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IS THE BUDGET THE BJP'S POLL MANIFESTO ? .pg1

The Big Political Message .pg2



Economic Survey 2018 : Worst Is Over, But Lot More To Be Done .pg35

Union Budget 2018-19 : Pro-Poor With Focus On Farm And Rural Sectors .pg36



POLITY OPINION

IS THE BUDGET THE BJP'S POLL MANIFESTO ?

p2

The unprecedented inclusion of Hindi in Finance Minister Arun Jaitley's budget speech as this Hindi heartland language alternated with his use of English with which the urban middle class is familiar...



INDIA AND ITS NEIGHBOURS

INDIA - PAKISTAN: STALEMATE IN RELATIONS LIKELY TO CONTINUE

p23

General Qamar Javed Bajwa, Pakistan's chief of army staff at a rare briefing to Pakistani parliamentarians, said that the army will back the political leadership if it seeks to normalise relations with India...

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INDIAN POLITICAL MAINSTREAM

p2

DEFENCE AND SPACE DIARY

p13

INDIA AND ITS NEIGHBOURS

p23

INDIA IN THE INTERNATIONAL KALEIDOSCOPE

p29

INDIAN ECONOMIC PANORAMA

p35

DEFENCE AND SPACE DIARY p13

UNION BUDGET 2018-19 : DEFENCE BUDGET INCREASED, BUT STILL LESS THAN 2% OF GDP

The allocation for the Indian Defence Ministry in the Union Budget 2018-19 stands at Rs 2,95,511 crore, an increase of a little less than six percent over the Revised Estimate of last year...

INDIA IN THE INTERNATIONAL KALEIDOSCOPE p29

INDIA-ASEAN SUMMIT: MODI'S ACT EAST POLICY; BALANCING CHINA

Prime Minister Narendra Modi hosting all 10 Asean leaders as chief guests at India's 69th Republic Day Parade along with a similar event in May 2014 when he invited all the Saarc...

ECONOMY OPINION p35

COVER STORY : ECONOMIC SURVEY 2018: WORST IS OVER, BUT LOT MORE TO BE DONE

Every year, ahead of the Union Budget, the finance ministry presents the Economic Survey which reviews the overall state of the economy in the year gone by and highlights policy...



IS THE BUDGET THE BJP'S POLL MANIFESTO ?

AMULYA
GANGULI

The unprecedented inclusion of Hindi in Finance Minister Arun Jaitley's budget speech as this Hindi heartland language alternated with his use of English with which the urban middle class is familiar underlined the government's tilt towards rural India.

This bias was evidently the result of the electoral setbacks which the BJP suffered in the rural areas of Gujarat in the recent elections and the widespread reports of the distress of farmers, which was brought to the government's notice by both its ideological mentor, the RSS, and the peasant outfit, the Bharatiya Kisan Sangh, associated with the ruling dispensation.

A massive allocation of Rs 1.88 lakh crore to the agricultural sector points to the government's desire to infuse life into the rural economy where the Congress era's flagship rural employment programme has continued with a provision of Rs 48,000 crore.

However, if this programme was a major initiative of the previous government, the present administration is planning to set up what the finance minister has called the world's "largest health care system" which will provide an insurance cover of Rs 500,000 per family to an estimated 500 million beneficiaries.

The medical relief for 40 per cent of the population is not unlike the food security umbrella for 67 per cent of the population, for which its progenitor, Sonia Gandhi, had said that money will have to be found. Virtually the same phrase was used by a bureaucrat for funding what has been called Modicare.

Whether this gargantuan project will be able to get off the ground is debatable – the former finance minister P. Chidambaram has called it a "jumla" or a hoax – but it is typical of Narendra Modi's flamboyant style which was seen in the hugely unsettling de-

monetization venture. Not surprisingly, a leading figure in the corporate world has called the health insurance initiative a possible game-changer.

But critics have argued that the poorer patients will find the private hospitals too expensive although the government has no option but to depend on them because of the paucity of government institutions.

However, since the effects of Modicare will not be felt any time soon – it will take six months to roll it out, as a health official said – the proposed insurance cover is no more than a promise at the moment. It can be regarded, therefore, as the key element in the BJP's manifesto, as the budget has been called, for the next general election, irrespective of whether it is held next year, as scheduled, or later this year as has been reported.

Just as demonetization hurt the economy by aggravating the unemployment problem for which the government may well pay a price in the forthcoming polls, notwithstanding the Economic Survey's expectation of the growth rate crossing 7 per cent in the next fiscal year, Modicare may remain just a dream in the eyes of hopeful families.

Of greater immediate benefit will probably be the 150,000 health and wellness centres which the government proposes to set up, mainly in the countryside in keeping with its present thrust on rural areas, at a cost of Rs 1,200 crore although the dismal condition of the existing primary health centres is a reminder of the difficulty of turning promises into reality.

The focus on rural areas has been accompanied by a glancing blow to the urban middle class – the favoured section of earlier budgets – with the increase in the prices of mobiles, television, footwear, gold, silver, diamond, gemstones, sunglasses, per-

fumes, etc. because of high tariff. This "protectionism" is a negation of the support for globalization which Modi recently expressed before the world economic forum in Davos to the applause of the Chinese.

The rationale for this inward-looking policy, if it can be so called, is the perceived need for giving incentives to those engaged in Modi's trademark "Make in India" projects, but whether the buyers will be enthused by home-made products is doubtful given the persistence of the "craze for foreign" mentality for which Nobel laureate V.S. Naipaul once mocked Indians.

The BJP may ignore Congress president Rahul Gandhi's quip about the budget that "thankfully, (there's) only one year to go" as the carping of an opponent, but the party cannot afford to take too lightly the criticism of its two allies – one a relatively close one like the Telugu Desam Party (TDP) and the other a distant one like the Shiv Sena – that the budget was "disappointing" and "tailored just for upcoming elections".

As is known, the Sena has already announced that it will not align with the BJP in 2019 while the TDP has said that it is ready to walk out of the BJP-led National Democratic Alliance. Whether the unsatisfactory budget will induce it to do so because it has ignored Andhra Pradesh, as the TDP chief minister has said, remains to be seen.

In any event, the distancing of these two allies has come at a time when the BJP lost three by-elections in Rajasthan to the Congress, thereby confirming that there is some substance in the speculation about the BJP-led governments in Rajasthan (and in Madhya Pradesh where the Congress won an earlier by-election) suffering from the anti-incumbency factor. The jury is out on whether the budget/manifesto will save these governments. ■ ■ ■

IN THIS SECTION	3	COVER STORY : BUDGET: THE BIG POLITICAL MESSAGE
	7	BUDGET SESSION: PRESIDENT'S ADDRESS TO PARLIAMENT
	7	AGRARIAN DISTRESS: CSDS MOOD OF THE NATION SURVEY, 2018
	8	RAJASTHAN BYE-ELECTIONS: TROUBLE FOR BJP AS CONGRESS WINS ALL
	8	UTTAR PRADESH: COMMUNAL VIOLENCE THREAT TO FREE SPEECH AND FUNDAMENTAL RIGHTS
	9	SUPREME COURT CRISIS: STALEMATE CONTINUES EVEN AS SC MAKES ITS JUDGES ROSTER PUBLIC
	10	JAMMU AND KASHMIR : SHOPIAN CIVILIAN KILLINGS: POLICE COMPLAINT AGAINST ARMY
	11	COMMENT : HOW CAN A SOLDIER BE A 'MURDERER' FOR PERFORMING HIS DUTY?
	12	NORTH EAST

COVER STORY

BUDGET: THE BIG POLITICAL MESSAGE

The big political message is targeting the poor, or those at the bottom of the pyramid, could help bring gains — both politically and maybe economically — once they are empowered. That is what the budget seeks to achieve.

