claims to PoK has become a strategic necessity rather than an afterthought. It was perhaps owing to such compulsions that India's inert and understated position on PoK was rescinded by Prime Minister Narendra Modi's reference to the territory during his Independence Day address in August 2016. There will always be those who argue that there is nothing substantial that India would lose by dis-claiming PoK. In the present geopolitical scene, however, India is likely to lose more than it gains by ignoring its claim on PoK. There is an urgent need to build a broad consensus on PoK in order to fix the credibility deficit caused by sustained neglect across generations. Unless India sheds its nonchalant approach towards its claim on PoK, it cannot expect the rest of the world to take its position on J&K seriously. For the time being, India has few options other than continue to be relentless in pursuing its claim on PoK.

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





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## INDIA - NEPAL: WIN FOR LEFT ALLIANCE, LOSS FOR INDIA

The just concluded elections in Nepal have given a decisive victory for the Left Alliance, the first such win for the leftists since the country turned democratic in 1990. The results had seen the virtual decimation of the Nepali Congress which has won barely 21 seats in the 275-member parliament. Others in the "democratic alliance" led by the Nepali Congress (NC), the plains-based Madhesi parties and the former royalist parties that tried using the Hindu card, have also received a setback."

The Communist Party of Nepal (Unified Marxist-Leninist) had also emerged as the single largest party in the local elections held earlier this year. Now, with the Maoists joining them in the run-up to the parliamentary polls, analysts feel the resulting alliance has proved to be ideologically coherent. It is quite clear, says the Hindu "that the Left Alliance's win draws from a yearning for a stable and lasting government after years of political instability. This is reflected in the fact that 13 leaders have held the post of Prime Minister since 1990. The Left Alliance has been seen as a natural coming together of like-minded forces which had both given up on radicalism and were willing to work within the parliamentary system. With such a big mandate, it is incumbent upon the alliance to finally focus on governance...."

Given the massive mandate, K P Oli is theoretically in a position to form a government which lasts a full five-year term, an achievement that no Prime Minister can claim ever since parliamentary democracy was established.



*It remains to be seen how K.P. Oli, if voted to power after Nepal elections, will maintain a geopolitical balance between India and China*

### INDIA LOSING ITS SOFT POWER TO CHINA

For India, the "unthinkable" has happened. According to The Tribune, "if the Doval Doctrine has suffered a setback it is in Nepal."

The victory of the Left alliance is likely to cause considerable disquiet in India writes The Hindustan Times. "The likely return to power of former Nepal prime minister KP Oli, whose relations with New Delhi have been fraught and who is seen as close to China, suggests that there could be a shift in geo-strategic policy in the Himalayan nation.....The fact that the Left has gained the upper hand now shows that India did not read the signals right. Now, whether India likes it or not, Beijing will play a bigger role in Nepali politics.

"China has already given Nepal access

to its ports and has been talking about a joint rail link construction. But the most significant move is the possibility of China supplying Nepal with petroleum products, which now come exclusively from India. This means that managing diplomatic relations with Nepal is going to get much more difficult. India's best bet is to show greater willingness to work with the new government on infrastructure projects and not be seen to be interfering in internal political matters. Given the lakhs of Nepalis who work in India, the country has a stake in maintaining good relations with New Delhi. This is a time for deft diplomatic footwork....."

It is obvious that over the past few years, India's influence in Nepal has diminished while that of China has increased. In the opinion of Yuvaraj Ghimire, Nepal expert this is because of India pursuing a radical political agenda

from 2006 onwards. This has contributed to the distrust between the two countries and has “undermined, and even demolished, the institutions that facilitated cultural linkages between the two countries...”

India, with the support of the European Union, says Ghimire “literally dictated Nepal’s political course from 2006. Together, they blocked the efforts of a large but disorganised section of the Nepali populace that wanted contentious issues like the shift from a monarchy to a republic and the adoption of secularism as state credo instead of continuing as a Hindu state to be settled through debate, and if necessary a referendum. While aligning with the Maoists who were waging war against the state, dispensing with the monarchy, and asking its long-term ally, the Nepali Congress to support the Maoists, India miscalculated the impact these shifts will have, not only on Nepal’s politics, but also in the society.”

China, on the other hand, is picking up the pieces of soft diplomacy from where India abandoned it. “Its keen interest to develop Lumbini (birth place of Buddha) and build a railway line to Sigatse in Tibet via Kerung is an attempt on the part of Beijing to leverage soft power in bilateral relations, for it recognises that Buddhism can be a binding thread between the two countries.”

Prime Minister Modi’s visits to Nepal have been unable to repair the damage mainly because of the perceived India sponsored 2015 economic blockade imposed on Nepal, which had yet to recover from a devastating earthquake. CPN-UML leader K.P. Oli, then the prime minister, stood up to India and turned to China for help.

## LESSONS OF INDIA

Despite the adverse baggage, experts believe India can still do business with Oli provided it acknowledges and internalises the primary lesson from the recent geopolitical changes: no large country can overshadow a small nation.

It is time, writes the Tribune, “we appreciate that Nepal needs to be courted and understood rather than dictated. Nepal has seen how the world operates —

it is among the first five in the GDP to remittance ratio — and would not like to tolerate the affectations of a big brother.”

Identifying lessons for India, Jawed Naqvi (senior Indian journalist, television commentator, interviewer) writing in the Pakistan daily Dawn says that “a paramount message is about how to stay independent when caught between two giant neighbours who happen to be rivals with nuclear capability.

“Another message is a more direct appeal to the sectarian and querulous people of India, about how they too can win the battle for democracy against religious hypocrites, by channelling their energies together. It is evident also that what passes for Communist ideology in Nepal is an improved variant of any robust democracy. There too, the example was set by Indian Communists before they dissipated into small ineffective modules.

“Above all, the message from Nepal reflects a palpable reality involving a people’s dream of creating a just and equitable society. The people have rejected packaged mythology that was doled out in a political format by Nepal’s erstwhile rulers....”

There is also a message for the Indian Left. The Communist victory in Nepal became certain “when the two biggest Left parties announced the formation of an alliance ahead of provincial and federal elections. Both parties were the second and third largest force in Parliament. They also announced that they would work for their formal merger after the election. In India, it means the numerically weaker comrades have to seek out a common agenda with the secular Opposition groups, including the Congress.”



## INDIA - CHINA: STRATEGIC INTERESTS OUTWEIGH "PARTIAL FRICTIONS", WANG

Ahead of his visit to India to attend the Russia-India-China (RIC) foreign ministers' meeting in New Delhi, Chinese Foreign Minister Wang said India and China's strategic interests outweigh

"partial frictions" and handling of the Doklam standoff through diplomatic ties. Wang said China always values good neighbourliness and friendship between the two countries as "we are each other's big neighbours and ancient civilisations".

"We have handled the issue of cross-border incursions by the Indian border troops into China's Donglang (Doklam) area through diplomatic measures," Wang told a symposium in Beijing last fortnight, maintaining Beijing's stand.

"Through diplomatic means, the Indian side withdrew its equipment and personnel which reflected the value and importance of China-India relations and demonstrated sincerity and responsibility of maintaining regional peace and stability," he said in his speech in Chinese posted on the website of the foreign ministry.

"China and India have far greater shared strategic interests than differences, and far greater needs for cooperation than partial friction," he said.

As long as China and India continue to engage in in-depth strategic communication and promptly dispel strategic misgivings, the strategic value of bilateral cooperation will be presented more clearly to the people, there will be a "prospect of the dragon and the elephant dancing together with 1 + 1 = 11 outlook," Wang said.

The references to India by Wang were part of a lengthy speech about China's diplomatic achievements in 2017 and its relations in 2017 with various countries including the US, Russia, Japan and countries in the disputed South China Sea region.

Wang's visit to New Delhi is the first by a top Chinese official to India after the 73 day Doklam standoff and after the commencement of the second five-year term of President Xi Jinping. His visit to Delhi is expected to be followed by top Chinese diplomat Yang Jiechi's trip later in December to attend the 20th round of China-India boundary talks.

Wang along with National Security Advisor (NSA) Ajit Doval, is the designated special representative for the border talks scheduled for later in

## RUSSIA FAVOURS DIALOGUE WITH THE TALIBAN: LAVROV

An inclusive political dialogue for peace in Afghanistan should include the Taliban and other regional countries, said Moscow's Foreign Minister Sergey Lavrov Monday. He said Russia had in the past contacted the militant group to sit down for negotiations. Addressing a gathering at a think-tank event, he said the American strategy of defeating extremism and terrorism in Afghanistan was not viable as the military method of the last 15 years had not reduced violence in the country.

"You cannot resolve the situation without having everybody on board and around the table. The government of Afghanistan, the Taliban, and those who can influence the situation, including neighbours who feel the bad influence of what is going on in Afghanistan should find a political solution," said Lavrov urging for a broad-based discussion covering all sides from the region and Central Asia.

Russia had been boosting its presence in Af-Pak in the last few years but The Hindu writes "Monday's statement from Lavrov was a major public moment when Russia indicated its support for political dialogue with the Taliban."

He denied the reported U.S. allegations that Russia had been open to

unconditional talks with the Taliban and had been helping the group with arms.

"Never ever was there any proof or fact that Russia supported the Taliban or armed the Taliban as alluded by some American officials. We have contacted the Taliban only for two reasons, when our citizens or citizens of our allies got into harm's way and we had to extract them and the second was to persuade the Taliban to sit down and negotiate. But we always reserve and say they must join negotiation provided they renounce violence and sever their links with terrorist organisations and respect the constitution of the Islamic Republic of Afghanistan," said Lavrov in an interaction at the Vivekananda International Centre.

He also pointed out that the fight against terrorism and extremism in Afghanistan cannot be separated from the issue of drug trade which funds violence in the country and the region. "The recent American strategy on Afghanistan which emphasises force will not work just as the huge army of NATO over the last 15 years did not curb violence nor reduce drug production. It is accepted that it feeds terrorist activities directly," said Lavrov urging for an end to double standards in fighting drug trade.

December. Both officials are also mandated to discuss the state of the entire gamut of bilateral ties.

## INDIA COUNTERING CHINA IN PORT DEVELOPMENT

Chinese influence in India's backyard has been a source of concern. But countries like Sri Lanka are also paying a heavy price for China supported projects.

An appropriated example is the Sri Lankan part of Hambantota that has formally become a Chinese leasehold and will remain so into the twenty-second century. That the port would be handed over to a Chinese firm has been public knowledge for several months. As was the fact that Sri Lanka will also hand over 15,000 acres of land for a Chinese economic zone. All of

this in return for China writing off a little over one billion dollars worth of Sri Lanka's enormous bilateral debt to that country.

The Hindustan Time writes "it is pointless for India to try and outbid and buy out every maritime facility that China builds and manages in the Indian Ocean. Beijing commands far greater economic and financial resources. It makes even less sense to fight over projects like Hambantota which has shown little commercial prospect. What India is trying to do is to showcase how the Chinese way of infrastructure building — high-interest debt, overpricing and demands on the host country's foreign policy — is little more than a modern neo-colonial enterprise. These are white elephants with yellow chains attached.

"That is exactly what is happening in Sri Lanka, where, in effect, two Chinese-built ports and two Indian-Japanese ports are vying with each other. They are rivals

not only in terms of commerce, but in showing to Sri Lanka and the rest of the world that there is a fundamental difference in dealing with Beijing and in dealing with New Delhi or Tokyo. The real contest will unfold over the coming years as the relative cost-benefit of these ports becomes obvious to everyone. And that is the battle India will have to focus on winning."



## COMMENT WILL XI SIGN UP ON MODI'S SAGAR VISION?

C Uday Bhaskar

Prime Minister Narendra Modi outlined India's maritime potential and current profile in a commendable manner at the commissioning ceremony of INS Kalvari, a Scorpene-class diesel submarine at Mumbai on Thursday (Dec 14). Modi's fluency and grasp over the fine-print of the Indian Ocean is indicative of the maritime/naval empathy that South Block has exuded in recent years.

However the abiding challenge for India's aspirations in the Indian Ocean region (IOR) and the realization of the Modi acronym – SAGAR (security and growth for all in the region) will depend to a large extent on the Chinese footprint and intent in this domain.

In the last week, Beijing has dropped anchor in Hambantota, the Sri Lankan port astride the Indian Ocean, and, earlier this year, China set up its first overseas military base in Djibouti in the Horn of Africa.

Why is China in the IOR? To briefly recall the big picture as it were in the maritime domain - in the post Hiroshima/ World War II period, the Indian Ocean had a relatively dormant and below the median strategic relevance in the global context. During the Cold war decades ( 1945 to 1991 ), the global maritime focus shaped, as it was, by the two super powers (USA and former USSR) was on the Atlantic-Pacific ocean combine. This progressively shifted towards east Asia in the post-Cold War



years and was symbolized in the phrase 'Asia-Pacific' – however incongruous the yoking of an ocean with a continent.

Towards the late 1990s the economic relevance of Asia began to rise, powered by the growth of China and India. Over the next decade, the trade dependency of major economies in east, southeast and south Asia increased in a visible manner and two phrases were introduced to the regional security lexicon.

Then Chinese President Hu Jintao spoke about the 'Malacca dilemma' – being reference to China's high dependency, hence vulnerability, to hydrocarbon imports from the Persian Gulf. This was the resurrection of the centuries old 'Silk Route' that became the New Silk Route in the 21st century. This denoted the growing white-shipping trade transit from the Hormuz towards the Malacca and onward to (ASEAN) southeast and east Asia.

The enormity of 9/11 and what followed by way of the US-led war on global terror added to the security dimension and very soon the global maritime focus shifted from the Atlantic-Pacific continuum towards the Pacific-Indian and has now become the extended to what is being called the Indo-Pacific region.

