

NEWS AND ANALYSIS ON INDIA

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JUDICIARY IN SERIOUS CRISIS: SUPREME COURT IMPASSE CONTINUES

The crisis in the Supreme Court precipitated by the unprecedented press conference held by four judges last week to air their differences with Chief Justice of India Dipak Misra remained unresolved Thursday with the two sides unable to come to terms on their points of disagreement.

The CJI is learnt to have met the four judges — Justices J Chelameswar, Ranjan Gogoi, Madan B Lokur and Kurian Joseph — in the morning before start of the day's proceedings. The discussion centred on the changes they wanted to the roster for allocation and some possible proposals.

Sources said the judges placed their proposal for a resolution of the impasse over the way benches are allocated and the way ahead. But no substantial headway was achieved and the Chief Justice with neither ceding any ground.

To recall, after the unprecedented press conference on January 13, in a letter to the CJI, the four judges expressed their "anguish about recent judicial orders and an erosion in the judicial independence of the Supreme Court."

The letter said the Chief Justice's authority as 'master of the roaster' to decide which Bench should decide which case did not make him a "superior authority". "The Chief Justice is only the first amongst equals — nothing more or nothing less," the letter said.

Yet, they said, "there have been in-



Supreme Court judge Jasti Chelameswar along with other judges addresses a press conference

stances where cases having far-reaching consequences for the nation and the institution have been assigned by the Chief Justices of this court selectively to the Benches of their preference without any rational basis for such assignment."

The press conference follows a recent judgment of a Constitution Bench led by Chief Justice Misra, which declared the authority of the CJI as the master of the roster. The Bench held that it was the "exclusive domain" of the CJI, and none other, to allocate cases to judges in the apex court.

RSS AND CONGRESS SPAR

The crisis has meanwhile generated political sparing. Alleging "a perfect political conspiracy" behind the press conference on 12 January by four senior judges who targeted the Chief Justice of India (CJI), a senior functionary of the RSS, pointing to its "critical timing", has said what "they have done is unforgivable" because "they

have tried to attack the uncompromising faith of the people in the judicial system".

J Nandakumar RSS All India Executive Committee Member, in a Facebook post January 13, criticised the four judges for "poisoning the waters" alleging that the public attack against the CJI closely followed his order to reopen cases relating to the 1984 anti-Sikh riots. He has also pointed out that Congress leader and senior lawyer Kapil Sibal was pulled up for seeking deferment of the Ayodhya title suit case till after the 2019 Lok Sabha elections.

"All these (developments) and Left leader D Raja's visit to (the house of) one of the Justices, who addressed the press conference, indicate a perfect political conspiracy behind this. The timing was critical," Nandakumar told The Indian Express.

Reacting to the allegation, Congress spokesperson Randeep Surjewala slammed the BJP government at the Centre for at-

tacking the judiciary through RSS functionaries. In a Twitter post, Surjewala said: “Sad & deplorable! BJP attacks judiciary through RSS functionaries. All the ‘Nation’ wants is the issues raised by the seniormost judges to be resolved, but for which ‘democracy’ is in peril. BJP Govt should help resolution then muddle & polarize.”

SERIOUS ACCUSATIONS: CREDIBILITY OF JUDICIARY AT STAKE

Most experts feel the concerns of four Supreme Court Justices deserve serious attention. They have taken the unprecedented step of going public with their disquiet about the chief justice. They have confirmed that the Supreme Court is facing a serious crisis of legitimacy.

The core issue identified by Pratap Bhanu Mehta (vice-chancellor of Ashoka University) “is that the justices have lost confidence in the chief justice, Dipak Misra. They are alleging grave misconduct on his part. In that sense, the allegations are personal. The core claim seems to be the chief justice has departed from convention and seems to be allocating cases in ways his colleagues find objectionable.”

Mehta writes that the “gravity of this charge comes from two implications. First, that this is not just a departure from convention but an attempt to fix cases or manipulate the outcome, perhaps in politically sensitive cases....”

“The second implication is that those judges to whom cases are being assigned will also somehow, at least in the chief justice’s mind, be amenable to being fixed. So the issue is not just four justices versus the chief justice. The issue is four justices questioning not just the integrity of the chief justice, but also by implication, of their colleagues. We are disposed to believe the truth of these accusations because there is a distrust in the integrity of the Court (like there was distrust of politicians).”

The charge is so serious, says Mehta “that if there is evidence, it warrants formal proceedings against the chief justice. If any political party has evidence that the chief justice has exercised his discretion to “fix” cases, they should initiate impeach-

ment proceedings. And the judges who went public will have to be material witnesses.

“On the other hand, if the charge does not rise to this level of seriousness, or there is no justiciable evidence, then is it right to accuse the chief justice of wrongdoing publicly.

“There is no half-way house when it comes to guilt or innocence. The judge’s press conference, and the artfully evasive letter, seem to suggest there is. But now that they have gone public, they have to follow through on the seriousness of the charge; otherwise this is just pressure tactics. It is dangerous pressure tactics because one implication will be that any “pro-government” decision on a bench allotted by the chief justice, will now have the imprimatur of doubt over it.

“The future does not look good. The usual Indian solution will be to sit out the crisis. The only silver lining is that in a year with so many important cases, the judiciary can redeem itself by the cogency of its reasoning and display its integrity.”

CASTING DOUBTS ON INTEGRITY

Calling the development both momentous and unfortunate, The Hindu writes that “it is clear that their grievances are rooted in their perception that Justice Misra is misusing his administrative powers to assign cases “selectively”, disregarding conventions on allocation of judicial work. They have added for good measure that cases with far-reaching consequences for the nation and the institution are being assigned to junior judges and Benches “of their preferences”, a suggestion that is being read by some as an ominous reference to an unknown external hand. It ought to be underscored here that the Chief Justice is indeed the master of the roster; even the four judges concede that this is a well-settled law, one that is reflected in a Constitution Bench judgment in 1998. While accepting the rule that the Chief Justice alone can decide the composition of Benches and allot judicial work, they allege that Justice Misra is departing so far from set conventions that it would have

“unpleasant and undesirable consequences”, ultimately casting a doubt on the integrity of the institution itself.

The Hindu says the grievances of the four judges “go much deeper than what was written or said. The germ that led to the outbreak of the current conflict could be the controversial Prasad Education Trust case, in which the petitioners alleged that some individuals were plotting to influence the Supreme Court. In an unusual order, a Division Bench headed by Justice Chelameswar went ahead to delineate the composition of the Bench to hear the case, in which charges of judicial corruption were made, coupled with hints that there would be a conflict of interest if Justice Misra were to hear it. Eventually, a five-judge Bench headed by Justice Misra overturned the order and asserted that the CJI was indeed the master of the roster and that he alone could assign cases and decide on the composition of benches. While there is no questioning who has the power to determine the roster, what the four judges are essentially questioning is how this power has been exercised....”

The four judges also “seem to have had an issue over the petition that sought an inquiry into the death of special CBI judge B H Loya in 2014 being posted before a particular Bench. The deceased judge was hearing the Sohrabuddin ‘fake encounter’ case, in which BJP president Amit Shah was an accused but later discharged. Given the political sensitivity of the matter, the concern expressed over this case is something that must be squarely addressed in a way that dispels any misgivings.”

The paper suggests that “the government of the day, it must stay steadfastly away from the internal conflict in the judiciary — something that it has professed it will do. Rather than be inexplicably silent, it must disclose its position on the Memorandum of Procedure for judicial appointments and communicate this clearly to the Supreme Court. One of the specific issues raised in the letter written by the four judges relates to this issue. They have suggested that since the Centre had not responded to the MoP, effectively it was deemed to have been accepted. Given this,

they have questioned why a two-member Bench had reopened the issue when the matter was already decided by a Constitution Bench.”

OVER-REACTION: NO POLITICAL MOTIVES SHOULD BE SEEN

Para Venkateshwar Rao Jr, Delhi-based commentator and analyst however, feels that everyone has over-reacted, in particular the liberal lawyers, the Congress Party and political critics and opponents of Prime Minister Narendra Modi. They “saw a dark connection between the apparent collapse of the working of the Supreme Court and the right-wing politics of the Modi government. There were enough reasons for the anti-Modi camp to draw such hasty conclusions. Chief Justice Misra gave clear hints of his right-wing bias, especially in the judgment he delivered about making the national anthem in cinema halls mandatory, which has since been made conditional, and Justice D.V. Chandrachud made stinging remarks about wearing nationalism on one’s sleeve, which is a rebuttal of the Chief Justice’s argument in the matter. Interestingly, the Chief Justice was part of the bench which modified the earlier direction of the court. The error committed by the critics of the Chief Justice, and by implication of Prime Minister Modi, is that they saw the revolt that would bring about the reigning right-wing doctrines in the executive and the judiciary as the beginning of the end. The haste was uncalled for.”

That is not to question the four judges. “It seems that they did so because they genuinely felt that the problem needed to be brought to public attention. There is little doubt that Chief Justice Misra’s refusal to respond to their concerns forced them to voice their protest in public. There is no need to impute any other ulterior motive to their move.... There is little doubt that Chief Justice Misra has somehow failed to provide good leadership in the Supreme Court, which means that he did not take his four senior colleagues into confidence. Let us remember that the other 20 judges of the court did not come out, but it is clear they did not endorse the manner in which the Chief Justice was dealing with the prob-

lem. That is why, as reported, they have called for a meeting of the whole court—that is of all the 25 judges—to sort out issues. The sin of CJI Misra is not his right-wing tilt but his failure to play it fair.”

AN UNPRECEDENTED SITUATION

Calling this an unprecedented situation, Seema Chishti, Consulting Editor and political commentator at The Indian Express writes his is so because “it involves sitting judges speaking out. Judges have spoken before, but mostly off the record, or while hearing cases. What makes this complaint from four senior-most judges different is that it doesn’t involve a single judge. This is the entire Collegium, minus the Chief Justice, airing differences. These judges are not a group, with similar ideas on how the judiciary must function. One is the putative successor after the present Chief Justice demits office.”

While ‘business as usual’ in some sense has been restored with courts functioning and judges hearing cases rostered to them, it will be difficult for the Collegium—which is responsible for judicial appointments—to function. This is because four out of five members of the Collegium are those who took on the Chief Justice.

A resolution would have to involve some discussion between all five judges, leading to a settlement on what the rules of the game must be.



8 ASSEMBLY ELECTIONS 2108: PREPARATION FOR 2109

Assembly elections will take place in eight states of the country this year. The results will be crucial to determine which way the wind could blow in the 2019 general elections.

The electoral process in three north-eastern states was set in motion Thursday, with the Election Commission of India announcing the schedule for assembly polls in Tripura, Meghalaya and Nagaland. Tripura will go to the polls on 18 February, followed by Nagaland and Meghalaya

on 27 February. Vote-counting will take place in all three states on 3 March.

Since its 2014 victory, the BJP has formed governments in 14 states after its 2014 election victory. They also succeeded in forming a government in Goa and Manipur despite losing the elections.

The Congress is upbeat after the Gujarat results benefiting from the caste unrest. The Dalit leaders Alpesh Thakore and Jignesh Mevani, aligned with the Congress to give the BJP a run for its money. But what was surprising was the anger among the high caste Patels whose leader Hardik Patel also supported the BJP. For the first time in Indian politics, notes Shashi Shekhar, editor-in-chief Hindustan “youngsters from a section of society that has shared the fruits of power for a long time are stepping out of their homes armed with placards and banners. If such agitations crop up in a few other states, it will turn all the political permutations topsy-turvy.”

Shekar wonders if the tensions between the Marathas and Dalits in Maharashtra are “the sign of a bigger conflict”

Of course, another significant development is that Rahul Gandhi has emerged as a matured leader during the Gujarat elections.

Equally important, writes Shekar is the emerging voter fatigue with repeated elections and politicians. During the Gujarat elections, more than 5,00,000 people pressed the NOTA (None of the above) button to send out a meaningful and strong message. This margin could have changed the nature of the result.



JAMMU AND KASHMIR NIA CHARGESHEETS HIZB CHIEF SYED SALAHUDDIN, LASHKAR HEAD HAFIZ SAEED IN TERROR FUNDING CASE

The NIA Wednesday filed a chargesheet against 12 people, including Lashkar-e-Taiba chief Hafiz Saeed and Hizbul Mujahideen head Syed Salahuddin,

KAZAKHSTAN FEATURE

NAZARBAYEV, TRUMP ELEVATE STRATEGIC PARTNERSHIP DURING WASHINGTON MEETING

Kazakh President Nursultan Nazarbayev met Jan. 16 with U.S. President Donald J. Trump at the White House during Nazarbayev's two-day official visit to the United States, the first such visit at the invitation of the country's leader since 2006.

After the pomp, ceremony and protocol at noon, the two leaders met in a closed-door session followed by an extended meeting with cabinet members from both countries present.

The leaders agreed to elevate bilateral cooperation to the level of enhanced strategic partnership, which, in Nazarbayev's words, "would signal the new era of the relations between Kazakhstan and the United States."

In his press remarks before the bilateral meeting, Trump greeted Nazarbayev as "the highly respected" leader, adding that Kazakhstan is America's "valued friend and a strategic partner in Central Asia" and the two countries have "a tremendous relationship in terms of economics."

In a joint statement titled "Kazakhstan and the United States: An Enhanced Strategic Partnership for the 21st Century," Nazarbayev and Trump reaffirmed Kazakhstan's independence, territorial integrity and sovereignty, as well as the Central Asian nation's role in advancing global peace and prosperity.

"President Trump noted Kazakhstan's global leadership as an elected member of the United Nations Security Council in 2017-2018," the statement read, and "praised its legacy as a leader in international non-proliferation efforts, beginning with the voluntary renunciation of its nuclear arsenal in 1992, and reinforced by on-going commitments to nuclear security and recent support for pre-

venting the spread and use of chemical weapons."

The statement, which covered issues from Astana's leadership role globally and regionally, to defence and security cooperation, including in Afghanistan and in the fight against terrorism and extremism, to economic partnership and the human dimension, attached a renewed importance to the role of the regional Central Asia plus the U.S. dialogue format, known as C5+1, in addressing shared challenges in the region.

During the negotiations, Nazarbayev and Trump touched upon a wide range of bilateral and multilateral issues, including strengthening cooperation on political and security issues, trade and investments and people-to-people relationships through regular high-level meetings within the framework of an Enhanced Strategic Partnership Dialogue.

High on the agenda was the issue of non-proliferation of weapons of mass destruction, including North Korea's nuclear and missile programmes, which the two leaders condemned.

On Afghanistan and regional security, the U.S. President thanked Nazarbayev for supporting the United States' South Asia strategy by guaranteeing continuous logistical support and access to Afghanistan and contributing to humanitarian efforts.

He also praised Kazakhstan's support "for fair burden sharing" through past and future financial contributions to the Afghan security forces, as well as the offer to extend an Afghan specialist programme in cooperation with the U.S. to train Afghan civilian and security personnel at Kazakh universities.

With regard to Syria, Nazarbayev briefed

Trump on Kazakhstan's efforts to bring about peace in Syria through hosting a series of negotiations in the nation's capital, known as the Astana Process. The two leaders welcomed "diplomatic initiatives that achieve any genuine de-escalation of violence and strengthen the basis for a political settlement of conflict," the joint statement read. To date, there have been seven rounds of Syrian peace talks in Astana in 2017.

The visit coincided with Kazakhstan's January presidency in the UN Security Council and, according to Trump, bilateral "cooperation has grown even stronger this month" during the Central Asian nation's tenure in the UN body.

The Nazarbayev-Trump meeting was followed by a business forum with American executives at the U.S. Chamber of Commerce, which resulted in the conclusion of around 20 agreements worth \$7.5 billion.

Nazarbayev noted Kazakhstan and the U.S. had reciprocally introduced 10-year business and tourism visas back in December 2016, a decision that marked the 25th anniversary of diplomatic relations between the two countries.

He also said work is underway to open direct flights between Kazakhstan and the United States. Trump applauded Kazakhstan's ambitious plans to develop a diverse and innovative economy with investment-friendly climate, noting that U.S. development finance institutions seek to support investments in Kazakhstan.

"He's on his way – very rapidly," said Trump of Nazarbayev in reference to the strategy announced by the Kazakh leader back in 2012 to become a top 30 global economy by 2050.

in a case related to alleged funding of terror and secessionist activities in the Kashmir Valley.

The National Investigation Agency (NIA) filed the 1,279-page chargesheet before a designated court in New Delhi and sought permission to continue its probe.

The case was registered after the valley was rocked by violent protests following Hizbul Mujahideen poster boy Burhan Wani killing in a gunfight with security forces in 2016.

The judicial custody of 10 people arrested in connection with the case ended last week. Under the anti-terror law -- the Unlawful Activities (Prevention) Act -- the prosecuting agency has to file a chargesheet within 6 months, failing which the accused is eligible for bail.

The NIA accused Saeed and Salahuddin of fomenting trouble and sending funds to the valley through non-banking channels, they said.

The FIR named Saeed as an accused,

besides organisations such as the Hurriyat Conference (factions led by Geelani and Mirwaiz Farooq), Hizbul Mujahideen and Dukhtaran-e-Milat.

NIA officials said they gathered substantial material and technical evidence during the probe. They said 60 locations were raided and 950 incriminating documents seized. There are 300 witnesses in the case.

The NIA had arrested Altaf Ahmad Shah alias Altaf Fantoosh, son-in-law of

Syed Ali Shah Geelani; spokesperson of Mirwaiz Umer Farooq-led moderate Hurriyat Conference Shahid- ul-Islam; spokesperson of the Geelani-led faction of Hurriyat Ayaz Akbar and separatists Nayeem Khan, Bashir Bhat alias Peer Saifullah and Raja Mehrajuddin Kalwal.

Noted businessman Zahoor Ahmed Watali was also arrested by the NIA in connection with the case, which was registered after the valley was rocked by violent protests following the killing of Hizbul Mujahideen poster boy Burhan Wani in a gunfight with security forces in 2016.

Former JKLf militant Bitta Karate, photo journalist Kamran Yusuf and Javed Ahmed Bhat have also been named in the chargesheet.



SOCIAL AND ECONOMIC INEQUALITY BREEDING DISCONTENT

Serious clashes between the low caste Dalits and high caste Marathas this month are not uncommon but underscore the centuries old social and economic deprivations of the exploited and suppressed classes like the Dalits, the rural and urban poor labour classes and small shopkeepers in every village and town. It is nevertheless, appropriate to look at them closely.

CP Bhambhri (Professor Emeritus, Centre for Political Studies JNU) seeks to identify the real causes of the deep social unrest and anger. More than 500 million poorest of the poor Indians are engaged in a struggle for sheer survival. With nothing to lose, they frequently “come on the streets to protest when they feel angry and frustrated with their living situation.”

Bhambhri highlights a few facts about the “unjust and unequal” social order.

“First, independent India inherited poverty, backwardness and underdevelopment. This ‘inherited inequality’ continues till today. India continues to remain an “unequal society”. An economic survey shows that “between one-third and one-fourth of Indians live in absolute, subhu-

man poverty”. The survey reveals how the uneven distribution of income and wealth among different segments of society has led to an increase in the levels of “absolute inequality” and those at the “bottom” of this social hierarchy are the absolute majority of the labour classes.”

Second, writes Bhambhri “if on one hand Indians have to face the reality of existing social order based on ‘economic inequality’ on the other, caste-based ‘inequality’ is also a cruel fact of society. The Dalit castes and marginalised backward castes whose status is ‘lowest’ in caste hierarchy especially are victims of both poverty and caste-based discrimination. Despite the ‘changing’ character of the caste system because of modernisation and democratisation, the essential feature of ‘inequality’ on which caste system had been built remains intact because ‘economic inequality’ has strengthened the system of ‘caste-based inequality’.

“The Dalits and Other Backward Caste labouring sections of society are not only victims of ‘economic deprivations’ they are also victims of ‘caste-based coercion and atrocities’. Hence, they are learning to fight for their rights and dignity.”

Thirdly, writes Bhambhri “the present party-in-government is responsible for creating a serious crisis situation by following wrong economic policies. The ‘demonetisation’ in November 2016 directly hit the daily wage earners, small shopkeepers in the villages and small towns and informal sector of economy which constitutes the major component of Indian economy.”

Even the dominant Jat caste of Haryana, or Patidars (Patels) of Gujarat or Marathas of Maharashtra or Gujjars of Rajasthan are agitating because “job opportunities are shrinking and the dominant backward peasant caste and their children want assured entry to ‘public institutions’ for jobs and education.”

And it is a sociological fact that economic crisis creates situations of social conflict and disruption.

EDUCATION SURVEY ON ‘BEYOND BASICS’ PRODUCES DISAPPOINTING RESULTS

Fourteen per cent of rural youth in the age group of 14-18 failed to identify the map of India, says the 2017 Annual Status of Education Report (ASER), brought out by Pratham.

Significantly, 36% of those surveyed did not know that Delhi is the capital of India.

The report underlines, that 79% answered the questions ‘Which State do you live in?’ and 42% could point to their home State on the map.

“ASER 2017 focuses on an older age group: youth who are 14 to 18 years old,” the report says. “The survey looks ‘Beyond Basics’, exploring a wider set of domains beyond foundational reading and arithmetic in an attempt to throw light on the status and abilities of youth in this age group.”

ASER 2017 was conducted in 28 districts spread across 24 States and generated only district level estimates.

“Most 14-18 year olds are in the formal education system — only 14.4% are not currently enrolled in school or college. However, this number varies a lot with age,” says the report. “At age 14, only 5.3% are not enrolled, but by age 17 this percentage quadruples to 20.7% and further increases to 30.2% at age 18. With almost 10% of India’s population in this age group, these percentages translate into large numbers of youth who are not in the formal education system,” the report says.

The report also highlights the gender aspect of enrolment, with the number of girls falling sharply with age. While the enrolment ratios for boys and girls are almost the same at 14, at 18 years 32% of girls are not enrolled, as against 28% for boys.

“About 25% of this age group still cannot read basic texts fluently in their own language. More than half struggle with division (3 digit by 1 digit) problems. Only 43% are able to do such problems correctly,” the report reveals. “53% of all 14 year-olds in the sample can read English sentences.”



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ARMY

ARMY CHIEF BOLDLY SPEAKS ON KASHMIR

Speaking to the media ahead of Army Day, the Chief of Army Staff (COAS) General Bipin Rawat did some plain speaking on the situation in the Kashmir Valley where, according to The Pioneer "it is increasingly being accepted by sober analysts and observers not given to ultra-nationalistic hyperbole, we are dealing with an Islamist insurgency if with Kashmiri characteristics.

"Operationally, the COAS was clear that the security forces were working to a plan — their focus would be on north Kashmir areas in 2018 after the (reasonably good results) in the pacification of south Kashmir through 2017. He iterated, however, that "terrorism is not over" in Kashmir and called Pakistan's Nuclear bluff asserting that the Indian Army would cross the Line of Control without compunction if the need arose to target Pakistan Army posts that aid and abet terrorists along the border. But what was clearly bothering General Rawat was the internal dimension of the insurgency that is given oxygen by the narrative of separateness promoted by local authorities which provides fertile ground for an armed Islamist insurgency."

Although criticised by some, the Pioneer writes that "his calling out of the Jammu and Kashmir State government's education department in this regard was long overdue. Essentially, he hit the soft separatism nail on the head which officially gives a fillip to a political culture of fostering separatism under the garb of celebrating distinctness. How else would



Chief of Army Staff (COAS) General Bipin Rawat

one describe the fact that the children in the State are given two maps to memorize, one of India and the other of Kashmir, to emphasize the latter's separateness from the mainstream of the nation? Accompanied as this 'teaching' of history, geography and much else besides presumably is by a running commentary from teachers who themselves have been brought up in an environment simpatico to co-religionists as opposed to fellow citizens of India, the results are there for all to see. The "grassroots problem" the COAS flagged has much to do with precisely such short-sightedness by so-called mainstream Kashmiri political leaders who bemoan the spread of militancy after having in effect having provided it with an enabling environment. And all this, please remember, is going down in State-run and taxpayer-funded schools, not in some petro-dollar funded, Wahabi inspired

madrassas in the boondocks. On the latter, many of which have in the past been identified as playing a key role in radicalizing local youth and pushing them into taking up arms against the state, the COAS was forthright in stating that "some control has to be exercised"...."

ARMY CHIEF FOR 'SOME CHECKS' ON SOCIAL MEDIA TO CURB TERRORISM

Arguing that terrorist organisations use social media to propagate themselves, Army chief General Bipin Rawat on Wednesday called for "some checks and curbs" on internet to deal with terrorism.

Speaking at the third edition of the geo-political conference, 'Raisina Dialogue', in the national capital, Rawat said it was for the government and the people to decide if they were willing to

accept curbs temporarily so that terrorism can be dealt with effectively.

"Putting some checks and curbs on internet and social media that terrorist organisations always resort to... In a democratic country people won't like it but have to take a call on whether we want safe and secure environment or willing to accept curbs temporarily so terrorism can be dealt with," Rawat said.

Rawat said that terrorists are using systems which are highly technology enabled and transcending international borders.

"We need to disrupt terrorists and their sponsors. We need to identify nations who are sponsors of terror," he said.

The army chief further said that the threat of nuclear and chemical weapons falling in the hands of terrorists can be disaster for humanity.

Israeli Prime Minister Benjamin Netanyahu inaugurated conference and its inaugural session was attended by Prime Minister Narendra Modi and External Affairs Minister Sushma Swaraj.