The politics of the budget is obvious. Gujarat elations clearly indicated that rural and farmer distress impacted the invincible BJP considerably. The Congress swept the countryside, while the BJP had the backing of urban voters.

The results of the by-elections in Rajasthan, another BJP bastion, indicate the limitations of the BJP. The Congress won two Lok Sabha and one assembly election. The BJP candidates were squarely beaten. This is huge wake-up call for the BJP, the extent of which cannot be determined as yet. No wonder, the BJP sensed this and has sought to placate the rural and poor constituency.

CRITICISM BY ALLIES

But first, the reaction of BJP allies. The Telugu Desam Party, an ally of the NDA at the Centre, expressed displeasure over the Union budget which they said hardly allocated anything to Andhra Pradesh. Chief Minister N Chandrababu Naidu said “I am sticking to the coalition dharma and keeping quiet. I am also restraining my colleagues from speaking out against the BJP. But if they do not want us, I will say ‘namaste’ and walk away.”

Another BJP ally, the Shiv Sena said that the focus on the rural sector was a clear indication that the BJP-led government was



A file photo of finance minister Arun Jaitley (left) and Prime Minister Narendra Modi.

alarmed by the Gujarat poll result and realised that the rural population was moving away from it. In an editorial in its mouthpiece ‘Saamana’, the Shiv Sena said “The government, which came to power by selling dreams to the nation, has once again offered a maze of dreams to the people. The budget presented by the finance minister consists of old dreams and old announcements. It seemed that the FM’s speech was full of stress.”

CONGRESS CALLS BUDGET DEFEATIST, QUESTIONS FISCAL ARITHMETIC

The Congress criticism of the budget was expectedly severe. While former Prime Minister Manmohan Singh said the “fiscal arithmetic” of the Budget is “faulty”, former Finance Minister P Chidambaram said it was “defeatist”, its proposals a “big let down”, and argued that Jaitley has failed the fiscal consolidation test.

Singh said: “This budget is high on projecting a bright picture but how will that be sustained by the underlying fiscal arithmetic? For example... farmers have been promised 50 per cent increase above MSP (minimum support price)...that by 2022, in the six-year period, farmers’ income will be doubled. These are all restating the President’s address. It is yet to be seen how these promises will be fulfilled.” Manmohan Singh is also unsure about the strategy to deal with agriculture, education and jobs.

Pointing out that it is a defeatist budget, Chidambaram said that the Economic Survey pointed out that “at the end of four years we have failed to address three important areas: employment, education and agriculture....”

Criticising the promise of Rs 5 lakh per family for secondary and tertiary healthcare, Chidambaram said “The target group is 10 crore families. There is, as yet,

no scheme. Assuming that each family will avail of Rs 50,000 (one-tenth of Rs 5 lakh), the amount required per year will be Rs 5 lakh crore. If the insurance companies will foot the bill, the premium at Rs 5,000 to Rs 15,000 per family will require an outgo of Rs 50,000 to Rs 1,50,000 crore per year. Is the FM serious?" he asked.

POLITICS DEFINES THE ECONOMICS OF THE BUDGET

It was obvious that in the end politics would define the economics of the Union Budget 2018.

Anil Padmanabhan, Executive Editor, Mint writes that "it was undoubtedly a 'Big Spend' budget of Rs24.42 trillion with unambiguous political contours and yet contained sufficient flourishes that continue to nudge India towards a market economy and a rules-based regime—walking the fine line between populism and development, as it were, to address popular aspirations."

Indeed, he says "this was largely expected, given that the incumbent Bharatiya Janata Party (BJP)-led National Democratic Alliance (NDA) is looking at a re-election bid in a little over 12 months from now and also beginning to feel the pinch of anti-incumbency (as showed by the resounding defeat in three by-polls in Rajasthan on Thursday and the fact that the BJP escaped a similar fate in the recent Gujarat assembly elections). There was, therefore, clearly an urgent need to reset the narrative, which was not only degenerating into vicious political name-calling but also creating potentially explosive social circumstances. Safe to say that this year's budget speech has set the stage for the BJP to attempt a political makeover."

But what surprised everyone, including the opposition benches in Parliament, was Padmanabhan admires the political craft in the Finance Minister's speech. "Not only did Jaitley deliver a brisk and aggressive budget speech—his fifth and final one for a full budget—he was careful to structure it in such a way that the political message was more than apparent. The bulk of the 110-minute speech was devoted to addressing farm distress, the socially disenfran-

chised, affordable healthcare, improving education and encouraging the small-scale sector."

Stating that the budget would focus on addressing farm distress, enlarging coverage of healthcare and improving the quality of education, Jaitley said, "Now our government has taken 'Ease of Doing Business' further by stress on 'Ease of Living' for the common men (and women) of this country, especially for those belonging to poor and middle class of the society." Very likely this will be the catchphrase of Candidate Modi in the upcoming electoral battles.

To address distress in the farm sector, which employs one in two people in the country's workforce, Jaitley announced a hefty increase in the minimum support price (MSP) for the upcoming Kharif (crop sown in early summer for harvesting in the autumn) crop season and at the same time extended this price guarantee to all crops—at the moment it is restricted to select crops such as wheat and rice.

Accordingly, Jaitley announced an extremely ambitious health insurance scheme (Modicare) that will cover 100 million families living in poverty for up to Rs5 lakh, effectively looking to bring 500 million people under its purview. This can be a game changer.

Many existing schemes targeting the poor such as Ujjwala (providing clean cooking fuel), providing subsidized cooking gas; Saubhagya, enabling free electricity connections to poor households; and Jan Aushadhi Kendra, providing affordable medicines, got a big push in the budget. The strategy is to make basic development affordable and accessible—thereby creating 'Ease of Living', a tangible metric that can be showcased electorally.

Jaitley also went to great lengths to establish the Modi government's intent on job creation. Not only did he claim from an independent study that 7 million jobs would be created in the formal economy this year, Jaitley incentivised employers by promising to absorb the share of provident fund contribution of new employees for three years. Tax concessions were given to the small-scale sector, which the FM termed

a "major engine of growth and employment".

POLITICAL TAKEAWAY: PRO-POOR, PRO-FARMER, PRO-SMALL ENTERPRISE NARRATIVE

The above emphasis was obvious with elections due at the end of the year in BJP-ruled Madhya Pradesh, Rajasthan and Chhattisgarh and two of these States having seen very aggressive farmers' agitation on remunerative prices.

The other political takeaway of the budget, according to Nistula Hebbar (Editor-Politics in National Bureau of The Hindu), "was the long term programme of the BJP to move away from being an upper caste, upper class party to usurping what till now was termed the Congress and socialist parties' vote bank of the rural and urban poor.