The entry of Chinese naval ships in December 2008 into the IOR as part an anti-piracy effort was an event of deep strategic import and this has been corroborated by more recent events. Chronologically, the two initiatives of Beijing in 2017 that can be deemed 'strategic' in relation to the IOR and of considerable relevance to the powers that be in Delhi are - first, the setting up of a Chinese military facility in Djibouti; and, second, the priority accorded to the OBOR (One Belt- One Road) by Chinese President Xi Jinping at his 'coronation' speech at the 19th Party Congress.

In dispatching its PLA (Peoples Liberation Army) marines to Djibouti in the Horn of Africa (July 12) by amphibious ships, from the southern port of Zhanjiang, China has taken a significant step in enhancing its trans-border military footprint in the IOR. A

permanent Chinese military presence in Djibouti marks the first overseas military base for Beijing and the strategic location of Djibouti in proximity of the Red Sea will make China a credible Indian Ocean power with its attendant implications, with a high degree of salience for India.

It is instructive that Beijing embarked upon its Djibouti initiative even as India, USA and Japan were commencing the operational phase of their joint naval exercise, Malabar 2017, on July 14. The image of three flat-tops (carriers) operating in tandem in the Indian Ocean even as a PLA navy amphibious ship en route to Djibouti joined other PLA navy units, including a surveillance ship, may well be the abiding template for the Indian Ocean in the years ahead.

China's public narrative marks December 2008 as a historical punctuation when Beijing sent three naval ships to join the international anti-piracy effort off the coast of Somalia. For the naval professional, there was a certain symbolism in PLA naval ships transiting the Straits of Malacca. The Chinese military base in Djibouti, when fully established with appropriate assets, will be yet another punctuation – this time in bold font!

The logic from the Chinese perspective is compelling – to break out of the US-shaped military constraints along its Pacific Ocean seaboard – it has to access the Indian Ocean. Overseas bases have been long favoured by major powers and China is not the first extra-regional power to seek a military foothold in the Horn of Africa and adjoining regions. The USA and France are already resident in Djibouti and India has also just established high level political contact.

The second major development of 2017 with strategic connotation, relevant to Delhi, is the manner in which President Xi Jinping has framed the OBOR initiative. It may be recalled that Beijing held a major summit meeting to unveil the OBOR in May 2017 and India was the only major nation that chose not to participate. This decision was arrived at by Delhi after due consideration, since Beijing was seen as indifferent to the Indian sensitivity about the disputed territory of POK (Pakistan Occupied

Kashmir) through which one strand of the OBOR traverses.

The priority accorded to the OBOR was reflected in the speech of President Xi Jinping at the 19th Party Congress on October 18 in Beijing. If India remains opposed to joining the OBOR and the Xi vision has accorded this macro-connectivity project a high degree of centrality, as part of realizing the China Dream, the under-currents of tension and related political-military dissonance between Delhi and Beijing will be palpable over the next few years.

This OBOR dissonance is a factor that could have potentially discordant strategic consequences – particularly if the USA, Japan and perhaps an Australia or Singapore come together in a maritime/ naval partnership in the extended Indo-Pacific region.

China's presence and footprint in the IOR is likely to grow over the next five years and Beijing may feel encouraged to assertively display its comprehensive national power and related capability. The strategic imponderable is how this power index will be utilized. For the greater common good or in defiance of the prevailing status quo? Will Beijing agree to become a stakeholder in Modi's SAGAR vision?

(The author is Director, Society for Policy Studies)

In arrangement with South Asia Monitor



## MALDIVES SUSPENDED THREE MEMBERS OF A LOCAL BODY FOR MEETING INDIAN AMBASSADOR

In a surprise move, the Maldives government has suspended three members of a local body for meeting Indian Ambassador Akhilesh Mishra without seeking prior approval. This comes days after the Abdulla Yameen government rammed through its Free Trade Agreement with China in the Maldives parliament — it was signed during Yameen's visit to China last week.

Sources told The Indian Express that Indian diplomats in Male have reached out to the authorities there to understand the rationale behind the decision. “We are in touch with the government authorities on this issue,” said a source.

On December 11, the Local Government Authority (LGA), which is the prime monitoring agency of local bodies in Maldives, issued a circular stating that since all foreign policy powers are vested in the presidency, any meetings between councillors and foreign diplomats could only take place after the home ministry’s clearance.

All the three suspended councillors are from the main opposition party, Maldivian Democratic Party (MDP), headed by former President Mohammed Nasheed.

### CONDEMNATION BY FOREIGN DIPLOMATS

At least four ambassadors to Maldives (including those based in Colombo) — from the US, UK, Australia and Germany — have criticised the move by the Maldivian government to restrict elected leaders from meeting diplomats.

“A further restriction on democracy and transparency in #Maldives: it appears that local elected officials can no longer meet diplomats and civil society NGOs without central government permission. Why,” tweeted US ambassador to Maldives Atul Keshap, who is based in Colombo.

“Since I met elected island representatives on Thinadhoo earlier today, all local councillors have been instructed that they may only meet diplomats and NGOs with prior permission. The latest unfortunate step in #Maldives, I’m sorry to say,” tweeted British Ambassador to Maldives James Dauris, who was also touring the islands.

“Elected local councils in #Maldives now need Home Affairs permission to meet foreign diplomats — why this further step backwards? #FreedomofExpression,” tweeted Australian envoy to Maldives Bryce Hutchesson.

German envoy Joern Rohde termed the new rules as evidence of continuing “deterioration in democracy and freedoms” in the country. “The deterioration in democracy and freedoms continues. Why

does the MAL Gvt mistrust it’s own people so much? Very concerning,” he tweeted.

Condemning the “dictatorial” decision, the Opposition Maldivian Democratic Party (MDP) has demanded that the suspension of the three Councilors should be revoked.

### INDIA’S COMMENTS ON THE FTA WITH CHINA

Referring to the Maldives-China free trade agreement signed last week, India on Thursday said it expected the Indian Ocean archipelago nation to be sensitive to New Delhi’s concerns.

Stating that India attached the highest importance to its relations with Maldives, MEA spokesperson Raveesh Kumar said the two countries “have strong historical and civilisational linkages, and also at the people-to-people level”.

“We are also committed to support democracy, development and stability in Maldives,” said Kumar at his weekly media briefing here. “It is our expectation that as a close and friendly neighbour, Maldives will be sensitive to our concerns in keeping with its India first policy,” he said.



### LINKAGES BETWEEN PAKISTAN AND ROHINGYA MUSLIMS

The Lashkar-e-Taiba’s charitable wing, the Falah-i-Insaniat Foundation, has established operations reaching out to Muslim populations inside Myanmar’s Rakhine state, the organisation has claimed in propaganda material released online. FIF volunteers, the organisation has said, “distributed millions in cash money and blankets among more than 300 besieged Rohingya Muslims”.

The claim was backed by Bangladesh-based intelligence officials, who told The Indian Express that the group had been operating in refugee camps near the town of Cox’s Bazaar, with the help of local Islamist groups.

Shahid Mahmood, FIF’s head of foreign operations, said in an online statement that a relief convoy raised by the organisation had succeeded in entering Rakhine “in extremely risky conditions” — an evident reference to the

illegal crossing of the Bangladesh border. He said FIF intended to “start its relief activities in all areas of Burma where Muslims are besieged”.

The FIF’s operations, a senior Bangladesh intelligence official said, “could mark a dangerous new phase in the Myanmar conflict”, where transnational jihadist groups become more heavily involved in the fighting, so far spearheaded by the poorly trained and equipped Arakan Rohingya Salvation Army (ARSA), also known as the Harakah al-Yakin.

Lashkar links to the Rohingya conflict are known to date back to at least 2012, when its chief, Hafiz Muhammad Saeed, shared a stage with jihadist commander Abdul Qudoos Burmi. FIF operations in the region began when it built homes and a madrasa for a community of over 1,000 refugees in Indonesia.

“ARSA hoped it could overwhelm the Myanmar state using a few bombs and villagers armed with spades and sickles,” the official said. “That was a disastrous calculation, and now others from Pakistan are stepping in”.

Bangladesh had, in October, shut down relief operations among local Rohingya by two controversial international Islamic charities, Muslim Aid and Islamic Relief, as the local Fazlullah Foundation. However, the groups continue to be free to operate elsewhere in Bangladesh, raising concerns that groups like the FIF may be able to use their work as cover.

Myanmar’s military has long alleged that ARSA insurgents were trained in fabricating improvised explosive devices — used during its first wave of strikes on police and army outposts in August — by trainers brought in from Pakistan. In May, an IED accidentally blew up while al-Yakin cadre were gathered in Kyaung Taung, north of Buthidaung, killing seven men and their Pakistani instructor.

From August 25, ARSA’s cadre began human-wave attacks against over 30 police and military outposts, using WhatsApp messages and announcements by local clerics to mobilise villagers

Three days later, ARSA’s Pakistan-born, Saudi Arabia-raised leader, Muhammad Ataullah, also issued WhatsApp messages

asking villagers to burn down ethnic-Buddhist villages, apparently in retaliation against attacks by vigilantes.

Police sources in Bangladesh say much of the FIF's work in the Cox's Bazaar area have centred around the Imam Muslim Islamic Centre, run by local cleric Hafiz Salahul Islam, the first military chief of an earlier Rohingya jihadist group called the Rohingya Solidarity Organisation.

Abdul Rehman, an Islamic Centre official on the run and a cleric handling finances arriving from the large Rohingya diaspora in Saudi Arabia and Pakistan, was responsible for knitting together ARSA's assault plans, the sources said. He, in turn, drew in a Karachi-based jihadist who used the name "Umar Farooq".

Facing sanctions from the United Nations and the United States, the FIF's continued operations inside Pakistan have led to intense pressure on Pakistan's banks and financial systems. In March, Pakistan's State Bank, the equivalent of India's Reserve Bank, is scheduled to make a presentation on action it has taken to deny the FIF and other sanctioned groups access to the banking system, or risk being blacklisted. (source: Indian Express)



## MANAGING NEIGHBOURS: AN EXPERT VIEW

Kanwal Sibal, former foreign secretary does not agree with the criticism of India not managing relations with its neighbours. The dynamics at play between big countries and their smaller neighbours, he says, are not simple. "All big countries have, in reality, problems with their smaller neighbours because the disparity in size and power create insecurities in them..."

He blames Pakistan for "severely distorted the subcontinental relationships. It is exceptional in its use of terrorism as an instrument of State policy..... Pakistan, while refusing to normalise trade relations with India, has obstructed regional cooperation to prevent India from drawing strength from it. Afghanistan was invited to become a Saarc member, but Pakistan denies it the right to benefit from unhindered relations with India."

Nepal also has been playing "the China card against India. The latest election results in Nepal, with KPS Oli emerging as the country's prime minister, is likely to increase India's headaches. Nepal supports China's Belt and Road Initiative (BRI) and is backing China's connectivity projects with it in full awareness of India's security concerns...."

In Sri Lanka too Chinese influence is dominant. It "is aware that it has walked into a debt trap with Chinese financed projects, but, besides lacking the political will to rebuff China, it calculates that an anxious India will be induced to offer more projects to it to its gain. While balking at signing a Comprehensive Economic Partnership Agreement with India, Sri Lanka is negotiating a Free Trade Agreement (FTA) with China.

"The Maldives has just signed an FTA with China in murky circumstances and supports the BRI, ignoring India's concerns."

Bangladesh is the exception where the two countries have shown sensitivity to each others' concerns.

"The conclusion to be drawn from this is not that India is necessarily mismanaging its relations with neighbours, but that they too, enticed by China, are mishandling their ties with India. They know India's limitations in imposing its will on sovereign countries in today's world. Reciprocity is the governing principle of diplomacy. While a bigger country may not seek strict reciprocity, it cannot sacrifice national interest simply for the sake of generosity. Our neighbours cultivate China at India's cost....."

'Neighbourhood First', argues Sibal therefore, "cannot be the basis of foreign policy..."



## BRIEFS

### INDIA REDUCES GAP WITH CHINA ON PROSPERITY: STUDY

The gap between China and India's prosperity+ has narrowed by four ranks since

2016 and to a quarter of what it was in 2012, according to the latest Legatum Prosperity Index, an annual ranking developed by the London-based Legatum Institute.

India closed in on China+ through gains in business environment, economic quality and governance, the report said.

The Legatum Institute applauded India for improving governance by legislation "that increased the ability to challenge regulation in the legal system". The report attributed the gains in business environment and economic quality to improvement in intellectual property rights and massive rise in bank account holders.

The Prosperity Index determined by nine sub-indices — business environment, governance, education, health, safety and security, personal freedom, social capital and natural environment — is reviewed by a panel of academics from various disciplines and reputed schools like London School of Economics, Tufts University, Brookings Institution and University of California, San Diego.

In the 2017 Legatum Prosperity Index, based on 104 different variables analysed across 149 nations, India has significantly improved in the economic quality and education pillars. "More people are now satisfied with their standard of living and household incomes," the report said.

China, according to the report, has lost out "economically as people perceived greater barriers to trade and less encouragement of competition; and educationally through a falling primary school completion rate".

Overall, world prosperity increased in 2017 and now sits at its highest level in the last decade even as the world went through turbulence due to terrorism, war against Islamic State and displacement of massive number of people in West Asia and North Africa. The global prosperity is now 2.6% higher than in 2007. While prosperity improved around the world in 2017, no region grew as fast as Asia-Pacific.

The Asia-Pacific region, which includes China and India, registered greatest improvement in business environment and worst performance towards natural environment.





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## INDIA-CHINA-RUSSIA TRILATERAL: MIXED ASSESSMENT ON ITS RELEVANCE

Foreign ministers of Russia, India, and China met for their fifteenth ministerial trilateral meeting in New Delhi last week. Russia was represented by Foreign Minister Sergei Lavrov, India by External Affairs Minister Sushma Swaraj, and China by Foreign Minister Wang Yi. In the joint statement released after the meeting the three sides stated their interest, concern, and objectives on a range of issues.