(For more on Army Chief's statements last week, please see the Neighbours chapter)

ARMY DAY: INDIA REMEMBERS MARTYRS, WARNS PAKISTAN

The 70th Army Day was celebrated across the country on Jan 15, with top political leaders and famous personalities paying tribute to troops who made the ultimate sacrifice and Army chief General Bipin Rawat sending out a strong warning to Pakistan on its continued support to terror.

President Ram Nath Kovind, the supreme commander of the three armed forces, greeted soldiers and said the people could sleep safely only because they were protecting the country's borders. "Greetings to the valiant men and women of the Indian Army, to veterans and to families of those who have worn the uniform. You are our nation's pride, the sentinels of our liberty. Citizens sleep securely knowing you are ever awake and

ever vigilant," Kovind said.

Prime Minister Narendra Modi took to Twitter and hailed the soldiers for putting the nation first and said the country had unwavering trust and pride in the Army. "Our Army always puts the nation first. I salute all those great individuals who sacrificed their lives while serving the nation. India will never forget our valiant heroes," Modi said.

"On Army Day, I convey greetings to the soldiers, veterans and their families. Every citizen has unwavering trust and pride in our Army, which protects the nation and is also on the forefront of humanitarian efforts during times of natural disasters and other accidents," he said.

Defence Minister Nirmala Sitharaman extended her "best wishes" to all ranks of the Army, while Home Minister Rajnath Singh lauded the armed force for its "dedication, discipline and supreme sacrifices".

General Rawat, along with Navy chief Admiral Sunil Lanba and Air Force chief Air Chief Marshal B.S. Dhanoa, laid wreaths at the Amar Jawan Jyoti here to pay respect to the martyrs.

"All ranks of the Indian Navy join me in wishing our brothers-in-arms in olive greens and their families a very happy Army Day," said Admiral Sunil Lanba.

Speaking at the Army Day celebrations later at the Cariappa Parade Ground in Delhi, General Rawat sent out a warning to Pakistan that India will scale up action if Islamabad continued to support terror and infiltration of militants, while also stressing the need to secure the northern borders along China.

He said any provocative action from Pakistan will lead to a befitting reply. "On the Line of Control (LoC), the Pakistan Army is continuing ceasefire violations and helping terrorists to infiltrate (into India). We are using our might to teach them a lesson. Any provocative action from Pakistan's side will get a befitting reply.

"If we are forced, we will scale up the level of our action, and can take other steps," he said.

Talking about caution on the northern borders, he added: "Disputes are on along the Line of Actual Control, the northern border. Ensuring the security of the LAC is our primary responsibility."

A colourful parade, with marching contingents, display of mechanised columns and operational display marked the occasion.

The systems on display included the Akash weapon system, Brahmos missile and tanks and Swathi Weapon Locating Radar.

For the first time, the Indian Army had invited around 100 students from other schools of Delhi, including Modern School, Sardar Patel Vidyalaya and DPS International, among others.

The Army chief also presented gallantry awards to mark the celebrations that commemorate the day when Field Marshal K.M. Cariappa took charge as the first Indian Army chief in 1949, succeeding General Sir Francis Butcher, the last British Commander-in-Chief of India.

ARMY TO LAUNCH AADHAAR-BASED GRIEVANCE REDRESSAL SYSTEM

The Indian Army will launch a new online grievance redressal system which will be based on Aadhaar number, Army chief General Bipin Rawat said on Jan 15.

"A new Aadhaar-based mobile application is being developed, through which every soldier will be able to post his grievances online, and it would be addressed as soon as possible," the Army chief said at the 70th Army Day parade in New Delhi. "It will also have other useful information for the soldiers. It will be launched soon."

He also said that the Army Welfare Education Society has approved a plan for two residential schools with a capacity of 2,000 students. One of the two schools will be near Mamun Military Station in Pathankot. A law college will also be started near Pune by the Army.

The Army chief last week said the Army is working on evolving a better

system for providing aid to the children of martyrs and those disabled in action after the government put a Rs 10,000 cap on the monthly fund.

An order dated September 13 by the Department of Ex-Servicemen Welfare of the Defence Ministry said the fee for tuition and hostel expenses for children of martyrs would be capped at Rs 10,000 per month, as per the recommendations under the 7th Pay Commission. The order came into effect from July 1.



DEFENCE PRODUCTION

INDIA TEST-FIRES AGNI-5 BALLISTIC MISSILE, TRIAL 'FULLY SUCCESSFUL'

India successfully test-fired Thursday its nuclear capable surface-to-surface ballistic missile Agni-5 — the most advanced missile in the Agni series with a strike range of over 5000 kms — from a test range off the Odisha coast.

The user associate test-flight of the missile has further boosted indigenous missile capabilities and deterrence strength of the country.

All radars, tracking systems and range stations monitored the flight performance, defence sources said. Describing the trial as "fully successful", the sources said, the sophisticated missile travelled for 19 minutes and covered 4,900 km.

The sleek missile was test-fired from a canister launcher, mounted on a mobile platform, at about 9.54 am from No. 4 launch pad of the Integrated Test Range (ITR) in Abdul Kalam Island, earlier known as Wheeler Island, they said.

After four successful developmental trials, this was the first user associate test of Agni-5 missile, the sources added.

Agni-5 is the most advanced missile in the Agni series with new technologies incorporated in it in terms of navigation and guidance, warhead and engine. It has a range of over 5000 km.

"The redundant Navigation systems,

very high accuracy Ring Laser Gyro based Inertial Navigation System (RINS) and the most modern and accurate Micro Navigation System (MINS) had ensured the missile reached the target point within few metres of accuracy.

"The high speed on board computer and fault tolerant software along with robust and reliable bus guided the missile flawlessly," said an official of Defence Research and Development Organization (DRDO).

The missile is so programmed that after reaching the peak of its trajectory it will turn towards Earth to continue its journey towards the intended target with an increased speed due to the attraction of the earth's gravitational pull, he said.

Its path is precisely directed by the advanced on-board computer and inertial navigation system, the official added.

The first two successful flights of Agni-5 in 2012 and 2013 were in open configuration. The third, fourth and Thursday's launch from a canister, integrated with a mobile sophisticated launcher, were in its deliverable configuration that enables launch of the missile with a very short preparation time as compared to an open configuration.

It also has advantages of higher reliability, longer shelf life, less maintenance and enhanced mobility.

India has at present in its armoury of Agni series, Agni-1 with 700 km range, Agni-2 with 2000 km range, Agni-3 and Agni-4 with 2500 km to more than 3500km range.

The first test of Agni-5 was conducted on April 19, 2012, the second on September 15, 2013, the third on January 31, 2015 and fourth trial on December 26, 2016 from the same base.

FAST-TRACK PROCUREMENT OF ASSAULT RIFLES, CARBINES CLEARED

The Defence Acquisition Council (DAC), chaired by Defence Minister Nirmala Sitharaman on Jan 16, cleared a Rs 3,547 crore proposal for procurement

of assault rifles and carbines on a fast track basis.

The proposal is for procurement of 72,400 assault rifles and 93,895 carbines to "enable defence forces to meet their immediate requirement for the troops deployed on the border", a statement said.

The DAC also simplified 'Make II' procedure, which prescribes guidelines to be followed to develop and manufacture defence equipment through Indian Industry.

To encourage participation of private sector in defence design and production and to give a boost to 'Make in India' programme, the DAC on Tuesday introduced significant changes in the 'Make II' category of the Defence Procurement Procedure, a statement said.

Considering that no government funding is involved in 'Make II' project, the DAC simplified the procedure to make it industry-friendly, with minimal government control. The salient aspects of the revised procedure will now allow Defence Ministry to accept suo-motu proposals from the industry and also allows start-ups to develop equipment for the armed forces.

The minimum qualification criteria to participate in 'Make II' projects has also been relaxed by removing conditions related to credit rating and reducing financial net worth criteria.

As per the earlier 'Make II' procedure, only two vendors were shortlisted to develop prototype equipment. Now, all vendors meeting the relaxed eligibility criteria will be allowed to participate in the prototype development process. The vendor will not be required to submit Detailed Project Report.

After according approval of the 'Make II' project by the council, all clearances will be accorded at Service Headquarter level.

To hand-hold industry and start-ups, the service HQs will now set up project facilitation teams to act as the primary interface between it and the industry during the design and development stage. These teams would provide technical inputs, trial infrastructure and other

facilities as required by the vendor.

Even if a single individual or firm offers innovative solutions, the service HQs will now have the option to accept and process the vendor's development initiative. They will be allowed to hire domain experts/consultants from the private sector to increase outreach and enhance awareness among the industry.

The statement also added that there will be no foreclosure of project after the project is sanctioned, except on default by the vendor, to ensure that the successful vendor has assured orders.

‘MAKE-II’ PROMISE FOR ARMS FIRMS

Indian industry can suggest projects related to sub-systems for innovation and import substitution under the revised Make-II procedure in the Defence Procurement Procedure, the Defence Ministry said Wednesday.

“The potential ‘Make-II’ projects will be approved by a collegiate comprising the DRDO, Headquarter Integrated Defence Staff and Department of Defence under a committee chaired by Secretary, Defence Production,” the Ministry said in a statement.

Start-ups welcome: Even start-ups or individuals can propose projects. The Service Headquarters will soon come with a list of projects which can be undertaken under the new procedure. Companies would get design and development time of 12 to 30 weeks to offer prototypes and there is no limit to the number of companies which can respond to the Expression of Interest (EoI).

Speaking at the ongoing Raisina Dialogue, Secretary, Defence Production Ajay Kumar said that under the new proposal, the time taken to place orders from the proposal stage would be reduced by 50%. After the development period, the Request for Proposal would be issued to all qualifying companies.

“Once issued, the RFP cannot be retracted. The company which wins the bid, is assured of an order,” a senior official said.

He stated that even in the case of a single vendor situation, the tender would go through. The estimated time to finish the whole process has come down to 69 to 103 weeks. There would also be no negotiations under the Contract Negotiation Committee (CNC).

There are already 40-50 projects which are being looked at including advanced gun barrels for T-72 tanks and chaff and flare systems, the official added.

TAMIL NADU TO HOST SECURITY SYSTEMS EXPO IN APRIL

An international expo on security systems would be held in Chennai, Tamil Nadu this April, Defence Minister Nirmala Sitharaman said on Jan 18. Inaugurating the Defence Industry Development Meet in Chennai, she said the expo will be held April 11-14 and representatives from around 80 countries are expected to participate in the biennial meet.

The Defence Industry Development Meet is an initiative to bring manufacturers of defence systems, policy makers and officials of armed forces to enhance domestic product of defence equipment.

Citing the military tank and the ordinance factories in the state and also the L&T's shipyard near here making ships for Indian Coast Guard, Sitharaman said Tamil Nadu has a defence production ecosystem that needs to be leveraged with the defence equipment production units located in Bengaluru.

Referring to the presence of several automobile manufacturing units in Tamil Nadu, Defence Production Secretary Ajay Kumar said that the next logical step for the state is to be a strong defence manufacturing sector.

He said India was the world's largest importer of defence equipment between 2010-2014 and the government's effort is to make the country an exporter of defence products which would be possible with the active participation of private industry.

The government is streamlining the policy to encourage industry to export, he added.

Speaking to reporters on the sidelines, Sitharaman said the Defence Acquisition Council on January 16, 2018 cleared a simplified procedure for procuring defence equipment and this would enable increased participation of domestic industry enabling import substitution.

TAMIL NADU TO COME OUT WITH AEROSPACE, DEFENCE POLICIES: PALANISWAMI

Tamil Nadu Chief Minister K. Palaniswami on Jan 18 said that his government will come out with a separate policy for aerospace and defence.

Addressing an industry meet organised by the Defence Ministry in Chennai, he said: “Government of Tamil Nadu is in the process of coming out with an exclusive Aerospace and Defence policy with an objective of achieving 30 percent share of the sector in India and creating high-end employment opportunities for around 1 lakh persons in Tamil Nadu.”

He said development of Chennai Aerospace Park at Sriperumbudur is one such initiative to start with.

The aerospace park is being set up in 250 acres in the first phase which is expandable to 500 acres in the next phase. The park will house at least 50 aerospace or defence companies forming a strong base for supporting large original equipment manufacturers, Palaniswami said.

He also said the state government is focusing on establishing a Maintenance Repair Overhauling complex for aircrafts.

According to Palaniswami, the Advanced Computing and Design Engineering Centre (ACDEC) is coming up in 500,000 square feet. at an estimated cost of Rs 180 crore.

He also requested Defence Minister Nirmala Sitharaman to consider setting up of a manufacturing facility by HAL for light combat aircrafts and helicopters in the state and also a military MRO base in Sulur Air Force Station in Coimbatore.



NAVY

INS VIKRAMADITYA AFFILIATED TO BIHAR REGIMENT, IAF'S NO. 6 SQUADRON

Indian Naval Ship Vikramaditya, the Indian Navy's largest ship and its sole aircraft carrier were formally affiliated to the Indian Army's highly-decorated and battle-hardened Bihar Regiment and the Indian Air Force's No. 6 Squadron, that is tasked with maritime strike operations with its Jaguar fighter aircraft.

A glittering ceremony was held onboard INS Vikramaditya at the Karwar Naval Base attended by Western Naval Command chief Vice Admiral Girish Luthra, and the Army's Military Secretary Lt General Amarjeet Singh, who is also the Colonel of the Bihar Regiment. Air Officer Commanding Maritime Air Operations, Air Vice Marshal M. Fernandez was the senior officer from the IAF at the event also saw participation by a host of senior officers from all the three services.

Addressing the gathering, Western Fleet commander, Rear Admiral R.B. Pandit said the idea behind the affiliation was to foster esprit de corps and friendship between the three units that would lead to greater synergy and jointmanship between them and also promote interaction between the personnel and their families.

The event also saw an impressive flypast by aircraft of the Fleet Air Arm, led by a formation of Chetak helicopters followed by formation of MiG-29K fighters of the Indian Navy's 303 Squadron from the Goa-based Naval Air Station, INS Hansa.

"The 'raison d'être' of affiliation between units of fighting forces is to act as a force multiplier by promoting a better understanding of each other's strengths and ultimately serves to maximise the combat potential of the Indian Armed Forces at the time of reckoning. It also fosters a deep understanding of each other's service ethos, customs, traditions

and sharing of new operational concepts and the same is aptly described in the affiliation motto victory through Jointness'," an official statement said.

The affiliation involved a host of activities over January 17 and 18, including a formal dinner, affiliation ceremony and organized visits for the visiting personnel. The event culminated with a grand 'Barakhana', a ceremonial dinner which is attended by all ranks together, organised onboard INS Vikramaditya for all the participating personnel.

AIR FORCE

RUSSIAN KA-266T HELICOPTER FOR INDIA ?

Agence France-Presse, Ulan-Ude (Russia) reports that the Russian Ka-266T helicopter "could soon join the Indian military's fleet, with long-running contract discussions, including at recent meetings between Russian President Vladimir Putin and Indian Prime Minister Narendra Modi."

"We are finalising the contract with the Indian defence ministry," Russian Helicopters chief executive Andrei Boginsky told journalists visiting the site recently. He said he hoped the deal would be signed "at the beginning of 2018" and production launched later this year, but did not give any financial details.

Over the following nine years, 60 Ka-266Ts would be built in Russia and 140 more in India, as part of a joint venture, with the possibility of export to third countries.

Russian Helicopters sees China and Iran as potential markets for the Ka-266T.

Although Russian Helicopters boasts about the Ka-226T's potential in civilian roles, the potential deal with New Delhi would see the helicopter mainly used by the Indian military, which wants to replace its ageing fleet.

The Russian military also flies an

earlier versions of the Ka-226, dubbed the Hoodlum by NATO.

INDIA - ISRAEL

MODI INVITES ISRAELI DEFENCE FIRMS TO MAKE IN INDIA

India and Israel on Jan 15 pledged to fight terror as the two countries sought to broad base their relationship on the silver jubilee of the establishment of their diplomatic ties with Prime Minister Narendra Modi inviting Israeli companies to take advantage of the liberalised FDI regime in the defence sector and to make more in India.

On the second day of his six-day visit to India, Israel Prime Minister Benjamin Netanyahu held talks with Prime Minister Narendra Modi, both one-on-one and delegation level in New Delhi, after which the two sides reached agreements in various fields including a Memorandum of Understanding on Cyber Security Cooperation.

A joint statement issued later said the two Prime Ministers agreed that renewed efforts were required to realise the full potential for bilateral trade and investment and noted that the next round of bilateral discussions will be held next month in Israel.

The Prime Ministers urged the private sector to actively explore investment opportunities in both countries, including through India's flagship programmes such as Make in India, Start-Up India and Digital India.

Both sides noted the readiness of Israeli companies to enter into joint ventures with Indian companies in the defence sector under the Make in India initiative. They consider it important to set the direction for developing more business models and partnerships for joint ventures and joint manufacturing including the transfer of technology as well as research and development in defence security fields.

THREAT FROM TERRORISM

Recognising the grave threat terrorism poses to peace and security including from non-state actors, Modi and Netanyahu reiterated that there can be no justification for acts of terror on any grounds whatsoever and advocated strong measures against terrorists, terror organisations, those who sponsor, encourage or finance terrorism or provide sanctuary to terrorists and terror groups.

They also noted with satisfaction that the next meeting of the joint working groups on homeland and public security will be held next month. They reiterated the importance of building comprehensive cooperation in counter-terrorism, including cyber-space and welcomed the signing of the Memorandum of Understanding on Cooperation in Cyber Security between India and Israel.



INDIA - PAKISTAN - US TRYING TO CONVINCE PAKISTAN THAT INDIA IS NOT A THREAT: PAK MINISTER

Pakistan's Defence Minister Khurram Dastgir Khan has said that the US has been trying to convince Pakistan that India is not a threat and that Islamabad should change its strategic stance towards its neighbour. "But the truism remains true. Both India's capacity and intents are today hostile towards Pakistan," Dawn on Jan 16 quoted Dastgir Khan as saying from Islamabad.

Regretting how the US "downplayed" India's "aggressive posturing" along the Line of Control (LoC) and Working Boundary, the Minister said Pakistan was being made a scapegoat as the US was not winning in Afghanistan.

He called for "ruthlessly candid dialogue" with Washington to remove all types of misconceptions and misunderstandings. "It's time for a courteous yet ruthlessly candid dialogue between Pakistan and the US with

everything on the table," Dastgir Khan said.

He alleged that "India has amassed men, material and garrisons along the border with Pakistan".

Terming 2017 as the "deadliest year in terms of LoC violations by India and the killings of civilians", he said that India today is a "highly militarised and an increasingly belligerent neighbour".

"The unrelentingly hostile and anti-Pakistan stance taken by the current Indian government has reduced drastically space for any advocacy of peace," the Minister added.

Dastgir Khan also said the Indian government had "accelerated Pakistan bashing".

He said Pakistan was a responsible nuclear state and it would continue with its policy of "full spectrum deterrence".

"Pakistan will continue its policy in line with the policy of credible minimum deterrence and avoidance of armed race," the Defence Minister said.

US TO CONTINUE MILITARY TRAINING IN PAKISTAN

The US has conveyed to Pakistan that the military training component of the aid would continue despite the suspension of the security assistance package, media reports said on Jan 18.

Foreign Secretary Tehmina Janjua informed the Senate's foreign affairs committee on Wednesday that the US would continue funding the aid components that support their national interest, including the International Military Education and Training (IMET) part.

The IMET programme, which focuses on military education, is meant to establish a rapport between the US military and the recipient country's military for building alliances for the future.

Under this programme, Pakistan Army officers have been trained in the US at a cost of \$52 million over the past 15 years and an allocation of another \$4 million has been made for the current year.

While the IMET would continue, the US has frozen the aid provided under the programmes that are more important to Pakistan, particularly the Foreign Military Financing (FMF). The recipients of FMF can use the funds under this programme for procurement of defence hardware produced by the US.

Foreign Minister Khawaja Asif, while briefing the lawmakers on the current state of Pak-US relations, said the relationship was not going "very smooth" and problems were persisting. He said the US was trying to shift the blame to Pakistan for its failures in Afghanistan. "We have to stand up to those who accuse us of harbouring terrorists," he remarked.



COMMENT UNDERSTANDING THE RECENT PROTESTS IN GILGIT-BALTISTAN

Prateek Joshi

A wave of strong protests swept across Gilgit-Baltistan recently, after the Gilgit-Baltistan Council, Islamabad, announced the imposition of direct taxes under the Income Tax (Adaption) Act, 2012. The protests were jointly led by Anjuman-e-Tajiran (which loosely translates into Traders' committee, the word Tajir meaning Traders) and the Awami Action Committee (AAC). A few days ago, protestors even announced a "long march" from Skardu to Gilgit town (roughly 150-kilometre distance) to demonstrate their discomfort with tax imposition, defying the harsh winters the Karakoram region is known for.

Indian media was quick to react to these developments and news channels reported these protests as a pro-freedom movement directed against the state, citing the disputed status of the region. Although Islamabad withdrew the notification under pressure, the emerging developments leave a lot to be discussed on the prevalent mood in Gilgit-Baltistan. Therefore, it becomes important to grasp the underlying dynamic at play especially that of the

protagonist AAC, along with the key actors driving it, if one is to understand the prevailing mood in Gilgit-Baltistan and the region's relationship with Islamabad and the 'establishment'.

The AAC, a collection of 20-22 religious and nationalist parties was formed roughly four years ago and became widely popular in 2014 when it led protests after Islamabad withdrew wheat subsidies. Led by a charismatic advocate Ahsan Ali, the then convener, AAC's outreach to the common people and its mobilization strategies made it highly popular among the masses. In one of its early protests, AAC even coined the slogan "Kargil Chalo" citing the subsidies entitled to Kargilis, the larger issue being the view of the neighbouring Ladakh enjoying greater benefits and political representation vis-à-vis Gilgit-Baltistan.

Unfortunately, in 2014 itself, Ahsan Ali was forced to resign from the convener position, following which he founded the Action Tehreek, which lent support to the AAC. On the other hand, the AAC also got a new Chairman, Maulana Sultan Raees, who happens to be a Sunni cleric with close ties to the Ahle Sunnat Wal Jamaat (ASWJ), a Deobandi outfit which emerged from the notorious Sipah-e-Sahaba. The Maulana's closeness with Qazi Nasir Ahmed, the head of Gilgit-Baltistan's ASWJ wing, is not unknown, yet his oratory skills and the ability to convince the masses won him people's goodwill.

The Pakistani establishment, by infiltrating Gilgit-Baltistan's populist movements with pro-Pakistan leaders like Raees has managed to alter mass sentiments in favour of joining Pakistan. A deeper insight into these protests would help explain how the AAC under Raees's leadership has become instrumental in gaining a monopoly in managing the sentiment of masses but also towing a line the establishment wants it to.

The AAC acknowledges the disputed nature of Gilgit-Baltistan and has time and again taken up issues which directly affect the people. "Gilgit-Baltistan was a disputed territory and imposition of taxes

on its citizens was unlawful and unconstitutional. When the government wants to collect taxes from Gilgit-Baltistan people, they are declared citizens of the country, and when they demand equal rights it is said that the region is a disputed territory", Maulana Raees said in one of his statements. Yet, it believes a merger with Pakistan as the panacea to the problems faced by Gilgit-Baltistan.

NATURE OF RECENT PROTESTS: INTERPRETING "TAX DO HUQUQ LO"

Immediately after the order was made public, the AAC (along with the Anjuman-e-Tajiran) announced a shutter-down strike across Gilgit-Baltistan when protest marches witnessed an immense show of unity by the people who shunned their sectarian differences to rally for a common cause.

Slogans like "Tax do Huquq lo" and "No taxation without representation" became the rallying calls of the protestors. Here, the term 'Huquq' has two broad interpretations. The first one is the majoritarian view that Gilgit-Baltistan should be given representation (seats in the Senate, along with the right to vote in the national elections) and constitutional recognition as the fifth province. The other view, which is of the nationalists (who are in minority), also demands the same rights as described above, but tentatively. In the longer run, the nationalists aspire for independence from Pakistan through UN-mandated referendum since they believe that people of Gilgit-Baltistan would opt for independence from Pakistan, provided a fair referendum takes place. According to the nationalists, GB's Pro-Pakistan sentiment is a result of draconian measures like Section 4 of the Anti-Terrorism Act, 1997.

THE INDIAN ANGLE

Given the widespread coverage by the Indian media, and the issue occurring in a disputed territory, the India factor loomed large as the protests grew. However, paradoxes also emerged.

Firstly, it was only because of the

Indian media that the Pakistani media swung into action, as it had been ignoring the protests for the first couple days until reports began to trickle from the Indian side. Yet, the same AAC which got Islamabad's attention due to the role of the Indian media, organised an anti-India rally in Gilgit city to protest against what they termed as India's unnecessary attention.

On the one hand, the protestors were branded as Indian agents by Gilgit-Baltistan's Chief Minister, but on the other hand, these were the same protestors who were mobilised by the AAC headed by a pro-establishment cleric. An alternative theory which could explain this is that the protests could have been organised at the behest of the agencies to test the unity of Gilgit-Baltistan's residents for the cause of the fifth province.

Even though the Pakistani establishment is mindful of the UN resolution mandating Pakistan to commence with Pakistan Occupied Kashmir's (PoK) demilitarisation as the first step towards the resolution of Kashmir dispute, the message which Islamabad tries to convey to Gilgit-Baltistan's residents is that their aspiration for provincehood and enjoying full rights is being throttled by India.