"The announcement of a health insurance scheme for 10 crore households of up to 25 lakh has the capacity to spawn a huge narrative of inclusion from a government taking forward from programmes such as the subsidised LPG scheme and Ujjwala (providing clean cooking fuel)."

The cut in corporate tax rates for small and medium enterprises to 25% , covering all but 7,000 businesses in the country, according to Hebbar "is the third aspect of this narrative.....The small scale entrepreneur, who has a great capacity to create jobs, is being given a tax break. In this pro-poor, pro-farmer, pro-small enterprise narrative an interesting highlight is the restitution of long term capital gains tax. The government and the ruling party appears keen to project that not only does it care for the farmers and the poor, it is also not shy of taxing the rich, especially on its speculative income on the bourses."

BUDGET ACKNOWLEDGES THE GOVERNMENT'S NERVOUSNESS

Taking a look at the bigger picture, Pratap Bhanu Mehta (vice-chancellor, Ashoka University) writes that the budget tries to navigate three tensions. "The first is the rural-urban tension. This budget is a

KAZAKHSTAN FEATURE

UN SECURITY COUNCIL DEBATE FOCUSES ON REGIONAL PARTNERSHIPS IN CENTRAL ASIA

In a first for both the U.N. Security Council and the Central Asian region, Foreign Minister Kairat Abdrakhmanov presided over a meeting of the council devoted to “Building Regional Partnership in Afghanistan and Central Asia as a Model to Link Security and Development.” The day’s programme featured a briefing by Secretary-General Antonio Guterres, statements by all five Central Asia Republics, and by various other regional powers. Conducted at the ministerial level by invitation of the Kazakh presidency, the meeting also had the presence of several foreign ministers, including Sergey Lavrov of the Russian Federation.

The day’s programme was organised as an open debate, to be followed by a UNSC presidential statement. It stressed the importance of the U.N.’s Regional Centre for Preventive Diplomacy in Central Asia (UNRCCA), as well as its Assistance Mission in Afghanistan (UNAMA). Kazakhstan had circulated a concept note for the debate in December, which particularly emphasised regional integration, terrorism and economic development. During the negotiations over the statement text, the U.K. and the Netherlands added language about the upcoming parliamentary and presidential elections, to be held this year and next, respectively. During the debate, all 15 council members spoke, as well as the European Union and all four Central Asian states.

Secretary-General Antonio Guterres, who always speaks first, presented his report on the subject. On this occasion, he noted that the Central Asian countries had an important development role, particu-

larly regarding the 2030 Agenda for Sustainable Development. He said that trade in these “Silk Road countries” (referring to the old trade route to China), had fallen in the nearly three decades since independence. Obviously, however, Afghanistan’s fight against violent extremism was of great concern to the entire region. This has given rise to the U.N.’s Global Counter-Terrorism Strategy and its application in Central Asia.

Speaking first among council members, Abdrakhmanov told of Kazakh President Nursultan Nazarbayev’s vision: to create in Central Asia a zone of peace, security and cooperation. He said that the peace process for Afghanistan must be an Afghan-led and Afghan-owned one and lauded U.S., Russian and Chinese efforts toward that goal. Kazakhstan, he said, has an obvious interest in Afghan peace, since it is a regional neighbour. The Afghan peace process should be based on three pillars: 1) The security/development nexus, 2) Regional cooperation and 3) Coordinated efforts, led by agencies of the United Nations.

Several other council members added their perspectives on this vital regional issue. Kuwait emphasised the important role of neighbouring states and highlighted the critical role of preventive diplomacy. Poland stressed the importance of investments to build prosperity and stability and noted with alarm the repeated violence in Afghan cities. It lauded the work of UNAMA, and emphasised the importance of democracy, the rule of law and human rights.

Each of the other four Central Asian republics contributed its perspective, in turn. Abdulaziz Kamilov of Uzbekistan said there must be an organised Afghan reconciliation

process. To that end, his country was organising a conference on Afghanistan in late March. Kyrgyzstan Foreign Minister Erlan Abdylayev said that only political means held promise for a solution in Afghanistan, but saw no recent progress toward that goal, due in large part to a “lack of political confidence.” And he felt it was vital that the Central Asian states become involved. Tajik Foreign Minister Sirodjidin Aslov noted that Tajikistan shares a border with Afghanistan, which gave his country a larger vital interest in events and developments there. And he emphasised the vital importance of improving the country’s education system. And finally, Aksoltan Ataeva, Turkmenistan’s permanent representative to the UN, pointed to her country’s extensive peace-building experience, and particularly lauded the efforts and actions of the United Nations Center for Regional Preventive Diplomacy for Central Asia (UNRCCA).

In the end, the council produced a Presidential Statement on Afghanistan and the wider Central Asia region. It repeated that there can be no purely military solution in Afghanistan and praised ongoing international efforts at the country’s stability. It expressed concern at security threats from Da’esh and Al Qaida, and emphasised the need for “regional, interregional and international cooperation.” It stressed the importance of involving women in all decision-making. And it particularly noted and lauded the efforts at cooperation and integration of the Central Asian states.

These efforts may well hold out some hope for Afghanistan’s future.

belated recognition on the government’s part that its framework for economic development had severe limitations..... the agrarian crisis was in part a product of government policy: Demonetisation, monetary conditions, commitment to low food prices, and agriculture trade policy all adversely affected farmers. So, a correction was long overdue. After the close call in Gujarat, it would be the height of political obtuseness to not respond to this political imperative.....But it is striking that in agriculture, a government in its fourth year

in office is banking on promise rather than achievement.”

The second tension, writes Mehta “is the one between public and private, especially in the social sector. Both in health and education, the government is making architectural changes without inspiring confidence that the institutional designs are better than the old ones. For instance, in higher education, funding IITs through soft loans via the Higher Education Funding Agency (HEFA) and project-based financing rather than grants, is misguided. Much

of the investment promised so far has not materialised....”

Mehta however, supports the “aspiration behind the health insurance scheme to cover 10 crore families for up to Rs 5 lakh a year is admirable. It is an extraordinary gesture and one hopes something like this succeeds. It also testifies to Narendra Modi’s capacity for thinking of big schemes that can change the narrative.....The good thing is that health is now becoming a political imperative.....”

The third tension is between Davos

Man and Make in India. Make in India has, to put it mildly, been a non-starter. In some ways, this budget is an acknowledgement of the tension between the loud commitment to openness and the hard realities of industrial policy. For the first time, we are beginning to reverse commitments to lowering customs duties. We officially signalled a minor reversal in globalisation. And we also potentially signalled a new political economy of customs and tariffs, where there will now be constant jostling over which sectors get these concessions. So Davos Man will finally be returning to our pre-1991 roots. Some may argue this is not all bad, but it is a wake-up call that we have clear choices to make.”

But the biggest disappointment in the budget is incentivising private investment. “It should be a sobering call that even after four years of this government, there is more the feel of a crisis budget, than a new vision boldly taken forward. The budget proves if you try to be all things to all people, at some point reality will come back to bite.

“It is sobering that the budget recognises that. But it is not entirely reassuring that it is still bluffing its way out on the three tensions — rural vs urban, public vs private, and global vs Indian. It has no coherent framework around any of them.”