### JOINT STATEMENT DOES NOT NAME PAKISTAN-BASED GROUPS

For the first time, the joint statement called for cooperation to take decisive and concerted action against globally-proscribed terrorists and terror entities without explicitly naming Pakistan-based groups.

External Affairs Minister Sushma Swaraj also did not mention Jaish-e-Mohammad in the list of terror groups, although she mentioned Lashkar-e-Taiba, Taliban, Islamic State and al-Qaeda. In her bilateral meeting with Wang Yi Monday, she stressed the need to meet more frequently and without any agenda to strengthen mutual trust.

While the RIC statement is viewed positively, MEA sources said they do not expect any radical change in China's behaviour.

"We call for the swift and effective implementation of existing international commitments on countering terrorism, including the UN Global Counter-Terrorism Strategy, relevant UN Security



*External affairs minister Sushma Swaraj (C) with her Chinese counterpart Wang Yi (R) and Russian foreign minister Sergey Lavrov before the Russia-India-China Foreign Ministerial Meeting in New Delhi*

Council resolutions and targeted sanctions relating to terrorism and the FATF International Standards worldwide. We agree to strengthen cooperation to take decisive and concerted actions against globally proscribed terrorists and terror entities. We condemn all forms of terrorism and all terrorists, terror entities and organisations listed by the UN Security Council," said the joint statement issued after the trilateral meeting.

"Foreign Minister Wang Yi and I agreed that we should further strengthen our mutual trust to develop a better understanding between the two parties. And it will be better to meet again, and without agenda, which will help us to expand our mutual understanding," said Swaraj.

On the RIC discussions, she said, "While discussing terrorism, I put across my view that significant rise in acts of terrorism by terrorist organisations like Taliban, Daesh (Islamic State), al-Qaeda, and LeT directly undermine international

peace and security, and endanger ongoing efforts to strengthen the global economy and ensure sustainable growth and development. India strongly recommends a comprehensive policy for dealing with global terrorism.

"The policy should include dealing with extremism, countering religious fanaticism, preventing recruitment of terrorists, disrupting terrorist movements, stopping all sources for financing of terrorism, stopping the flow of FTFs (foreign terrorist fighters), dismantling terrorist infrastructure, and countering terrorist propaganda through the Internet, but we should not limit ourselves to these only."

In early-November, barely two months after it had agreed to name Jaish-e-Mohammad as one of the terrorist groups at the BRICS declaration, China had "blocked consensus" on the listing of JeM chief Maulana Masood Azhar — for the fourth time since last year — as an internationally designated terrorist under

## INDIA, CHINA CONCEDE “DIFFICULT PHASE” OVER DOKLAM

Indian and Chinese Foreign Ministers acknowledged that the standoff at Doklam earlier this year was a “difficult phase”, even as military sources indicated that both sides have boosted their military presence in the area.

An Indian diplomatic source said, “Status quo of Doklam remains unchanged. During discussions between Foreign Minister Sushma Swaraj and Chinese Foreign Minister Wang Yi the issue came up and both sides acknowledged that Doklam was a difficult phase but now is the time to move ahead.”

the UN Security Council resolution 1267 committee.

In Xiamen in September this year, China had signed off on the BRICS declaration to name JeM and LeT as terrorist outfits, which was welcomed by New Delhi then. In fact, it was a similar formulation to name both JeM and LeT in the Heart of Asia declaration in Amritsar in December 2016, which was agreed to by both China and Pakistan. But, while the Heart of Asia declaration was a ministerial-level statement, the Xiamen declaration was made at the leaders’ level (President/ Prime Minister) and had given some hope in Delhi about a possible change in Beijing’s behaviour.

## CALLING FOR A PEACEFUL AND STABLE AFGHANISTAN

The three countries called for a peaceful and stable Afghanistan through an Afghan-led and Afghan-owned peace process. “We reiterate our support to the Government and the people of Afghanistan in their efforts to achieve an Afghan-led, Afghan-owned national peace and reconciliation and build a peaceful, secure, united, sovereign, democratic, stable, prosperous and pluralistic state,” a joint statement issued following the meeting.

“We share the view that a capable and effective Afghan National Defence and Security Forces (ANDSF) should be the key to the stabilisation of Afghanistan,” it said.

“Noting the significant increase of opium poppy production in Afghanistan

and the nexus between narcotics revenue and its financial support for terrorism, we emphasise the need for stepping up result-oriented international efforts aimed at countering the Afghan drug threat.”

The three countries also stressed on the importance of multilateral region-led interaction on Afghan issues, primarily by those organisations which consist of Afghanistan’s neighbouring countries and other regional states, such as the Shanghai Cooperation Organisation (SCO), the Moscow format, the Heart of Asia-Istanbul Process, the Kabul Process and the Regional Economic Cooperation Conference on Afghanistan.

## ACHIEVING PEACE AND STABILITY IN THE MIDDLE EAST

To achieve peace and stability in the Middle East, the three countries reiterated “the need for a comprehensive, just and lasting settlement of the Israeli-Palestinian conflict on the basis of the relevant UN Resolutions, the Arab peace initiative and previous agreements between the parties through negotiations aimed at creating an independent, viable, territorially contiguous Palestinian state living side by side in peace and security with Israel within mutually agreed and internationally recognized borders”.

On the crisis in Syria, the three countries reaffirmed that the only lasting solution was “through an inclusive Syrian-led, Syrian-owned political process which safeguards the sovereignty, independence and territorial integrity of Syria, in pursuance of the United Nations Security Council Resolution 2254(2015), and promotes the legitimate aspirations of the Syrian people”.

The three sides expressed concern over the continuing conflict in Yemen which has led to the killing of civilians and to the destruction of civilian infrastructure.

“We call for urgent measures by the international community to alleviate the social and economic situation in the country and to facilitate unhindered access to humanitarian aid to all parts of the Yemen Republic,” the statement said.

The three countries also expressed deep concern over the ongoing tension on the

Korean peninsula as a result of the nuclear and ballistic missile programmes of North Korea.



## ANALYSES

### NO INTENTION TO BOX CHINA

The Asian Age writes “the trilateral meeting of the foreign ministers of Russia, India and China (RIC) in New Delhi on Monday was good for optics. It produced nothing sensational. But when top officials of leading countries gather to speak of charting a productive path and fashion a cooperative outlook, the right signals go out.

“The meeting of Sushma Swaraj, Wang Yi and Sergei Lavrov should also help balance concerns in any quarters that India has begun to form a bloc with the United States, Japan and Australia (the “Quad”) to box in China in producing a security architecture for the Indo-Pacific region....”

This notion gained enough traction for Russia’s foreign minister to say in a talk at a New Delhi think tank that a sustainable security architecture for the Asia-Pacific can’t be achieved through a “bloc arrangement” but on “an open-ended collective basis”.

By raising the issue, “Moscow is signalling the importance of its own ties with China, particularly so in light of the Trump administration’s unceasing hot rhetoric on North Korea, which impacts both Beijing and Moscow.”

### INDIA SHOULD BE IN SYNC WITH MOSCOW AND BEIJING ON TERRORISM

Noting that the trilateral communiqué on terrorism once again left out mentioning Pakistan-based anti-India terrorist groups like Lashkar-e-Tayyaba and Jaish-e-Mohammad, the Asian Age writes “China has massive investments in Pakistan in the context of the China-Pakistan Economic Corridor, and it clearly can’t go any farther than this in the foreseeable future. But that shouldn’t turn us off Beijing, and we need to look at the balance.

“In dealing with regional terrorism emanating from Pakistan, it’s better to be in sync with Moscow and Beijing on a broad political understanding of ways to combat terror than be at odds with them as that would make any consensus elusive.

“In dealing with terrorism each country will have its own threshold. India must be clear it will act the way it needs to and, in the end, it can’t depend on any country in fighting regional or international terrorism directed against it.”

### RELEVANCE OF THE TRILATERAL MAY WANE

Analyst Ankit Panda writes that the Russia-India-China trilateral format yields varied results from year to year and while the joint communiqués released after their meetings are always long and comprehensive, they do vary considerably from year to year. Last year, for example, India had signed on to a joint statement with Russia and China that outlined a conspicuously China-oriented view of the South China Sea disputes.

This year, that paragraph didn’t appear, which is unsurprising given India’s recent full-throated support for the concept of a “free and open Indo-Pacific,” which privileges freedom of navigation and international law in Asia’s maritime commons. This year’s Russia-India-China joint communiqué did nevertheless mention freedom of navigation, but made no reference to the South China Sea specifically: “Recognising the growing importance of maritime-trade in an increasingly globalised world, we support freedom of navigation and overflight rights based on the principles of international law, particularly UNCLOS.”

Ankit Panda says the rest of this year’s statement is comprehensive and mostly unremarkable. It references a range of issues that each of the three countries care about, including climate change, regional connectivity, tensions on the Korean Peninsula, in eastern Ukraine, and Afghanistan. Like the outcome of any grouping comprising India and China, these statements are necessarily limited in their scope. The Russia-India-China trilateral format nevertheless continues to be a priority for these three countries, despite their common participation in the BRICS

grouping and the Shanghai Cooperation Organization, where India recently became a member. This year’s meeting, however, according to Ankit Panda doesn’t augur positively for the relevance of this trilateral, which may continue to wane as India finds itself increasingly drawn toward Asia’s like-minded democracies.

### ‘RIC’S POTENTIAL HAS A DARK AND BROODING BACKGROUND’

M K Bhadrakumar, a former ambassador strikes a note of caution against India participating in any anti-China alliance, in the light of Prime Minister Shinzo Abe announcing on December 4 at a high-level Japan-China Track II event in Tokyo that to meet “robust infrastructure demand in Asia through cooperation between Japan and China will contribute greatly to the prosperity of Asian people, in addition to the economic development of the two countries.”

The Nikkei Asian Review reported that the cooperation ‘may entail large-scale infrastructure projects managed jointly by Chinese and Japanese private companies’ and involving European partners. India finds itself as the only Asian country to oppose the OBOR.

Bhadrakumar writes that “there couldn’t be a more poignant backdrop to the meeting of the Russia-India-China (RIC) trilateral at foreign minister level taking place in Delhi...”

In contrast to the confrontation between the US, the Soviet Union and China during the Cold War era, “the RIC is an entirely different paradigm predicated on consensus, cooperation and convergence as regards the world of tomorrow. None of the RIC countries ever drove a wedge between the other two or exploited any frictions in the relations between the other two.”

Looking at the historical backdrop to the RIC, Bhadrakumar makes the point that unlike India- China relations, “the Sino-Russian relationship is at its highest point in history. Russia is no longer the dominating Eurasian power, but there is political will in Moscow and Beijing to prioritise their equal relationship based on mutual respect and benefit and to add content to it. Trade is booming. Russia does

not become a factor in the dynamics of China’s relations with the US...”

“Thus, China gets along wonderfully well with Ukraine or Poland and understands the *raison d’être* of the Russo-Japanese ‘thaw’ and the robustness of the Russo-Vietnamese ties. It is possible to say that they significantly contribute to each other’s ‘strategic depth’, such as over Syria or the South China Sea. The point is, the strategic communication is very dense...”

India too, argues Bhadrakumar “would have significantly enhanced its strategic depth and foreign policy resilience if only it had a relationship with China that Russia attained. Russia and India began their ‘normalisation’ with China at roughly the same time — second half of the 1980s.... Historically, Russia’s relations with China were far more complicated than India’s....” But where China-Russia settled their relations “India failed miserably where post-Soviet Russia brilliantly succeeded. Plainly put, India’s reset of its post-Cold War foreign policy compass was fundamentally flawed...”

To be sure, concludes Bhadrakumar “India’s inability (or refusal) to explore RIC’s potential has a dark and brooding background to it. The RIC’s uniqueness lies in its potential to be the vehicle to regenerate India’s foreign policy. Russia’s benign presence inside the cabin helps. If Abe had an ‘RIC option’, he’d have grabbed it with both hands as the compass to navigate Japan toward a stable relationship with China (and Russia). He’d have proposed annual RIC summit meetings.”



### INDIA TO PUSH FOR DEEPER STRATEGIC COOPERATION WITH ASEAN

Eyeing to play a more pro active role in the Indo-Pacific, India is expected to push for a deeper strategic cooperation with ASEAN to balance the China-dominated power dynamics in the region when the two sides hold talks in Delhi next month.

A range of key issues including effectively tackling threat of terrorism, boosting maritime security cooperation and enhancing connectivity will be the other



areas of deliberations at the India-ASEAN commemorative summit to be held on January 25, says Economic Times quoting sources.

They said there is no friction point between India and ASEAN over formation of the proposed quadrilateral coalition comprising India, the US, Japan and Australia which is seen as a move to counter China's expansionist behaviour in the Indo-Pacific region.

All the 10 ASEAN member countries have already confirmed that their participation at the summit as well as at the Republic Day celebrations will be at the level of heads of state, they said. The summit is being hosted by India to celebrate 25 years of India-ASEAN engagement.

The sources, while referring to the evolving security situation in the Indo-Pacific, said India supports the ASEAN's centrality and the bloc's unity in the regional security architecture, in the wake of "emergence" of China.

They also said, at the same time India believes there must be a balancing factor in the regional security architecture when there have been competing claims of various countries in maritime disputes, in a clear reference to South China Sea issue.

The sources said India's benign presence in the Indo-Pacific region would be a welcome one considering its historical and civilisational links with the resource rich region.

India's presence definitely helps balance the power dynamics in the region, they said.

Widening the security cooperation under the proposed quadrilateral coalition, officials of India, the US, Japan and Australia had held extensive talks on the sidelines of the ASEAN summit in Manila for pursuing common interests in the strategically important Indo-Pacific region.

The sources said India wants to see further deepening of ties between India and ASEAN in the strategic and political spheres, besides rekindling its focus on "commerce, connectivity and culture" with the bloc.

While attending the India-ASEAN summit in Manila last month, Prime Minister Modi had invited the leaders of the 10 South East Asian countries to attend

India's next Republic Day celebrations as well as participate at the commemorative summit marking 25th anniversary of the country's ties with the bloc.