The next plausible step, currently being cogitated by Islamabad, is regarding some kind of constitutional arrangement where Gilgit-Baltistan could enjoy a marginal improvement over the 2009 constitutional order on the devolution of powers and national representation. The possibility was discussed in the Pakistani Parliament last week, but not much progress was made. On the other hand, New Delhi has remained firm on its stand over PoK, and went as far as boycotting the Chinese Belt and Road Initiative (in protest against China's routing of the Pakistan Economic Corridor through Gilgit-Baltistan), yet a coherent policy on how it plans to handle the Gilgit-Baltistan issue is yet to evolve.

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



INDIA - CHINA

CHINA A DISRUPTIVE FORCE IN INDO-PACIFIC REGION: US PACIFIC COMMAND CHIEF

US Pacific Command chief Admiral Harry Harris on Jan 18 called China a "disruptive force" in the Indo-Pacific region, while Indian Navy chief Admiral Sunil Lanba pointed out towards increasing presence of Chinese warships in the Indian Ocean.

Mistrust for China figured prominently at a multilateral diplomacy and defence forum here, with representatives from India, US, Japan and Indonesia pointing out towards the lack of transparency on China's part, and its growing attempts to change status quo unilaterally.

In a panel discussion at the Raisina Dialogue being organised by the Observer Research Foundation (ORF) in New Delhi, Admiral Harris said: "I believe the reality is that China is a disruptive transitional force in the Indo-Pacific. They are the owner of the trust deficit that we all have spent the last hour or so talking about."

He, however, added that China has also played an important role in humanitarian and disaster relief operations, anti-piracy operations as well as against terrorism.

"There are common threats in the region for sure. We can all work together to overcome them, including China."

"But how defensive Vietnam, is and rightly so when China sends a major oil research platform in Vietnam's legitimate exclusive economic zone..." he said, adding examples from nations like Malaysia and others where China has attempted to change status quo in terms of territory," he said.

Admiral Lanba said Chinese naval ships have maintained their presence in the Indian Ocean Region since last ten years. "Since 2008, there has been a sea change in the deployment of PLA Navy. They stepped out of the western Pacific, crossed the first island chain and have been

operating in the IOR." He said on an average, they have an anti-piracy group in the IOR which consists of a tanker, two frigates and three or four research vessels.

Lanba also mentioned China's overseas base at Djibouti, and port in Sri Lanka's Hambantota, adding: "There is no Chinese naval presence, that is what we have been promised. I think that is what the Chinese pattern is going to be in the near term."

Japan Self-Defense Forces' Joint Staff chief, Admiral Katsutoshi Kawano said China was unilaterally trying to change the status quo.

"What we are concerned about is that in the East and South China Sea, China has been neglecting international law and tries to change status quo unilaterally," he said, suggesting China be isolated if it continues in its ways.

"One Road, One Belt should be economic initiative but it has military aspects as well and I also think it may be difficult to change the Chinese policy which has been promoting its military action by neglecting international law.

"But if we create an environment that if China continues these actions, the country could be isolated... this is the important thing I think," he said.

Dino Patti Djalal, Founder of Foreign Policy Community of Indonesia, said his country was uncomfortable with China's attempt to claim its waters. "For the first time in Indonesia's history, China is claiming our waters and we are not very comfortable with that. How do we get China to build more trust and prove its good intentions?" he asked. "(China should) comply with norms, don't treat your neighbours as you are the big brother, treat us as your friends, the region belongs to us," he said.

China's growing aggression in the South China Sea and increased presence of its warships and submarines in the Indian Ocean have been a concern, with several experts fearing it could lead to rising of a global scale conflict.

Admiral Lanba had recently cited the

presence of as many as 14 Chinese naval ships in the Indian Ocean around August 2016 and had also questioned China's stand of deploying submarines for anti-piracy operations.



COMMENT

CAN INDIA COMPLEMENT AND GAIN FROM CHINA'S BELT AND ROAD INITIATIVE?

Sreejith Nair

China will eventually embark on its vision of building roads, railways and pipelines across Eurasia, irrespective of India's endorsement of the Belt and Road Initiative (BRI). This attempt to lay foundations of a Sino-centric Asia provides India opportunities and challenges alike. An obstructionist approach does not favour India's interests. It would be more advantageous to complement BRI, providing key low-cost links in the greater Chinese jigsaw to optimise competition for strategic space.

Where can India complement Chinese efforts in a way that benefits its own economic and strategic interests? The Central Asia-West Asia corridor is a branch of the BRI where India can reap significant gains. The corridor runs horizontally (east-west) across Asia from western China to Turkey. The connectivity project, North-South Transport Corridor (NSTC), which India is a part of, is a perfect economic complement to the BRI because it runs vertically across Asia: from Mumbai to Moscow via Iran. Once interconnected, the two initiatives can boost intra-regional connectivity leading to a unified energy market in Asia, allowing for energy price rationalisation. Asia's natural gas prices are currently the highest globally, almost twice the market price in Europe, and three times the market price in the US (World Energy Council Report, 2016). Greater regional connectivity pushes the bargaining power more in the buyer's favour - enabling lower prices - which are certainly in India's economic interests.

Moreover, India does not have to be a member of BRI to benefit from it. China has already signed transportation, customs cooperation, and quality assurance agreements with several BRI member countries. For India to be able to tap into the opportunities created by linking NSTC to BRI, it is important to pursue Free Trade Agreements (FTA) under an India-Central Asia FTA framework and an India-Eastern European Union FTA. These FTAs not only remove tariff barriers but also ensure the competitiveness of Indian goods. The recent accession of India to the United Nations Transports Internationaux Routiers (TIR) convention is a promising step in this direction. The TIR convention, which all Central Asian countries are signatories to, allows Indian traders to have access to fast, reliable, and hassle-free border transit across 70 countries.

In the long-term, the NSTC-BRI linkage coupled with FTAs have the potential to change Eurasia's trade and energy dynamics. This can be strengthened further through the integration of the strategic Chabahar port with the NSTC. Such a link up allows India to benefit from Chinese-constructed access to major markets and resource supplies in Central Asia, West Asia, and Europe by investing capital only in the last mile connectivity to Chabahar. Peripheral projects such as upgrading the NSTC's existing rail and road infrastructure and setting up satellite hubs for trade can act as value additions to complement the BRI architecture as and when required. The BRI-NSTC linkage thus helps Indian economic interests without making India directly dependent on China or requiring India to subsume its political interests within China's. It is important to point out that linking NSTC to BRI is not equivalent to India joining BRI. Providing external connectivity to the BRI through complementary value additions is different from signing up as its member. A careful distinction such as this allows enough room for diplomatic manoeuvre. India can thus connect to BRI from the outside, while still abstaining from formally endorsing it.

These opportunities do not come without challenges. In evaluating the threats, it is imperative to factor in Chinese military presence in the Indian Ocean. In this context, connectivity between BRI and NSTC and its integration with Chabahar port, increase the stakeholders in trade through the Indian Ocean region. It allows the five Central Asian Republics and Russia the cheapest and the fastest access to the Indian Ocean, opening up new markets in ASEAN and Africa. The more countries depend on Indian Ocean-centric trade, with last mile connectivity provided by India, the less China will succeed in its attempts to militarise the Indian Ocean. This also opens up new balancing opportunities through forums like the Indian Ocean Rim Association (OIRA) on the soft side of the spectrum, graduating all the way up to the India-Australia-Japan-US Quad on the hard power end in the Indo-Pacific.

While economically countering China's USD 1.3 trillion investments in the region is not feasible, piggybacking on it for economic and political gains, with minimal, carefully planned supplements to it, is not only feasible but also strategically wise. Essentially, this would mean China investing a lion's share in BRI, and India adding to it marginally from the outside but reaping significant benefits. This 'complement and compete' strategy can seamlessly fit within a larger Indian counter strategy towards a China-centric Asia. This approach requires a comprehensive and holistic revaluation of the current strategy by Indian policymakers.

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



INDIA - KENYA

INDIAN DEFENCE DELEGATION VISITS KENYA

A 3-member defence delegation led by Indian Defence Secretary, Sanjay

Mitra visited Kenya on 11-12 January 2018 to discuss issues of bilateral defence co-operation between the two countries. This is the first-ever visit to Kenya by India's Defence Secretary in recent decades.

The Indian delegation held talks with the Cabinet Secretary (Minister) for Defence Ambassador Raychelle Omamo and other senior officials of the Ministry of Defence and Kenya Defence Forces on 11 January 2018. A number of issues on wide-ranging topics of bilateral defence cooperation were discussed during the meeting. Both sides identified several areas of cooperation and agreed to further enhance bilateral defence ties.

India and Kenya have long-standing relations in the field of defence cooperation. India offers a number of training courses to Kenya Defence Forces personnel each year in her several military institutions. Military delegations from both countries regularly pay official visits and study tours to each other to imbibe best practices followed in the respective militaries' and explore common grounds for further engagement between the two sides. Ships of the Indian Navy regularly pay goodwill visits to Mombasa. A number of professional interactions are held by the ship's crew with Kenya Defence Forces' personnel during such good will visits. India has also carried out joint hydrography surveys along with Kenyan officials in Kenyan waters in 2013 and 2014.

Earlier, during the State Visit of the Indian Prime Minister to Kenya in July 2016 and later during the State Visit of the Kenyan President to India in January 2017, the two countries agreed to further enhance their bilateral defence and security ties through a number of initiatives. In July 2016, India and Kenya signed a Memorandum of Understanding on Defence Cooperation and India gifted 30 Field Ambulances to the Kenya Defence Forces to support its role in combat duties. Former Chief of Naval Staff, Admiral RK Dhowan had visited Kenya in November 2015.



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INDIA - PAKISTAN: A 'POLITICO-MILITARY' APPROACH ON KASHMIR

It has been a long time since India and Pakistan sat across the table and in this period, the border is as live as it has ever been. Now, it is understood that Pakistan is examining a proposal for a DGMO-level meeting with India after a gap of four years to reduce tensions along the Line of Control and the Working Boundary through fresh confidence-building measures.

This comes a day after 7 Pakistan soldiers were killed in cross-border retaliatory firing by Indian troops across the LoC.

One of the confidence-building measures being considered for the planned meeting of DGMOs is "calibre reduction" of the arms being used at the LoC. Pakistan-India DGMOs have a frequent hotline contact, but they last met face-to-face four years ago at Wagah, a village which serves as a transit terminal between Lahore and Amritsar.

CANNOT BE STATUS QUOITS - ARMY CHIEF

Meanwhile, a resolution adopted by the Pakistan Senate committee through consensus condemned Indian Army chief Gen. Bipin Rawat's statement about "calling nuclear bluff of Pakistan" as "stupidity and provocative". They termed it a "war-like" proclamation, the report said.



Indian Army chief Gen. Bipin Rawat

Army chief Gen. Bipin Rawat however, continued to speak his mind. In an interview to PTI on 14 January, Army chief Gen. Bipin Rawat said political initiative must go "hand-in-hand" with military operations in Jammu and Kashmir to bring peace while favouring ramping up military offensive to pile up heat on Pakistan to stop cross-border terrorism in the State.

Gen. Rawat said the armed forces operating in the State cannot be "status quoist" and must evolve new strategies and tactics to deal with the situation, which he feels is "marginally" better since he took over a year ago.

The Army chief asserted that there was room for ramping up heat on Pakistan to cut flow of cross border terror activities, clearly indicating that the Army will continue its policy of hot pursuit in dealing with militancy.

"The political initiative and all the other initiatives must go simultaneously hand-in-hand and only if all of us function in synergy, we can bring lasting peace in Kashmir. It has to be a politico-military approach that we have to adopt," the Army chief said. In October, the government had appointed former Intelligence Bureau chief Dineshwar Sharma as its special representative for a "sustained dialogue" with all stakeholders in J&K.

"When the government appointed an interlocutor, it is with that purpose. He is the government's representative to reach out to the people of Kashmir and see what their grievances are so that those can then be addressed at a political level," the Army chief said.

Asked whether there is room for ramping up pressure on Pakistan to force it to stop sending terrorists to the State,

he said, "Yes, you cannot be status quoist. You have to continuously think and keep moving forward. You have to keep changing your doctrines and concept and the manner in which you operate in such areas."

Gen. Rawat said the Army will have to evolve new strategies and new tactics to deal with the situation. At the same time, he said an overall approach was required to deal with the Kashmir issue.

Since beginning of 2017, the Army pursued an aggressive anti-terror policy in Jammu and Kashmir and, at the same time, forcefully responded to all ceasefire violations by Pakistani troops along the Line of Control with a tit-for-tat approach.

"Military is only part of the mechanism to resolve the Kashmir issue. Our charter is to ensure that the terrorists who are creating violence in the state are taken to task and those who have been radicalised and are increasingly moving towards terrorism are prevented from doing so," he said.

Gen. Rawat said some youths continue to be radicalised and are joining militancy. The Army has been trying to maintain pressure on terror groups, he said. The Army's aim is to ensure that it continues to maintain the pressure on the terrorists and those fomenting trouble there, Gen. Rawat said. "But at the same time, we have to also reach out to the people," he said. Asked whether the situation in Kashmir has improved since he has taken over as the Army chief a year ago, Gen. Rawat said, "I am only seeing a marginal change in situation for the better."

"I do not think it is time to become over confident and start assuming that the situation has been brought under control because infiltration from across the borders will continue."

The LoC has remained volatile in 2017. According to official figures, 860 incidents of ceasefire violations by Pakistani troops were reported in 2017 as against 221 the year before.

India has also been effectively retaliating to Pakistani firing and even crossed the LoC to punish Pakistani troops on several occasions as part of tactical operations.

The aggressive border policy was apparent when seven Pakistani soldiers were killed Monday in retaliation to ceasefire violations in the Mendhar sector.

At the Army Day function, stating that the Army would not allow anti-India activities to succeed in Jammu and Kashmir, Gen. Rawat cautioned Pakistan against supporting terror groups and abetting infiltration. "We will not let these anti-national elements succeed at any cost. If we are forced, we may escalate our military action and carry out [the] 'other action'," he said at the Army Day parade held in Delhi Cantonment.

He said the Pakistan Army was constantly trying to push terrorists into India and the Indian Army was using its might to "teach them a lesson."

He said terrorists and their handlers were creating various challenges within the country by adopting new tactics. "Targeting of Amarnath pilgrims, attacking policemen and soldiers from Jammu and Kashmir, including the murder of Lt. Ummer Fayaz, were attempts to attack national unity and divide society."

Later, Wednesday speaking during an interaction at Raisina Dialogue, the Army Chief claimed that the people have realised that what they desired for cannot be achieved. "People of Kashmir in general are getting tired of terrorism. It has not given them what they desired for. You cannot cede away from India. People have realised that. Some have got radicalised... I feel most of them want to join the mainstream," General Rawat said, adding that the deradicalisation campaign needs to continue. "If that continues, we will soon be able to put an end to terrorism in Kashmir."

THREAT OF NUCLEAR AND CHEMICAL WEAPONS: ARMY CHIEF

Army Chief General Bipin Rawat Wednesday said the threat of nuclear and chemical weapons falling into the hands of terrorists could spell disaster for humanity. General Rawat was speaking during an interaction at Raisina Dialogue.

"Terrorists are using systems which are highly technology enabled and transcending international borders. We need to disrupt terrorists and their sponsors. We need to identify nations who are sponsors," the Army said, adding that there was a need to put some checks and curbs on Internet as well as social media, that terrorist organisations resort to. He said, acknowledging that in a democratic country people would not like it, but they have to take a call on whether they want a safe and secure environment and whether they were willing to accept curbs temporarily so terrorism can be dealt with.

When asked what the Army needs on priority, the Army Chief said the most important for the armed forces was surveillance equipment. General Rawat said the modernisation process for the infantry was long overdue and the ongoing modernisation process would help boost the Army's capabilities to operate in adverse conditions as well as at night. He also said that good assault rifles, ballistic helmets and bullet-proof jackets would help empower the Indian soldier.

MILITARY OPTIONS NOT ENOUGH

The Asian Age notes in its editorial that Army Chief Gen. Bipin Rawat's assessment that the situation in Jammu and Kashmir is only "marginally" better since he assumed charge a year ago, "can be said to be a fair assessment, and a candid one.....It may be "inferred that the general thinks that at least a part of the reason for more fruitful results eluding us is the absence of "politics" to go "hand

EX-CIA CHIEF DAVID PETRAEUS: NEVER HEARD OF INDIAN STATE-SPONSORED TERROR

Former CIA Director General (retd) David H Petraeus on Thursday rejected any notion of Indian state-sponsored terrorism, while Foreign Secretary S Jaishankar said he was there to talk about facts and not “fantasy scenarios”.

In response to a question from the audience for the Foreign Secretary at the Raisina Dialogue, Petraeus — who was sharing the stage — fielded the question voluntarily and said, “As director of the CIA, and commander of ISAF in Afghanistan, I never once heard the term ‘Indian State-sponsored terrorism’.”

in hand” with the stepped-up military action that the Army launched in J&K.”

The paper also notes that the tenor of the Army Chief’s observations on the appointment of Centre’s representative Dineshwar Sharma, “implies that the effort hasn’t gone far enough..... The former intelligence officer appears to have spoken mainly so far only to fruit-growers and some artisanal groups. These categories alone don’t hold the key.”

The army chief has also spoken of “ramping up” military action in order to deter Pakistan and to prevent local terrorists in Kashmir from reaching fruition point. He doesn’t wish to be “status quoist” in terms of tactics and strategies. “That’s fair enough from a military perspective. But the Army Chief will doubtless appreciate that this will be accompanied by probably risking longer-term failure in Kashmir if the military ramping-up is not accompanied by any meaningful political moves.”



US - PAKISTAN: NO BLANK CHEQUES ANY MORE

The United States has called for Hafiz Saeed’s prosecution “to the fullest extent

of the law,” following Pakistan’s Prime Minister Shahid Khaqan Abbasi’s remark that no action could be taken against the United Nations-designated terrorist.

Abbasi, during an interview to Geo TV Tuesday, referred to Saeed as ‘sahib’ or ‘sir’ “There is no case against Hafiz Saeed sahib in Pakistan. Only when there is a case, can there be action,” he said when asked why there was no action against Saeed.

Reacting strongly to the comments, State Department spokesperson Heather Nauert said the US believed that Saeed should be prosecuted and they have told Pakistan as much. “We believe that he should be prosecuted to the fullest extent of the law. He is listed by the UNSC 1267, the Al-Qaeda Sanctions Committee for targeted sanctions due to his affiliation with Lashkar-e-Taiba, which is a designated foreign terror organisation,” Ms. Nauert told reporters at her daily news conference on Thursday.

“We have made our points and concerns to the Pakistani government very clear. We believe that this individual should be prosecuted,” she said.

Responding to a question, Nauert said the US has “certainly seen” the reports about Abbasi’s comment on Saeed. “We regard him as a terrorist, a part of a foreign terrorist organisation. He was the mastermind, we believe, of the 2008 Mumbai attacks which killed many people, including Americans as well,” she said.

Saeed, the chief of the Jamaat-ud-Dawah (JuD), was released from house arrest in Pakistan in November.

The US has labelled JuD the “terrorist front” for the Lashkar-e-Taiba (LeT), a group Saeed founded in 1987. LeT was responsible for carrying the 2008 Mumbai attack that killed 166 people.

Acknowledging that the US has had some challenging times with the government of Pakistan recently, Nauert has said the Trump Administration expects Pakistan to do a lot more to

address terrorism issues. “That’s something that we’ve been very clear about all along. You know the news that we had that came out a couple weeks ago about our decision to withhold some of the security funding for Pakistan,” she said.

Nauert said the entire administration was on the same page on the issue of US-Pakistan relationship.

Early this month, the US suspended about \$2 billion worth of security assistance to Pakistan accusing it of not doing enough in the fight against terrorism. In retaliation, Pakistan suspended military and intelligence co-operation with the US. The State Department Thursday said it has not received any formal information in this regard from Pakistan.

US - PAK TALKS

Earlier last week, Pakistan’s Foreign Secretary Tehmina Janjua met with US Acting Assistant Secretary of State Alice Wells, who was in Pakistan along with senior officials from the US National Security Council for a scheduled dialogue on bilateral and regional cooperation. She said Pakistan’s relations with the US should move forward in an atmosphere of “mutual trust and respect”.

“The foreign secretary underscored that the relationship with the United States needed to move forward in an environment of mutual trust and respect,” the Foreign Office said in a statement.

The US delegation was apprised about recent counter-terrorism actions taken by Pakistan’s law enforcement agencies that contributed to a visible improvement in the security situation in the country, it said. It was mentioned that these comprehensive counter-terrorism actions would also contribute towards peace and stability in the entire region, it added.

Janjua “expressed concerns on the continued use of Afghan soil by elements hostile to Pakistan’s stability.”

She also drew the attention of the US delegation to the recent statement by Indian Army chief Gen Bipin Rawat and

the ceasefire violations at the Line of Control. "She asked the US side to advise restraint to India and stop its escalation tactics," the Foreign Office said.

Wells acknowledged Pakistan's efforts in eradicating terrorism and conveyed the US desire to work with Pakistan in furthering the shared objectives of stabilizing Afghanistan, the statement said.

She argued that as an immediate neighbor and important country of the region, Pakistan's support was critical to the success of the US strategy for Afghanistan, it said.

Wells also underlined the need for strengthening intelligence cooperation between the two sides to improve coordination in counter-terrorism efforts.

The two sides agreed that all initiatives owned and led by the Afghans for seeking a peaceful solution should be supported by the regional countries.

PAKISTAN REMAINS DEFIANT

Diplomacy notwithstanding, Ashok K Mehta (retired Major General of the Indian Army and founder member of the Defence Planning Staff, currently the revamped Integrated Defence Staff) notes that "never before in the history of US-Pakistan relations has there been such a barrage of coercion from US leaders on Pakistan to act on 'specific things we have asked Pakistan to do' as relations with it will now be 'conditions based'. No blank cheques to Rawalpindi any more, said a retired US General adding, 'All options are on the table: Withdrawing MFNNA, declaring Pakistan a state sponsor of terrorism, sanctioning specific entities in Inter-Services Intelligence, curtailing coalition support funds and enlarging drone strikes'...."

While the Pakistani's remain defiant with Air Force Chief Sohail Aman ordered shooting down of US drones violating Pakistan's air space, Mehta says "it will be a long time before the Americans are willing and able to force Pakistan to act

against its strategic assets in the East who operate against India."

In Mehta's assessment "Pakistani Generals believe, the US needs Pakistan more than the other way round and will not risk a suspension of logistics support through Pakistan for US forces in Afghanistan by unilateral military action. In 2013, an inadvertent US air attack on a Pakistan border post killing 21 Pakistani soldiers started a cold war. Even so, some high profile counter terrorism action against Afghan terrorists in Pakistan by the US is likely in 2018."



INDIA - CHINA: ARMY CHIEF'S COMMENTS OFFEND CHINA

China's state-run Global Times took a dim view of Army Chief General Bipin Rawat's recent comments about shifting India's military focus to the northern borders. In an editorial titled 'Indian Army must tone down hawkish rhetoric', the state media said 'India is diplomatically immature, with a self-centered approach and preference for impulsive nationalism.'

Drawing attention to Rawat's 'harsh comments on China', the editorial said that dealing with India requires more than one set of rules. "Rawat said last week that India can't allow its neighbours to drift away to China. This mentality that sees neighbours as an Indian domain is widely adopted in New Delhi. India is diplomatically immature, with a self-centered approach and preference for impulsive nationalism. Dealing with this country requires more than one set of rules," said the editorial. The state-run Global Times is run by the Communist Party of China and is considered to often reflect Beijing's views.

The editorial further said that the 'Indian army seems to have failed to learn its lesson from the Doklam standoff' and that if New Delhi continues to provoke Beijing, 'it should expect harsh punishment from the Chinese army.'

"Confronting China entails an unbearably high strategic cost for India. New Delhi should cherish the amicable policy adopted by Beijing," it said.

While addressing his annual media conference on the eve of Army Day, General Bipin Rawat had stated that India was prepared for any eventuality during the 73-day faceoff in Doklam last year and that the country should start focusing militarily on its northern borders. "We understand China is a powerful country but we are not a weak nation. Militarily, the focus has to shift to the northern borders — for too long we have focused on the western borders. The development of infrastructure needs to be stepped up, and requirement of systems met. We should start preparing for the next kind of warfare, which are cyber and information warfare."

While referring to overlap of influence by both India and China in certain areas, the editorial said 'Beijing needs to communicate more with New Delhi to make the latter less anxious strategically.' "The two countries should make it their common goal to avoid strategic conflicts in the neighboring region," it further added.

As for the 73-day Doklam standoff last year, the Global Times editorial cautioned that while China should handle border disputes as per law to maintain peace, it will firmly hit back at any Indian Army provocations. "On India, China needs to adhere to its principles and refrain from wrangling. It should handle border disputes in accordance with laws to maintain border peace, and meanwhile firmly hit back at Indian army provocations."

Meanwhile, China had termed as "unconstructive" Army chief General Bipin Rawat comments calling Doklam a disputed territory, saying it wasn't helpful for maintaining peace at the borders. Foreign Ministry spokesman Lu Kang said his comments were against the consensus reached between Prime Minister Narendra Modi and President

Xi Jinping at the BRICS summit last September to revive the ties and preserve peace on the border.