The most credible thing about the budget, says Mehta “was the government acknowledging its own nervousness.” The Rajasthan by-elections, in a small way, have already signalled the possibility of a churn in 2018.

DELIVERY OF PROMISES WILL BE THE KEY TO 2019

According to the Hindu, populism seems to have gained an upper hand over fiscal prudence in. But for the budget to get political mileage in the forthcoming 8 assembly elections this year and the general elections 2019, the populist measures would need to be backed by good delivery.

The Hindu feels that the constraints to implementing the ameliorative measures would be resource constraints that have forced the Finance Minister “to rely significantly on extra-budgetary resources

and external agencies to give life to many proposals. If they fail to materialise, it can lead to a gap between promise and delivery.”

Giving the example of agriculture, the paper states “after asserting that minimum support prices (MSPs) should cover all crops and assure farmers 1.5 times their production cost, food subsidy allocations for FY19 have been upped by a relatively modest ₹29,041 crore. A ‘fool-proof’ mechanism has been mooted to avoid market prices falling below MSPs, but it is left to the Niti Aayog to work out the modalities. Setting up farmers’ markets is similarly a great idea to free small farmers from the tyranny of Agricultural Produce Market Committees (APMCs), but the project gets a mere ₹2,000-crore allocation.”

The ambitious rural package, writes the paper “brings in free gas connections to three crore new households, free electricity connections to four crore homes, two crore new toilets under the Swachh Bharat Mission (clean India), higher micro-irrigation coverage, and so on. But of the massive outlay of ₹14.34 lakh crore required to bankroll these grandiose plans, as much as ₹11.98 lakh crore is expected to be met from extra-budgetary resources.

“A similar template has been used in social sector schemes. The National Health Protection Scheme, to provide a ₹5 lakh health cover to 10 crore households, is a much-needed social security intervention to benefit poor households that rely overwhelmingly on private health care. But there is little clarity on modalities. The entire clutch of proposals on improving learning outcomes, providing universal health coverage and alleviating the lot of minorities and girl children is expected to be funded through a mere ₹16,000-crore increase in allocations to ₹1.38 lakh crore.”

While being liberal in its announcements for rural India, the Budget has largely ignored the middle class and the corporate sector. The middle classes have been traditional supporters of the BJP but over the years, they have been frustrated with the party. They constitute a sizeable vote bank that can impact the BJP negatively in 2019.

THE GOVERNMENT HAS RUN OUT OF STEAM

There is no quarrel that the thrust of finance minister Arun Jaitley’s fifth Budget was on agriculture and the rural economy. This may be a populist measure in an election year but the truth, according to Parsa Venkateshwar Rao Jr (Delhi-based commentator and analyst) “is that Prime Minister Narendra Modi’s government, which had indulged in policy fireworks in the first two years, seems to have run out of steam. The Make in India, Start-Up India, Digital India and Skill India programmes seem to have fallen by the wayside. This is reflected in the subdued suggestion in the Budget speech about formulating an indigenous defence production policy, and this at the end of four years in office and for a party that prides itself on a hawkish stance in matters of security. There is silence on modernising the armed forces and procuring arms to meet the new challenges. There was no reference to manufacturing in the Budget speech, and a passing reference to the services sector being the mainstay of economic growth.”

The focus was on agriculture is in sharp contrast to the first year of the government when “there was much bravado on the part of the BJP and its leaders of moving people away from agriculture. One of the reasons the Modi government wanted to amend the land acquisition bill was to make it easier for others to acquire land for non-agricultural purposes as farmers were not interested in being farmers. That initial enthusiasm of moving away from agriculture seems to have abated in the ruling party.”

The problem is that even “manufacturing has failed to take off, and as observed in the Economic Survey 2017-18, it’s not able to cope with global competitiveness, apart from issues of the appreciation of the exchange rate, which affects exports. The raising of customs duties on iPhone parts and television parts is a weak gesture to protect and encourage domestic manufacturers, and give fillip to Make in India.”

Rao notes that “in 2014 Prime Minister Modi exuded confidence about transforming the country and its economy. The irrational exuberance of the government on its

ability to change and guide the economy has died down. Even the zeal for reforms is not what it was earlier. It's not the fault of the Modi establishment that it has not been able to break the barriers to growth. It underestimated the complexities involved in an economy of a giant of a country like India."

It would be matter of subsequent debate whether the fine-tuning of policies would have an election impact.

MUCH TO APPLAUD

But it is not all criticism of the budget. Experts realise there is much to applaud in the Budget. "Possibly the most significant steps taken are the plan to have 150,000 health centres at an investment of Rs 1,200 crore and the provision of an annual health insurance cover of Rs 5 lakh per family to 100 million of India's poorest and most vulnerable families."

These are significant initiatives writes the Statesman. "The guarantee of a Minimum Support Price (MSP) that is at least 1.5 times the cost of agricultural input, coupled with the ambitious plan to augment storage and processing of agricultural production, are targeted at reducing agricultural distress."

These steps are being projected as pre-election sops by some. But if the politics of the budget is kept aside, they are welcome steps just as the thrust on regional air connectivity, the decision to renew 36,000 km of rail track and the push to the infrastructure sector.

B K Chaturvedi, former Cabinet Secretary sums up the budget correctly; "All in all, a populist Budget, but with some good initiatives."



BUDGET SESSION: PRESIDENT'S ADDRESS TO PARLIAMENT

In his first address to Parliament, President Ram Nath Kovind Monday marked the beginning of the Budget session by making a strong pitch for simultaneous elections to the Lok Sabha and state assemblies, while expressing hope that the triple talaq (instant divorce) Bill would be

passed this time. Kovind's remarks echoed Prime Minister Modi's comments outside Parliament, where he issued an appeal to political parties to "join hands" in passing the Bill so that "Muslim women will get their rights". Later, Modi advocated simultaneous polls during a meeting of NDA allies.

In his address, Kovind said: "Citizens alive to the state of governance in the country are concerned about the frequent elections in one part of the country or another, which adversely impact the economy and development. Therefore, a sustained debate is required on the subject of simultaneous elections and all political parties need to arrive at a consensus on this issue."

Regarding triple talaq, the President said: "For decades, the dignity of Muslim women has remained captive to political cost-benefit. Now the nation has an opportunity to emancipate them from this situation. My government has tabled a Bill on triple talaq in Parliament. I hope that the Parliament will soon pass it into a law. The law on triple talaq, once enacted, will also enable Muslim sisters and daughters to live a life of self-respect with courage."

The Muslim Women (Protection of Rights on Marriage) Bill, 2017 was passed by the Lok Sabha last month. It makes instant triple talaq a criminal offence carrying a three-year jail term for a Muslim man who divorces his wife by uttering the word "talaq" thrice including in written or electronic form. However, it could not be passed in the Rajya Sabha due to a deadlock over the Opposition demand that it be referred to a select committee.

In his address, Kovind also highlighted the key themes underlined by the government, including the push for a "new India", "empowerment and not appeasement" and the economic growth trajectory.