Modi is also expected to have separate bilateral meetings with all ASEAN leaders.

India has also invited groups from all the ASEAN countries for performance on themes based on Ramayana as it reflected India's civilisational links with the bloc.

The ties between India and ASEAN have been on an upswing, particularly in the areas of trade and investment. The ASEAN region along with India together comprises combined population of 1.85 billion people, which is one fourth of the global population and their combined GDP has been estimated at over USD 3.8 trillion.

Investment from ASEAN to Indian has been over USD 70 billion in the last 17 years accounting for more than 17 per cent of India's total FDI. India's investment in ASEAN during the same period has been more than USD 40 billion.

India had hosted an India-ASEAN commemorative summit in December 2012 to mark 20 years of engagement between the two sides.

The sources said India is the only dialogue partner of ASEAN with which it has agreed to hold a second such commemorative summit. A number of major countries including the US, Russia and China are dialogue partners of ASEAN.



## INDIA - US: CONFLICTING FEELERS FROM US

Even as Secretary of State Rex Tillerson says that the United States has elevated its engagement with India and that US this with Pakistan have drifted over the years, Trump is seeking to delink aid to Pakistan from its support for India-focused terrorist groups. The signals are therefore mixed.

### DELINK US AID TO PAKISTAN FROM ITS SUPPORT FOR INDIA-FOCUSED TERRORIST GROUPS

The good part is that Donald Trump as President has made striking changes in

the US policy towards Pakistan. Obama had sought to bring back the US combat forces from Afghanistan, while attempting to virtually hand over Afghanistan to Taliban/Pakistan control.

Trump made it clear that he was not going to quietly withdraw from Afghanistan and hand it over to Pakistan-backed Taliban rule. He was determined to make the Afghan military strong enough to resist the Taliban. The US also declined to join the Russia-China-Pakistan initiative to promote dialogue between the Afghan government and the Taliban, while totally ignoring Taliban-sponsored terrorism.

Indian diplomacy, recalls G Parthasarathy, former secretary, MEA, persuaded the American establishment and Trump that Pakistan-sponsored terrorism had to be tackled not just across Pakistan's borders with Afghanistan, but also its borders with India. On June 27, the Modi-Trump Declaration proclaimed the will to meet threats from not just the Al-Qaida, ISIS and Taliban, but also the Jaish-e-Mohammed, Lashkar-e-Taiba, D (Dawood) Company and the Hizb-ul-Mujahideen. Naming Hizb was a categorical American rejection of Pakistan's claims that it was helping a "freedom struggle" in J&K.

The US Congress had developed a bipartisan consensus to deny American assistance to Pakistan, unless it ends its support to the Taliban and India-focused groups like the LeT. The US Congress had, in fact, also drafted legislation incorporating such conditions on aid to Pakistan. Parthasarathy writes that "New Delhi was, therefore, surprised when the Trump Administration moved legislation, delinking aid to Pakistan from its support for India-focused terrorist groups. The focus was entirely on Pakistan support to terrorism in Afghanistan. The White House, however, condemned the release of Hafiz Saeed.."

It is clear from these developments, notes Parthasarathy "that while the Trump Administration is determined to strengthen the Afghan armed forces adequately to deal with Pakistan support for the Taliban, it will have to be reminded continuously that India looks forward to it abiding by its word during

PM Modi's visit to Washington and act against Pakistan-sponsored terrorism across South Asia. While the White House staff and large sections of the Pentagon deeply distrust Pakistan, there are sections of the State Department and "liberals" in the American think tanks and mainstream "liberal media", which have historically resorted to India bashing. It is, therefore, crucial that India strengthens the bipartisan consensus in the US Congress to condition aid to Pakistan on its end to terrorism, not just in Afghanistan, but across the entire South Asian Region.

"It should also be made clear to Washington that our participation in the US-Japan-Australia-India "quad" cannot be confined just to security of sea lanes in the Indian and Pacific Oceans. Washington should also deal firmly with issues of terrorism across the Indian Ocean....."

### US HAS ELEVATED ITS RELATIONSHIP WITH INDIA: TILLERSON

Secretary of State Rex Tillerson has meanwhile given a positive spin to the relationship stating that the United States has elevated its engagement with India as part of its effort of free and open Indo-Pacific. "As part of the free and open Indo-Pacific, we have elevated our engagement with India," Tillerson said.

"We've long had a trilateral relationship in the Indo-Pacific between Japan, Australia, and the US, and we're now working towards whether this will become a quad relationship to include India because of the importance of India's rising economy as well and I think shared national security concerns that we have with India," he said.

On America's relationship with China, he said the administration now have a very active mechanism in which it can put complex issues on the table.

"And we have differences, such as the South China Sea and China's building of structures, militarisation of these structures, and how that affects our allies in the region as well in terms of free and open trade," he said.

"As we've said to the Chinese, we hope

we can find a way to freeze this particular activity. Whether we can reverse, it remains to be seen. But it is not acceptable to us that these islands continue to be developed, and certainly not for military purposes," he said.

"In Southeast Asia, we put forth a policy here not too long ago of a free and open Indo-Pacific, and this was built on the back of some of our views about China's One Belt, One Road policy. China's One Belt, One Road, we understand, is a policy they have to continue their economic development, and our policies do not seek to contain China's economic development," Tillerson said.

Tillerson said the US is paying a close attention to Beijing's 'One Belt, One Road' (OBOR) initiative, but sought to clarify that the Trump administration does not intend to contain China's economic growth.

"But China's economic development, in our view, should take place in the system of international rules and norms, and One Belt, One Road seems to want to define its own rules and norms," he added.

The Secretary of State borrowed a quote from Defence Secretary Jim Mattis: "China has One Belt, One Road; the United States and the global economy has many belts and many roads, and no one country gets to choose the belt or the road.

Tillerson said that a free and open Indo-Pacific means all countries have access to continue their economic development and free access for trade through the region.

### TIES WITH PAKISTAN HAVE 'DRIFTED OVER THE YEARS': TILLERSON

Another piece of good news for India came from Tillerson again Tuesday when he said he does not enjoy dealing with Pakistan as America's relationship with the South Asian country has "drifted over the years", noting that the two countries need to restore the ties to "one of common interest."

"Dealing with Pakistan — I don't enjoy that," Tillerson said in response to a specific

query during a town hall with the State Department employees in Washington. His remark, without any further explanation, was in response to a question posed by a State Department employee who asked: "Is it fair to ask and say do you enjoy your job as Secretary of State?"

"...Pakistan is still an important and valued partner of the United States. Over the last decade, the relationship has drifted, and we've got to bring this relationship back to one of common interest," Tillerson said. Today that's just not the case.

"So we're engaged in very frank discussions with Pakistan over the concerns we have about their own stability and their future, and the threat they're under by allowing terrorist organisations to operate in their territory," Tillerson said.

Earlier in his remarks, Tillerson referred to the new South Asia Policy as one of the key foreign policy highlights in the first year of the Trump administration. He said that President Donald Trump took a very bold decision by asserting that the US will be in Afghanistan with its military presence and continue to fight terrorism and the Taliban on a conditions-based effort.

He, however, refused to give any time limit for the withdrawal of American troops from Afghanistan.

"We're there until this thing is brought to a conclusion. It's not a blank cheque. It's not forever. But we're going to stay on the ground and support the Afghan Government," he said.

"The Afghan government has to continue to deliver on the needed reforms and create the conditions to have an inclusive government that allows for participation of all the ethnic groups in Afghanistan, including the Taliban.

"When the Taliban are ready to come to that negotiating table, there will be a place for them to participate in a future Afghan government," Tillerson said.

According to him, Trump's South Asia policy aims to deny any safe haven to terrorist organisations in the Afghanistan-Pakistan region. "Our policy is to deny them the ability to have a safe haven where they can organise, recruit fighters, raise money; plan and carry out attacks against our allies, our own homeland, as they did in the past.

So the entire policy in South Asia is to achieve that”.

The top American diplomat asserted that the policy could be achieved by “eliminating the safe havens”; bringing on board the groups fighting with each other, to get them involved in dialogues and creating the conditions for a reconciliation process within Afghanistan for peace.



## AFTER THE WASSENAAR ARRANGEMENT, NSG IS NEXT PRIORITY

With India becoming the 42nd member of the Wassenaar Arrangement last week, it crossed a threshold that will make it easier to negotiate for some sensitive technologies for its industry and war machinery. India had earlier joined the Missile Technology Control Regime (MTCR) in June last year. These two — Wassenaar Arrangement and MTCR — are among a group of four multinational clubs that control the global trade in sensitive technologies. In the opinion of The Tribune “the other two are the much-talked about Nuclear Suppliers Group (NSG) and the relatively lesser-known Australia Group.”

While China has made too many strides in self-sufficiency to bother about joining Wassenaar Arrangement and MTCR, “for India, struggling to keep up with its bigger neighbour, the memberships are a passport for entering into talks for advanced technologies with the West. It had carried on so far without joining any of these bodies, primarily on the strength of its ties with Russia.

“The NSG, however, is where global politics intersects with technology control. And it is here that the Modi government has been found wanting. The Chinese spanner in India’s NSG membership is based on cold realism: both Pakistan and India are eligible and should be given NSG membership. Pakistan is held up for Abdul Qadeer Khan’s illegal superstore of nuclear technologies but the cold truth is that some nations suspect that India too had erred once in the past. To enter NSG, the Modi government faces hard choices: swallow its nationalist pride and accept NSG

membership along with Pakistan; or, make up with China to an extent that it is prepared to desert Pakistan....”

## MEMBERSHIP WILL ENABLE ACCESS TO CRITICAL TECHNOLOGIES

For India, Wassenaar success “presumes a broad acceptance among its members of the country’s credentials as a fastidious adherent to export controls. It comes on the heels of membership last year of the MTCR. Ever since India signed the 123 Agreement in 2005, the underlying assumption was that the United States would help chaperone New Delhi into global nuclear acceptability after it separated its civil and military nuclear programmes and plugged the loopholes to prevent diffusion of nuclear materials and technology in a way that is demonstrably in line with best practices followed by the members of the NSG.

“However, over the past couple of years it has become evident that Delhi has to do most of the heavy lifting to gain a seat at various global high tables. The Wassenaar Arrangement membership is also a lesson on the need for quiet diplomacy in sensitive nuclear issues, compared to the botched attempt to gain entry to the NSG last year....”

A future bid for the NSG will still “not be easy. The Australia Group, which focusses on biological and chemical weapons, may be easier to crack given that China is not a member. But meanwhile, the Wassenaar Arrangement will embed India deeper in the global non-proliferation architecture and enable access to critical technologies in the defence and space sectors.”



## INDIA - AUSTRALIA: CALL FOR ‘OPEN’ ASIA-PACIFIC ZONE

As part of their strategic bilateral discussion, Australia and India Tuesday discussed the need to maintain the Asia-Pacific region as a “free” and “open” zone under the “2+2” dialogue model which includes the foreign and defence secretaries of both sides. The discussion was the first meeting of this level since the two sides

participated in the quadrilateral discussion for a new strategic partnership targeting the Asia-Pacific region.

“Both sides agreed that a free, open, prosperous and inclusive Indo-Pacific region serves the long-term interests of all countries in the region and of the world at large. There is a growing convergence of strategic perspectives between the two countries,” said a press statement from the Ministry of External Affairs.

The “2+2” dialogue Tuesday was held between Foreign Secretary S. Jaishankar and Defence Secretary Sanjay Mitra and their Australian counterparts Frances Adamson and Greg Moriarty. The dialogue indicated that the focus remains on freedom of navigation in the South China Sea, where China has been reclaiming land for infrastructure, boosting its maritime influence.

“All aspects of bilateral relations with a focus on strategic and defence relations between the two countries were reviewed,” the MEA said. Australian PM Malcolm Turnbull and PM Modi had met on the sidelines of the East Asia Summit in Manila in November.



## PRACTISING A PRAGMATIC MULTI-DIRECTIONAL FOREIGN POLICY

C Raja Mohan (Director, Carnegie India, Delhi and contributing editor on foreign affairs for ‘The Indian Express’) writes that India is now practising a pragmatic multi-directional foreign policy. “That India can sit with the US and its allies one day and hold consultations with the Russians and Chinese the next is certainly disconcerting to the traditionalists in Delhi. But South Block sees the new approach as reflecting a definitive pragmatism rooted in the rise of India and the emergence of multipolar world.”

Mohan notes that the diplomatic calendar last week with the conclusion of “Bodhi Parva” — a celebration of Buddhist heritage to mark the 20th anniversary of a Bay of Bengal Forum, inelegantly called the BIMSTEC. The second event last week was a conference on connecting India and the



10-member Association of South East Asian Nations (ASEAN). This highlighted India's current eastward orientation.

India also hosted the Russian and Chinese foreign ministers this week as part of a continuing trilateral engagement over the last decade and a half. It then holds another trilateral forum with Japan and Australia this week. Top diplomats from Delhi, Tokyo and Canberra have been meeting regularly over the last three years. This supplements the quadrilateral dialogue as well as the on-going trilateral engagement with the US and Japan. Delhi is also holding the first-ever "two plus two" dialogue with Australia in which the foreign and defence secretaries from the two countries sit together.

In the view of Mohan "Delhi's support for the renewal of the quadrilateral security dialogue last month marked its emphasis on ad hoc and flexible arrangements to pursue India's interests in a more complex world."

For the conservatives in the foreign policy community, India's seemingly polyamorous engagements are quite incomprehensible. But "it is quite evident that Delhi is no longer bound to the inherited diplomatic canon. Unlike the ideologues wedded to the worldview from a different era, realists in Delhi emphasise the need to continuously adapt..."

The pragmatism of prime minister Modi means that India "today it is part of such diverse organisations like the G-20, East Asia Summit, BRICS, and Shanghai Cooperation Organisation. Having ignored the Commonwealth all these decades, Delhi is now looking more positively at the forum that brings more than 50 members together. It is a potential arena for Indian leadership.