OVERDOSE FROM THE ARMY CHIEF

The Statesman writes that “almost every public statement of General Bipin Rawat, the current Chief of the Army Staff, invites the accusation of dishing out an overdose of the gung-ho. As well as risks creating avoidable complications for other branches of the government tasked with preserving national security.

“The strong reaction from Beijing to his latest statement confirms how unhelpful to the overall situation verbal muscle-flexing can prove. The crisis at Doklam last year was solved not by the Indian troops engaging in an eyeball-to-eyeball stand-off but by some delicate but determined diplomatic efforts. The reaction from Beijing points to the dissipation of the gains that were registered..... The Army Chief is probably correct when asserting that while China may be strong India is not weak; India’s strength will be best assessed by the manner in which the PLA conducts itself, based on its own evaluation of military realities ~ General Rawat’s “thunder” scares nobody: not even the Pakistanis who make light of India’s “punitive retaliation”, violate with impunity the cease-fire arrangement on the LOC, and sponsor jihadi terrorism despite bearing the damage inflicted by surgical strikes. And in a quiet way the authorities in Myanmar have let it be known they are none-too-happy with General Rawat’s going public about raiding terrorist camps on their side of the border.”

Domestically too, writes the Statesman “have the General’s Army Day statements evoked strong reaction. A PDP minister in the J&K government has advised him not to air opinions on the education system in the state, contending that he is not qualified to do so. That sparked off a row with the BJP leadership in the state ~ exposing

CLEAR THE AIR ABOUT CHINESE BUILD-UP IN DOKLAM REGION; CONGRESS

The Congress Thursday asked the government to come clear on alleged about fresh Chinese troops build-up in the Doklam region and asked it should specifically state whether some helipads or bunkers have been established or not.

“MEA statement does not say a word about the alleged construction by Chinese Army as depicted in satellite imagery. Please be specific if Chinese have constructed concrete posts, seven helipads, new trenches and placed several dozen armoured vehicles in Doklam,” Congress leader Randeep Singh Surjewala said in a tweet.

His remarks came after the Ministry of External Affairs Ministry reports in a section of the media about fresh Chinese troops build-up in the Doklam region on the India-China-Bhutan trijunction as “inaccurate and mischievous” and that the status quo at the face-off site has not been altered.

Reports in a section of the media, citing satellite images, suggested there has been a fresh build-up of Chinese troops in Doklam.

the fragility of the coalition-of-opposites....”



INDIA - CHINA: FIVE DEVELOPMENTS THAT SHOOK BILATERAL RELATIONS

Taking a larger look at bilateral relations, P K Vasudeva (retired Professor of International Trade) writes that the year 2017 witnessed several episodes that seriously damaged bilateral relations. Some of these were serious and some routine. But significantly, there was a “25-30 per cent increase in transgressions by the Chinese PLA, particularly in Ladakh,

Arunachal Pradesh, Uttarakhand and Himachal Pradesh. On an average around 300 transgressions are reported along the China border due to “difference in perception.”

Vasudeva identifies five episodes that shook bilateral relations and had serious strategic consequences.

First, was the unprecedented Doklam military standoff that “featured unprecedented Indian military involvement in the territorial dispute between two neighbours and a shockingly strong Chinese reaction against India’s firm stand. This included implicit military threats against India and a massive media campaign against New Delhi, the first such campaign against India in decades. While the Doklam standoff was eventually resolved, it has however left a deep sense of mistrust between the two sides.”

Second, according to Vasudeva was “India’s decision to boycott the BRI summit held in Beijing in May 2017, which even Chinese adversaries such as Japan and the United States attended, was another major blow to China-India relations. To China, the boycott was not only a signal of India’s hostility to its most important international project, but also an affront both to Beijing’s self-image as international leader and, personally, to the BRI’s champion, President Xi Jinping.”

The third development that “damaged China-India relations in 2017 was India’s decision last November to join the revived Quadrilateral Security Dialogue (Quad), a strategic dialogue between the United States, Japan, India, and Australia with a naval component. Beijing has opposed Quad as a potential anti-Chinese alliance of democracies aimed at containing it and checking its maritime rise in the Indo-Pacific.”

The fourth development was that “despite China’s adamant stand against India’s entry into the prestigious Nuclear Supplier’s Group, India announced in May 2017 that it would not stop its efforts to work towards securing the membership of the elite group.

Slimming India's chance of entering the 48-member NSG, China has let it be known that there is no change in its stance on the admission of non-NPT countries into the 'elite club'."

The fifth factor, writes Vasudeva "is that China is against India carrying out oil exploration in a part of South China Sea near the Vietnam coast....Vietnam granted the Indian oil firm, ONGC Videsh, a two-year extension to explore the oil block. Part of that block is in the U-shaped 'nine-dash line', which marks the vast area that China claims in the sea, a route for more than \$ 5 trillion in trade each year in which the Philippines, Brunei, Malaysia and Taiwan also have claims."

These trends and the episodes of last year, continues Vasudeva "clearly point to the emergence of a larger and much more worrying picture of bilateral relations. Two major changes define this scenario. First, the China-India relationship is in the process of transformation and is slowly arriving at the crossroads.

The strategic and economic landscape of Asia has been changing as the rise of Chinese power transforms both Asia and the Indian Ocean region, and fuels greater competition between the Middle Kingdom on the one hand and the United States and Japan on the other. These tectonic changes are transforming the international environment in which the Beijing-Delhi relationship operates and the relationship cannot continue as before."

Second, the India-China relationship is progressively deteriorating. Even as "China has increased its presence around India and has begun to vigorously shape Asia's strategic landscape to its advantage, India has adopted a much tougher and more decisive stance towards Beijing.

The Indian Army has asserted that it will not allow an expansionist China to intrude into Indian territory at any cost, while roundly dismissing Pakistan's reckless threats about its tactical nuclear weapons being an effective counter to

India's conventional military superiority.

"China is a powerful country but we are not a weak nation... We will not allow our territory to be invaded by anyone. We are prepared," said Army chief General Bipin Rawat, in the backdrop of the PLA needling India with as many as 415 "border transgressions" of the LAC last year, which also saw the 73-day face-off at Doklam and 215 other troop confrontations.



COMMENT

QUAD WILL DAMAGE INDIA-CHINA RELATIONS

Bawa Singh

The quadrilateral of four countries; Australia, India, Japan and the US; was revived on the sidelines of the ASEAN and East Asia Summit in Manila in November 2017.

The 31st ASEAN Summit 2017 was held in Manila under the theme of "Partnering for Change, Engaging the World." The theme is relevant for the Association of South East Asian Nations in general and for India and China in context of realization of the Asian Century in particular. However, the message from the summit was contradictory to its theme. The contradiction is the emergence of the Quad, which can create disunity between India and China.

The 21st century has been dubbed the Asian Century, conceived on the basis of development, economic cooperation, peace, stability and security of the region wherein China and India would play a constructive, cooperative role. Given the circumstances, how will China and India extend economic and strategic cooperation to maintain peace at the bilateral level and facilitate and maintain regional and global peace, stability and security?

Cordial relations between India and China are fundamental to the Asian

Century. Currently, these relations have reached a strained tipping point with major irritants like the boundary dispute, the supply of nuclear technology, military and diplomatic support to Pakistan, blocking Indian membership to the Nuclear Suppliers Group (NSG) and countering Indian efforts to have Jaish-e-Mohamed chief Masood Azhar named an UN-designated terrorist.

Moreover, the Belt and Road Initiative (BRI), the China-Pakistan Economic Corridor (CPEC) and the Doklam standoff saw India-China relations take a roller coaster ride through 2017. Given enormous economic, scientific and technological advancements, Asia has been passing through an historic transformation. The dream of the Asian Century has been anticipated in the background of the impressive economic history of India and China which, some historians have stated, date back over millennia.

Analysts have claimed that key Asian players like China, India, Japan, and mid-level powers such as South Korea, Vietnam, and Indonesia would dominate the 21st century. It was the phenomenal economic development of these countries that led thinkers, commentators, analysts and economists to anticipate that the 21st would be the Asian Century.

Given their bilateral irritants, global leadership aspirations, new geopolitical alignments have trapped India and China in several competing situations, straining their cordiality. The Quad, revived recently, will create more mistrust between the Himalayan neighbours.

Prime Minister Shinzo Abe of Japan had initiated the Quad in 2007 to check geopolitical and geostrategic concerns emanating from China, in consultation with the US, Australian and Indian leadership. However, the concept failed to take off then after Australian PM Kevin Rudd's pulled out fearing Chinese wrath given the heightening geopolitical tensions between the United States and China in the Asia-Pacific.

The background to the revival of the Quad is the growing profile of China's economy and strategic assertiveness. China has enjoyed double-digit economic growth over the past three decades, making it the largest economy after the US, which it is likely to overtake soon.

Chinese strategic posturing, including an expanding defence budget, military modernization, militarization of islands in the South China Sea, violation of international norms, expanding strategic and economic influence at the global level and aggressive irredentism have posed serious strategic concerns for regional and extra-regional powers. Such posturing has created serious geopolitical and geostrategic concerns not only for China's neighbours like India, Japan, and Australia and even for the US.

The Quad was revived against this background with its major focus being to create a rules-based order wherein freedom of navigation and overflight, respect for international law, enhancing connectivity and maritime security would be the main elements of cooperation. A common position on non-proliferation and terrorism issues would also be synchronised.

In its 2012 report, *Asia 2050: Realizing The Asian Century*, the Asian Development Bank (ADB) has argued that Asia has been witnessing an historic transformation. The report says, "If it continues to follow its recent trajectory, by 2050 its per capita income could rise six-fold in purchasing power parity (PPP) terms to reach Europe's levels today." Since the introduction of liberalization, globalization, privatization (LPG), China and India have experienced rapid economic growth. The ADB has anticipated that by 2050, Asia would be in the dominant economic position it had enjoyed till 300 years ago, making way for the Asian Century.

However, increasing rural and urban income inequality, socio-economic problems like education, health, unemployment, starvation deaths,

agricultural crises, corruption and ethnic problems remain major challenges for the Asian countries. The Quad could further dent the progress toward the Asian Century.

A wary Chinese foreign ministry spokesperson Geng Shuang issued a calibrated statement about revival of the Quad saying, "the regional cooperation should neither be politicised nor exclusionary."

The Quad would damage the prospects of improved Indo-China relations.

Peace, stability and security are the main basis of the Asian Century. In the prevailing milieu, it is wishful to vouch for unity and cordial relations between India and China, given their bilateral irritants and the geopolitical environment. If both countries remain engaged in opposite geopolitical groups, particularly led by extra-regional powers, it means restricting their space for accommodating, cooperative and cordial relations. Realization of the Asian Century requires cordial and cooperative relations between India and China otherwise it will remain a dream.

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In arrangement with South Asia Monitor



INDIA - MALDIVES: THE CHALLENGE FOR INDIA

Maldives President Abdulla Yameen's special representative, foreign minister Mohammed Asim was in Delhi recently. He met Prime Minister Narendra Modi but there is little that is known on what transpired during his mission. Asim however, said his country follows a "India First" approach. This was to cool Indian tempers on the close relationship that Maldives has forged with China. And this

includes a hurriedly signed FTA with China. Interestingly, Maldives is the only neighbouring country that Modi has not visited.

Neena Gopal is Resident Editor, Deccan Chronicle, Bengaluru writes that Maldives' "embrace of Beijing, after Chinese President Xi Jinping's 2014 state visit, is primarily driven by the Male leadership's bid to play the two great powers in the region off against each other, and use China as a hedge against India..."

In reality, "it's a pre-emptive move by the Yameen government to ensure there's no repeat of Indian backing of Mr Nasheed's Maldivian Democratic Party in the critical September 2018 presidential poll.

"Male believes Delhi repeatedly crosses the red line, doing it again most recently when three local government officials — all from the MDP — were suspended for holding a secret meeting with Indian high commissioner Akhilesh Mishra, and restricting the envoy's movements thereafter. A similar ban on meeting the Indian diplomat was issued to members of the ruling Progressive Party of the Maldives. No such curbs were placed on a visiting British diplomat or the resident Chinese envoy on holding similar meetings.

"Second, despite greater immigration scrutiny forcing Maldivians to school their children in Sri Lanka rather than the earlier first choice of India, the people-to-people connect still remains strong. It's this underlying support for India in a presidential election year that is an influencer in President Yameen's India overture. A Modi visit that subtly backs the not-so-popular Mr Yameen could be an election game-changer."

For India, the Maldives no longer looks at it for guidance. The challenge therefore is to wean Maldives away from Chinese influence and also allay the fears of the distrustful Maldives leadership.



COMMENT

INDIA HAS MUCH TO GAIN FROM SRI LANKA TIES

Srimal Fernando and Samarth Kavoori

India and Sri Lanka have enjoyed time-tested and friendly ties since the establishment of diplomatic relations 70 years ago. India's historical and extensive relations with Sri Lanka attained new heights with the state visit of Indian Prime minister Narendra Modi to Colombo on May 11 and 12, 2017.

Speaking at the opening ceremony of the 14th International Vesak Day Celebrations at Colombo's Bandaranaike Memorial International Conference Hall in the presence of Sri Lankan President Maithripala Sirisena and Prime Minister Ranil Wickremesinghe, Modi said, "I believe we are at a moment of great opportunity in our ties with Sri Lanka. An opportunity to achieve a quantum jump in our partnership across different fields. And, for us, the most relevant benchmark for the success of our friendship is your progress and success".

Modi's second visit to Sri Lanka as prime minister ushered in a new era in bilateral ties. Cultural and economic diplomacy plays an important role in the foreign policy of both nations. India's 'neighbourhood first' policy was meant to improve relations, connectivity and promote trade between India and its neighbours.

This relationship between the two economies reached new levels when the India – Sri Lanka Free Trade Agreement (ISFTA) came into force. The ISFTA opened the path for increasing bilateral commercial flows between the neighbours. In 2000 bilateral trade between India and Sri Lanka was around US\$ 658 million. By the end of 2010, the figure had risen to US\$ 3.036 billion (Handbook on the India Sri Lanka Free Trade Agreement, 2013). In 2016,

bilateral trade between India and Sri Lanka crossed US\$4.3 billion, covering a wide range of economic sectors.

India also plays an important role in Sri Lanka's tourism, one of the biggest foreign income earners for the Indian Ocean island nation. Approximately 350,000 Indian tourists visit Sri Lanka annually. This growth in tourism has bolstered air connectivity between the two nations. Offering frequent flights to a wide variety of destinations, Sri Lankan air, the national carrier, operates more than 126 flights weekly to 14 cities in India. For tourism purposes, both nations have simplified fast-track procedures for processing visa applications.

Deep sea ports and maritime shipping links with increasing cargo volumes are seen as important focal points for the development of economic cooperation between the two nations. Colombo port is fast turning into a key transshipment hub in South Asia. Figures show that Colombo port handles more than 70 percent of transshipment containers of Indian origin (Asian Development Bank, 2016).

In recent years both nations deepened their economic cooperation through public private partnership initiatives. One such Public-Private Partnership initiative implemented in 2003 was the modernising of the Trincomalee oil tank storage facility and state-owned petrol stations. Today, Lanka India Oil Corporation (LIOC), a fully owned subsidiary of the Indian Oil Corporation (IOC), runs over 160 petrol stations and 14 tanks of the Trincomalee oil tank storage facility or the China Bay Installation in Sri Lanka (Lanka India Oil Corporation 2016).

Development aid, humanitarian assistance and bilateral loans or grants is an important part of India's foreign policy. Reconstruction of the 252 km crippled northern railway track was done after 25 years with Indian support. India has given Sri Lanka development credit worth US \$ 458 million in the form of grants.

Another important achievement was the launch of the emergency ambulance service in Sri Lanka.

Sri Lanka has a growing and stable economy that is attractive to investors from across the world. Focusing on growth of avenues of investment will be the key. Since the end of the civil war, Sri Lanka has done wonderfully to ensure development of various key sectors, though they are still not mature and will take more time to grow. India has nothing to lose and more to gain with a strong Indo-Sri Lankan relationship.

(Srimal Fernando is Global Editor for Diplomatic Society of South Africa. Samarth Kavoori is an MA student at the Jindal School of International Affairs (JSIA) in India)

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BRIEFS

CHINA BREAKS INDIA'S INTERNET MONOPOLY IN NEPAL

China on 12 January became Nepal's second internet service provider, breaking India's monopoly in providing internet access to the Himalayan Kingdom.

The Hong Kong and Beijing based China Telecom Global (CTG) — a company formed in 2012 — has teamed up with Nepal Telecom to provide alternate cyber-connectivity to Nepal.

So far, Nepal had been linked to the global internet network through Indian telecom operators, using optical fiber connections in Biratnagar, Bhairahawa and Birgunj, among others.

But a new terrestrial fiber cable launched in 2016 by CTG will now connect Nepal and China through the Jilong (Rasuwagadhi) border gateway. Media reports in Nepal say that the new fiber link extends to China's Hong Kong Data Center — one of Asia's largest global data centers.





INDO-ISRAELI TIES: TEL AVIV'S INTEREST IS GREATER

AMULYA
GANGULI

The extraordinary nature of Israeli prime minister Binyamin Netanyahu's visit to India is obvious. It is rare in international diplomacy for a visiting dignitary to stay in his host country for as long as six days. Bill Clinton stayed in India for five days in the year 2000, but that may have been intended to send a message to Pakistan where he spent only five hours.

If Netanyahu wanted to send a message, it was to tell the world that Israel has a firm friend other than the US. Otherwise, Israel does not have too many friends. Even India had maintained a hand-off relationship before Narendra Modi's time. The ties between Tel Aviv and New Delhi under the Congress regimes were no more than formal.

The reason why they were not marked by warmth was known. It was India's disinclination to annoy the Muslims at home who felt, along with not a few others in the country, that Israel had been less than fair to the Palestinians.

True, Israel had been attacked more than once by the neighbouring Arab countries on behalf of the Palestinians as well as themselves because they regarded Israelis as intruders in their land imposed by the British. Israel's success in fending off the military offensives and in even taking the battle into "enemy" territory made the Palestinians to turn to terror as a weapon of war to their own disadvantage.

But they failed even in that endeavour with the Jews building an impenetrable wall between themselves and the Palestinians and even encroaching on the latter's territory with their housing enclaves and interconnected roads and watch towers.

However, since it is human nature to sympathize more with the underdog than with the lords and masters, there has been an undercurrent of compassion and fellow feeling for the Palestinians all over the world if only because of the belief that Israel revels in humiliating them, which is why it has made no serious attempt to work towards a two-state solution as the international community wants.

That India, too, wants such a solution is evident from the latest joint statement issued by the two countries. India also refused to go along with the Americans over the latter's decision to move the US embassy to Jerusalem, thereby making it Israel's de facto capital although it is a city which is holy to the followers of all the three so-called Abrahamic religions – Judaism, Islam and Christianity – and is, therefore, claimed by both Jews and Palestinians.

Israel's quiet acceptance of India's refusal to endorse the US decision shows that Tel Aviv's interest in keeping on New Delhi's right side is more than that of India to keep Israel in good humour. Among the reasons are India's clout as a regional power and its prestige as a democracy. Israel, instead, has to constantly depend on the US to bail it out of critical UN resolutions.

Not surprisingly, Israel has also had to come to terms with India's close relations with Iran which have been further enhanced by the cooperation between the two countries over the Chabahar port in Iran which India is developing in order to be able to open a trade route to Afghanistan bypassing Pakistan.

Considering that Israel regards Iran as a mortal enemy because of Teheran's suspected nuclear prowess and was thought at

one time of planning with the US to "take out" Iran's nuclear installations, Tel Aviv's acquiescence in India's continuing and growing proximity to Iran underlines the sobering effect of realpolitik.

Even if Israel's need for India is greater than the other way round, India, too, looks to Israel as a provider of sophisticated military hardware, greater knowhow in combating terror in view of Israel's considerable experience in countering such threats and in the agricultural field, especially in water conservation in view of Israel's vaunted reputation about making the deserts bloom.

All the three requirements have considerable value although the first two – military equipment and counter-terrorism techniques – are of prime importance. The bolstering of India's arsenal is needed at a time when China is seemingly becoming even more of a bully in the wake of President Xi Jinping's apparent desire to play the warrior-king to outshine Mao Zedong.

Pakistan, too, shows no sign of calming down despite President Trump's repeated attempts presumably because it has greater faith in the protection offered by its "iron brother", as prime minister Shahid Khaqan Abbasi, called China.

India, therefore, will be pleased about its closeness to Israel more for material reasons than for reasons of the heart in their marriage made in heaven, to quote Netanyahu. The ties will be cemented even further if Israel shows greater sincerity and initiative in reaching a settlement with the Palestinians. In that event, no community in India will have any reservations about Israel.



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COVER STORY

INDIA-ISRAEL: "WIDE-RANGING AND INTENSIVE" DISCUSSIONS

Setting aside protocol, Prime Minister Narendra Modi received Israeli Prime Minister Benjamin Netanyahu at the airport. He took him to his home state of Gujarat and gave him the royal treatment. The bonhomie between the two leaders was obvious even to a casual person.

Netanyahu was on a 6 day visit to India last week. His visit was only the second by an Israeli Prime Minister to India and came after a gap of 15 years. Ahead of his departure Netanyahu had said that strengthening bilateral ties "serves our security, economic, trade and tourism interests, as well as many other areas. This is a great blessing for the state of Israel".

The two Prime Ministers, accompanied by their respective senior Cabinet colleagues, held delegation-level talks during which they also discussed regional and international issues of mutual interest. Significantly, the two countries deciding to set aside the strain in the diplomatic ties after India's vote at the UN on the East Jerusalem issue and the uncertainty over multi-million dollar Israeli Spike anti-tank missile deal.

Nine agreements were signed in the areas of cybersecurity, petroleum, air transport, research in homoeopathy, film co-production, space science, business investment, metal-air batteries and solar thermal technology.

JOINT PRESS CONFERENCE

Addressing a joint press conference at the Hyderabad House in New Delhi Modi and Netanyahu described their talks as "wide-ranging and intensive". Modi said



Prime Minister Narendra Modi received Israeli Prime Minister Benjamin Netanyahu at the airport

they reviewed the progress in the bilateral relations and agreed that "the possibilities and the opportunities" that beckon the two countries need to be seized. "We will strengthen the existing pillars of cooperation in areas that touch the lives of our peoples. These are agriculture, science and technology, and security."

Netanyahu described Modi as a "revolutionary" leader. "You are a revolutionary leader and you are revolutionising India. You are catapulting this magnificent state into the future. And you have revolutionised the relations between Israel and India," Netanyahu told Modi.

At the interaction with the media, Modi said there were three ways of scaling up the bilateral partnership. First, he said, it can be done by strengthening the existing pillars of cooperation in agriculture, science and technology and security.

He said the second way of enhancing bilateral cooperation is by "venturing into less explored areas of cooperation, such as

oil and gas, cybersecurity, films, and start-ups. Several of these areas are indicative of our desire to diversify and broad-based engagement".

The third way, Modi said, to boost ties would be by "facilitating the flow of people and ideas between our geographies". "We are working with Israel to make it easier for our people to work and visit each other's countries, including for longer work durations. To bring people closer on both sides, an Indian Cultural Center will soon open in Israel." The Indian Prime Minister also said that both sides have decided to start an annual exchange of bilateral visits by 100 young people from science-related educational streams.

On bilateral economic relations, Modi said that "thriving two-way trade and investment is an integral part of our vision for a strong partnership".

Modi expressed hope and optimism about India-Israel ties, and said: "In Prime Minister Netanyahu, I have a counterpart

who is equally committed to taking the India-Israel relationship to soaring new heights."

Netanyahu said Modi's historic visit to Israel last July, the first by an Indian Prime Minister, "excited all Israelis and of course many Israelis of Indian descent and origin".

"Jews in India have never witnessed anti-Semitism like in some other countries," he stated. "This is a tribute to India's great civilisation, tolerance and democracy. We remember the horrific savagery in Mumbai (2008 terror attacks), we will never give in and will fight back".

The two sides also discussed the situation in West Asia and UN Security Council reforms but Iran's nuclear programme did not figure.

MEA briefing: At a media briefing later, Vijay Gokhale, Secretary (Economic Relations) in the External Affairs Ministry, said both countries shared similarities in their approach to tackling terrorism. "The two countries have said we will not tolerate terrorism in any manner," he said.

In reply to a question on not naming Pakistan in the document, he said it was not necessary to name countries each time. There was no divergence of views on the issue, he added.

To a question on cancellation by India of a deal with Israel for the purchase of 8,000 Spike anti-tank guided missiles, he said defence cooperation was discussed between the two leaders but he was not in a position to comment beyond that.

On bilateral investment treaty, Gokhale said there was a need to negotiate on the issue for the second round of discussions.

India and Israel signed nine agreements following the talks, including two memorandums of understanding (MoU) on cooperation in the areas of oil and gas and cybersecurity, and two letters of intent between Indian Oil and two Israeli entities on metal-air batteries and solar thermal technologies.

DEFENCE COOPERATION THE KEY

Strengthening defence cooperation is considered the centre-piece of the bilateral relationship. Modi invited Israeli defence

companies to take advantage of the liberalised FDI regime and participate in "Make in India" with Indian companies. Analysts note, this was New Delhi's one of the most pronounced public articulation of Indo-Israeli defence cooperation in the last two-and-half decades.

In the joint statement, they "called on the Defence ministries to hold discussions in 2018 with active involvement of the public and private sectors, in order to create the basis for viable, sustainable and long term cooperation in the defence industry".