AGRARIAN DISTRESS: CSDS MOOD OF THE NATION SURVEY, 2018

The main findings of the Lokniti-CSDS survey on farmers' issues are as follows:

Low prices of crops: One in every four farmer respondents across all regions of the country said low prices of crops was their most pressing problem. Only a little over a third of all farmers (37%) reported satisfaction with the rates of crops set by the government — nearly three farmers out of every five (58%), on the other hand, reported significant levels of dissatisfaction with the rates. Only 27% of farmers said they sold their produce to the government purchase centre; nearly double that percentage — or half of all farmers — said they sold it to middlemen.

Which party is farmer friendly: A majority (53%) of farmers said prime minister Modi's government had done a poor job in addressing their concerns. However, the percentage of farmers who said the central government had done a good job was not insignificant either (41%). Interestingly an equal percentage of farmers across the country identified the BJP and the Congress as the party that takes care of farmers the most (22% each). However, an exactly equal percentage of farmers said that no party, in fact, took care of their interests, a finding that was in sync with the larger narrative of widespread disenchantment and unhappiness within the farming community.

Farming as a livelihood: The agrarian distress was underlined by the finding that as many as 64% of farmers would like to leave agriculture and move to a city if they were offered a job there. This percentage was slightly higher than the 62% that a State of Indian Farmers Survey reported in 2013 for the same question. However, the big difference from the 2013 survey was that as many as 60% of farmer respondents in the current survey said they would not like their children to take up farming as the source of livelihood — this was only 36% in 2013.

Deprivation - hunger, undernutrition: Despite relatively high levels of economic growth in the last two decades, India continues to suffer from hunger, undernutrition and lack of access to medical treatment when needed. The data show that in the last one year, due to financial constraints or lack of resources, about one in every 10 Indians was forced to cut down on a food

item or two in their meals “often”, and 8% of Indians were often unable to buy medicines or seek medical treatment. Every 25th Indian (4%) often went without eating for the entire day.

Combining the categories of ‘often’, ‘sometimes’, and ‘rarely’ into ‘having happened’, the survey found that every second person (52%) had consumed less than their usual intake on at least one occasion during the last one year due to financial constraints. Over two-fifths (43%) did not buy medicine when needed at least once, over a third (36%) had skipped a meal at least once, and more than a quarter (28%) had gone without eating the whole day at least once.

The marginalised communities are especially susceptible to this kind of hardship. Nearly two out of three Dalits had to cut an item in their meal at least once during the last year, and about two in five Dalits, lower OBCs and Adivasis were forced to skip a full meal at least once. Almost half of all Dalits, Adivasis (tribals), and Muslims were not able to buy medicines due to shortage of money at least once. These figures are worse among the poorest in all these communities.

Chhattisgarh, Madhya Pradesh, Rajasthan, Uttar Pradesh and Tamil Nadu reported above national average deprivation. In Jharkhand and Chhattisgarh, 55% of respondents reported not eating the whole day at least once due to financial constraints. Medical deprivation was the highest in Odisha — 64% reported that at least once in the last year they had been unable to buy medicines or seek medical treatment when needed.

Written by Ananya Singh, Ankita Barthwal, Asmita Aasaavari, Sanjay Kumar, Shreyas Sardesai (The authors are with Lokniti-CSDS)



RAJASTHAN BYE-ELECTIONS: TROUBLE FOR BJP AS CONGRESS WINS ALL

The BJP Rajasthan lost all three — two Lok Sabha and one Vidhan Sabha — seats

to Congress in the recently-held bypolls. The results, which come ahead of Rajasthan polls due later this year, should be disappointing for Chief Minister Vasundhara Raje and for the BJP in particular.

The assessment is that the farmer agitation, incidents of cow vigilantism, the recent controversy surrounding the Bollywood movie Padmavat, the High Court stay on Gujjar reservation Bill and controversy over an Ordinance that prohibited probe against public servants without sanction, did the damage.

Farm distress is obviously high on the list of public grievances. In September last year, BJP announced farm loan waiver up to Rs 50,000 after a 13-day farmer agitation, but has not acted upon it. Businessmen and traders have also complained that GST and demonetisation hit their businesses.

The bypolls were held in a total of 17 assembly segments — Alwar and Ajmer Lok Sabha constituencies include eight Vidhan Sabha (assembly) segments each, and the Mandalgarh Assembly seat. Together, they represent 8.5 per cent seats out of a total 200 Assembly seats. Hence, they were being termed “semi-finals” ahead of the upcoming Assembly polls later this year.

Moreover, Alwar is adjacent to Haryana, Ajmer in central Rajasthan, while Mandalgarh is near Madhya Pradesh border. So the results also indicate that the voter mood is largely similar across the state, and not just in pockets.

Prashant Jha, associate editor with Hindustan Times writes that the results are a warning signal for the BJP and a shot in the arm for the Congress. “The outcome will have implications for the morale and internal power equations in both parties. It will set the tone for the Rajasthan state assembly elections at the end of the year. It even offers some signs for the 2019 general elections.”

The Congress picked candidates smartly and did micro caste-management well. “But the margins indicate that Congress was able to win votes across different sections of society..... In Alwar, where the BJP had stepped up the communal rhetoric

in a bid to polarise the electorate, the Congress was careful in not getting into the ‘Hindu-Muslim trap’ and keeping the focus on development.”

The Rajasthan outcome according to Jha “shows to the Congress leadership that by backing a young and strong state leader, focusing on the failures of the government, smartly picking candidates, astutely managing caste, and avoiding the ‘communal trap’, it could potentially win back key states going to polls this year. Indian politics has opened up.”



UTTAR PRADESH: COMMUNAL VIOLENCE THREAT TO FREE SPEECH AND FUNDAMENTAL RIGHTS

The government of UP is struggling with communal violence after clashes in Kasgunj consequent to the killing of a Hindu on 26 January. Sections of the Hindu community had taken a procession raising the Indian flag in Muslim areas.

This prompted the District Magistrate of riot-hit Kasgunj (UP) in a Facebook post wrote about “fringe groups coming up in every part of the state, taking the same ugly route to instigate people of the minority community by forcefully entering their locality in the name of nationalism”.

In a separate incident, the police chief of Saharanpur in UP had accused a BJP MP of inciting a mob to vandalise his residence while his children and relatives cowered in terror.

Both bureaucrats have been taken to task. The Kasgunj DM was compelled to scrub his Facebook post; the police chief summarily transferred. Significantly, in two separate letters to the prime minister, retired senior bureaucrats have highlighted their concerns.

The Statesman writes “their missives have drawn a wider arc of the threats to free speech and other fundamental rights: vigilantism, crack down in universities, systematic trolling, hyper-nationalism and majoritarianism. In all cases of breakdown

of law and order, the mobs had no fear of 'inevitability of punishment'. The country has been spared a catastrophic conflagration so far. But the ordinary rules of society are breaking down once too often. Muslims, in particular, are being made to feel burdened by their identity."

The paper notes that "fringe Hindutva elements have not conjured out of thin air the confrontational approach of taking out processions through Muslim-populated localities and raising anti-Pakistan slogans. Narendra Modi-Amit Shah had not spared any state Assembly election from loaded references about Pakistan in order to project the Indian Muslim as the 'Other', as part of a polarising strategy. The mobs simply picked up from where they had left off..."