"Meanwhile, the rise of India is changing Delhi's location in the structure of global power. This, in turn, alters the trajectory of India's great power relations. In the past, Delhi's main purpose was to prevent great power competition from constraining newly sovereign India's room for manoeuvre on the global stage. Today as one of the world's top economies with growing military potential, India is in a position to shape the great power politics and influence the balance of power in the Indo-Pacific and Eurasia." ■ ■ ■

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## WTO TALKS COLLAPSE: HUGE SETBACK TO EFFORTS TO MOVE TOWARDS EQUITABLE GLOBAL TRADE ORDER

The eleventh ministerial conference of the World Trade Organization (WTO) ended in a stalemate, without any ministerial declaration as the US reneged on its commitment to give a permanent solution to food stockpiling issues of developing countries. The US' refusal to reaffirm multilateralism and the Doha development mandate in the outcome led to a breakdown in talks at the 164-nation WTO as several countries, including India, opposed the US position.

In Buenos Aires, the developing world led by India and China threw their weight behind a demand for an agreed solution on the issue of public stockholding of grain for food security, besides domestic subsidies to the agriculture sector. This was in accord with the agreement reached in the Ministerial Conference in 2013 which said that permanent solution to food stockholding would be found by 2017. The decision to expedite work on the 'permanent solution' was noted again in the 2015 Nairobi MC decision.

Following India's agreement with the US on the issue in 2013, the Bali

ministerial conference came up with the 'peace clause' that permitted implementation of India's food security programme till a solution was found. This allows India to procure and stock foodgrain for distribution to the poor without being penalised by WTO members even if it breaches the 10 per cent subsidy cap prescribed by the multilateral trade body.

However, the Peace Clause's onerous conditions (on notification etc.) make it tough for developing countries to use. Therefore, at Buenos Aires, India, along with other developing nations, India wanted the 'Peace Clause' provisions to be improved upon and converted into a permanent solution — a demand the U.S. showed no interest in accepting.

In the search for a permanent solution, India has proposed either amending the formula to calculate the food subsidy cap of 10 per cent (based on the reference prices of 1986-88) or allowing such schemes outside the purview of subsidy caps. India also plans to formalise the Special Safeguards Mechanism, a long-standing demand of developing nations; these allow countries to

temporarily raise tariffs to deal with surging import and subsequent price falls.

The talks collapsed with the US reneging on its commitment to finding a permanent solution to the public food stockpile issue, resulting in disappointment to developing countries such as India. The Indian team led by Commerce and Industry Minister Suresh Prabhu, in cooperation with the G33 grouping, had pitched hard for permanent solution to food security issue as it was crucial for livelihood of 800 million people across the globe.

After the US blocked permanent solution on public stockholding for food security purposes, India toughened its stand on new issues like e-commerce and investment facilitation.

Amongst other points of contention, India was opposed to an outcome on domestic regulations on services pushed by many developed countries at Ministerial Conference of the WTO.

The African group also supported India's proposals on easing movement of professionals and recognition of

qualifications of professionals in other countries.

Finally, consensus could not be reached on a ministerial declaration and the conference ended with a chair's summary which is non-binding in nature.

A dejected WTO Director General Roberto Azevedo expressed disappointment over the way the negotiations progressed and called for soul searching among the members countries.

With wide divergences in negotiating positions established even before the onset of the summit, trade experts had confidently predicted that few outcomes, if any would come out. This had been hinted at by Commerce and Industry Minister Suresh Prabhu telling Business Standard last month that India needs to look beyond the WTO ministerial and clearly lay out how to deal with the multilateral platform in future.

The Doha Round had begun in Doha in 2001 with the 'development agenda' — to improve trading prospects of developing nations — at the heart of the talks. However, countries, mostly from the developed world, want what they call the '21st century trade issues' — such as e-commerce, investment facilitation, matters relating to small firms and gender equality — to be discussed for rule-making to enhance the relevance of the WTO.

India, and several countries mainly from the developing world, are against introduction of such 'new issues' into the Doha Round, saying it is important to first resolve outstanding issues such as the ones relating to food security and protection of poor farmers before taking up new topics.

The richer nations strived to bring into the discussions a stream of issues from rules for small and medium enterprises to gender rights in global trade, which India has categorized as non-trade issues. Many of these proposals run counter to India's interests while also reducing the policy space for governments if norms are decided beforehand.

Discussing a set of global rules for facilitating trade by SMEs would harm India's interests since there was no decision to define an SME currently at the WTO. The proposal by a group of rich nations revolves around providing trade benefits to such enterprises based on size while India and

other developing nations have always argued that benefits should be based on special and differential treatment, currently allowed to such nations in global trade.

This debate reached a head in the field of e-commerce whereby developed nations wanted to start talks on a proposed set of rules for global e-commerce, fiercely opposed by India.

WTO agreements contain special provisions which give developing countries special rights and developed countries the possibility to treat developing countries more favourably than other WTO members. These special provisions include longer time periods for implementing agreements and commitments or measures to increase trading opportunities for developing countries.

They also ensure provisions requiring all WTO members to safeguard the trade interests of developing countries besides the support to help developing countries build the capacity to carry out WTO obligations, handle disputes and implement technical standards.

Even as India tried to keep alive multilateralism in global trade practices, it did well to put up a hard fight to retain the special provisions it enjoys as a developing country member of the World Trade Organization.

Way ahead: The multilateral trading arrangement is in deep crisis. This is the second successive ministerial in which the WTO has failed to agree upon a work programme. In his speech at the closing ceremony, director general Roberto Azevedo has underlined the need for keeping development and inclusiveness at the heart of WTO's work.

Despite all its limitations, the WTO provides to its members an opportunity for transparent dialogue on an equal footing. There cannot be a decision unless there is unanimity, which means no one can play big brother. There has also been a reasonable degree of success in at least bringing the issues of link between trade and development on the agenda of WTO. It was China that stood firmly with India against US pressure in this ministerial. Solidarity among developing countries is a prerequisite for moving towards a more equitable global trade order. ■ ■ ■

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Its Nature, Chinese Motives And Lessons Learnt



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The study puts together expert views over the last 3 months on one of the longest military stand-offs between India and China. Although there has now been a rapprochement, there will be much to learnt from the stand-off that could have easily become a serious conflict.

The study discusses the nature of the conflict and Chinese motives that sought to ideologically, politically and militarily brush aside any future challenge from India. But India's equally nationalistic government resisted strong pressure from the Chinese Foreign Office and state media, to remain calm yet firm. And this finally won the day.

Significantly, the study discusses the diplomatic and military lessons that experts have identified.

The 9,000 word Special Study is available for Rs 1,500 for the soft copy and Rs 1,800 for the print version.

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## GROWTH PROJECTIONS OPTIMISTIC!

### INDIA'S GDP SEEN RISING TO 7.2% IN 2018, 7.4% IN 2019: UN REPORT

India is set to once again emerge as the fastest growing economy in the world.

According to a United Nations (UN) report unveiled last Monday, India's economy is likely to expand by 7.2% in 2018 and go up further to 7.4% in the following year on the back of strong private consumption, public investment and the ongoing structural reforms.

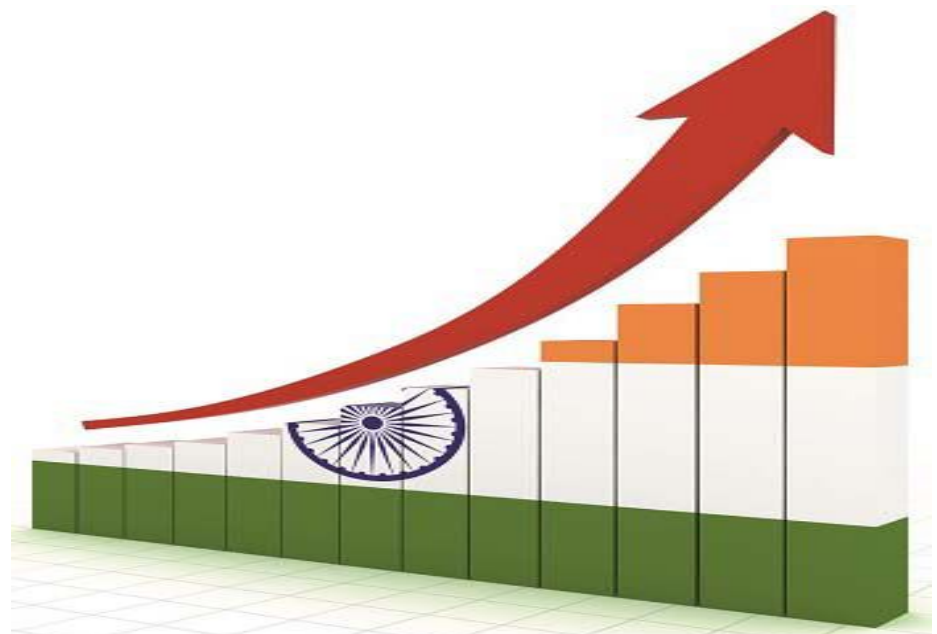
Though this growth rate still falls short of government's expectations of 8 per cent, it may still help India win the fastest growing economy title from China as Beijing is likely to keep 6.5 per cent growth target in 2018.

The report has projected a positive outlook despite the slowdown early this year and the lingering effects of demonetization.

"The outlook for India remains largely positive, underpinned by robust private consumption and public investment as well as ongoing structural reforms. Hence, GDP growth is projected to accelerate from 6.7% in 2017 to 7.2% in 2018 and 7.4% in 2019," the United Nations Department of Economic and Social Affairs (UN DESA) said the report.

The credit is subdued and there is low capacity utilisation in some industrial sectors while the banking and corporate sectors feel the balance sheet problems. "In this environment, vigorous public investment in infrastructure has been critical in propping up overall investment growth," the report said.

India had lost the fastest growing tag in



early 2017 after Prime Minister Narendra Modi outlawed old Rs 500 and Rs 1000 currency notes, bringing cash-based economic activities to a halt. Even before the Indian economy could recover from the woes of note ban, the government rolled out the biggest tax reform - GST. It further aggravated the economic activities, bringing down the growth to the lowest of 5.7 in last 13 quarters.

However, in July-September quarter, India gained marginal recovery and recorded 6.3 per cent GDP growth. But the anaemic performance of private investment remains a key macroeconomic concern for India with gross fixed capital formation, as a share of GDP, falling to 30% in 2017, from 40% in 2010.

Credit growth is subdued despite monetary easing, but bank recapitalisation and the Indian Bankruptcy Code (IBC) have the potential to revive credit growth, said N R Bhanumurthy, Professor, National Institute of Public Finance and Policy.

Strengthening its fiscal accounts, especially through widening of the tax base, and addressing infrastructure deficit are two major concerns for the Indian government, he added.

Achieving the Fiscal Responsibility and Budget Management (FRBM) target could become a major challenge in the context of Goods and Services Tax (GST) as well as recent stimulus measures, he added.

"Achieving 3.2% fiscal deficit may not be an issue, but quality of expenditure is more important than fiscal deficit target," Bhanumurthy told reporters while presenting the report here.

On South Asia, the report said that overall, economic outlook is seen largely favourable and steady for the short term, notwithstanding significant medium-term challenges.

"The economic outlook remains steady and largely favourable in South Asia, driven

by robust private consumption and sound macroeconomic policies.

“Monetary policy stances are moderately accommodative while fiscal policies in several economies maintain a strong emphasis on infrastructure investment. The recovery of external demand is also buttressing growth,” said the report.

For South Asia, the UN report expects regional gross domestic product (GDP) growth to be strengthening to 6.5% in 2018 and further to 7% in 2019, following an estimated economic expansion of 6.3% this calendar.

The positive economic outlook is widespread across the region, with most of the economies projected to see stronger growth rates in 2018 compared to 2017, it added.

Inflation in the region is seen to be stable and at relatively low levels, stated the report.

“The favourable prospects for inflation, coupled with mostly sustainable current account deficits, will facilitate macroeconomic policy management across the region in the near term,” the report added.

Overall, this positive outlook is a continuation of the improvement in economic conditions in South Asia over past years and will contribute to gradual progress in labour market indicators and a reduction in poverty rates, it said further.

“The World Economic Situation and Prospects 2018 demonstrates that current macroeconomic conditions offer policy-makers greater scope to address some of the deep-rooted issues that continue to hamper progress towards the Sustainable Development Goals,” said UN Secretary-General Antonio Guterres in the foreword of the report.

The United Nations is not the only financial institution with strong economic growth forecast for India. A number of leading financial services companies like Morgan Stanley, Moody’s, Nomura and Asian Development Bank have similarly predicted positively about the economy’s growth potential.

While Global financial services firm Morgan Stanley expects India’s GDP growth to grow from 6.4 per cent this year to 7.5 per cent in 2018 and further to 7.7 per cent

in 2019, US-based credit rating agency Moody’s Investor Services has predicted that India’s GDP growth will touch 7.5 per cent mark in fiscal year 2017-18 and 7.7 per cent in the fiscal year 2018-19. The growth is pinned on the premise that the structural reforms such as GST and bankruptcy rode will help reduce inefficiencies and improve trend growth over the long run.

Similarly, Nomura, global investment banking firm, has also pegged India’s GDP growth in 2018 at 7.5 per cent. In a report, the Japanese investment firm said that the Indian economy is on the cusp of a cyclical recovery and the government has continued to implement structural reforms and prudent macro policies, the tangible benefits of which may be harder to pinpoint right now, but over time will be positive for growth. “We remain bullish on India’s macroeconomic outlook,” Nomura said in its Asian economic outlook 2018.

India’s Gross Domestic Product (GDP) growth bottomed-out in the second-quarter of 2017, at 5.7 per cent year-on-year, rising to 6.3 per cent in the third-quarter. Nomura has forecast 6.7 per cent in the fourth-quarter and a full-year growth of 6.2 per cent this year, rising to 7.5 per cent in 2018.