So far, defence companies and the armed forces have imported technologies from Israel, and the government has always kept it quiet. According to sources this is a clear signal that the BJP-led NDA government has decided to take defence cooperation "out of the shadows".

According to the joint statement, both Prime Ministers noted that Israeli companies were ready to start joint ventures with Indian companies in the defence sector under the Make in India initiative. They consider it important to set the direction for developing more business models and partnerships for the joint ventures and joint manufacturing, including transfer of technology as well as joint research and development in defence and security fields.

Israel missile deal back on table: Israeli Prime Minister Benjamin Netanyahu Wednesday said that the \$500-million Spike anti-tank guided missile deal between India and Israel, which had been scrapped earlier, was back on the table. Netanyahu told Israeli journalists: "They are reauthorising the Spike deal."

Israeli National Security Advisor Meir Ben-Shabbat was quoted saying that talks with India on the Spike missile deal were moving in a positive direction, and more details would be disclosed later.

Earlier reports had indicated that the Ministry of Defence had called off the \$500-million deal for Spike anti-tank missiles with Israel's Rafael, in favour of indigenous development by DRDO.

CYBER SECURITY

Cyber security has so far remained an area of cooperation between Israel's and Indian private firms. This is the first time,

sources said, there will be cooperation at the government level-between top cyber security agencies of the two countries. This assumes significance since many cyber attacks in India have originated from China, Iran and North Korea among other countries.

TERRORISM A GRAVE THREAT

Stressing that terrorism posed a grave threat to peace and security including from non-state actors, the two leaders reiterated that there can be "no justification for acts of terror on any grounds whatsoever and advocated strong measures against terrorists, terror organisations, those who sponsor, encourage or finance terrorism or provide sanctuary to terrorists and terror groups".

The two leaders decided that the next meeting of the Joint Working Groups on Homeland and Public Security will be held in February 2018, and the two countries reiterated the importance of building comprehensive cooperation in counter-terrorism, including cyber-space, and welcomed the signing of the MoU on Cooperation in Cyber Security between India and Israel.

There was a noticeable difference compared to the joint statement issued during Modi's visit to Israel in July 2017. While last year, both leaders committed to cooperate for the early adoption of the Comprehensive Convention on International Terrorism (CCIT), this time, there was no such reiteration.

On his part, Netanyahu said Indians and Israelis know the "true pain" of a terror attacks. "We are talking about cooperation in (the field of) defence so that our people are always safe and secure. We remember the horrific savagery in Mumbai (a reference to 26/11 terror attack), we grate our teeth, we fight back, (and) we never give in," the Israeli premier said.

INDIA'S UN VOTE AGAINST ISRAEL

The issue of India voting against Israel at the UN on the East Jerusalem issue also figured in the talks in which Indian officials maintained that both sides put forth their views and that the two leaders agreed that ties "are not determined by a single issue".

"What the two sides agreed, that the our relationship was much larger than any single

issue...that we need to look at it holistically and while we continue to talk to each other, our relationship is not determined by a single issue," Vijay Gokhale, Secretary (Economic Relations) in the Ministry of External Affairs, said.

Earlier, on arrival, dubbing the India-Israel relationship as a "marriage made in heaven", Israeli Prime Minister Benjamin Netanyahu said that even though Israel was "disappointed" by India's vote at the UN against the Jerusalem issue, one negative vote would not affect the ties.

ON PALESTINE

On the Palestine issue, the joint statement said that the two Prime Ministers discussed developments pertaining to the Israeli-Palestinian Peace Process. "They reaffirmed their support for an early resumption of peace talks between Israelis and Palestinians for arriving at a comprehensive negotiated solution on all outstanding issues, based on mutual recognition and effective security arrangements, for establishing a just and durable peace in the region," it said, without any specific reference to the status of East Jerusalem.

However, there was a reference to "early resumption of peace talks" – a key area of concern in the international fraternity. India had last month joined 127 other countries to vote in the UN in favour of a resolution opposing the recent decision of the US to recognise Jerusalem as Israel's capital.

BILATERAL TRADE AND INVESTMENT

In a bid to strengthen bilateral trade and investment, the two sides will hold the next round of discussions in February 2018 in Israel. "Underlining the role of the private sector in trade and investment, both Prime Ministers urged the private sector to actively explore investment opportunities in both countries, including through the India's flagship programmes such as Make in India, Start-Up India and Digital India," the joint statement said.

They also announced joint research and development projects under the India-Israel Industrial R&D and Technological Innovation Fund (I4F).

The two sides also agreed to holding Festivals of India and Israel in their respec-

tive countries in the Year 2019 as a further step to "solidify friendship between the peoples of both countries", the statement said.

INDIA ASSURES EASIER BUSINESS ENVIRONMENT

India promised Israeli companies that it would address their concerns and make it easier for them to do business.

Speaking at the India-Israel Business Innovation Forum, organised by the industry body CII, Ramesh Abhishek, Secretary, Department of Industrial Policy and Promotion, said: "I assure you [that we will] resolve all problems and make things easier and better for Israeli companies to do business in India." He said the reform process would continue, so that India could attract investments from countries including Israel. As part of it, he said, incubators and research parks were being established, and Israeli companies could take advantage of them.

FTA TALKS

According to diplomatic sources, the two countries are discussing potential FTA. This, according to them, will be a step that could greatly boost annual bilateral trade, currently valued around \$4.5 billion. To put that number in context, trade between Israel and China was worth \$11.35b. in 2016.

A free trade accord with Israel would break precedent, as India has not signed free trade agreements with countries outside of Southeast Asia. But Modi was the first Indian premier to ever visit Israel, last July.

INDIA, ISRAEL HAVE ANTI-ISLAM NEXUS: PAK SLAMS NETANYAHU'S VISIT TO INDIA

Pakistan Foreign Minister Khawaja Asif Wednesday criticised Israeli Prime Minister Benjamin Netanyahu's visit to India, saying both India and Israel have anti-Islam nexus.

Asif, in an interview to a private channel, said that both the countries have a connection as they have occupied Muslim territories - India has occupied Kashmir, while Israel is occupying a vast area of Palestine, reported Radio Pakistan.

He further accused India of the mass killing of Muslims in Gujarat.

During this visit, Modi and Netanyahu oversaw the signing of Memorandums of Understanding regarding oil and natural gas, tourism and cybersecurity.

Israel has also given New Delhi a list of 200 products on which it would like tariffs removed, to make it easier for Israelis to overcome unwieldy bureaucracy in India. India is known for its cumbersome mercantilist policies, part of an attempt to encourage local manufacturing.

On the flip side, Indian businessmen have complained about the arduous wait to obtain one-time entry visas to Israel, along with the lack of long-term visas. Many are clamoring to visit.

OTHER VISITS AND INTERACTIONS ROYAL TREATMENT IN GUJARAT

Prime Minister Narendra Modi Wednesday played host to his Israeli counterpart, Benjamin Netanyahu, in his home State of Gujarat. The visiting dignitary lavishly praised Modi, calling him "a leader with vision" while heralding the beginning of a new era in India-Israel relations and partnership.

Modi and Netanyahu and his wife, Sara, went on an 8-km roadshow from the Ahmedabad airport to Sabarmati Ashram. Thousands of spectators danced, clapped and waved as the motorcade drove past.

Modi took the couple to the ashram where they paid tributes to Mahatma Gandhi and subsequently, flew kites standing on the Sabarmati riverfront. Next, they flew off to Deo Dholera village to inaugurate the campus of iCreate, a new incubation and entrepreneurship centre to promote innovation.

Chanting Jai Hind, Jai Bharat and Jai Israel, Netanyahu expressed willingness to join Indian entrepreneurs for inclusive development.

"I am delighted to be here. The world knows about iPads and iPods. There is one more 'i' that the world needs to know about, that is iCreate. Israel wants to build partnership with you. We are your partners and I want Israeli youth to come to India," he said, addressing a gathering of some 1,500 people comprising industrialists, entrepreneurs and businessmen.

Modi underlined the importance of innovations, creativity and technology and Israel's contribution.

"Israel has proved to the world that commitment of the people, not size of the nation takes the country forward. In India, we are working towards making the entire system innovation-friendly, so that ideas are formed from intent, innovations are formed from ideas & New India is formed from innovations."

After inaugurating the innovation centre, both PMs flew down to Vadarad in Sabarkantha district to visit the Centre of Excellence (CoE) for vegetables set up with the help of the Israel Foreign Ministry.

DISCUSSIONS ON FARMER'S ISSUES IN UTTAR PRADESH

Earlier, Tuesday Prime Minister Benjamin Netanyahu made a short visit to Uttar Pradesh where he also discussed some important issues with Chief Minister Yogi Adityanath.

At a meeting in Agra, the two leaders discussed collaboration to improve the lives of farmers in India's most populous state. Among the issues raised were the two centres of excellence for horticulture and food processing coming up in Basti and Kannauj districts with Israel's support, drinking water management in urban areas and solid waste management.

The critical subjects of water conservation, water recharging and drip irrigation were also discussed in context of the depleting water table in the drought-prone Bundelkhand.

The signs of new collaboration between the State government and Israel come months after a memorandum of understanding was signed between the Jal Nigam of Uttar Pradesh and Israel's Ministry of National Infrastructure, Energy and Water Resources on water utility reforms.

MEETING BUSINESS LEADERS IN MUMBAI

Before his departure, Netanyahu Thursday met top leadership of India Inc for a power breakfast.

The Israeli leader interacted with business leaders at the Taj hotel. Business leaders who were present at the breakfast in-

cluded Ajay Piramal, Rahul Bajaj, Adi Godrej, Harsh Goenka, Anand Mahindra, Dilip Shanghvi, Ashok Hinduja, Atul Punj and Chanda Kochhar.

This was followed by his address to the India-Israel Business Summit on Thursday where he asked entrepreneurs to constantly innovate and compete, adding "competition and innovation" would mark the beginning of the new friendship between India and Israel.

Netanyahu said Israel was excited about partnering with India to increase farmer's income "four to five times". Prime Minister Narendra Modi aims to double the farmers' income by 2022. Netanyahu said the India-Israel partnership in the farm sector was an example of "winning together".

Netanyahu lauded the efforts being made by Modi to improve the ease of doing business in India. Sharing the Israeli experience of cutting down the "regulations and bureaucratic excesses", Netanyahu said Modi understood the value of innovation and "was doing exactly the same".

OTHER ENGAGEMENTS IN MUMBAI

In the first visit by an Israeli Prime Minister to the financial capital of India, Netanyahu laid a wreath at the memorial for the victims of the 26/11 terror attacks.

Netanyahu then proceeded to the nearby Nariman House, where he met 11-year-old Moshe Holtzberg. Moshe's father Rabbi Gavriel Holtzberg and mother Rivka were killed at the Nariman House during the 2008 Mumbai terror attacks.

Netanyahu met around 25 to 30 members of the Jewish community at the Taj hotel. There are about 5,000 members of the Jewish community living in India, but most of them call Mumbai their home. The city earlier had a sizable Jewish population, but around 33,000 Jews migrated when Israel was created.

Netanyahu capped his hectic schedule by attending the 'Shalom Bollywood' event, in which he invited leading actors, directors, and producers in the Indian cinema industry to come to Israel to shoot movies and collaborate with the Israeli film and television industry.

Netanyahu is accompanied by a 130-member business delegation representing 102 companies, with a focus on the agriculture, defence and cyber security sectors.

HISTORICAL PERSPECTIVE

INDIA'S BROAD-MINDEDNESS ON JEWS

To Balbir Punj (political commentator and a former BJP Rajya Sabha MP), the four-day visit of Israeli Prime Minister Benjamin Netanyahu was "an important turning point in the relationship between the two countries in more than one way. When this visit concludes on January 18, the Modi Government would have succeeded in divesting India of the last vestiges of Nehruvian mould of foreign policy."

PUNK MAKES SPECIAL MENTION OF THE ISRAELI PRIME MINISTER'S

presence at the special choreographed event, 'Shalom Bollywood' as well as his visit to Chabad House in Mumbai where he was accompanied by young Moshe Holtzberg, who was just two-years-old when his parents, Rivka and Gavriel Holtzberg, serving as emissaries of Chabad in Mumbai, were killed along with six others at Chabad House in the 26/11 terror attack in 2008.

This was "a silent statement underlining the common concerns and existential challenges India and Israel face in a world which is threatened by Islamic zealots on a daily basis. India and Israel have been victims of Islamic fundamentalism and terror for long. Both the countries have not only managed to survive but today count as global leaders."

Punj notes that during former prime minister "Sharon's visit to India in 2003, Atal Bihari Vajpayee, the then Prime Minister, gifted him a set of copper plates given by the local rulers of Kodungallur to Jews, who came to trade on the Malabar coast as long as back as 379 CE. The message inscribed on the copper plate says that the village of Anjuvannam belongs to the Jews and their decedents 'so long as the world or moon exists'.

"What is significant of India's broad-mindedness was that while the Jews were persecuted in every city in Europe through-

out the last 16 centuries, India was one of the very few countries that gave this persecuted and other races not only a place to live and prosper, but also set up their worship places (synagogues) often under a royal decree.

“Even today in the port city of Kochi, there is a Jew town with a synagogue dating to the 12th century....What is more significant is that this synagogue was set up touching the royal temple wall. Even today, the curious visitors to this Jewish worship house are surprised by a Hindu king letting the Jews construct their worship house not only in the port city but also so close to the Kingdom’s royal temple.”

EVIDENCE OF SOLID COOPERATION

It is little surprise then that Daniel Carmon, Israel’s ambassador to India talks about the special relations between India and Israel.

“The relations between our two countries have unfolded from a focused cooperation to a diverse and resounding partnership. In word and in deed, Israel has proven to be India’s all-weather friend. Today, India and Israel are working together on joint projects in agriculture, water, defence, health, start-ups, space and education.

“.....seven Centres of Excellence under the India-Israel Agricultural Project have become fully functional, bringing the total of centres today to 20 out of 35 potential centres. Simultaneously, India and Israel signed a three-year plan deepening the knowledge dispersed by each centre. Thus we are both expanding and enhancing our cooperation for the benefit of the farmer....

“Israel’s water experts, having overcome severe water shortages in revolutionary and innovative ways, are actively engaging with Indian officials. Together, they are considering the intricate water challenges India is facing and building strategies for efficient water use and reuse....

“Innovation is interwoven into every field of India-Israel cooperation, but the field of innovation itself has also advanced since July. The Technological Innovation Fund created during Prime Minister Modi’s visit has been ratified by both our governments and a call for proposals has already

been made. The promised India-Israel Innovation Challenge has awarded 36 Indian and Israeli startups in agriculture, water and health with tools to boost their technology. All conceived in July, delivered in January.”

ANALYSES

The Asian Age writes that “the six-day India visit of Israeli Prime Minister Benjamin Netanyahu symbolises the solidifying of a long-evolving relationship into something more eye-catching under the leadership of Prime Minister Narendra Modi. It is more than evident that there appears to be a perfect match of ideological chemistry between the two leaders, and indeed the cultural traditions and broad perspectives of their respective political parties rooted in a view that looks at Muslims with question marks.

“This seems an important reason for the big play on the common fight against terrorism, which finds prominent mention in the joint statement signed during the visit. Delivering the inaugural address at the officially-sponsored Raisina Dialogue, the Israeli leader even spoke of an anti-terrorist coalition.”

The major takeaway however, has been the emergence of Israel as a major and long-term supplier of military tech to India. Modi has thrown an open invitation to the Israelis to seize the opportunity to enter the Indian defence market in a big way under the “Make in India” programme. Israel also appears keen.

VISIT ‘SHARPENS MANY AREAS OF ENGAGEMENT AND ADDS A FEW’

Commenting on the K C Singh, former Secretary, Ministry of External Affairs writes that “the joint statement sharpens many areas of engagement and adds a few. For instance, while cooperation in agriculture and water use has been underway since the 1990s, as various chief ministers have made an Israel trip mandatory in their foreign itinerary, now a five-year work plan has been adopted. Once again, engagement in fields of space, cyber, homeland security, etc, is already well developed and merely reiterated now. Last year when PM Modi visited Israel, centres of excellence were already en-

visaged. Out of 28 such centres, seven are in advanced stages of execution. A fresh agreement has been signed, linking the Make in India scheme to its Israeli counterpart. Cooperation in science and technology and research and development is overdue. Energy, particularly renewable energy, is an obvious area of collaboration. Recent find of huge gas and perhaps oil deposits in the Mediterranean Sea make Israel a potential exporter. Oil and gas thus become a crucial new area for joint exploration and development. But ultimately, implementation is key, and so far, it has been sketchy as states take a call on most projects.”

On Israel ignoring the recent Indian vote at the UN on a resolution condemning the US recognition of Jerusalem as Israeli capital, Singh says “both sides are pragmatic enough to realise that they are not allies and thus will have areas of diplomatic divergence. At the UN, India needs the 50 plus votes of the Islamic nations in any election and certainly to become a permanent member of the UN Security Council. Israel, on the other hand, has a massive outreach to China, with bilateral trade thrice that with India. China also is a robust purchaser of Israeli defence equipment, absorbing critical technologies which will impact the balance of power in South Asia. China is also way ahead of India in investing in Israeli companies having cutting-edge technologies, especially in the agro-biotechnology segment.”

Geopolitically also, according to Singh “South Block should not view Palestine as the sole Islamic hurdle to factor into India-Israel relations. The issue that both divides and reconfigures the Islamic world today is Iran’s rise and its Shia crescent. In its corner and opposed to US-Saudi-Emirati-Israel axis are Turkey and Russia. Thus, India would have to balance between these new poles.”

INDIA NEEDS TO FIND THE RIGHT BALANCE BETWEEN ISRAEL AND MIDDLE EAST

C Raja Mohan (director, Carnegie India, Delhi and the contributing editor on foreign affairs for ‘The Indian Express’) also talks of balancing India’s relations with Israel and Middle East. “Delhi’s interests in Israel have grown rapidly in the last quarter

of a century. So have those with the 400 million Arabs. The Arab Middle East is the main source of India's energy, the home to nearly seven million expatriate workers, and a big market for Indian goods....

"The challenge for India lies in finding the right balance between competing imperatives in a volatile region amidst the pur-

THE BIBI DOCTRINE

Herb Keinon, diplomatic correspondent, The Jerusalem Post writes about the 'Bibi Doctrine' on foreign relations developed by Prime Minister Netanyahu. In the doctrine, says Keinon, India plays an important role.

Since Israel's establishment in 1948, a number of different doctrines have governed Israel's foreign relations. The first, and most famous, was named after Israel's first prime minister, David Ben-Gurion. This doctrine held that given the country's hostile neighbourhood, Israel would have to build alliances with non-Arab countries.

In the 1990s, another doctrine held that Israel's relations with the world would significantly improve as peace would blossom with the Palestinians.

But now, with Iran implacably hostile, Turkey downright unfriendly, and with no peace process with the Palestinians to pave the way to better relations with other countries on the horizon, the Bibi doctrine is built upon a different basis altogether: what Israel has to offer the world.

In this context, relations between the two countries have improved, argues Keinon "not because of a sudden change of heart in New Delhi regarding the Israeli-Palestinian issue, but rather because of a realisation that Israel has a great deal to offer.... Netanyahu's doctrine is simple. The world wants Israeli technology across a wide range of fields, and needs its expertise in fighting terrorism..."

In this doctrine, writes Keinon "India is important both because it is a massive potential market, and also because of the prospect of it changing its voting pattern, something that could influence others from the 'non-aligned' bloc to do the same."

suit of enlightened self-interest. The Israelis and Arabs alike have a strong tradition of realpolitik. They might be happier with an open, predictable and interest-based Indian policy towards the region than the one trapped in political posturing for domestic audiences."

Mohan however, cautions that "India's exceptional political warmth certainly does not beget uncritical Israeli support for India in its territorial disputes with Pakistan or China. Similarly the Arab nations don't back India on Kashmir, just because India extends formal solidarity with the Palestinians. Like all nations, Israelis and Arabs want to maximise possibilities with India, but would want to limit its impact on the relations with Pakistan.

"The pursuit of balance is an essential feature of international life; how it gets expressed or couched in a specific context is a matter of diplomatic detail...."

STILL STRUGGLING TO ESTABLISHING A DURABLE RELATIONSHIP

The Tribune writes that "the honeymoon phase is over. The Indo-Israel relationship is beginning to encounter rough bumps and the complexities of geopolitics. India's cancellation of a large defence deal and its abrupt restoration a day before Netanyahu's arrival demands a few answers. India might not have the earlier latitude and comfort in conducting defence trade with Israel because of its expanding ties with China. Israel may have tried to offset that apprehension by offering a step-up in ties with India: initial approval for Indian energy companies to explore for oil and gas in the eastern Mediterranean Sea.

"The mutual glad-handing also obscures the political gulf between the two nations. The Indo-Israel joint statement did avoid a reference to the "two-state solution" which is anathema to the hardliner in Netanyahu. But the overhang of New Delhi's vote opposing the US decision to recognise Jerusalem as Israel's capital suggests that when it matters, India and Israel will find themselves on different sides of the fence. Notwithstanding the greater stress on older areas of collaborations, an overdose of bonhomie veils the fact that the two sides are still strug-

gling to move away from a transactional arrangement two sides are still struggling."

MUST FOCUS ON THE ECONOMIC DIMENSION

The Indian Express thus writes that India "must focus on the economic dimension of India's engagement with Israel. On the political front, Delhi fortunately has good relations with all the key regional actors in West Asia.

"India's unmet challenge in the region is about realising the full potential of commercial cooperation with countries ranging from Israel to Iran and Turkey to the UAE. The slim economic pickings from Netanyahu's visit underline the urgent imperative of moving from the political to the commercial in West Asia."



COMMENT

NETANYAHU'S INDIA VISIT: PROMOTING MUTUAL STRATEGIC INTERESTS

C Uday Bhaskar

The visit of Israeli Prime Minister Benjamin Netanyahu to India (January 14-19) commemorates the 25th anniversary of the opening of an Indian embassy in Tel Aviv in 1992 and will further consolidate an important and strategically distinctive bilateral relationship for both nations. It has had a chequered past since the post World War II birth of both countries but is poised for a pragmatic future trajectory based on shared interests.

With a population of under nine million and a GDP of US \$350 billion, Israel is a relatively small nation in comparison to the Indian behemoth with a population of 1.25 billion and a GDP of \$2.5 trillion. Yet Israel occupies a very special niche in India's security framework and has been a supplier of critical military technology. This was illustrated during the 1999 Kargil War when precision-guided ordnance was obtained from Tel Aviv under very challenging circumstances.

The fact that India is among the world's largest importer of military inventory and

that Israel, despite its diminutive size, is a major arms exporter also provides a natural complementarity to the bilateral relationship. Over the last two decades, the quantum of military related imports from Israel has steadily increased and it is estimated that India, which buys almost \$1 billion worth annually accounts for more than 40 per cent of total Israeli defence exports.

The Netanyahu visit reciprocates that of Prime Minister Narendra Modi in July 2017, which was the first visit by an Indian Prime Minister to Israel. The Modi-Netanyahu personal chemistry was on display during that visit and the two leaders share many characteristics, including a visible political resolve in relation to Islamic radicalism and terrorism. Netanyahu will also be given the Gujarat-special status, a detour to Ahmedabad that Modi accords to certain leaders.

During the July visit, Modi observed that "Israel and India live in complex geographies. We are aware of strategic threats to regional peace and stability. Prime Minister Netanyahu and I agreed to do much more together to protect our strategic interests." The joint statement also added: "There can be no justification of acts of terror on any grounds whatsoever."

While the bilateral with Israel has been loftily described as a "strategic partnership", India's relations with the Jewish nation cannot be divorced from the larger West Asian geopolitical canvas that has Palestine as a major factor. The Jewish quest for a permanent homeland goes back by over a century and it merits recall that Mahatma Gandhi had opined in 1931: "I can understand the longing of a Jew to return to Palestine, and he can do so if he can without the help of bayonets, whether his own or those of Britain... in perfect friendliness with the Arabs." This sentiment still shapes the Indian approach to the complex and hopelessly tangled Palestine issue.

India has traditionally supported the Palestine cause on the international stage and has over the years sought to maintain a fine balance as regards its bilateral with Israel in the competing regional politics of West Asia and the Islamic world. It appeared that the BJP-led Modi government had taken a bold decision to remove the hyphen-

ation between Israel and Palestine but it would be misleading to infer that the current dispensation in Delhi has uncritically cast its weight totally with Israel and the USA.

The recent vote at the UN over the Trump declaration as regards Jerusalem saw Delhi voting with the larger global consensus that had censured the US over its announcement. To his credit Netanyahu, on the eve of his India visit, noted that this vote would not materially affect the bilateral. India and Israel are keen to expand the current bandwidth of the trade and economic relations to move beyond military sales and include energy, cyber security and innovation in desert/arid land agriculture among other sectors.

The last leg of the Netanyahu visit will take him to Mumbai and the enormity of the November 2008 terror attack that targeted Chabad House will be appropriately recalled, though justice for the innocent victims - Indian, Israeli and other nationalities remains elusive.

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

In arrangement with South Asia Monitor



RAISINA DIALOGUE: TERRORISM ERODES ECONOMY; SUSHMA SWARAJ

Hitting out at the sponsors of international terrorism, India on Wednesday urged for greater consensus among countries for devising a global strategy.

Speaking at the plenary session of the 3rd Raisina Dialogue here, External Affairs Minister Sushma Swaraj said terrorism is a major disruptor of the global economy and has delivered a jolt to the process of globalisation.