SUPREME COURT CRISIS: STALEMATE CONTINUES EVEN AS SC MAKES ITS JUDGES ROSTER PUBLIC

The Supreme Court for the first time, has made public its Judges Roster — a list that shows which judge hears what matter by subject — with Chief Justice of India Dipak Misra retaining all matters related to PILs (Public Interest Litigations).

The roster was posted on the Supreme Court's official website Thursday, nearly three weeks after its four most senior judges — Justices J Chelameswar, Ranjan Gogoi, Madan B Lokur and Kurian Joseph — went public with concerns over the conduct of the CJI, especially in the allocation of cases.

The website also posted the Collegium's unanimous decision on January 10 to recommend the elevation of Senior Advocate Indu Malhotra and Uttarakhand Chief Justice K M Joseph as Supreme Court judges.

Sources close to the four most senior judges described the move to make the roster public as an acknowledgement that "something was amiss" and a "moral victory" for their stance.

However, they said the substance of the solution proposed has done little to assuage

the concerns of the judges. The 13-page roster states it will be applicable only to fresh cases and will take effect from February 5, 2018, "till further orders". It lists the subject-wise allocation of cases to benches headed by various judges.

Earlier, on Wednesday the four senior judges had suggested the formation of a committee comprising those who would be CJIs in future, to suggest an institutional mechanism for marking cases. The latest allocation, according to the new roster, does not address that suggestion. Sources close to the judges said the central principle of challenging all power being focussed in one person — or the Chief Justice — is what had led to the proposal of involving all possible successors to the top position as part of a panel while taking any decisions.

The four senior judges had gone public with their concerns at an unprecedented press conference in New Delhi on January 12. Since then, the four and the CJI, who together form the Collegium, held a series of meetings to resolve the impasse, with no significant outcome. A scheduled meeting Wednesday did not take place.

At the previous meeting, held last fortnight, the moot point under discussion was a proposal from the Chief Justice that all five judges must come out together publicly and state that all issues were now being resolved. Source quoted by the Indian Express state that the four judges declined to do so until they saw visible and tangible progress on "issues" raised by them, and "as promised by the Chief Justice."

The four judges who raised concerns over the allocation of cases are learnt to have proposed the setting up of a committee comprising judges who would be Chief Justices in the future to suggest an institutional mechanism for marking of cases as per the Roster that would be notified by the SC Registry. As of now, the SC Roster is not known to the public. Making it public has been one of the demands of the Supreme Court Bar Association (SCBA) too.

They also want the CJI to communicate the setting up of the committee to the public. Once the suggestions are finalised, the same should be uploaded to the court's

official webpage, so that procedure would be known to all and, in turn, boost transparency.

The CJI has not responded to the suggestions.

The Chief Justice has been asserting his rights as 'master of the roster', but in a series of instances, the four Judges had pointed out in their letter written to him two and a half months ago, which they made public, the rostering of cases was such as to not inspire confidence in the system being fair, transparent or just.

CONGRESS CONSIDERING IMPEACHMENT PROCEEDINGS

Meanwhile, the Congress said it was discussing with other parties a proposal by the CPI(M) to bring an impeachment motion against Chief Justice of India Dipak Misra as it raised fresh allegations regarding the death of Special CBI Judge Brijmohan Loya in December 2014 and attempted to link two more deaths to the case.

"As far as impeachment is concerned, the matter is serious. Leaders of the Left parties have spoken to us. We are also talk-

JUDICIAL IMPROPRIETY BY A HIGH COURT JUDGE

With an in-house committee concluding that a judge of the Allahabad High Court had committed judicial impropriety serious enough to warrant his removal, the subject of corruption in the higher judiciary is in the news. Justice Shri Narayan Shukla had come under adverse notice before a Supreme Court Bench headed by Chief Justice of India Dipak Misra last year. The Bench had found he had violated a restraining order from the apex court by allowing the GCRG Memorial Trust, Lucknow, to admit students. The Supreme Court observed that the Bench headed by Justice Shukla had violated judicial propriety. The CJI formed a three-member committee to examine his conduct. The committee has now found substance in the allegations and that the judge had deviated from the "values of judicial life". Source: The Hindu

ing to others. Such decisions cannot be taken in a hurry,” said senior Congress leader Kapil Sibal. Most legal experts in the Congress, however, are of the view that the party should exercise caution and not rush to back a motion seeking impeachment of the CJJ.

Sibal said that Nagpur-based lawyer Satish Uke had met him in July 2017 and told him that Loya had reached out to him in October 2014. Loya died on December 1, 2014 while hearing the Sohrabuddin Sheikh encounter case.



JAMMU AND KASHMIR SHOPIAN CIVILIAN KILLINGS: POLICE COMPLAINT AGAINST ARMY

In what may be construed as differences between the ruling PDP and BJP coalition government, the BJP Monday demanded the withdrawal of FIR (First Information Report) registered against army men including a Major in connection with the killing of three civilians in South Kashmir’s Shopian district.

Jammu and Kashmir Chief Minister Mehbooba Mufti meanwhile assured the Legislative Assembly that the probe ordered into the killing of civilians at Shopian two days ago would be taken to logical conclusion.

The Army has filed a counter FIR in the case and has claimed that the firing took place in self-defence after seven of its personnel were injured in the mob attack. A junior level officer fell unconscious following the mob attack, according to Army.

Earlier, winding up the discussion on an Adjournment Motion on these killings in the House, the Chief Minister said nobody countenances such killings which only impairs and slow down the political process in the State. She said an FIR was lodged against the guilty immediately after the incident took place, and the Deputy Commissioner, Shopian was ordered to conduct a magisterial probe and come up with its report within 15 days.

Mehbooba Mufti said she shared her anguish with Defence Minister, Nirmala Sitharaman. She said Army as an institution has done a great job but the grace of an institution only enhances once the black sheep within are identified and weeded out.

Sharing the concern of the House over the civilian killings, the Chief Minister said the entire State is anguished over the killings, which she said, have the potential to impair the political process in the State. Incidents like Shopian remind us that we cannot afford confrontation at any level and there is an urgent need to engage in a meaningful dialogue at all levels, she said, adding that there is no alternative to dialogue within the State and between India and Pakistan because it is the people of Jammu & Kashmir who are facing the brunt of this acrimony and paying in terms of human and material losses.

BJP against revocation of AFSPA in J-K: In a related development, the BJP turned down the demand for revocation of the Armed Forces Special Powers Act (AFSPA) from Kashmir because of the Shopian incident. It described the demand as a “politically motivated” rhetoric.

Brigadier (Retired) Anil Gupta, spokesman of the BJP, said that the demand to revoke AFSPA is politically motivated and not based on ground realities. Revoking or partial removal of AFSPA will be detrimental to return of normalcy and peace in trouble torn Kashmir.

The Shopian incident was pre-planned by forces inimical to return of peace and grass root democracy and hence opposed to holding of Panchayat elections next month, Gupta said. Gupta asked, who gathered 200-300 stone pelters to gherao (surround) an Army convoy transiting through the area, and alleged that the Hurriyat at the behest of its Pakistan-based bosses is back to its dirty games.