Nomura expects the growth in the first half of 2018 to be at 7.8 per cent. “We expect a growth of 7.3 per cent in 2019 - a solid print, aided by manufacturing and private services on the supply side and investment and private consumption on the demand side,” the report said.

Higher crude oil prices and state election results are the main risks, it said. Given the base effects, Nomura expects the growth in the first half of 2018 to be at 7.8 per cent, higher than the 7.1 per cent of the second half of 2017.

It listed out factors supporting a strong growth: the normalisation of GST-related supply disruptions; the positive effects of bank recapitalization, a positive remonetization impulse and a positive fiscal impulse. The GST council was addressing the supply disruption concerns, it said.

As a result, Nomura said it expected SMEs to ramp up production, exporters to benefit from the stronger global export upswing, import substitution to reverse and growth to jumpstart. “2018 should be 2017 in reverse,” it pointed out. Additionally,

Nomura estimates that Rs 700-750 billion of the recap package will be available as growth capital, which should enable banks to extend additional loans worth 7.3%-8.3% of outstanding credit.

The government’s comprehensive recapitalization plan (recap) for public sector banks (PSBs) worth Rs 2.11 trillion (1.3 per cent of the GDP) in financial year 2018 (year ending March 2018) and financial year 2019 should enable the process of balance-sheet deleveraging.

The resolution of non-performing assets (NPAs) was slow as a lack of capital dissuaded public sector banks from writing off bad loans. But as these are now being written off, firms’ excess leverage should decline, setting the stage for a capex revival over time, said the report.

On the other hand, Asian Development Bank (ADB) last Wednesday lowered India’s GDP forecast for the current fiscal by 0.3 per cent to 6.7 per cent, attributing it to tepid growth in the first half, demonetization and transitory challenges of tax sector reforms.

It has also revised downward the gross domestic product (GDP) outlook for next fiscal beginning from March 2018 to 7.3 per cent from 7.4 per cent mainly due to rising global crude oil prices and soft growth in private sector investment.

“Owing to tepid growth in the first half of 2017-18, the lingering effects of demonetization in November 2016, transitory challenges of a new tax system, and some risks to agriculture stemming from a spotty monsoon in 2017, the economy is now expected to grow by 6.7 per cent, slower than the 7 per cent forecast in the (September) Update,” ADB said in a supplement to its Asian Development Outlook (ADO) on Wednesday.

However, ADB supplement expects growth to pick up in remaining two quarters of 2017-18 as the government is implementing measures to ease compliance with the new Goods and Services Tax (GST) as well as bank recapitalisation.

## FM PROMISES FURTHER PUSH FOR STRUCTURAL REFORMS

Finance minister Arun Jaitley at the annual meeting of Federation of Indian

Chambers of Commerce and Industry.

Finance Minister Arun Jaitley has reiterated his resolve to boost spending on building infrastructure next year even as he continues to strengthen state-run banks, widen the tax base and rationalize taxes.

Speaking at the annual meeting of lobby group Federation of Indian Chambers of Commerce and Industry last week, he said he will also continue to push through structural reforms.

The finance minister's comments come weeks before the Union budget will be presented on 1 February, the last full budget by the National Democratic Alliance government before general elections in 2019. On Wednesday, Prime Minister Narendra Modi also reiterated the government's commitment to pushing through more reforms.

"In 2017, India has seen more structural changes taking place than any time in the recent past. The changes in 1991 were more out of compulsion while the changes in 2017 more out of conviction," Jaitley said, adding that there may be some short-term adverse consequences of the structural reforms undertaken by the government.

India rolled out the goods and services tax (GST), brought in changes to the insolvency and bankruptcy code to make it more effective and initiated the process of capitalizing state-run banks over the past few months.

Highlighting the steps taken to resolve the issues in the banking sector, including the Rs2.11 trillion capitalization plan for state-run banks, Jaitley said it remains an important unfinished item on the government's agenda.

"Completing the unfinished task of strengthening state-run banks and resolving the bad debt problem is unquestionably one of the most important agendas on the table today. Lending capacity of banks is depleted because of NPAs (non-performing assets). Banks have a lot of liquidity on account of low-cost deposits but they are not able to lend because of capital adequacy issues," said Jaitley. Bad loans of state-run banks were more than Rs7 trillion at the end of the September quarter, as per government estimates.

Jaitley also hinted that the upcoming

budget could see the government increase spending on infrastructure.

"We have to keep the momentum going on infrastructure creation, including rural infrastructure. Therein lies the core of India's future growth story," he said, flagging areas such as railways infrastructure including trains and stations, urban infrastructure, water, housing and sanitation.

Jaitley added that the government will strive for greater formalization of the economy, further rationalization of GST and expansion of the tax base to enable reduction in both direct and indirect tax rates.

## REVIEWING POLICY OPTIONS POST DEMONETIZATION

A lot has been said about the effects of demonetization on GDP, black money, corruption etc. But not much is known about the impact of the note ban on the day to day activities of rural and urban populations in the country.

An in-depth analysis by a team of financial experts in a research organization covering 2200 households across six States has thrown up useful insights for policy planners. The studies conducted also examined the post demonetization effects on adoption and usage of digital financial services by low income households employed primarily in the informal sector.

The research suggests that demonetization had severe adverse impact on the economic and financial lives of the poor. Participants reported a 20 percentage drop in their income immediately after demonetization and faced significant difficulty in finding employment. Many also reported delay in their wage payments due to the liquidity crunch caused by demonetization and heavy reliance on cash based transactions in the informal sector. During the period, most used alternate payment methods such as using old notes and banking on their close knit social network by purchasing goods on credit.

Less than 5 per cent of the surveyed households reported using digital financial services for their transactions. When reviewed in light of the RBI data on digital transactions for the last one year, which

suggests an increase in the overall number of digital transactions post the demonetization period, it must be noted that only 30 per cent of India's population is digitally included, implying that the narrative on increase in digital financial transactions excludes the remaining 70 per cent of the population who do not have digital-financial access.

Several demand and supply side barriers to adoption and usage of digital financial services ranging from high dependence on cash, lack of trust in digital financial services, limited internet access or connectivity, low penetration of smartphones and limited digital/financial capabilities to transact digitally were reported by the participants.

This low adoption extends far beyond semi-urban and rural households. Although supply side interventions have ensured basic awareness and access to digital financial products, merchants are still wary to adopt these due to lack of technological knowledge, distrust in digital transactions, perceptions on extra taxation and potential security threats and cyber-security concerns.

The emerging data point towards a huge gap between the aspirations of the government to become a digital economy and the reality of the present. Post demonetization announcements might have created awareness regarding the different digital methods available for financial transactions, transition to these platforms requires gradual effort and time and would highly depend on different customer segments based on their socio-economic profile.

Young adults, urban population and those who are more educated would be more likely to be the first ones to transition to the digital platform. Therefore, a segmented approach needs to be adopted by policy makers while directing their efforts towards the goal of moving to a digital economy. Financial service providers on the other hand, need to design appropriate incentives for their customers to consider digital platforms for financial transactions.

## FED RATE HIKE TO IMPACT INDIA!

In the midst of positive growth projections comes the news of U.S. Fed rate hike last Wednesday which has implications for the Indian economy and its growth



trajectory. For the third time this year, the US central bank has raised interest rates. With this the benchmark lending rate has gone up by 25 basis points (a quarter of a percent) to a target range of 1.25-1.5%. The hike is particularly significant for Americans because it allowed Fed Chair Janet Yellen to signal an all-clear for the U.S. economy a decade after the onset of the 2007-2009 recession.

But a Fed rate hike impacts India and other emerging economies, too, because the US is the world's biggest economy and the world's primary reserve currency is still the dollar.

There are five ways the current rate hike and the four others predicted by Goldman Sachs in 2018-can possibly impact the country:

**Impact on the economy:** The dollar inflows from foreign institutional investors (FIIs) have been robust in the past due to troubles and uncertainties in the US. FPIs have invested over \$4.9 billion in equities and over \$21.7 billion in debt till October this year. This foreign inflow is vital for the Indian economy still recovering from the exogenous shocks of demonetization and GST. But, post a Fed hike, there are expectations that a part of the money will flow back to the US as there will be investment safety and also good returns.

**Impact on domestic interest rates:** For quite some time, the interest rate differential between the US rates and the Indian interest rates was quite high, which created a space for the funds to make money. But as India started easing interest rates and the US started hiking its rates, the differential is now narrowing fast. This impacts the speculative or short-term money that comes to the domestic financial markets. Moreover, reversing foreign inflows will create an upward pressure on domestic interest rates that will affect new projects, expansion plans & increase unemployment in India.

**Pressure on the rupee:** The rupee, which has strengthened a bit this year, will come under pressure post the Fed rate hike as US treasuries will now become more attractive and will strengthen the dollar. A weak rupee might not only impact the credit ratings, but will also widen the trade deficit since imports will get costlier.

**Impact on bonds:** With a hike in US yields, Indian bonds will become less attractive and may witness a sell-off by foreign investors. As bond prices fall due to the selling pressure, the yields will spike. Moreover, the lack of liquidity in bond markets will add pressure since money tends to flow out of less liquid assets as the yield differential falls.

**Impact on India Inc.:** There has been a spurt in Indian stocks over the past 12 months. The rally is purely liquidity-driven, especially when it comes to funding flows from global funds, and there is not much support from earnings growth. So any change in the status quo could be bad news for the over-leveraged corporate houses of India, which are already facing the NCLT threat from the government and the Reserve Bank of India (RBI).

Moreover, borrowing costs of Indian companies that have raised funds from international markets will go up further now since the value of dollar-denominated debt will jump. This will affect the bottom line & Earning Per Share (EPS) of Indian companies.

However, analysts see not much of a cause for alarm. According to Market Realist, an investment information technology company, the correlation between emerging markets and the Fed's fund rate stood at -26% between December 2015-when the Fed increased its key interest rate for the first time in a decade-and June 2017. So, though the Fed's rate hike is impacting emerging markets negatively, but the negativity has been pretty marginal.

of 4.88 per cent in November, on account of rising prices of food products, particularly vegetables, and fuels, growth in the Index of Industrial Production (IIP) declined by almost half to three-month low of 2.2 per cent in October despite it being a festival month, from 4.1 per cent in the previous month. This showed that the restocking after the goods and services tax (GST) rollout had not given a boost to the IIP.

As per data released by the Central Statistics Office (CSO) last Tuesday, vegetable prices jumped 22.48% year-on-year, the steepest since the double-digit inflation episode in early 2013. Food inflation doubled to 4.41% in November from 2.26% in October and the pickup in price rise was reflected in almost all categories except pulses, prices of which continued to fall. Vegetables may well be the main culprit but the quickening of inflation is not restricted to the food segment alone.

The recent surge in global crude oil prices was reflected in the rise in fuel inflation. Fuel inflation quickened to 7.92 per cent in November from 6.36 per cent, driven by rise in global prices of crude oil. Considering that the rise in oil prices is continuing unabated, it means that overall retail inflation and even food prices would continue to edge up in the coming months as fuel permeates every activity of the economy.

The effect of the wage hikes for government employees was evident from the rise in housing inflation to 7.36% from 4.98% a year ago.

The most disturbing sign is however the rise in core inflation, which the Reserve Bank of India (RBI) tracks closely. Core inflation, which excludes food and fuel, rose to 4.83% and this puts it firmly above the Reserve Bank's medium-term target of 4%. Core inflation has been historically stickier than other components, especially downwards.

In its latest monetary policy in December, the Reserve Bank of India (RBI) had given ample warnings on where inflation is headed. In fact, RBI had raised its inflation forecast for the second half of the fiscal year for the second time to 4.3-4.7%.

The markets had expected a sharp rise



## INFLATION WATCH

### RETAIL INFLATION SURGES IN NOVEMBER

Worrying signs have surfaced on the inflation and industrial growth fronts within less than two weeks after the official data showed economic growth rose 6.3 per cent in the second quarter of the current financial year as against 5.7 per cent in the first.

While the Consumer Price Index (CPI)-based inflation rate rose to a 15-month high

in retail inflation in November and consensus estimates had put CPI inflation around 4.45%. But the magnitude of the rise has stumped many.

The RBI's survey of professional forecasters had put retail inflation at 4.4% and core inflation at 4.5% by March. The November inflation has upset these statistics and the prospect of a rate hike is looking more imminent now.

The debt market environment has already changed, with the yield on 10-year government securities hitting an intra-day high of 7.23% on Tuesday. With this inflation print, bond yields are likely to head even higher.

According to global financial services majors like Nomura, BofAML and Morgan Stanley, price pressures are likely to build further in the coming months following a cyclical recovery in the economy and rise in vegetable and oil prices.

Retail inflation has been rising consistently since June amid a slowdown in factory output measured on Index of Industrial Production (IIP).

According to Morgan Stanley economists, besides the rise in food and oil prices, further implementation of HRA-related hikes by more states and across sectors will also fuel inflationary pressures.

Adivi Nayar, principal economist, ICRA, said the uptick in the CPI inflation to a 15-month high in November 2017, was significantly sharper than expected, validating the caution displayed by the Monetary Policy Committee in its recent reviews. The hardening of retail inflation in November 2017 was broad-based, with negative surprises not restricted only to food items, but posted by many of the sub-groups. For instance, core inflation recorded a broad-based uptick to an eight-month high 4.9 percent in November 2017 from 4.6 percent in October 2017.

Some of the factors driving the uptick in the retail inflation in November 2017 would prove to be transient, especially the spike in vegetable prices. Additionally, the impact of the reduction in GST rates on a number of items may pass through into retail prices and inflation in the coming weeks.

WPI inflation jumps to 3.93%: Inflation based on wholesale price index

(WPI) accelerated further to 3.93% in November due to a sharp rise in onion prices and costlier seasonal vegetables, government data showed on Thursday. It was 3.59% in October this year, and 1.82% in November 2016.