"We are all now very clear that terrorism anywhere can threaten societies everywhere. The challenge is even more serious in a digital age, with greater propensity to radicalisation. However, there are still old assumptions and established mindsets in this regard," Ms. Swaraj said in her remarks

opening the annual event which this year has the theme, "Managing Disruptive Transitions: Ideas, Institutions and Idioms."

"Terrorism is undeniably the mother of all disruptions today. There was a time when

RAISINA DIALOGUE ON AFGHANISTAN

Speaking at the Raisina Dialogue in Delhi, Minister of State for External Affairs Gen V K Singh and Afghanistan's former President Hamid Karzai hoped that US President Donald Trump would "walk the talk" on his position on Pakistan's support to terrorists. They were referring to Trump's tweet on New Year Day, warning Pakistan against supporting terrorists and stopping military aid.

Russia's Deputy Minister for Foreign Affairs Igor Morgulov as well as Karzai ruled out a military solution to the Afghan problem, saying the only solution lies in talks with all stakeholders.

Morgulov said Russia is trying its best to find a solution with the help of the government in Kabul. Karzai said a military solution could have been a possibility in the beginning, soon after 2002. "But now, military solution is very, very difficult. It is impossible."

Morgulov said the problem is that some powers are still allowing landing of foreign fighters in parts of Afghanistan. When asked who are bringing in these fighters, Morgulov said: "We don't control the airspace in Afghanistan. It is being controlled by NATO forces and Kabul."

He said Russia is trying to involve all in the talks, all the neighbours, stakeholders and even the US. But he regretted that the US has not shown willingness to participate in this process.

While Karzai said it is important to engage with Taliban, they disagreed that China will be a problem in finding a solution to the problem as it is very friendly with Pakistan. "China is an enabler. It is well aware of the dangers from terrorists and it will never support it," they said.

The Russian minister, however, did not see much change in the US policy towards Afghanistan from earlier times.

it was also actively utilised as an instrument of statecraft. That time has long gone by,” Swaraj said, indicating India’s arguments about Pakistan-based terror groups.

The 3rd annual Raisina Dialogue was launched Tuesday by Israeli Prime Minister Benjamin Netanyahu where he described terrorism as a major threat to the democracies in the twenty-first century. Continuing with the theme of ensuring safety for democracies, Swaraj remarked that security and socio-economic developments, have pushed globalisation into a retreat and said, “... what is even more dangerous is terrorism from governed spaces; in fact, terrorism actively supported and sponsored by states. Ensuring zero-tolerance towards terrorism is the call of the day.”

The Minister said that while international terrorism by Islamic State, which grew out of ungoverned territories, is dangerous, more dangerous, she said, is terrorism from “governed spaces.”

Swaraj also pointed out that another emerging disruptor is the concern over maritime movement.



INDIA - US: DEVELOP JOINT DEFENCE AGREEMENT; US THINK TANK

A US think tank Center for American Progress (CAP), in its report suggests that having designated India as a “major defence partner”, the US should launch a government-wide “strategic advantage initiative” focused on developing New Delhi’s defence capabilities as a premier security contributor in the Indo-Pacific, and to ensure India has the capabilities to prevail in contested domains.

The report was led by former Foreign Secretary and India’s ambassador to the US Nirupama Rao and former US ambassador to India Richard Verma.

Titled the “United States and India: Forging an Indispensable Democratic Partnership”, the report prepared by the CAP task force on US-India relations said that India should finalise, in consultation with the United States, a “joint defence imple-

mentation agreement” that facilitates information sharing, interoperability, and technology transfers within the two countries’ comfort zones. “Indian leaders need to make a strong public case for a more efficient, transparent, and effective defense procurement process,” the report said.

It also called for creating a US-India Indo-Pacific Humanitarian Assistance Disaster Relief (HADR) cell to plan, train for, and undertake joint humanitarian assistance and disaster relief missions in the Indian Ocean region.

Stressing that India and the US must build an economic relationship that creates jobs and opportunities for the people of both nations, the report said that the United States and India must look not just at areas like hi-tech, but also at infrastructure, to expand the benefits of investment and trade to all sectors of societies.

“The two nations cannot divorce the future of the bilateral economic relationship from what each country does at home. Both India and the United States must invest in the building blocks of their own economies and middle classes — including health care and education — and continue to innovate new domestic policy solutions if they are to benefit from the bilateral economic relationship,” the report said.

Among its key recommendations in the economic arena was to make infrastructure a key shared area of focus by holding summits to educate institutional investors about the Indian infrastructure market, and hosting conferences and exchanges to share lessons about developing digital infrastructure.

On clean energy, the report said that as two of the world’s three largest emitters of greenhouse gases, and with intense and growing energy needs, both countries must take concrete action to develop clean energy solutions that can boost economic growth and prevent the worst effects of climate change.

The report also stressed on the need to strengthen democratic institutions at home and around the world. It suggested starting a US-India track 1.5 dialogue on democracy and technology to discuss internet governance, the impact of social media on de-

mocracy, and the intersection of big data and privacy.

The CAP team also recommended strengthening ties between Indians and Americans, as that is the backbone of the US-India relationship. In this context, it said that the US should facilitate market conditions that give incentive to more cultural and educational exchange programmes.

The CAP task force had Yamini Aiyar (president, Centre for Policy Research), Alyssa Ayres (senior fellow for India, Pakistan, and South Asia, Council on Foreign Relations), Shaurya Doval (founder, Zeus Capital; director, India Foundation), Anant Goenka (executive director, The Indian Express Group), Sadanand Dhume (Resident fellow, American Enterprise Institute), Dhruva Jaishankar (Fellow, foreign policy studies, Brookings India and the Brookings Institution), Manjeet Kripalani (executive director, Gateway House), and Richard Rossow (senior adviser and Wadhvani chair in US-India Policy Studies, Center for Strategic and International Studies) among its members.



INDIA - ASEAN: AGGRESSIVE DIPLOMACY

Today (25 January), the India-ASEAN commemorative summit marking 25 years of bilateral relations is being held in New Delhi. The summit is to be seen in conjunction with Prime Minister Modi’s invitation to 10 leaders-all from our neighbourhood-for the Republic Day parade.

The idea, writes Jayshree Sengupta (Senior Fellow (Associate) working with ORF’s Economy and Development Programme) “is to give weight to India’s Act East policy and emphasise solving regional problems like terrorism. But underlying this celebration is Modi’s big effort to consolidate India’s position as an investment destination vis-à-vis China....

“With the rise in China’s labour costs over the years, it is increasingly outsourcing its production to ASEAN members like Cambodia, Laos and neighbouring Vietnam which are its hot favourites. India has to

compete with ASEAN countries in the global markets and even the bilateral trade between India and ASEAN, despite the Free Trade Treaty of nine years, is not in India's favour. India had a trade deficit of \$9.56 billion with ASEAN in 2016-17. We are clearly not exporting enough to the region and importing much more. In FDI inflows, however, ASEAN countries have been investing more in India at \$6.97 billion than India's investment in ASEAN which was only \$1.2 billion in 2015."

The summit will be important for leaders to address issues that stand in the way of better trade and investment flows.

LEVERAGING ANCIENT CULTURAL TIES

The BJP seeks to leverage the trade and cultural relations with ASEAN countries from ancient times.

Sengupta notes that "through the centuries, India has been a source of inspiration for art and architecture in the ASEAN region. In the temples of Angkor Wat, Pagan, Borobudur and Prambanan, Indian art and architectural forms are evident...."

"Also, due to the contact with Indian civilisation, the region created many literary works based on the Ramayana, but each culture in Southeast Asia added something of its own.... Similarly, the epic Mahabharata was often edited and retold to big audiences, gaining immense popularity...." Local literary works like *Seri Rama* (Malaysian adaptation of Ramayana) and *Ramker* (Ramayana Khmer) in Cambodia "are regarded as some of the highest literary works of Southeast Asia."

Trade between India and Southeast Asia has traditionally flourished. This became a vehicle for Brahmin priests who accompanied the merchants to spread Hindu civilisation. Buddhism also came from India in the 3rd century BCE when Buddhist monks were sent by king Ashok.

Burmese Thai, Laos Cambodian scripts were originally derived from Sanskrit. "Sanskrit terminology was used in all legal proceedings in courts and only factual aspects were described in vernacular. Codes of law and public administration, especially the concept of 'god king' was adopted by many kings in Southeast Asia. This was modified

There is a greater India in Malaysia, Indonesia, Thailand, Cambodia, Laos, Myanmar and Vietnam that most Indians are unaware of.

"The batik designs worn by stewardesses aboard Singapore Airlines bore an unmistakable Indian stamp. The Buddhist religion was, of course, the most obvious Indian export.

There were other deities like Ganesha in Thailand, which were clearly of Hindu origin.... But the biggest Indic influence I saw was in the diffusion of Sanskrit into the languages of the region. Bahasa, bumiputera, samudra, rasa, jaya and raja were just a few of many Malay words that were rooted in Sanskrit.

with the advent of Buddhism."

The decline of India's influence, writes Sengupta "began around the 13th century when conversions to Islam took place in countries like Malaysia and Indonesia, but within Indonesia, much of Bali still practices Hinduism. Even after several centuries, the impact of India's culture can be felt today in customs, culture and architectural designs of the region...."

The BJP and Modi, conscious of such rich cultural linkages, is known to emphasise these linkages.

INDIA'S FORGOTTEN ROOTS IN SOUTHEAST ASIA

Twenty years ago, when I moved from India to Singapore with my husband, I found myself marvelling at the many reminders of home after the initial strangeness of being in a foreign city settled down.

These reminders reveal themselves like threads woven through the fabric of daily life – my neighbour lighting incense before an altar, the new year timed to the lunar calendar, even the concern for departed atmans (souls) as echoed in the observance of the Hungry Ghost Festival.

To be sure, similar beliefs and practices can arise across cultures. But it was when I visited

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There were other deities like Ganesha in Thailand, which were clearly of Hindu origin.... But the biggest Indic influence I saw was in the diffusion of Sanskrit into the languages of the region. Bahasa, bumiputera, samudra, rasa, jaya and raja were just a few of many Malay words that were rooted in Sanskrit.

And yet, to my surprise, the museums I visited in Malaysia were more focused on European colonial powers, which became significant only during the last 400 years.

As I began researching for my book on the educational heritage of ancient India, I discovered that Indian knowledge had far-reaching impact. Universities were scattered over the entire land of India. There was of course, the famous Nalanda in the fifth century AD and Takshashila a thousand years earlier, but apart from these, there were scores of forest universities, temple universities and campuses of learned men and women dating back more than 5,000 years. A sizeable number of foreign students from China, Korea, Japan, South-east Asia and West Asia flocked to India. Famous Chinese students (later professors) such as Fa-Hien (fifth century AD), Xuanzhang and Yijing (both from seventh century AD) have left behind detailed accounts of the educational ecosystem of India.

The subjects taught included logic, sciences, mathematics, grammar, debate, astronomy, medicine and more, which were mostly taught in Sanskrit. The colleges were funded by grants from kings and queens. Villagers contributed food grains, clothes and other necessities to support students and professors. There was a well-oiled machinery to facilitate the culture of learning.

Foreign students made difficult journeys on foot, pack animals and by ship, often risking their lives, to imbibe knowledge from the professors of India. It was not easy to gain admission into the top universities such as Nalanda, which had stringent entrance examinations that eliminated 80 per cent of applicants. This is why

villages located around Nalanda had schools that trained students to crack the examinations.

During the course of their studies, foreign students such as Xuanzang copied hundreds of texts and carried back as many manuscripts as they could manage to their home countries. It was considered a sacred duty by these Chinese pilgrim-scholars to take back holy texts and their commentaries from India.

Interestingly, a large number of Indian scholars also travelled to China starting from the first century AD, upon being invited by kings from various dynasties. Hundreds of Sanskrit works were painstakingly translated into Chinese by Indian scholars in collaboration with Chinese intellectuals. It is on record that some of the Indian scholars were persuaded by Chinese kings to marry their daughters in order to produce gifted progeny. Several Indian mathematicians and astronomers from the best universities held high positions in China's scientific establishments. This is how Indian numerals were introduced into China as also the "navagraha" calendar and navigational principles.

Indic ideas flowed in all directions and moulded customs and traditions. Since the South-east Asian countries were just a quick sail away from the major ports of India, it was commonplace for Indian traders, artisans and scholars to frequent these regions from ancient times (possibly the second century BC). The similarities in temples, deities, textiles, medicines and belief systems that we see today are not by coincidence.

It was India which set the trends in architecture, textiles, medical systems, consumer goods and navigational methods. It is not surprising that India was then the biggest supplier of economic goods (along with Ming-ruled China) to the world. This is not to imply that the Indian civilisation comprised people of superior intellect. Put simply, the antiquity of the Indian civilisation extends to thousands of years, during which people were able to get over the basic problems of survival earlier, and thereby focus their time and energies on unravelling the complex mysteries of the universe as well as in expanding trade.

It was the sea route to India that the colonial powers of Portugal, Spain, France and England set out to explore in order to gain direct access to the physical and intellectual wealth of India. It is why the Native Americans were exultantly called Indians and why in Lisbon, the place from where Portuguese ships set out towards Asia was called Avenidas de India (Avenue to India). The target was India, while the spice-endowed lands of South-east Asia turned out to be bonus offerings.

The name Singapura was not merely the result of a lion-like animal being spotted by an Indonesian prince. The island was a part of Sanskrit kingdoms centred in Indonesia, which were highly civilised and cultured. The powerful Srivijayan Empire and the Majapahit Empire cannot be dismissed as footnotes of history.

The marvels of engineering, logistics and management that we witness in temples of Angkor Wat and Borobudur were built by Indic dynasties that stand as reminders of the glorious civilisation that emanated from India.

Given the richness and extent of Indic influence, it is surprising that India's contribution to building the edifice of Asean culture is not acknowledged to the extent it should be. The ties with European colonising powers are remembered better than the deep-rooted influence of a non-colonising India.



PM MODI'S "HUGLOMACY"

Prime Minister Narendra Modi has a penchant for reaching out and greeting key global leaders with a warm hug and handshakes. Many have criticised Modi's so-called "huglomacy", but Shishir Gupta, Executive Editor, Hindustan Times says Modi's style has "yielded results in situations beyond the control of India's diplomats or military."

At the height of the Doklam stand-off between the People's Liberation Army (PLA) and the Indian Army, Modi reached out to Chinese leader Xi Jinping. This de-escalated the stand-off and the prime minister followed up and closed the issue

by shaking hands with the Premier of the State Council of China Li Keqiang at the East Asia Summit on November 14. "The first handshake broke the deadlock; the second ensured there was no blowback."

Modi's diplomatic style is pragmatic writes Gupta. "To my mind, it is as warm at the personal level as it is cold and calculating when it comes to ensuring India's interests. In his diplomatic worldview, there is no point in sulking or starting. It would be safe to assume that Modi will hug Nawaz Sharif when he meets him in future and invite him for tea. It would also be safe to assume that he would then place India's interests on the table. The warmth of his greetings does not mean anything beyond the warmth of his greetings..."

For instance, while Modi and Benjamin Netanyahu have a bromance of sorts going on, India's recent vote in the UN (on the US decision on Jerusalem) was driven by its own interests.

"While previous regimes viewed diplomatic ties with West Asian countries and Saudi Arabia through the prism of Pakistan, Modi became the first Indian leader after Indira Gandhi (a hiatus of 34 years) to reach out to United Arab Emirates in 2015.

"Last year, Abu Dhabi's crown prince Mohammed bin Zayed Al Nahyan was the chief guest at India's Republic Day (and did receive the customary hug). And just as India needs West Asian countries, it does ASEAN ones. This year, 10 ASEAN leaders are chief guests at the Republic Day parade.

"He managed to forge excellent ties with the Saudi Royalty during his April, 2016 visit to Riyadh, but also had the courage to tell Saudi Arabia that he was going to visit Tehran the following month. The result is that neither Saudi nor UAE have had any qualms about deporting Indian criminals, including those on a Pakistani passport. Tehran has opened the gateway to Central Asia through Chah Bahr port, a mere 76 nautical miles west of Gwadar port built by China in Pakistan."

Modi, according to Gupta has a vision that is not clogged with a Cold War mindset, or India's past experiences. ■ ■ ■



BUDGET 2018: GOVERNMENT'S LAST CHANCE TO REVIVE GROWTH MOMENTUM

In less than a fortnight, Finance Minister Arun Jaitley will present the Union Budget 2018-19, the last regular Budget under the Narendra Modi government. Public expectation is high from the Modi government and there are hopes and apprehensions about what is in store for the economy and industry. The underlying national interest behind any budgetary exercise is that it holds something for everyone – ranging from a small farmer to a big industrialist.

This year's Budget comes at a time when slowing growth and subdued investment sentiment have emerged as major concerns for the economy. As per the Advance Estimates, GDP growth is estimated to slow to 6.5% in 2017-18 from 7.1% in the previous year. The secular decline in gross fixed capital formation from a high of 34% of GDP in 2011-12 to 26% in 2017-18 is another matter of concern. Hence, driving up the economy by stimulating investment and growth assumes special significance.

At the current critical juncture of India's development journey, the Finance Minister is faced with the daunting task of providing an impetus to growth and reviving the investment climate.

Agriculture Sector needs much-needed focus: Amongst the several challenges, fore-

most is the weak performance of the agricultural sector, which remains a drag on overall economic recovery. Even with a normal monsoon this year, output of several crops has fallen. Food inflation is rising even as farmers are unable to get a good price for their output.

Mr. Jaitley has made it clear that in the forthcoming Union Budget 2018-19, the agricultural sector, which employs a disproportionate number of Indians, is likely to receive priority.

Investment in agriculture as a share of the total has been falling over the last few years and this trend needs to be reversed. Much greater investment is required in post-harvest infrastructure such as warehousing and cold storage at the district level. Once these assets are created, the government can earn revenue by leasing them to the private sector including food processors and large buyers. Development of food processing would also provide a boost to job creation in the rural economy outside agriculture.

The roots of the rural crisis lie in structural problems—fragmentation of land holdings and the lack of land-leasing laws, market imperfections and lack of access to markets, lack of adequate risk-mitigation mechanisms in farming—all of which require structural solutions.

The results of the Gujarat elections, in which the opposition Congress outperformed the ruling Bharatiya Janata Party (BJP) in rural constituencies, and the growing number of farmer agitations in the country have focused attention on rural India. The recently released CSO growth estimates show that the farm and allied sector grew at 2.1 per cent in the current fiscal as compared to 4.9 per cent in the preceding year.

So, the ailing agricultural sector will receive much-needed redressal in the upcoming budget 2018.

The oncoming assembly elections too will significantly influence the budget making in multiple ways.

Tweaking indirect & direct taxes: Through a combination of taxes and spending, not only does the government choose to influence the economy, it also rewards, punishes and promotes areas which matter politically. When seen in this context, finance minister Arun Jaitley's forthcoming fifth budget speech will be unique. For the first time, the budget speech will have little space devoted to indirect taxes such as service tax and central excise. This is on account of these taxes being subsumed into goods and services tax (GST). GST rates can be changed only by the GST Council, a body which is rep-

resented by finance ministers of states and the union.

Corporate tax rate cut: Finance Minister will be under pressure to moderate tax rate for the industry which was promised a lower levy of 25 per cent by the government three years ago. Given the worldwide trend of reduction in corporate tax rates, India may now have to move in that direction to make India's tax rate globally competitive. With the applicability of minimum alternate tax (MAT) and dividend distribution tax, the overall tax burden on the Indian corporate sector is one of the highest in the world. The cut in tax rates would also help the Indian industry in meeting the challenges emanating from tax cuts by the Trump administration in the US and its aftermath in other developing countries.

On direct taxes, a majority of people want the tax exemption limit to be increased from the current Rs 2.5 lakh to Rs 3 lakh. They also want tax slabs to be raised to lower the tax burden on people.

The government, according to some reports, could consider increasing the personal tax exemption limit from Rs 2.5 lakh to Rs 3 lakh in the upcoming Budget. A proposal on tinkering of tax slabs is under consideration by the Finance Ministry.

A drop in the growth rate and the sharp fall in the post-GST revenue collections in the last quarter are grim reminders of the difficult task the finance minister has on his hands to keep everyone happy. Besides, the vocal middle class cannot be abandoned when it comes to tax sops.

Given the sharp spurt in the global crude oil prices and commodities in the recent weeks, the government no longer has the option to reduce levies on the petroleum products. In fact, in recent weeks the retail price of diesel, which widely impacts inflation, has reached a record high.

Rationalising expenditure: To deal with rising pressure on expenditure, the FM is expected to focus on revenue enhancing measures and CII has suggested a few. An asset recycling policy will enable the government to identify public utilities and completed infrastructure projects either for

outright sale or for giving out operation and maintenance contracts to specialised private sector firms. This is already being done for some road projects using the toll-operate-transfer model of NHAI. Similarly, the government can monetise its land assets by first creating a proper inventory of land parcels held by public entities that are underutilised and available for sale.

With the fiscal targets for the current year already having come under pressure due to the impact of GST and the lingering effect of demonetization, it will be hard for the finance minister to stick to the 3.1 percent target of the GDP for the fiscal deficit. Multiple pressures on the fisc have engendered a feeling among foreign investors that in spite of the belated effort to rein in the expenditure, the limit may already have been breached. This has already forced the government to borrow an additional Rs.20,000 crore.

It will, therefore, be important to rationalize expenditure, for which the government should continue with the Aadhar-enabled direct benefit transfer for food and fertilizers. The government should consider setting up an independent fiscal council for strengthening the fiscal responsibility framework as suggested by the IMF.

Given the macro-economic compulsions, some slippage of the fiscal target is understandable. A flexible fiscal policy would help address dynamic business situations that may need greater public expenditure to spur demand and growth.

Therefore, managing finances for the next fiscal will be a challenge considering the current scenario. The government will have to take a call on curbing its spending to maintain the deficit and sacrificing growth partly or splurge and maintain a higher deficit next year as well, risking inflation in the process.

All factors considered, this budget 2018 presents the biggest challenge to the Modi government since coming into power. Low growth numbers, subdued investment sentiment and a widening deficit when elections are around the corner leave a Herculean task at hand. Striking balance between populism and fiscal restraint will pose a formidable challenge to the finance minister and his team.

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STATE OF THE ECONOMY

RATING AGENCIES FORESEE PICK-UP IN GROWTH MOMENTUM FOR THE INDIAN ECONOMY!

INDIA RATINGS PROJECTS ECONOMIC GROWTH AT 7.1% NEXT FISCAL

Despite dissenting voices, the majority view among economists and think tanks is supportive of the bullish sentiments for Indian economy in the next fiscal. Last week, two accredited Rating Agencies have forecast slightly higher growth trajectory for the Indian economy.

India Ratings and Research, a subsidiary of Fitch Ratings, has projected the country's economic growth to improve to 7.1 per cent next fiscal from 6.5 per cent this year, buoyed by robust consumption demand and low commodity prices.

In its outlook for 2018-19, the agency said there will be a gradual pick-up in growth momentum owing to structural reforms like GST and Insolvency and Bankruptcy Code (IBC) in place.

"While the implementation of GST is likely to benefit the economy over the medium to long term, the same cannot be said about the impact of demonetization," India Ratings & Research (IndRa) said.

IndRa expects gross domestic product (GDP) to grow 7.1 per cent year on year in 2018-19, it said. The projection is a tad lower than 7.4 per cent growth estimated by Asian Development Bank (ADB) and



International Monetary Fund (IMF) for next fiscal.

IndRa said but for demonetisation and Goods and Services Tax (GST) implementation, growth would not have decelerated to 7.1 per cent in 2016-17 and 6.5 per cent in 2017-18.

With the global crude prices firming up, IndRa expects retail and wholesale inflation to come in at 4.6 per cent and 4.4 per cent, respectively in 2018-19, indicating an end to the current rate cut cycle. There is still some fuzziness with respect to the intensity and the level of its future trajectory, it said, adding that the RBI "will remain in a pause mode for an extended period of time".

Fiscal Deficit Concerns: The agency said it expects fiscal deficit in 2017-18 to come in at 3.5 per cent, overshooting the budgeted estimate of 3.2 per cent. "Despite 2018-19 being a pre-election year,

IndRa does not expect the Union Budget to be a populist budget. However, it expects some expenditure reallocation with an increased focus on the rural and agriculture sectors," it said.

The agency expects fiscal deficit in 2018-19 to be at 3.2 per cent, higher than 3 per cent stated in the medium term fiscal policy statement. A mix of global and domestic factors will keep the Indian rupee range bound at average Rs 66.06/USD in 2018-19, it said.

INDIA COULD BENEFIT FROM STRONGER GLOBAL GROWTH NEXT FISCAL

Expressing similar views, another Rating Agency, Crisil said last Tuesday that India will benefit from stronger global growth in the fiscal 2019 provided there are no more after-effects from the implementation of the new Goods & Services Tax (GST) and the economy manages to

tide over the asymmetry in monetary policy of advanced economies and higher crude oil prices. Though global economic growth recovered in 2017, India could not take advantage because of domestic disruptions caused by the implementation of the new GST and as after effects of the November 2016 demonetization still lingered, it said.

India's export led sectors like leather, textiles and gems and jewellery which were already reeling from the demonetization were hit further after GST which was implemented in July.

"India's export growth during April-October 2017 at 9.5% appears sedate compared with Vietnam's 23.8%, South Korea's 18.4%, and Indonesia's 17.8%," Crisil said.