PDP AND BJP SPARRING OVER THE ROLE OF THE ARMY

The fact however according to the Tribune is that the Shopian killings “is a chilling reminder that the situation in the Valley remains fragile and volatile. It has

outraged Kashmir and given a chance to the erratic and vengeful men to instigate anger and venom against the Army. The unfortunate incident, however, proves that security forces’ “Operation All-Out” against militants has worked in reverse in its objective of distancing militants and public. The people’s anger is manifested; the Kashmiri political parties have already pronounced the Army guilty. The Army’s version is not even being talked about.

“Politically, the claim that the release of over 9,000 stone-throwers helped stabilise the situation, too, has proved untenable. There is no end to anger against the political executive, too, despite the PDP positioning itself as the champion of justice for the civilians killed in the Army firing. Gen Bipin Rawat’s statement that there can be “no rethink” on the Armed Forces Special Powers Act at this stage was not absolutely necessary. This statement has given a handle to the Kashmiri political groups that already have launched a no-holds-barred tirade against the Army. This can complicate the situation as that can lay the ground for more such unfortunate incidents. The nurseries of disaffection are bound to flourish.”

With the coalition partners, the PDP and the BJP, sparring over the role of the Army, the Tribune writes “this is a bad omen for this terrorism-hit border state....”

BRING BACK THE HEALING TOUCH

No wonder, Kamal Davar (Former chief of Defence Intelligence Agency; Ex-GOC Ladakh & chief of staff of Corps HQ) writes that “the initiative to restore the overall the vexed Kashmir problem will have to be taken at the level of Prime Minister Modi himself. The PM must visit J&K soonest possible and announce a major economic and doable political package for the state....”

“The security establishment will have to rework the deployment structure in the security grid. Army troops must avoid operations in the hinterland, unless vitally warranted. The J&K police, doing otherwise a brave job under the circumstances, must be given better arms,

equipment and night vision devices to combat the insurgents. Its coordination with the paramilitary needs further refinement. Overall, the intelligence apparatus needs to be further re-energised at the ground level by enhancing its penetrative abilities whilst also eliminating illegal funding channels of the terrorists. The Army has a proud human rights record and it carries out its onerous responsibility with a sense of compassion and balance. However, it must continue with its endeavours to get the locals on its side — an imperative in combating foreign sponsored insurgency....”



COMMENT

HOW CAN A SOLDIER BE A 'MURDERER' FOR PERFORMING HIS DUTY?

Brig Anil Gupta (ret'd)

The incident at Shopian and its fallout has again foregrounded the question of local politics taking precedence over the freedom of security forces, particularly the Army, to conduct anti-terrorist operations in Kashmir.

With the situation improving in the Valley after successful conduct of "Operation All Out" by the security forces, the government was preparing to hold local body (panchayat) elections. The Hurriyat and their handlers in Pakistan sensed a return of peace and grassroots democracy in the trouble-torn state, which threatened failure of their agenda to continue their so-called freedom struggle.

The successful conduct of the Republic Day Parade on 26 January, despite the Hurriyat and terrorists' call for a boycott, sent shock waves across the separatist camp and their mentors. It became vital for the anti-national forces to derail the election process and place security forces on the back foot.

South Kashmir - a den of terrorism and the turf of the Jamaat- was chosen as the venue. The players were available from the recently released stone-pelters - beneficiaries

of the amnesty scheme offered by Chief Minister Mehbooba Mufti. Stone-pelters with radicalised minds were allowed to join the mainstream without any effort to de-radicalise them or enhance their skills.

A convoy of an army unit transiting through the Shopian area was ambushed by 100-200 stone pelters and subjected to heavy stone throwing. The mob soon grew to near 300, resulting in grievous injury to a Junior Commissioned Officer (JCO) leading the convoy and injuries to 7-8 other soldiers. The mob also attempted to set the vehicles on fire. The troops reacted in self-defence, resulting in the death of two stone-pelters. The conspirators aimed to demand postponement of panchayat elections and malign the Army.

Non-condemnation of the stone pelters and the violence perpetrated by them even by the state's chief minister was astonishing. The Shopian incident was a pre-planned act planned and executed by forces inimical to return of peace and grassroots democracy. Kashmir's political leadership, irrespective of their parties, lost no time in converting it into a political issue and continued their tirade against the Indian Army which is operating against many odds in the Valley.

Kashmiri leaders are blaming the Army and not the stone throwers, without the benefit of a proper inquiry. The Hurriyat even gave a call for a Kashmir Bandh (closure). The demand to revoke AFSPA (Armed Forces Special Powers Act) grew louder. The demand is politically motivated and far from ground realities. The Chief of Army Staff has set to rest such demands and said "time has not come to re-think on AFSPA."

The Army cannot operate in a hostile environment with hands tied to its back. In the past two decades whenever the terrorists are under pressure, suffer huge losses and are driven on the back foot, their sympathisers seek the removal of AFSPA, to put pressure on the Armed Forces.

A FIR has been launched against the unit. The Supreme Court had ruled a year ago that lodging of FIR would be mandatory in case of loss of civilian lives resulting from Army operations. An officer

named in the FIR was not even present on the scene! The FIR has been lodged for 'murder' and 'attempt to murder'! It is ironic that those who fired in self-defence, according to the law of the nation, are being charged for murder.

How can soldiers be murderers? What message is the police trying to convey or is it acting at the behest of the political masters? It would be dangerous and harmful for national security and would encourage separatists. The statement that such FIRs do not affect the soldiers' morale is as flawed as the policy of amnesty to stone pelters and Mehbooba Mufti needs to revisit both soon, before they become dangerous.

A mid-course review is needed by the Home Ministry to examine if the government has conceded too much in too short a time in an effort to find a long-lasting solution to the trouble in Kashmir. To get the Hurriyat to talk to the government's Special Representative, one hopes that the noose tightened by the NIA is not loosened!

It is the responsibility of the executive to ensure that the morale of soldiers is not affected by judicial activism. The security forces need to be provided a level playing field while combating cross-border jihadi ideological terror. If required, the government should bring in legislation giving soldiers immunity from FIRs while performing bona fide military duty in anti-terror operations.

There is a difference between a civilian at home and a civilian who forms part of a stone-pelting mob and tries to lynch soldiers on duty or set on fire government property.

A leaf can be drawn from the UK which has acted to exempt its troops from human rights convention. Prime Minister Theresa May announced that human rights laws will be suspended on the battlefield after Britain pulled out of European Union human rights conventions. Accordingly, British soldiers will not be accountable for human rights abuses during conflicts and lawyers cannot sue soldiers with "vexatious" claims.

A soldier is taught ‘to do what you are supposed to do – your duty- and leave the rest.’ A soldier’s ‘dharma’ (duty) is to kill the enemy and win. How can he be termed a ‘murderer’ when he is performing his duty of defending his colleagues from stone-pelting hooligans?

(The author is a Jammu-based strategic analyst.)

In arrangement with South Asia Monitor



NORTH EAST NAGALAND ASSEMBLY ELECTION: STATE BJP IN A BIND

The Nagaland unit of the BJP has a predicament. There is pressure on it not to participate in the February 27 polls in contrast to the party decision to contest despite the call for a “solution before elections”.

The state BJP unit has refrained from issuing party tickets apparently under pressure from insurgent outfits that are in peace talks with the Government of India and civil society organisations.