Onion witnessed a whopping 178.19% rise in inflation last month on annual basis. For seasonal vegetables too, the rate of price rise accelerated to 59.80%, against 36.61% in October. Protein-rich eggs, meat and fish as a category, however, grew at a slower pace of 4.73% in the month, against 5.76% in the preceding month.

WPI inflation of food articles increased to 6.06% last month, against 4.30% in October, as per the data released by the Commerce Ministry.

For manufactured goods, it was at 2.61% during the month, almost static against 2.62% in the preceding month.



## MONEY & BANKING

### BANKS TO CRACK DOWN ON DEFAULTERS IN RBI'S 2ND LIST

Close to 23 accounts that were part of the RBI's second list of stressed assets are set to go to the bankruptcy courts as lenders were unable to bring about a resolution. Five have already been taken to the National Company Law Tribunal (NCLT). That leaves banks with 23, some of which will now head for the bankruptcy court.

After its first list of 12 large defaulters was sent to banks in June, RBI sent a second list of 28 troubled companies in late August, accounting for Rs2 trillion of bad loans, asking lenders to find resolution plans for them by 13 December or start insolvency proceedings by December end.

While a deadline set by the central bank to resolve 28 such accounts ended on Wednesday, bankers have been able to find solutions only for a few cases such as Anrak Aluminium, Jayaswal Neco Industries and Soma Enterprises.

The total exposure of banks to these 28 accounts stands at around Rs 1.5 lakh crore.

The assets of some of the 40 top defaulters are likely to be sold over the next few months as RBI and the government

pushes lenders to speed up the resolution of Rs10 trillion of soured loans. This, alongwith the government's Rs2.1 trillion capital injection in state-run banks, is expected to give lenders the required resources to restart lending and boost economic growth.

RBI has mandated that for a resolution outside NCLT, the portion of debt designated as sustainable must be rated by at least two external rating agencies as investment grade.

Accounts where banks have decided to move NCLT, the adjudicating authority for proceedings under the Insolvency and Bankruptcy Code, include Essar Projects, Monnet Power Co., Visa Steel Ltd, Jai Balaji Industries Ltd, Uttam Galva Steels Ltd, Uttam Galva Metallics and Coastal Projects Ltd, among others.

"Aggregate sector level provisioning for the second list accounts is around 42-43% as compared to the 50% by March 2018 mandated by RBI for accounts under NCLT," said Karthik Srinivasan, group head of financial sector ratings at IcrA Ltd. "So, the insolvency reference may not significantly increase the provisioning burden on banks."

In the case of Videocon Industries, consortium leader State Bank of India (SBI) is awaiting a rating before finalizing a resolution plan. The company's standalone debt stood at around Rs19,506 crore at the end of March.

There is, however, some uncertainty about Jaiprakash Associates' case as lenders, led by ICICI Bank, have asked the RBI to keep it outside the National Company Law Tribunal (NCLT) as a restructuring plan was being worked out. The plan involves deep restructuring of the account. Standalone debt of the company stood at Rs25,587 crore at the end of March.

Others such as Orchid Pharma Ltd, Ruchi Soya Industries Ltd, Castex Technologies Ltd, IVRCL Ltd and SEL Manufacturing Co. Ltd have been referred for insolvency proceedings. Restructuring plan has been approved for Soma Enterprise Ltd and Jayaswal Neco Industries Ltd. In the case of Jayaswal Neco, banks are awaiting rating on the sustainable portion of debt.

Separately, bankers are yet to decide on

the one-time settlement proposal of Anrak Aluminium, and resolution plan for BILT Graphic Paper Products, which entails sale of loans to asset reconstruction companies.



## POLICY PERSPECTIVES FIRST NATIONAL EMPLOYMENT POLICY LIKELY IN THE COMING BUDGET!

As per reports in the "Economic Times", India will soon have its first national employment policy that will outline a comprehensive road map for creation of quality jobs across sectors through economic, social and labour policy interventions. The move is aimed at addressing the crucial issue of job creation in the country.

The policy is likely to be announced in the upcoming Budget, the last full one that will be presented by this government before general elections in 2019.

The multipronged employment policy will include incentives for employers to create more jobs, reforms to attract enterprises and help for medium and small scale industries, which are major job providers, a senior government official told Economic Times last week.

The idea is to address the twin issues of providing quality jobs to over 10 million youth being added to the country's workforce every year and ensuring that more of these are created in the formal sector. As of now, barely 10% of the country's 400 million workforce is in the organised sector.

"The policy will moot fiscal incentives for employers across labourintensive sectors to create more jobs as well as employees to get engaged in the organised sector as this would fetch them minimum wages and enough social security," the official said.

The plan comes amid rising pressure to speed up job creation in sync with economic growth so that incomes rise and millions of people are lifted out of poverty.



## INDUSTRY BUSINESS CONFIDENCE RISES IN OCT-DEC AS INDIA INC OPTIMISTIC ON GROWTH

Companies in Indian are optimistic that the country's economic growth will gain traction during the third quarter this financial year, says a report.

The CII Business Confidence Index (BCI) has climbed up to the level of 59.7 during October-December 2017 compared to 58.3 in the previous quarter, reflecting an improvement in perception regarding overall economic conditions amidst indications of a normalisation in business situation post the recent disruptions like GST.

"The survey underscores the perception that the economy is on a sustainable recovery path, with the many government interventions having an impact on the ground. The climb in business confidence underpins the hope that the upward trend one is seeing on macro figures would be sustained," CII Director General Chandrajit Banerjee said.

The findings are a part of the Confederation of Indian Industry's quarterly Business Outlook Survey, which is based on responses from large, medium and small companies, covering all regions of the country.

"The significant improvement in the index this quarter has been led by a sharp improvement in the Expectation Index, as compared to the Current Situation Index, as firms appeared particularly upbeat about the expectations in their sectors," the chamber said in a statement.

Moody's favourable view on India Inc: The promising findings of the CII's Business Outlook Survey found echo in the Global rating agency Moody's assessment last Thursday which said it has a stable outlook for non-financial corporate in the country, except for telcos, on which it has a negative outlook for 2018.

The agency also has stable outlooks for car-makers, and companies in the construction, cement, and textiles sectors, but a negative outlook on the real estate sector.

"Our stable outlook is underpinned by the expectation that GDP growth of around 7.6 per cent will result in higher sales volumes, which along with new production

capacity and stabilising commodity prices, will support pre-tax profit growth of 5-6 per cent over the next 12-18 months," Laura Acres, a managing director at Moody's corporate finance group, said in a report.

She said further simplification of GST and other structural reforms or improved commodity prices can result in higher operational profit growth, and provide means for deleveraging for some corporates.

The agency has a stable outlook for exploration and production companies, reflecting expectations of stable production volume, low subsidy burdens and stable oil prices.

For refining & marketing, the stable outlook is based on the consideration that capacity additions and higher refining margins will increase earnings, even as marketing margins stay stable.

"While high dividend payments remain a concern, if GST net is widened to petroleum products, it would be a credit positive for the sector," she added.

Maintaining a stable outlook for base metals, the agency sees improved fundamentals and improving supply side in certain metals supporting stable prices over the next 12-18 months. The agency expects base metal pricing premia to narrow, although higher production from capacity additions and cost rationalisation measures will drive earnings expansion.

Moody's also expects steel consumption to grow in the mid-single digits over the next 12-18 months, but lower than the GDP growth of 7.6 per cent, supporting a stable outlook. Consolidation will also rise in the steel sector, it added.

The stable outlook on IT services incorporates the expectation that domestic companies will remain in the forefront in offering IT services to the Western economies, weighed against some of the global challenges, especially in terms of H1B visas and the fast-pace of technology changes that will require investments or acquisitions.

The only sector where it has a negative outlook is telcos, where intense competition and heavy debts continue to pressure cash flows, ultimately driving consolidation activity towards a three player market.

Moody's domestic arm Icara has a stable outlook for the passenger vehicle industry



as it expects in the near and medium term sales to remain robust at 9-11 per cent.

Icra has a negative outlook for the real estate sector over the near to medium term as the industry continues to face demand headwinds owing to elevated property prices, a subdued business environment, and regulatory developments like the Rera and GST.

Supply side has seen a reduction in new projects owing to regulatory developments and slowing sales. "Developers are likely to focus on completing current projects and reducing unsold inventory, which along with the moderation in new launches, can reduce the supply overhang over the medium term," said the report.

## PM PROMISES JOBS PUSH AT FICCI AGM

While addressing the 90th annual general meeting of the Federation of Indian Chambers of Commerce and Industry (Ficci), a leading business chamber, Prime Minister Narendra Modi slammed the United Progressive Alliance (UPA) regime last Wednesday for leaving behind a messed-up banking sector as well as hapless homebuyers, while asserting that the current National Democratic Alliance (NDA) government was replacing old and archaic policies with new frameworks to generate employment and help small and medium businesses compete globally.

He reiterated that his government had carried out 87 major reforms across 21 sectors, including defence, construction, food processing and financial services.

Modi batted for small and medium enterprises (SMEs), saying their dues were not paid on time by big entities. The SMEs have now been allowed to directly sell to the government through e-marketplace, the PM pointed out.

In Gujarat, Modi's home state, MSMEs (micro, small and medium enterprises) have been protesting against the goods and services tax (GST) for long. The PM had earlier told MSMEs that the GST would make them globally competitive. Stating that public was being misinformed about the Financial Resolution and Deposit Insurance (FRDI) Bill, the PM sought the chamber's support to counter the rumours about safety of the deposits.

"My government is making new policies. Old laws are being scrapped and we are framing new ones. We have already come out with the new policies in urea, textiles, aviation, transport integration, health," he said. He said the new textile policy would generate 10 million jobs, while the urea policy had resulted in 1.8-2.8 million tonnes of its production without adding any new plant.

The PM went on to list out automobile sale statistics to bring home the point that the economy was doing well. The government's policies have resulted in improvement of India's rank by 30 notches in the World Bank's latest ease of doing business report, 32 places in the global competitive index and 21 positions in the global innovation index, he pointed out.

## INDUSTRIAL OUTPUT HITS 3-MONTH LOW OF 2.2% IN OCTOBER

According to the data released by Central Statistics Office (CSO) last Tuesday, Industrial production for October stands at just 2.2 per cent higher as compared to the level in October 2016. The industrial production growth declined by more than half to 2.5 per cent in the first seven months of the current financial year, as against 5.5 per cent in the corresponding period of the previous year. Subdued performance of manufacturing and mining sectors, followed by a contraction in consumer durables output, has been cited as a major reason behind sluggish growth.

The Index of Industrial Production (IIP), a measure of factory output, saw a rise of 4.2 per cent in October 2016.

Compared on a monthly basis, the IIP grew 4.14 per cent in September this year. Industrial output rose by a meagre 2.5 per cent in April-October this fiscal as compared to 5.5 per cent in the same period of 2016-17. In October, growth in the manufacturing sector, which accounts for 77.63 per cent of the index, slowed to 2.5 per cent from 4.8 per cent a year earlier.

During April-October, manufacturing grew by 2.1 per cent, down from 5.9 per cent in the same period last fiscal. Consumer durables production declined for the second straight month, this time by 6.9 per cent as against a growth of 1.5 per cent in

the same month of the previous year. Passenger vehicle sales lost momentum in October, with several companies posting a decline in dispatches. Electricity generation rose 3.2 per cent in October as compared to 3 per cent a year before.

The mining activity recorded almost flat growth of 0.2 per cent in the month under review as against 1 per cent growth in October 2016. According to use-based classification, the growth rates in October 2017 over the year-ago month are 2.5 per cent in primary goods, 6.8 per cent in capital goods, 0.2 per cent in intermediate goods and 5.2 per cent in infrastructure/ construction goods.

In terms of industries, 10 out of 23 industry groups in the manufacturing sector have shown positive growth during October 2017 as compared to the corresponding month of the previous year. The industry group 'Manufacture of pharmaceuticals, medicinal chemical and botanical products' has shown the highest positive growth of 23 per cent followed by 12.8 per cent in

On the other hand, the industry group 'Other manufacturing' has shown the highest negative growth of (-) 36.4 per cent followed by (-) 20.9 per cent in

'Manufacture of tobacco products' and (-) 16.1 per cent in 'Manufacture of rubber and plastic products'.



## TELECOM SECTOR TOWER STAKE SALES MAY PARE RS 90,000 CR TELECOM DEBT

Based on a report of credit rating firm ICRA published in the "Financial Chronicle", the telecom industry could pare as much as Rs 90,000 crore debt through stake sale deals of mobile towers.

"As per Icra estimates, debt to the tune of Rs 80,000-90,000 crore can be pruned from the telecom industry if the stake sale transactions of tower assets currently under discussions materialise," it said.

It predicted structural and material changes for the telecom tower industry in the medium term.

Icra also anticipated some headwinds in the short term, as consolidation of telecom

operators leads to rationalisation of tenancies, but remained confident about the growth prospects in coming years. This growth would be fuelled by the network expansion of telecom operators, keen to meet the data needs of consumers, it said.

With around 400,000 towers and 800,000 tenancies, the telecom tower space is a sizeable one in the world, it added. It said the sector has 10 organised players (besides small tower owners) wherein nearly three-fourths of the portfolio is controlled either by tower companies promoted by telecom operators, or by telecom operators themselves.

“Over the next 1-2 years, there is likely to be a material change in the industry structure with number of players expected to reduce to 4-5,” IcrA predicted.

Summing up the upcoming trends, it said that one of the key developments would be the expected change in ownership from telecom operators to independent players, given ongoing consolidation moves and the interest from institutional investors and independent tower companies.

In addition, the industry is also headed for robust growth in the coming years fuelled by the network expansions of telecom operators, it added. Also in the offing is upside in rentals due to improved negotiation power that would follow consolidation as well as from greater independent ownership, IcrA said.