However, global growth momentum is expected to continue in 2018 which means India's exports may have a chance for a comeback provided there are no further domestic disruptions. International Monetary Fund (IMF) expects global growth to rise to 3.7% in 2018 after picking up by an estimated 50 basis points (bps) to 3.6% in 2017.

"Global growth, taken in conjunction with the continuing efforts at ironing out GST-led disruptions, should improve trade prospects for India in 2018. However, if domestic disruptions continue, India could stand to miss the bus again in 2018 which can be a huge setback to domestic growth recovery," Crisil said.

Divergent global monetary policies and the consequent widening of the interest rate differential between the US and Europe will mean capital flowing into the US and further strengthening of the dollar, which also impact flows into India.

Crisil quoted IMF's latest Global Financial Stability report (October 2017), saying that as the US Fed normalises its monetary policy, it could reduce portfolio flows by \$35 billion a year for the next two years. IMF estimates the cumulative impact of external factors on portfolios for India between 2017 and 2019 at 0.25% of GDP, compared with 1.45% for South Africa. However, India is better placed than

2013 for an outflow of capital, Crisil said.

Higher oil prices will also impact India as it will widen the country's current account deficit and make it difficult for the government to raise taxes. Crisil estimates that a \$10 per barrel further increase in oil prices can increase subsidy burden by Rs 13,000 crore which will, increase the fiscal deficit by 0.08% of GDP.

"However, the government can reduce the impact of rising oil prices on consumer prices by cutting the excise duties on petrol and diesel. This will also help control the volatility in retail prices. When oil prices fell, the government's move to increase excise duties helped keep inflation stable. Likewise, modest cuts in excise duty in the event of a rapid rise in oil prices can help smoothen the impact on retail inflation, Crisil said.

GOVT LOWERS ADDITIONAL BORROWINGS TO RS 20K CRORE IN FINANCIAL YEAR 2018

Moving to limit the fiscal slippage in 2017-18 ahead of the February 1 budget presentation, the finance ministry on Wednesday pared its additional borrowing requirement before March 31 to Rs.20,000 crore from Rs. 50,000 crore.

"Government has reassessed additional borrowing requirements taking note of revenue receipts and expenditure pattern. Requirement of additional borrowing being reduced from Rs. 50,000 crore as notified earlier to Rs.20,000 crore," economic affairs secretary Subhash Chandra Garg wrote in a Twitter post.

The risk of the government breaching its fiscal deficit target of 3.2% of gross domestic product (GDP) in the fiscal year ending March increased significantly after it exceeded its Rs.5.5 lakh crore full-year borrowing target by November-end because of lower-than-expected revenue collections and higher expenditure.

Government revenues have been under pressure due to a shortfall in indirect tax collections under the goods and services tax (GST) regime, prompting it to announce additional borrowing of Rs.

50,000 crore in December to fund spending in key sectors of the economy.

In December, GST revenue (for the month of November) came in at Rs. 80,808 crore, falling from Rs. 94,063 crore collected in August.

In the budget, the government had pegged its aggregate gross market borrowing at ₹5.85 lakh crore. With Wednesday's revision, the number now stands at Rs.6 lakh crore.

The reduction in borrowing will result in lower supply of securities and provide some relief to the bond market, where yields had risen because of worries over fiscal slippage.

Lower market borrowing target helps Rupee rebounding by 16 paise: The Government's decision to slash its additional borrowing requirement for the current fiscal to Rs 20,000 crore from Rs 50,000 crore, estimated earlier, literally brought some much-needed relief for the battered forex market. Showing an impressive resilience, the rupee bounced back in style after a brief overnight crash and ended higher by 16 paise at 63.88 against the US currency on bouts of dollar selling by exporters and banks. Moreover, a sharp pull back in crude prices — below the psychological \$70-mark a barrel — too supported the rupee recovery momentum amid fresh capital inflows.

The Indian rupee suffered its biggest single-day fall in eight months on Tuesday and endured some turbulent trading across Asian forex region, hit hard by trade deficit worries which widened to a three-year high on higher oil and gold imports. The domestic currency had lost 55 paise, or nearly 1 per cent, to end at a fresh two-week low of 64.04 against the US dollar.



INFLATION MONITOR WPI INFLATION EASES TO 3.58% IN DECEMBER

Inflation based on wholesale prices eased to 3.58 per cent in December 2017 as prices of food articles declined even as

fuel cost witnessed a surge. As per data released last Monday, inflation on food articles slowed to 4.72 per cent in December, from 6.06 per cent in November, 2017.

Vegetables too witnessed some softening with annual inflation at 56.46 per cent in December as against 59.80 per cent in the previous month. Kitchen staple onion witnessed a shopping 197.05 per cent price rise in December.

Inflation in protein rich eggs, meat and fish cooled to 1.67% in December, while that in fruits spiked to 11.99%.

Calculated on the basis of Wholesale Price Index (WPI), the inflation was 3.93 per cent in November 2017 and 2.10 per cent in December, 2016.

In the fuel and power segment, wholesale inflation rose to 9.16 per cent in December, while it was 2.61 per cent for manufactured items.

The Reserve Bank of India (RBI) takes into account retail inflation while deciding on key policy rates. In its last policy review in December, the RBI had kept key interest rate unchanged. It raised inflation forecast for remainder of the current financial year to 4.3-4.7 per cent, on account of global crude oil prices and implementation of the 7th Pay Commission recommendations.



POLICY ISSUES

GST COUNCIL CUTS TAX RATE FOR 29 GOODS, 53 SERVICES

As reported in the leading national dailies, the GST Council headed by Finance Minister Arun Jaitley has cut the tax rate on 29 goods including second-hand cars, confectionary, bottled water and mehendi and 54 categories of services such as education, insurance, entertainment and tourism which will now turn cheaper.

The Council cut GST rate on second-hand medium and large cars and SUVs from 28 per cent to 18 per cent and on other old and used motor vehicles to 12

per cent. Tax on diamonds and precious stones was slashed to 0.25 per cent from current 3 per cent. Tax rate on sugar boiled confectionery, drinking water packed in 20-litre bottles, tamarind kernel power, mehendi paste in cones, articles of straw, velvet fabric and rice bran was also cut.

The new GST rates will come into effect from January 25. The GST rate on services by way of admission to theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet, has been scaled from 28% to 18% which will come as a relief for consumers. It was also decided by the GST Council to increase the threshold limit for exemption for all theatrical performances like music, dance, drama, orchestra, folk or classical arts and all other such activities in any Indian language in theatre GST from Rs. 250 to 500 per person and to also extend the threshold exemption to services by way of admission to a planetarium. Besides, it decided to allow input tax credit (ITC) for services in the same line of business at the GST rate of 5% in case of tour operator services.

The GST rate on tailoring has been reduced from 18% to 5% which will ease some inflationary pressure on households. GST on job work services rate for manufacture of leather goods and footwear has been cut to 5%. To ease the burden on households it has been decided to raise the exemption limit of GST from Rs 5000 per month per member to Rs 7500 for services provided by resident welfare associations to their members against their individual contribution.

Services relating to admission to, or conduct of examination provided to all educational institutions have been exempted from GST. Similarly, no GST will be levied on services by educational institutions by way of conduct of entrance examination against consideration in the form of entrance fee.

The GST Council also decided to exempt subscription of online educational journals/periodicals by educational institutions who provide degree recognized by any law from GST. Services provided by school buses have also been exempted from

GST. Services of life insurance business provided under life micro insurance product approved by IRDAI up to maximum amount of cover of Rs. 50,000 will also be exempt from GST.

The GST rate on transportation of petroleum crude and petroleum products such as petrol, diesel and jet fuel has been cut from 18% to 5% without ITC (input tax credit) and 12% with ITC.

NEW MODEL AGREEMENT DRAFTED FOR FOREIGN INVESTMENT TREATIES

Last year, India cancelled investment treaties with about 50 foreign governments as the same had outlived their relevance in the changed economic realities. From New Delhi's perspective those treaties, mainly struck in the 1990s when it was desperate for foreign capital, left it too exposed to potential claims awarded by international arbitrators.

To reduce that exposure, India has drafted a new model agreement that legal advisors say is similar to those used by other big emerging market economies such as Brazil and Indonesia, but some of its foreign partners are baulking at the more restrictive approach.

India is struggling to convince some to accept new terms that make it harder to seek international arbitration for disputes, sources familiar with the talks said.

Negotiators from countries including Australia, Iran and the European Union have told the Indian side that investors are waiting to come in but the new treaty terms give too little protection, the source said.

Foremost among their concerns are a requirement for investors to fight any case in the Indian courts for at least five years before going for international arbitration, and other provisions narrowing the scope for companies to make claims.

The new model treaty also has no provision for investors to bring claims against India for any tax-related matters and for disputes arising due to actions taken by local governments. Currently, India is entangled in more than 20 international arbitration cases, and could end up paying

billions of dollars in damages if it loses.

Companies such as Vodafone Group, Cairn Energy and Deutsche Telekom have initiated arbitration proceedings against India seeking to protect their investments against retrospective tax claims and cancellation of contracts.

Covered by a bilateral trade and investment agreement between New Delhi and Tokyo, Japanese automaker Nissan is the latest company to sue India, claiming damages of over \$770 million in unpaid tax incentives.

While several countries limit the type of tax-related claims that can be made, lawyers say India's step to omit all tax matters goes too far and could expose investors to sudden changes in tax rules or retrospective claims.

These days, India appears to be in a far stronger negotiating position than it was during the 1991 balance of payments crisis. Prime Minister Narendra Modi has a strong mandate and there is more confidence in the ability of his pro-business government to get the underachieving economy moving than there has been in any of its predecessors.

Since Modi came to power in 2014, annual foreign direct investment flows into India have doubled to \$46 billion in 2016 from \$22 billion in 2013. But the rate of growth in inflows is slowing, and the amount is lower than the \$59 billion that a UN report says Brazil received in 2016.

A European Commission official termed India's unilateral decision to terminate treaties as "unfortunate" saying it discriminates between existing investors, who will continue to be protected by the old treaties for a few years after termination, and new ones who will have fewer safeguards.

The Commission is exploring ways to re-establish protection for European investors and resume negotiations on a free trade agreement with India that will include investment, the source said.

Canada has been in talks with India since 2004 to sign its first treaty, but there has been little progress and its trade minister told Reuters in November that Cana-

dian investors are holding back until there is one in place.



INDUSTRY

WEF RANKS INDIA 30TH IN GLOBAL MANUFACTURING INDEX

The World Economic Forum (WEF) has ranked India at 30th position on a global manufacturing index -- below China's 5th place but above other BRICS peers, Brazil, Russia and South Africa.

Japan has been found to have the best structure of production in the Geneva-based WEF's first 'Readiness for the future of production report' and is followed by South Korea, Germany, Switzerland, China, Czech Republic, the US, Sweden, Austria and Ireland in the top 10.

As reported in the "Deccan Herald", Russia is ranked 35th, Brazil 41st and South Africa at 45th place among BRICS nations.

The report, which analyses development of modern industrial strategies and urges collaborative action, has categorised 100 countries into four groups -- Leading (strong current base, high level of readiness for future); High Potential (limited current base, high potential for future); Legacy (strong current base, at risk for future); or Nascent (limited current base, low level of readiness for future).

India has been placed in the 'Legacy' group along with Hungary, Mexico, Philippines, Russia, Thailand and Turkey, among others. China figures among 'leading countries', while Brazil and South Africa are in 'nascent' ones.

The 25 'leading' countries are in the best position to gain as production systems stand on the brink of exponential change, the WEF said in the report published ahead of its annual meeting in Davos, Switzerland later this month.

At the same time, no country has reached the frontier of readiness, let alone harnessed the full potential of the Fourth

Industrial Revolution in production. About India, the 5th-largest manufacturer in the world with a total manufacturing value added of over USD 420 billion in 2016, the WEF said the country's manufacturing sector has grown by over 7 percent per year on average in the past three decades and accounts for 16-20 percent of India's GDP.

The WEF listed human capital and sustainable resources as the two key challenges for India and said the country needs to continue to raise the capabilities of its relatively young and fast-growing labour force.

This entails upgrading education curricula, revamping vocational training programmes and improving digital skills, the WEF said, while adding that India should continue to diversify its energy sources and reduce emissions as its manufacturing sector continues to expand.

It also took note of the government's 'Make in India' initiative to make the country a global manufacturing hub and of "a significant push" to improve key enablers and move towards a more connected economy with the announcement of a USD 59 billion investment in infrastructure in 2017.

In terms of the scale of production, India has been ranked 9th, while for complexity it is at 48th place. For market size, India is ranked 3rd, while areas where the country is ranked poorly (90th or even lower) include female participation in labour force, trade tariffs, regulatory efficiency and sustainable resources.

Overall, India is ranked better than its neighbours Sri Lanka (66th), Pakistan (74th) and Bangladesh (80th). Other countries ranked below India include Turkey, Canada, Indonesia, New Zealand, Australia, Hong Kong, Mauritius and the UAE.

The countries ranked better than India include Singapore, Thailand, the UK, Italy, France, Malaysia, Mexico, Romania, Israel, the Netherlands, Denmark, the Philippines and Spain.

In a separate list of the countries best positioned to capitalise on the fourth industrial revolution to transform production systems, the US has been ranked on the

top, followed by Singapore, Switzerland, the UK and the Netherlands in the top five. India has been ranked 44th on this list, while China is at 25th place and Russia at 43rd. However, India is ranked better than Brazil (47th) and South Africa (49th).

The report has been developed in collaboration with AT Kearney and calls for new and innovative approaches to public-private collaboration are needed to accelerate transformation.

FACTORY OUTPUT AT 17MONTH HIGH, RETAIL INFLATION QUICKENS

India's factory output growth leapt to a 17-month high in November, partly the effect of a lower year-ago base in the aftermath of demonetization, while retail inflation quickened to a 17-month high, confirming that an economic recovery is underway amid rising price risks.

According to the latest data released by the Central Statistics Office (CSO), the Index of Industrial Production (IIP) rose to 8.4% in November from 2% in October; inflation measured by the Consumer Price Index (CPI) accelerated to 5.21% in December from 4.88% a month ago.

This is the final set of data that finance minister Arun Jaitley will have before him as he sits down to finalise the budget for 2018-19, to be presented on February 1.

The CSO on January 5 had projected economic growth to slow to 6.5% in 2017-18 from 7.1% last year. Growth will accelerate to 7% in the second half of the year (October-March) from 6% in the first half (April-September), CSO said.

In terms of industries, 15 out of the 23 industry groups in the manufacturing sector showed growth. The group 'Bodies of trucks, lorries and trailers' recorded the highest growth of 202% in November. Sales of commercial vehicles were up 52.62% in December, according to data from the Society of Indian Automobile Manufacturers.

Output of the group 'digestive enzymes and antacids' grew 110% and made the highest contribution—2.5 percentage points—to overall IIP growth.

While the manufacturing sector was the key driver of growth at 10.2%, mining output and electricity generation slowed to grow at 1.1% and 3.9% respectively.

Output of capital goods, a proxy for investment demand in the economy, grew for the fourth successive month at 9.4%. Production of consumer non-durables jumped 23.1%. Output of consumer durable products grew by just 2.5%.

Adding to the woes, higher food and fuel prices along with rising wages have pushed India's retail inflation to a 17-month high in December, breaching the central bank's medium-term target of 4 per cent for the second straight month. This cuts a case for the Reserve Bank of India to raise policy rates, especially given the upcoming pre-election budget.

Consumer price inflation accelerated to 5.2 in December over the same month last year, according to data released by the Central Statistics Office. It is being driven by higher inflation in eggs and vegetables prices at 9.48 per cent and 29.13 per cent, respectively. Prices of pulses fell 23.5 per cent year-on-year, softening for the thirteenth straight month. Fuel and food inflation stood at 7.9 per cent compared to 7.92 per cent in November. Housing inflation stood at 8.25 per cent compared to 7.36 per cent in November. Prices of clothing and footwear went up 4.8 per cent over last year. Acceleration in retail inflation, amid a surge in oil prices, has increased the odds that borrowing costs will rise sooner than expected.

Inflation has quickened because of a low base effect, said Richa Gupta, senior economist at Deloitte India. "The current print is unlikely to lead to any major change in the RBI's stance in the near term as inflation is likely to head downwards in the second half of the year once the unfavourable base effects wane. That said, energy and commodity prices could exert some pressure if global growth momentum picks up from current levels," she added.

The RBI held its policy rate steady at 6 per cent last month and said all possibilities were on the table, depending on how price pressures and growth panned out.

Though the RBI has a medium-term inflation target of 4 per cent and has raised its inflation estimate to 4.3 per cent to 4.7 per cent for the six months through March, some analysts feel inflation could overshoot its estimates. This is causing worry to the Prime Minister Narendra Modi ahead of his last full-year budget due on February 1, as he hopes to win a second term in 2019.

After three good and lucky years, India's economy is back to confronting a rude crude with Brent crude prices now teasing the \$70 per barrel mark. Over the past three and a half years, the NDA government has shown admirable discipline in reining in the fiscal deficit. But fiscal morality goes out of the window in an election year, hence the Government spending is likely to be on a higher side this year.

Encouraging investments holds key to sustained growth: Given the continuing decline in the investment rate in India, there are hopes that the Budget would reignite the animal spirits required to revive the investment momentum. Investments have declined from 34.3 per cent of the GDP in 2011-12 to 27 per cent in 2016-17. They still do not seem to have picked up. First advanced estimates show that this has further fallen to 26.4 per cent in 2017-18. Estimates of the Centre for Monitoring Indian Economy (CMIE) show that new investment proposals are likely to amount to around Rs 8 trillion (\$126 billion) in 2017-18, which would be merely 60 per cent of the new proposals made in 2016-17.

Besides, it is critical to step up public investment, which acts as an enabler for the private sector — not only in roads, railways and waterways but also in housing and agri-infrastructure. Private sector investment should be brought in to sectors and projects where the players are likely to earn returns. While the government's strong push to spending on infrastructure is a big positive, investment revival will gain from greater certainty in public-private partnerships to balance risks of long-term capital outlay.

Dispute resolution has emerged as a key challenge too, as many investments are held up due to delayed judicial processes. Both

judicial and regulatory bodies should have low-cost time-bound processes for resolving disputes so that funds are not held up. Hopefully, the Insolvency and Bankruptcy Code and bank re-capitalisation steps will shore up credit off-take.

Stressed assets: Resolution of stressed assets of the power sector is another area crucial for the overall investment situation in the economy. There is a large amount of thermal power capacity that is stranded due to increased pressure from State-level distribution companies for renegotiation of longer term Power purchase Agreements. CII has recommended setting up a 'National Power Distribution Company' which would buy power from the stranded assets for distribution across States. It can address strategic concerns around diversification of power besides acting as a market maker and building a national pricing point for power.

In railways, a major procurement policy for new generation freight wagons from the private sector could be a boon. It will free up public resources for maintenance of railway infrastructure besides reviving wagon manufacturers and boosting the flagship

'Make in India' programme. All these would encourage a revival in the investment climate.



CIVIL AVIATION SECTOR

AIR INDIA WILL BE SPLIT INTO FOUR ENTITIES AHEAD OF SALE

As part of a disinvestment proposed by Prime Minister Narendra Modi, Air India, the debt-burdened flag carrier, will be split into four separate companies for the offer to sell at least 51 per cent in each of them.

The core airline business comprising Air India and Air India Express — the low-cost overseas arm — will be offered as one company, and the process will be completed by the end of 2018, Junior Aviation Minister Jayant Sinha said in an interview last Monday. Its regional arm, ground han-

dling, and engineering operations will also be sold separately in the same process.

A successful sale of Air India—with \$7.9 billion in debt, five subsidiaries and a joint venture, and a combined workforce of 27,000—is crucial for Modi, who wants to showcase his credentials as a reformist attempting to steer the state away from running businesses. The airline, which is surviving on a taxpayer-funded bailout, has strained government finances for decades, and Finance Minister Arun Jaitley said last year that money spent on Air India could have been used for education.

Unlocking Growth: "The aviation sector is a very fast growing sector, with really exciting opportunities for all participants, so we felt all of this will unlock growth and competitiveness of Air India group," Sinha said. "We expect it to be a very bright future for its employees." Sinha declined to name potential bidders but said management control will be retained by local investors. The government altered foreign investment rules last week, allowing foreign airlines to own as much as 49 per cent of Air India.

Investors' interest will be sought by end of this month with details on Air India's core and non-core debt and assets, he added. Last week, Singapore Airlines said it is keeping its options open as far as investing in debt-ridden Air India is concerned, after the union government allowed foreign carriers to own up to 49 per cent of the national carrier. "Our priority is the further expansion of Vistara. However, we will keep our options open with respect to the proposed disinvestment of Air India," Singapore Airlines said in an e-mailed statement to the Press Trust of India (PTI).

\$63 Billion Investment: India, the world's fastest growing major aviation market, may not sustain the current 15-20 per cent growth in the long term, but will expand at about 12 per cent annually. To handle the surge in passengers, the country will need investments of as much as Rs 4 trillion to expand and build new airports over the next decade-and-a-half, with the bulk of it coming from the private sector.

Carriers in India, including market leader IndiGo, are set to order more than

1,000 planes as they look to tap an emerging middle class with disposable income to fly for the first time, according to Sydney-based CAPA Centre for Aviation. However, capacity constraints at the main airports in New Delhi and Mumbai mean there are hardly any landing and parking slots available. The government is in the process of implementing new airports in these two cities and, in the short-term, improving infrastructure at nearby airports to handle some of that growth.



OIL & GAS

55 BLOCKS PUT UP FOR AUCTION FOR EXPLORATION

As per reports in the media, the government on Thursday decided to put on auction a record exploration acreage for prospecting of oil and gas, from 55 blocks, in the first bid round in eight years. Each block on offer has been carved out by prospective bidders under the open acreage licensing (OAL) of the new hydrocarbon exploration and licensing policy; oil minister Dharmendra Pradhan said launching the round.

Blocks would be awarded to the company, which offers highest share of oil and gas to the government as well as commits to do maximum exploration work by way of shooting 2D and 3D seismic survey and drilling exploration wells. "Last date of bidding is April 3," Pradhan said, adding the blocks would be awarded by June/July.

Increased exploration would lead to more oil and gas production, helping the world's third largest oil importer to cut import dependence. Prime minister Narendra Modi has set a target of cutting oil import bill by 10 per cent to 67 per cent by 2022 and to half by 2030.

India had in July last year allowed companies to carve out blocks of their choice with a view to bringing about 2.8 million square km of unexplored area in the country under exploration.

Under this policy, companies are allowed to put in an expression of interest

(EoI) for prospecting of oil and gas in any area that is presently not under any production or exploration licence.

The 55 blocks have a total area of 59,282 sq km. This compares to about 1,02,000 sq km being under exploration currently. State-owned Oil and Natural Gas Corp (ONGC) and Cairn India – a unit of Vedanta – had put in 41 out of 57 bids received in November last year. Private player Hindustan Oil Exploration Co bid for one area in a round.

Of the 57 EoIs put only 55 blocks were cleared for bidding after eliminating areas that are under no-go zone or overlapping with existing mining lease. The opening up of 2.8 million sq km of sedimentary basins for oil and gas exploration will help raise domestic production and cut excessive dependence on imports.

The new policy guarantees marketing and pricing freedom and moves away from production sharing model of previous rounds to a revenue sharing model where companies offering maximum share of oil and gas to government are awarded the block.

Till now, the government has been selecting and demarcating areas it feels can be offered for bidding in an exploration licencing round.

So far 256 blocks had been offered for exploration and production since 2000. The last bid round happened in 2010. Of these, 254 blocks were awarded.

OIL PRICES FALL OVER 1% ON RECOVERY IN US OUTPUT

Oil prices dropped more than 1% on Friday as a bounce-back in US production outweighed ongoing declines in crude inventories. Brent crude futures were at \$68.65 a barrel at 1.32pm, down 66 cents, or 0.95%, from their last close.

On Monday, they hit their highest since December 2014 at \$70.37. US West Texas Intermediate (WTI) crude futures were at \$63.23 a barrel, down 72 cents, or 1.1%, from their last settlement. WTI marked a December-2014 peak of \$64.89 a barrel on Tuesday.

Traders said the lower prices were

prompted by a recovery in US oil production after a recent drop, as well as by an expected fall in demand when winter ends in the northern hemisphere. US crude oil production stood at 9.75 million barrels per day (bpd) on 12 January, data from the Energy Information Administration showed. Output had fallen to 9.49 million barrels at the start of the year, due largely to a cold snap that shut down some production. Most analysts expect US output to break through 10 million barrels per day soon.

Analysts also pointed to excessive long positions in financial oil markets as a likely brake on any upward momentum in prices, with many traders soon likely to cash in on recent price rises, which have seen crude jump by around 14% since early December.

Jeffrey Halley, market strategist at futures brokerage Oanda in Singapore, said crude futures had been at “overbought levels for an extended period as record speculative longs built on the futures markets”. ANZ bank said “an upcoming soft patch in demand and extreme investor positioning does open up the possibility of some short-term weakness”.

Overall, however, oil prices remain well supported, and most analysts do not expect steep declines.

The main price driver has been a production cut by a group of major oil producers around the Organisation of the Petroleum Exporting Countries (Opec) and Russia, who started to withhold output in January last year. The supply cuts by Opec and its allies, which are scheduled to last throughout 2018, were aimed at tightening the market to prop up prices.