“The industry generates steady cash flows given its indispensability to the telecom services and benefits from the inherent strengths of the lease agreements, which include long tenure, penalties on exit before a fixed lock-in period, per annum escalations in rentals, and incentivising addition of new tenants,” Jagnani added

.Significant pressures on cash flows and stretched capital structure of the telecom sector have pushed operators to reduce their debt levels by monetising their tower asset ownership, IcrA said and forecast a significant debt reduction once ongoing deals materialise.

### **AIRTEL TO SELL 20% STAKE IN DTH ARM TO WARBURG PINCUS**

Bharti Airtel, India's largest listed telecom service provider has announced that

Warburg Pincus, a global private equity firm, plans to acquire up to 20 per cent equity stake in Bharti Telemedia Ltd, the DTH arm of Airtel, for around \$350 million.

Of this, 15 per cent stake is expected to be sold by Bharti Airtel and the balance by another Bharti entity which holds 5 per cent stake.

Airtel board approved the transaction, which is subject to regulatory approvals.

As part of the transaction, Viraj Sawhney, managing director, Warburg Pincus India, will join the board of Bharti Telemedia Ltd.

Upon closing of the transaction, Airtel will own an 80 per cent equity stake in Bharti Telemedia Ltd.

“Airtel TV is very well positioned in the DTH space, and we are committed to grow our share of the market through a combination of innovation, value engineering, customer service and distribution initiatives. We look forward to working with Warburg Pincus towards achieving our vision of making Airtel TV India's leading DTH platform,” Gopal Vittal, MD & CEO (India & South Asia), Bharti Airtel said in a statement.

Bharti Telemedia offers DTH services under the Airtel TV brand. It had around 14 million subscribers and around \$550 million in revenues during the 12-month period ended September 30, 2017.

The DTH brand has a strong distribution infrastructure, with over 1,500 partners and over 1,58,000 recharge outlets in approximately 630 districts of the country.

country. It had asked them to return export benefits claimed between 2012 and 2016 on software provided to clients outside India.

The respite for the IT firms has come a day after the industry representatives raised the issue of tax demand with finance minister Arun Jaitley in the customary pre-budget consultations. The finance ministry said that the Commissioner (Appeals) had set aside the orders of the lower adjudicating authority.

The statement referred to reports of officials raising tax demand in respect of export of IT/IT-enabled services provided to clients abroad. The notices, it said, had been reportedly sent on "the basis of place of supply rules in respect of these services which were apparently provided in India and therefore were liable to be taxed."

"In a subsequent development, the Commissioner (Appeals) set aside the orders of the lower adjudicating authority where refund was disallowed and has also upheld the orders where refund had been granted," the finance ministry statement said.

As a result, apprehensions about the negative effects on the software industry are without basis, it added. The IT industry association Nasscom had on Monday said that it had got an assurance from the government that the service tax notices served to several IT companies has been corrected and the issue has been resolved.

The tax notices, reports had stated, were based on the premise that supplying software to clients outside India does not tantamount to exports for IT and ITES companies because the client sends specifications through email.



### **IT SECTOR RS 10K CRORE TAX DEMAND ON IT FIRMS SET ASIDE**

In a major relief to IT companies, the tax department has set aside a Rs 10,000 crore service tax demand notices on dozens of companies.

The department had slapped the service tax demand notices on about 200 IT and IT-enabled services (ITeS) companies in the



### **AUTO SECTOR PASSENGER VEHICLE SALES RISE BY MORE THAN 14% IN NOV.**

In a boost to the auto sector, sales of passenger vehicles in the country rose by over 14% to more than 2.75 lakh units in November 2017, compared with a growth of 0.30% in October 2017. According to data released by the Society of Indian

Automobile Manufacturers (SIAM), the double digit growth rate was largely due to base effect as sales rose by just 1.82% in November 2016, when the government demonetized high value currency notes.

While car sales grew by 4.49% to more than 1.81 lakh units this November, utility vehicles' sales rose almost 45% to 77,824 units, SIAM said. Commercial vehicle sales grew by more than 50% to 68,846 units. Goods carrier segment and trucks have grown mainly on enhanced spending by the government on infrastructure projects.

While medium and heavy commercial vehicle segment grew at 62.63% to 28,459 units during the last month, light commercial vehicle sales rose 42.87% to 40,387 units.

According to observers, the movement towards mid-size feature-filled sedans and premium two-wheelers apart from growth in scooter segment were visible and was a reflection of customer transitioning and contribution from rural growth.

Total two-wheeler sales in November grew 23.49% to more than 15.35 lakh units. Motorcycle sales increased by 23.25% to more than 9.59 lakh units while scooter sales rose 30.25% to more than 5.06 lakh units. Overall, vehicle sales across categories rose 24.05% to 19.39 lakh units.

In November last year, passenger vehicle sales grew at the slowest rate in almost nine months at 1.82% to more than 2.40 lakh units while sales of two-wheelers had declined by almost 6% and those of commercial vehicle by almost 12%. Total vehicle sales across categories decreased 5.48% in November 2016.



## CIVIL AVIATION TATAS, GE TIE UP TO MAKE AIRCRAFT COMPONENTS IN INDIA

As reported in the "Business Line", US-based General Electric and the Tata Group today announced partnership to manufacture components of commercial jet engines in India, saying that they will also look at opportunities to make military engine and aircraft system in the country.

In a joint statement issued last week, GE and Tatas said they had on November 29 signed an agreement "to manufacture CFM International LEAP engine components in India, for the global supply chain".

The LEAP engine, which powers the next generation of single-aisle commercial jets, was developed by CFM International -- a 50-50 joint venture company between GE Aviation and Safran Aircraft Engines of France. The CFM LEAP engine parts manufactured in India will be sourced for GE's global supply chain, the statement said.

"Under the strategic partnership, GE Aviation and Tata Sons' subsidiary, Tata Advanced Systems Ltd (TASL), will join forces for manufacturing, assembling, integration and testing of aircraft components," it said.

A new Centre of Excellence (COE) will be established to help develop a robust ecosystem for aircraft engine manufacturing in India, and build related capabilities.

The two companies also announced their intention to jointly pursue military engine and aircraft system opportunities for the India market.

GE Chairman and CEO John L Flannery said collaboration with Tata Group will support the 'Make in India' vision of the Indian government.

Foreign airlines may be allowed to bid for Air India

India is likely to change rules to allow foreign airlines to bid for Air India Ltd as long as they have a local joint venture with an Indian partner as the government seeks to increase the number of suitors for the debt-laden national carrier.

Existing rules allow foreign airlines to own as much as 49% in an Indian airline, with the exception of Air India.

With the change in rules, the government expects to make the sale of Air India, which has drawn interest from companies including the Tata group and InterGlobe Aviation Ltd (IndiGo), more competitive.

The civil aviation ministry has conveyed the proposal to a group of ministers looking into Air India's stake sale in a recent meeting. The panel led by finance minister

Arun Jaitley also includes aviation minister Ashok Gajapati Raju, transport minister Nitin Gadkari, railways minister Piyush Goyal and commerce minister Suresh Prabhu.

The government will have to make several changes to existing rules before foreign airlines can bid for the national carrier. First, the department of industrial policy and promotion's Press Note No. 6 (2012 Series) has to be amended to remove a clause that bars foreign investment in Air India. Second, international flying rights negotiated between two governments require respective airlines to have local effective control to avail of these rights. A change in control to a foreign airline will invalidate these rights.

To ensure Air India does not face any issues, the government will retain a clause that says Air India cannot be 100% foreign-owned (even though foreign entities can own 100% of a private Indian airline, stakes of foreign airlines are capped at 49%). This, the aviation ministry believes, will allow "effective control" to be retained in India as the majority ownership will be with an Indian entity.

Ernst & Young, which is advising the government on the sale, has already started work and recently made a presentation to the aviation ministry.



## MARKETS SENSEX CLOSES 216 POINTS UP, NIFTY AT 10,333 AS GUJARAT EXIT POLLS SHOW BJP WIN

Exit polls showing the BJP winning Gujarat and Himachal Pradesh assembly elections gave a fresh push to domestic markets on Friday, with the benchmark Sensex climbing over 216 points, up for the second session.

Key indices Sensex and Nifty started the day on a strong footing after the exit polls predicted a clear win for the BJP in these two states, which lifted investor spirits.

During the session, the Sensex scaled a high of 33,621.96 before finishing at



33,462.97, up 216.27 points, or 0.65 per cent, over the previous closing.

For the broader 50-share NSE Nifty, the close came in at 10,333.25, a gain of 81.15 points, or 0.79 per cent, after hitting a high of 30,373.10.

The rupee soaring to a three-month high at 64.01 against the American currency positively impacted sentiment.

For the second straight week, the Sensex rose, notching up a significant gain of 212.67 points, or 0.63 per cent. The Nifty was up 67.60 points, or 0.65 per cent, during the week.

Prominent gainers include M&M, Coal India, Dr. Reddy's and HDFC Bank, whereas shares of Power Grid and Kotak Bank fell. All the sectoral indices on BSE, except telecom, ended higher led by metal, realty and basic materials.

On two straight days, the Sensex has gained 410 points and the Nifty over 140 points.

Foreign portfolio investors (FPIs) net bought shares worth Rs 232.17 crore on Thursday. But domestic institutional investors (DIIs) offloaded equities to the tune of Rs 374.21 crore.

Overseas, Asian markets edged lower, with Japanese and Hong Kong markets leading the decline, after US markets closed in the red. US stocks closed lower on Thursday as a few Senators raised some concerns about the tax bill.



## TRADE

### INDIA'S CURRENT ACCOUNT DEFICIT MORE THAN DOUBLES IN Q2 FINANCIAL YEAR 2018

The Reserve Bank of India (RBI) made public India's balance of payments (BoP) numbers last Wednesday that showed a sharp uptick in the country's current account deficit (CAD).

Current account deficit, excess of imports over exports, doubled to 1.2% of GDP at \$7.2 billion in the second quarter ending September 2017 from 0.6% of GDP in the September quarter

of 2016 as merchandise imports picked up more than exports, preliminary data released by the Reserve Bank of India indicated. The data further revealed that CAD narrowed sharply from \$15 billion in the first quarter of the current fiscal year (2.5% of the GDP).

According to the RBI, "The widening of the CAD on a year-on-year (y-o-y) basis was primarily on account of a higher trade deficit (\$32.8 billion) brought about by a larger increase in merchandise imports relative to exports."

Private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to \$17.4 billion, increasing by 14.7% from their level a year ago, RBI said. But a pick up in the remittances has failed to salvage the current account deficit, a major component in India's external sector balance sheet.

Net foreign direct investment, at \$12.4 billion in Q2 of 2017-18, moderated from its level in Qr.2 of 2016-17, it added.

As per the data, during the quarter in consideration, there was a significant reduction in portfolio investment inflows at \$2.1 billion, primarily "on account of net sale in the equity market" as compared to \$6.1 billion in the same quarter a year ago.

"Net receipts on account of non-resident deposits amounted to US\$ 0.7 billion in Q2 of 2017-18, lower than US\$ 2.1 billion a year ago," the RBI said.

There was an accretion of \$9.5 billion to India's foreign exchange reserves, as compared to \$8.5 billion in the same quarter last year and \$11.4 billion in the preceding quarter.

## CUSTOMS DUTY ON SOME ELECTRONIC ITEMS INCLUDING TV RAISED

The Finance Ministry has raised customs duty on some electronic items including television, mobile phone, projector and water heater in order to boost domestic manufacturing.

As per a government notification, customs duty on television set has been increased to 15 per cent from the existing 10 per cent.

Similarly, the duty on monitors and

projectors has been doubled to 20 per cent, said the notification issued by Department of Revenue of the ministry.

For the push button telephone or mobile, the duty has been raised to 15 per cent from nil while water heater and hair dressing instrument duty has been doubled to 20 per cent.

Customs duty on some other items like electric filament and discharge lamps was also tweaked.



## INVESTMENT

### NIIF IN TALKS WITH ASIAN INFRA AND INVESTMENT BANK FOR FUNDING

After receiving a funding boost from Abu Dhabi Investment Authority, the National Investment and Infrastructure Fund (NIIF) is now in talks with the newly created Asian Infrastructure and Investment Bank (AIIB) for funding support.

"We are in talks with the Indian government... A final decision will be taken in the first quarter next financial year," AIIB vice-president Danny Alexander told Economic Times last Wednesday.

India is the second largest shareholder in the multilateral bank that plans to hold its board of governors meeting in Mumbai on June 25/26.

The NIIF recently secured a \$1 billion commitment from ADIA. Asked if the investment would flow into the master fund, Alexander declined to give details. He said it was in discussion stage and the final call would be taken by the board.

The AIIB is likely to consider a commitment of \$200 million. Total lending to India so far is pegged at \$1.07 bn, including Morgan Stanley Infrastructure Fund. Asked if the AIIB would be open to fund projects in the North East, he said projects are examined independently on the parameters laid down by the bank.

China, which mooted the idea of AIIB, holds 20.06% stake, while India hold 7.5%. In the past, there have been reports of China objecting to funding by some multilateral agencies to projects in Arunachal. ■ ■ ■

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## Countdown to 2019 Parliamentary elections Issues that could influence voting patterns



It has been almost three years since the National Democratic Alliance or NDA (BJP and its allies) came to power and there have been many assessments on what it has achieved and the areas where its policies have misfired. On balance, the opinion is that under Prime Minister Narendra Modi, the NDA government has done well for itself although there are dark spots. It is debatable whether the Opposition can exploit the dark spots.

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

Asia News Agency offers an in-depth Special Study on the above subject.

The Study does not predict at this stage, whether the BJP led government will win or lose the 2019 parliamentary elections, but will equip the serious reader with a balanced perception on issues, as they have emerged presently, that could count with the voter. There will be regular updates to provide the reader with informed views and perceptions to take him right upto May, 2019.

The Special Study is available for Rs 3,000 for the print version and Rs 3,500 for the electronic version. For those who buy the Study now, subsequent updates, whenever issued, will be available at half price.

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