In the United States, crude inventories fell 6.9 million barrels in the week to Jan. 12, to 412.65 million barrels. That's their lowest seasonal level in three years and below the five-year average marker around 420 million barrels.

TEXTILE INDUSTRY SEEK BUDGETARY SUPPORT TO STAY COMPETITIVE

Concerned about the recent fall in exports of textiles and garments and rise in imports from countries such as Bangladesh,

exporters are looking at the government to come up with more incentives in the forthcoming Union Budget to prop up the domestic industry.

The Textile Ministry has already formed a committee to look into the issues raised by the industry and exporters are hopeful that together with the Finance and Commerce Ministries, some assistance could be extended to the sector. Garments exports have suffered a huge blow with three consecutive months of fall since October 2017 and hopefully the industry's problems would be looked into seriously and suitably addressed, pointed out HKL Magu, Chairman, Apparel Export Promotion Council (AEPC).

“Under the new GST and drawback rules, the reimbursements of taxes for the sector have gone down to the extent of 7 per cent (of the value of exports), whereas an additional incentive of 2 per cent was given to the sector in the foreign trade policy review in December. There is a shortfall of 5 per cent which has to be addressed in the Budget as it is pulling down exporters,” Magu told BusinessLine last week.

AEPC has sought a number of interventions from the government in the Budget for 2018-19, which includes more incentives, continuation of duty-free import of speciality fabric up to 1 per cent of export value of garments, round-the-clock customs clearance, withdrawal of GST on air-freight and duty-free import of samples.

Exports of garments and textiles declined 3 per cent in December 2017 to \$2.99 billion, although in the April-December 2017 period it posted a growth of 2 per cent at \$26.13 billion.

What has rattled the domestic industry more is the rise in imports in the comparable period. According to figures compiled by textile body CITI, India's imports of garments from Bangladesh increased 66 per cent to \$111.3 million during July-December 2017 compared with \$66.9 million in the same period last year.

“Garment manufacturers in India have to pay duty on imported fabrics, while Bangladesh can import fabric from China duty-free and convert them into garments and sell to India duty-free. This is putting

the Indian garment industry at a major disadvantage and this figure is expected to go up in coming months,” according to Sanjay Jain, Chairman, CITI.

CITI proposed that by including cotton yarn under the Merchandise Export from India Scheme (MEIS) and providing ROSL (Rebate of State Levies) for fabrics, Indian can retain its competitiveness in the global market.

Magu said that the positive response from foreign buyers at the on-going India International Garment Fair in New Delhi proved that there was still a lot of global interest in Indian garments.

DOMESTIC SOLAR PLAYERS LOSE OUT TO CHINESE IMPORTS

The National Solar Mission have set a target of 20 million m² (metre square) solar thermal capacity with 'Make in India' panels, but the government's proposed incentives package has left this segment of the domestic solar industry out in the cold as it is getting swamped by cheaper Chinese imports.

The renewable energy ministry has proposed a slew of incentives only for domestic solar PV (photovoltaic) industry, ignoring the fact that solar thermal sector — once the only 100% indigenised solar technology — has lost 60% market share to cheaper supplies from Chinese companies.

Solar Thermal Federation of India (STFI) estimates India's annual solar thermal market to be of nearly one million m², valued at Rs 1,000 crore. Except a few big players such as Tata Power Solar, solar thermal manufacturers are largely in the small or medium scale segment and provide about one lakh jobs. In contrast, solar PV units are either promoted or have connections with projects of large energy market players riding on the government's target of 100 GW (giga watt) solar power capacity by 2022, providing some four lakh employment opportunities.

The government is now considering imposing 70% safeguard duty to protect the domestic solar PV industry but has ignored the solar thermal industry's demand

for similar protection.

This runs contrary to the government's aim of promoting green energy as part of its climate mitigation commitments. Solar thermal plants --earlier based on flat panels but now using tubular technology -- are considered more efficient than solar PV (photovoltaic) cells used for generating electricity, with every one million m² of installed solar thermal capacity estimated to save peak load of 10 GW.



MARKETS

WILL BUDGET 2018 BOOST THE SENSEX!

Expectations are mixed on how the equity markets will react to the Union Budget 2018.

If the last few years are taken as a precedent, it is likely that the Sensex would appreciate in the month after the budget. Since 2010, the Sensex has gone up six times out of nine in the month after the budget. But then, the benchmark index has also fallen eight out of nine times during the month prior to the budget. During this time, there was one interim budget as well.

“Historically, in a scenario of negative expectations from the Budget in the run-up to the event, market participants withheld their buying decisions and once the event is out of the way, they take exposure, which causes a bump-up in the market post the event,” says Deepak Jasani, head (retail research) at HDFC Securities Ltd. It is plausible that if markets are depressed prior to the budget, they move up after it, provided there aren't any nasty surprises.

But what is unusual this time is that markets are already at an all-time high and valuations are pricey. This suggests that the room for big upsides is narrow.

The commentary on fiscal deficit will be an important thing to watch out for. As Morgan Stanley says, a higher fiscal deficit has multiple implications: a) it takes any case for a rate cut out of the picture as the risk of inflation rises, b) it supports growth and earnings in 2018, c) creates room for


a further rise in long bond yields and d) it could eventually reduce the government's ability to spend if oil prices spike and, thus, hurt growth. According to experts, the market is already pricing in some slippage on the fiscal front.

The government's divestment target is crucial too. A number in excess of Rs75,000 crore will be negative for equity markets given the increased supply it brings in a year in which liquidity is expected to tighten, reckons Morgan Stanley.

The markets are also likely to punish an introduction of a long-term capital gains tax on shares, if it happens.

Still, even if the outcome of the budget is better than expectations, it will be to unrealistic to expect big gains. “This time around, we do not expect a sharp surge in Indian indices post the Budget (upside if any, could be around 3-4% post the event) simply because valuations are currently fair to expensive unless something extraordinary/unthinkable is proposed in the Budget,” says Jasani of HDFC Securities.

That said, Indian markets are now inextricably linked to global markets and the direction of global markets after the budget will matter a lot. So while keeping an eye on the budget is important for investors, the other eye should be firmly fixed on global markets.



WEEKLY ROUND-UP

STOCKS AT NEW HIGH: SENSEX SCALES 35,000 LEVEL, NIFTY AT 10894

The BSE Sensex rose by 251 points to close at all-time high of 34,843 in its record setting spree last Monday triggered by investor optimism after better-than-expected macro-economic data and corporate earnings. The broader Nifty gained 60.30 points to finish at fresh record high of 10,741.55.

Stock markets recorded yet another historic milestone on Wednesday with benchmark BSE Sensex marching past 35,000

mark for the first time ever after the central government lowered additional borrowing requirement for this fiscal, calming widening fiscal deficit fears.

The wider Nifty too finished at its fresh life-time high on unabated buying. Banking stocks ratcheted up after the Centre lowered the additional borrowing requirement for the current fiscal to Rs 20,000 crore from Rs 50,000 crore estimated earlier. Equity and bond markets gave a big thumbs-up to the government's decision to slash its borrowing requirement. Dalal Street participants said the move clearly signals improvement in revenue receipts that would ease worries over annual fiscal deficit for 2017-18.

The 30-share Sensex surged 310.77 points, or 0.89 per cent, to end at 35,081.82, breaking its previous record of 34,843.51 reached on January 15. It took the benchmark just 17 sessions to scale the 35,000-mark from the 34,000-level reached on December 26.

Equity benchmarks of Bombay Stock Exchange and National Stock Exchange regained upside momentum, overcoming Tuesday's losses amid easing yields on 10-year bonds.

Bank shares, particularly state-run lenders, took the Bank Nifty to 26,289.10 (+314.20) points, an increase of 1.21 per cent, while the PSU Bank Nifty ended the day with bigger gain of 4.17 per cent or 147.60 points at 3,690.90 points.

The BSE benchmark added nearly 1,000 points in nine trading sessions. It had closed at 34,153 points on 5 January and has been rising constantly irrespective of a couple of profit booking sessions.

Analysts say brokerages would be revising their Sensex and Nifty targets afresh in view of the booming pre-Budget rally which appears unprecedented considering repeated worries vented by experts over stretched valuations.

Benchmark indices again extended their record gains for a third session on Friday helped by rallying banking stocks. BSE Sensex hit an intraday all-time high of 35,542 before closing at 35,511.58, up 251.29 points.

NSE Nifty crossed 10,900 for the first time and touched a fresh record of 10,906.85 before settling at 10,894.70, up 77.70 points. Shares were boosted by an extended rally in banking stocks with Nifty PSU Bank index ended 2.18% up, Nifty Bank 1.40% and Nifty Pvt Bank 1.31%.

All the sectoral indices on BSE ended higher. Adani Ports, Yes Bank and ICICI Bank were top gainers, whereas shares of Infosys, Sun Pharma and Power Grid were major losers. Another positive development for stock market pertains to GST Council's decision to cut the tax rate on 29 goods and 54 categories of services.

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As bond yields eased, the partially convertible rupee, which closed at 64.04 against the United States dollar last Wednesday, recouped those losses.

Bank shares, particularly state-run lenders, surged tracking cut in government's borrowing requirement.

Banking stocks began appreciating last Thursday following reports that the government may allow 100 per cent foreign direct investment (FDI) in private sector banks. Reports on Wednesday said the government may allow 100 percent foreign direct investment in private banks and also consider increasing the permissible limit for FDI in public sector banks to 49 per cent from the current 20 per cent.

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Foreign portfolio investors have turned net buyers in January despite four profit-booking sessions. FPIs invested Rs 693.17

crore in domestic stocks, taking the month's tally to Rs 1,499.37 crore.



TRADE

WEF: PM TO INTERACT WITH OVER 100 CEOS IN DAVOS, APPRISE THEM OF REFORMS

Prime Minister Narendra Modi is scheduled to meet over 100 of the world's top business leaders during his visit to Davos to attend the annual meeting of the World Economic Forum (WEF). The PM is slated to be in Davos on Monday and Tuesday and will be the keynote speaker at the inaugural plenary session of the WEF.

DIPP (Department of Industrial Policy and Promotion) Secretary Ramesh Abhishek said on Friday that the highlight of Modi's visit, apart from his speech at the plenary session, will be the dinner interaction with top global chief executive officers (CEOs). WEF forum offers a big platform to Mr. Modi who is looking to increase investments to India.

"There is significant interest in India from international investors. Davos is the best platform to meet global bankers, industry and government," Commerce and Industry Minister Suresh Prabhu told the media. This will be the first participation by an Indian prime minister in the WEF in more than two decades. In 1997, the then prime minister H D Deve Gowda had attended the summit. This year is expected to see India's footprint at the global event enlarge significantly.

This year, more than 350 political leaders, including 60 heads of states, would be attending the four-day meet. 60 global CEOs have confirmed participation, including 20 from India. The other 40 represent 18 different countries. These 60 companies, across 26 different sectors, cumulatively have a turnover of \$3.3 trillion. 12 of these companies provide jobs to four million people around the world, including a million jobs in India. 12 of these companies have been operating in India for over a century.

Mr. Modi is also scheduled to meet the 120-member International Business Council of the WEF. The list of council members includes topmost business leaders of the world. The two interactions, with 60 and 120 business leaders, will give the PM direct opportunity to showcase the transformative changes brought about in India in the last three years and articulate his vision. The PM will also have a separate interaction with Indian CEOs attending the WEF. The Indian delegation will also showcase the jump in India's rankings in ease of doing business and various other reforms at the main venue in front of 1,500 delegates.

Apart from Modi, Commerce Minister Suresh Prabhu, Finance Minister Arun Jaitley, Railways Minister Piyush Goyal, Oil Minister Dharmendra Pradhan, Minister of State for External Affairs M J Akbar and Minister of State (Independent Charge) for Development of North Eastern Region of India Jitendra Singh would be going to Switzerland. A large delegation of India Inc would also be present. Infrastructure, manufacturing and telecom are understood to be among the focus sectors.

The Indian delegation will organise round-table discussions on financial inclusion, promoting digital payments, clean energy, modernisation of Indian Railway and skill development, which will be attended by union ministers. The centrality of the message of PM Modi to global CEOs will be India's increasing gross domestic product (GDP), reforms implemented in the last three years and the opportunities India offers to global business.

Mr. Modi is expected to speak about the improvement in 'ease of doing business rankings', implementation of the goods and services tax (GST) and recent decisions to open up single-brand retail.

Engineering Goods & petroleum products push exports up 12.36% in Dec 2017, trade deficit widens

Exports rose 12.36 per cent in December to \$27.03 billion year-on-year on account of strong performance by sectors like engineering goods and petroleum products even as the trade deficit touched a 3-year high. However, exports growth at 12.36

per cent was at a slow pace as compared to 30.6 per cent rise in the previous month.

Imports too surged significantly to USD 41.91 billion, up 21.12 per cent, on increased inbound shipments of crude oil and gold.

Exporters body FIEO said India is on course to reaching the USD 300 billion milestone for overseas shipments. As per the data released by the commerce ministry, the trade deficit or difference between imports and exports was USD 14.88 billion, up about 41 per cent year-on-year.

"Exports have been on a positive trajectory since August 2016 to December 2017 with a dip of 1.1 per cent in the month of October 2017," the ministry said in a statement. FIEO said that positive growth for the second month in a row, after a fall in October, shows resilience of the Indian exporters.

"Since we have already achieved exports worth USD 224 billion in first 9 months of the fiscal and global trade growth remains robust in 2018, we are on our course to achieve the milestone of USD 300 billion in 2017-18," said FIEO President Ganesh Kumar Gupta.

The exports had totalled USD 274.64 billion in 2016-17, up from USD 262.29 billion in the preceding industry. As per the commerce ministry data, exports of engineering goods as well as petroleum products showed an increase of over 25 per cent in December. However, shipments of ready-made garments declined by 8 per cent to USD 1.33 billion last month. Gold imports surged by 71.5 per cent to USD 3.39 billion last month as against USD 1.97 billion in December 2016.

The imports of petroleum products and crude oil increased by a significant 35 per cent to USD 10.34 billion in December, from USD 7.66 billion a year ago. The ministry said the global Brent prices increased by 18.75 per cent last month, compared to December 2016 as per World Bank commodity price data.

Cumulative value of exports for April-December, 2017-18, was USD 223.512 billion as against USD 199.467 billion in the year-ago period, a growth of 12.05 per cent. Imports during the first nine months

of the current fiscal amounted to USD 338.369 billion as against USD 277.89 billion, a growth of 21.76 per cent.

Exports of only 21 (as against 24 in November, 2017) out of 30 major product groups were in the positive territory in December, 2017 including engineering goods, petroleum, organic and inorganic chemicals, gems and jewellery, and drugs and pharmaceuticals. The trade deficit during the period widened to USD 114.85 billion. On the trade balance, FIEO said the rising deficit "is alarming" and the import profile needs to be analysed to see whether imports would augment domestic production or pose a challenge.

ICRA said that a sharper than expected rise in imports of gold, and pearls, precious and semi-precious stones, amid a considerable decline in the pace of growth of non-oil merchandise exports, bloated the merchandise trade deficit to a three-year high of USD 14.9 billion in December 2017.

Meanwhile, the Reserve Bank data showed that the exports in services in November 2017 were valued at USD 15.392 billion. The imports were valued at USD 9.64 billion. It said in a press release that the trade balance in services (net export of services) for the month was estimated at USD 5.74 billion.

FARM EXPORTS POST 18% GROWTH IN APRIL-OCTOBER

According to informed government sources, Agricultural exports from India grew 18 per cent to \$21 billion in the April-October 2017-18 period compared to just 5 per cent in 2016-17.

The Commerce Ministry will put up a draft Agricultural Export Policy for stakeholders' comments which will aim at boosting exports by identifying new markets, niche products and involving states, Commerce Joint Secretary Santosh Sarangi said at a press conference on India's mega international food and beverage trade show - Indus Food beginning on January 18.

The two-day global food trade fair will see the participation of over 400 exhibitors and attract buyers from about 43 countries resulting in a business of an estimated \$1.5 billion-\$2.5 billion, according to government estimates.

"Once the draft Agricultural Export Policy is approved by the Commerce Minister, we will put it up online for stakeholders' comments and suggestions," Sarangi said, adding that the policy will be placed before the Cabinet only if the final document includes provisions that would need approval at the top level.

Export of agricultural produce must touch around \$60 billion by 2020 (double from the level of \$31 billion in 2015) to help double farmers' incomes in line with the Prime Minister's stated policy. "Exports can be increased largely by focusing on value addition and bringing down wastage through pre and post-harvest interventions," Sarangi said.



INDIA-ISRAEL SIGN BILATERAL AGREEMENTS ON ENERGY, CYBER SECURITY

PRIME MINISTER NARENDRA MODI WITH HIS ISRAELI COUNTERPART BENJAMIN NETANYAHU

India and Israel last Monday inked nine pacts to step up bilateral cooperation in diverse areas, including investment, cyber security, science and technology and hydro-carbon sector.

Prime Minister Narendra Modi and his Israeli counterpart Benjamin Netanyahu held formal talks at Hyderabad House in New Delhi before witnessing exchange of the agreements by the officials of the two governments. India and Israel will strengthen the existing pillars of cooperation in areas such as agriculture, technology and security, Modi said at a joint media event with Netanyahu.

On his part, Netanyahu described Modi as a "revolutionary" leader. Apart from a pact on cyber security, the agreements included cooperation in the oil and gas sector, film-co- production as well as amendments to an air transport pact. Modi also invited Israeli defence companies to India for co-production in the sector.

Speaking at the CII event, Ohad

Cohen, Trade Commissioner, Ministry of economy, Israel, expressed hope that the visit of the prime minister would pave the way for the proposed free trade agreement between the countries. The bilateral trade between the countries increased to \$5 billion in 2016-17 from \$4.91 billion in the previous fiscal. Israeli Prime Minister Benjamin Netanyahu is leading a high-level business delegation comprising 130 businessmen from 102 Israeli companies.

Among the things he hopes to concentrate on during this visit is cooperation in technological areas, especially agriculture. "Can you imagine drones for agriculture? That is what Israel can do for the Indian farm," said Netanyahu, explaining how the big data and photographs of fields collected by drones can help farmers to "direct the water to the level of the individual plant". This will, thus, help India produce more crops for less water, less energy. "This is using technology to change not only the future, but to change lives today to make people healthier, safer, better nursed and to live longer, better lives. This is one area I intend to concentrate on but there are many others," he added.

On the second day of Israeli PM Netanyahu's visit, the two leaders attended the India-Israel Business Forum which included over 100 delegates from 74 Israeli companies from various industries including water, agriculture, cyber security, defence, software and more.

Speaking at the India-Israel Business Forum, Israeli PM Netanyahu talked about the huge potential ahead as he said: "You have brilliant people in India. We have brilliant people in Israel. What we can do, is shape the future together. I believe in India. I came here to say today thank you PM Modi for believing in Israel, we believe in India."

Asking Israeli companies to participate in Make in India Prime Minister Modi said: "We want to do more and do better. To enable entry of capital and technology, most of the sectors including defence, have been opened for FDI. More than 90 per cent of the FDI approvals have been put on automatic route. We are now among the most open economies.

India's development agenda is huge. It presents a vast economic opportunity for Israeli companies. I invite more and more Israeli people, businesses and companies to come and work in India. Along with Govt & people, the business community of India too is keen to join hands."

India received total FDI of \$130 million from Israel during April 2000 to September 2017 period.

Significance of the visit: Being a key player in defense R and D and in artificial intelligence, India has a lot to gain from closer ties with Israel. Above all, India has a lot to learn from Israel, which faces existentialist threat 24x7 from jihadi groups in the region and beyond, in tackling ISI-inspired terror. Given that both Moscow and Egypt, China and Saudi Arabia maintain friendly ties, overt and covert, India has no reason to be on the defensive in warming up to people who have survived and prospered as a democracy in the face of public threats by organised groups to annihilate it from the face of the earth. India's security establishment can only gain from closer cooperation with Israel while the potential for the private sector to grow businesses remains largely untapped.

Therefore, the red-carpet welcome for Netanyahu on his six-day visit to India, which took him, besides the national capital to Ahmedabad, Mumbai, etc., is most appropriate. Modi broke protocol to personally greet Netanyahu at the Delhi airport last Sunday. Such warm hospitality for the Israel PM underscores a complete break with the past when India shunned Israel's friendship on ideological grounds. Both Israel and India are on course to further expand the relationship and grow the annual \$ five billion trade.

ASHOK LEYLAND SIGNS PACT WITH ISRAELI FIRM FOR ELECTRIC VEHICLE

Commercial vehicles major Ashok Leyland Ltd on Wednesday announced it has signed a Letter of Intent (LoI) with Phinergy of Israel to secure long-term arrangements for its electric vehicle plans.

In a statement, Ashok Leyland said: "With the intention of providing varying

Energy Management solutions to the customers, Ashok Leyland and Phinergy will work towards the adaptation of unique, competitive and sustainable solutions for high-energy applications in the commercial vehicles space."

According to the statement, Phinergy has developed cutting-edge technology solutions for the use of Aluminium Air Batteries for electric vehicles and other applications.

With Ashok Leyland, Phinergy will be tailoring its unique technology to meet the demanding high-energy requirements of commercial vehicles in the Indian market, the statement said.

Swiss President to discuss trade pacts with Modi in Davos next week

Negotiations on a bilateral investment protection pact will figure prominently during Prime Minister Narendra Modi's meeting with Switzerland's President Alain Berset in Davos next week, a Swiss government statement said last week. The two leaders will also discuss, among other trade and business matter, the envisaged free trade agreement between India and the European Free Trade Association (EFTA), of which Switzerland is a member. India has framed a model Bilateral Investment Protection Agreement (BIPA) and is now negotiating it with several countries.

The talks have been going on for a long time for a free trade agreement between India and the four-member EFTA ((Switzerland, Norway, Iceland and Liechtenstein). The trade pact talks had started in October 2008 and several rounds of negotiations have taken place since then. The proposed agreement covers trade in goods and services, investments, trade facilitation, customs cooperation, protection of intellectual property and public procurement. The two-way trade between the regions dropped to \$19 billion in 2016-17, from \$21.5 billion in 2015-16.

The trade gap is highly in favour of the EFTA group. Under an FTA, trading partners give market access to each other with a view to promoting bilateral trade in goods and services, besides investments."Topics on the agenda of the working meeting (of

President Berset) with Indian Prime Minister Modi on Monday include business and trade matters, particularly the ongoing negotiations on a BIPA and the envisaged free trade agreement between the EFTA and India," the Swiss government said.

Federal Councillor Johann Schneider-Ammann, also the head of the Federal Department of Economic Affairs, Education and Research, will also be attending the talks with the Indian prime minister, the Swiss government statement added.



ECONOMIC NOTES

MAURITIUS LARGEST SOURCE OF FDI IN INDIA

Mauritius was the largest source of foreign investment in India, followed by the US and the UK, according to a census by the Reserve Bank.

Singapore and Japan were the next two sources of foreign direct investment (FDI), said the Census on Foreign Liabilities and Assets of Indian Direct Investment Companies 2016-17, released by RBI on Friday. Of the 18,667 companies that participated in the census, 17,020 had FDI/overseas direct investment in their balance sheets in March 2017, it said.

"96 per cent of the responding companies were unlisted in March 2017 and most of them had received only inward FDI; unlisted companies had higher share of FDI equity capital vis-à-vis listed companies," it said.

Further, over 80 per cent of the 15,169 companies that reported inward FDI were subsidiaries of foreign companies (single foreign investor holding over 50 per cent of the total equity).

"Mauritius was the largest source of FDI in India (21.8 per cent share at market value) followed by the USA, the UK, Singapore and Japan whereas Singapore (19.7 per cent) was the major ODI destination, followed by the Netherlands, Mauritius, and the USA," the census said.

The census yields comprehensive in-

formation on the market value of foreign liabilities and assets of Indian companies arising on account of FDI, ODI and other investments.

"It is important to note that changes in outstanding asset/liabilities would be different from flows recorded in the balance of payments (BoP) during a year, as the former would also include valuation changes due to price and exchange rate movements," the central bank said.

The census data further said non-financial FDI companies had a much higher share in total foreign equity participation vis-à-vis financial FDI firms.

The manufacturing sector accounted for nearly half of the total FDI at market prices; information and communication services and financial and insurance activities were the other major sectors that attracted FDI.

GOLD PRICES EXTEND LOSSES, DOWN RS120 ON LACKLUSTRE DEMAND

Gold prices fell further by Rs120 to Rs30,830 per 10 grams at the local market on Friday owing to weak demand from jewellers despite a firm trend in overseas markets. Gold prices had dropped by Rs150 per 10 grams on Thursday.

However, silver prices recovered by Rs50 to Rs39,850 per kg on scattered enquiries from industrial units and coin makers. Traders said gold prices dropped due to a weak demand from local jewellers and retailers but a better trend overseas limited the slide. Trading volume remained thin due to diversion of funds by investors towards soaring equity markets, they said.

Globally, gold rate was up by 0.38% to \$1,331.40 an ounce and silver by 0.59% to \$17.03 an ounce in Singapore.

In the national capital, gold of 99.9% and 99.5% purity fell by another by Rs120 each to Rs30,830 and Rs30,680 per 10 grams, respectively. Sovereign, however, remained unaltered at Rs24,800 per piece of eight grams. Silver coins continued to be traded at previous level of Rs74,000 for buying and Rs75,000 for selling of 100 pieces.



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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.

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