Earlier Monday state BJP leaders were called for a meeting by the working committee of the Naga National Political Groups (NNPGs) — a conglomeration of six insurgent groups — who “urged” the Nagaland BJP to adhere by the declaration signed by all political parties on Monday to not participate in the election process “in the larger interest of the Naga people.”

To make matters worse.



BRIEFS ‘INDUS SCRIPT WAS WRITTEN FROM RIGHT TO LEFT’

Two scientists working at The Institute of Mathematical Sciences, Chennai, (IMSc) have figured out a way to

computationally estimate whether a language is written from left to right or otherwise. Most interestingly, they have studied the Indus script and calculated that it must flow from right to left.

“Professor Iravatham Mahadevan [the well-known Indus scholar] was one of the experts who had figured out that the Indus script ran from right to left by observing how the writing got a little cramped as it ran towards the left — suggesting that the writer started writing at the right end and ended up running out of space as he or she reached the left end,” says Sitabhra Sinha of IMSc, one of the scientist who carried out the study. “In a workshop at Roja Muthiah Research library, he asked the audience whether it was possible to come up with a mathematically rigorous technique to infer the ‘handedness’ of a script — that is, to deduce whether the script was written from left to right or right to left,” adds Sinha. This question set Mohammed Ashraf, a research scholar with B.S. Abdur Rahman University, Chennai, thinking and led him to this collaboration and discovery.

We know intuitively that in a language, some words are used more often than others. Similarly, some letters of the alphabet occur more at the start of words and others are more common at the end of words. The variation faced by different letters may be measured using two independent statistical indices — the Gini index and Shannon’s entropy. Sinha and Ashraf have established that there is a difference between these measures when calculated for the first letter and the last letter. This difference between start and end of a word makes it possible for them to identify whether the word is written from left to right or the other way around.

In most of 24 languages studied, including Arabic, Chinese, Korean, and Sumerian, the duo was able to match their results and predict using their computation alone whether the words in that language were written left to right or otherwise. In the hitherto undeciphered Indus script also, they predict that the words are written from right to left.



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Its Nature, Chinese Motives And Lessons Learnt



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

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13	UNION BUDGET 2018-19 : DEFENCE BUDGET INCREASED, BUT STILL LESS THAN 2% OF GDP
14	ARMY : HOME MINISTRY ALLOTS ₹370 CRORE TO STRENGTHEN BORDER INFRASTRUCTURE
16	NAVY : 3RD SCORPENE-CLASS SUBMARINE 'KARANJ' LAUNCHED
16	AIR FORCE : LIGHT CHOPPER FLEW WITH OWN FLIGHT CONTROL FOR THE FIRST TIME
17	DEFENCE PRODUCTION : INDIA NEEDS TO BE SELF-SUFFICIENT IN WEAPONRY
18	JAMMU AND KASHMIR : ARMY FILES COUNTER FIR IN SHOPIAN FIRING
18	INDIA-SEYCHELLES:INDIA SIGNS CRUCIAL DEAL WITH SEYCHELLES ON INDO-PACIFIC COOPERATION
18	COMMENT : INDIA NEEDS TO BRING MORE INNOVATION, INDIGENISATION IN NATIONAL SECURITY MATRIX
19	COMMENT : INDIA'S MISSILE ARSENAL - AN OVERVIEW
20	COMMENT : ARTIFICIAL INTELLIGENCE IN MILITARY OPERATIONS: TECHNOLOGY, ETHICS AND THE INDIAN PERSPECTIVE

UNION BUDGET 2018-19

DEFENCE BUDGET INCREASED, BUT STILL LESS THAN 2% OF GDP

The allocation for the Indian Defence Ministry in the Union Budget 2018-19 stands at Rs 2,95,511 crore, an increase of a little less than six percent over the Revised Estimate of last year. This is around 1.59 percent of India's Gross Domestic Product (GDP). Experts have in the past suggested that the Defence Budget should be at least 2.5 percent of the GDP.

Finance Minister Arun Jaitley on Feb 1 also announced that two defence production corridors will be developed in the country, and a new Defence Production Policy will be formulated to promote defence manufacturing in the domestic sector.

He said that the development of border infrastructure is a priority, and announced that a new tunnel will be built under the Sela Pass in Arunachal Pradesh, in an area that China claims as its territory.

A Defence Ministry statement said the Defence Budget accounts for 12.10 percent of the total central government expenditure for 2018-19, which is Rs 24,42,213 crore.

The allocation for Defence for 2018-19 is 7.81 percent -- up from the Budget Estimate of Rs 2,74,114 crore in 2017-18, and 5.91 percent over the Revised Estimate of Rs 2,79,003 crore.

The Budget Estimate for any Ministry or scheme is the amount allocated to it in the Budget papers for the following year.



In the 2018-19 Union Budget, the amount of Rs 2.95 lakh crore works out to around 1.58% of India's Gross Domestic Product

The Revised Estimates are later-year estimates.

The allocation under the head of Revenue Expenditure, which includes expenditure on pay and allowances and other regular expenses, was as much as Rs 1,95,947.55 crore.

In contrast, the Capital Outlay, which includes expenditure related to the modernisation of the forces, was Rs 99,563.86 crore, almost half of the Revenue Expenditure. However, this is 33.1 percent of the total central government expenditure on Capital Account, which is Rs 3,00,441 crore.

The Capital Outlay for the Army is Rs 26,688.42 crore, for Navy Rs 20,848 crore and for Air Force Rs 35,755 crore.

Two defence industrial production corridors: The Finance Minister, meanwhile, said that the government has

"opened up private investment in defence production, including liberalising foreign direct investment", and announced the development of "two defence industrial production corridors in the country".

While Jaitley did not mention where the corridor will be set up, Defence Minister Nirmala Sitharaman, in a statement, hinted it would be in Tamil Nadu. The Minister said the Department of Defence Production had conducted a major Defence Industries Development Meet in Chennai in January 2018 with huge participation from defence industries, including MSME from Chennai, Mysore, Coimbatore, Salem, Tiruchirappalli, and from other states as well.

The Minister added that the announcement has "paved the way for setting up the first Defence Production Corridor in Tamil Nadu".

She welcomed the measure and said: "These are the first ever Defence Production Corridors being set up in the country. These corridors will give a big boost to defence production in the country."

Jaitley also announced that an underpass would be built under the Sela Pass in Arunachal Pradesh, a high-altitude mountain pass on the border between Tawang and West Kameng districts, an area China claims to be a part of southern Tibet. "To secure India's defences, we are developing connectivity infrastructure in border areas," said Jaitley. He said that work of constructing a 14-km tunnel at the Zoji La Pass is progressing well.

Lauding the armed forces, the Finance Minister said they have played a "stellar role" in meeting challenges faced on the borders as well as in internal security. "I would like to place on record our appreciation for the efforts and the sacrifices made by the three services in defending the interests of the nation," he said.

For defence pensions, an amount of Rs 1,08,853.30 crore has been allocated, apart from the overall allocation for the Ministry. With increased pensions following implementation of 'One Rank One Pension' scheme and the 7th Pay Commission recommendations, this denotes a hike of around 26.60 per cent over the Budget Estimate of the last financial year which was around Rs 85,740 crore, and 14.36 per cent more than the Revised Estimate of Rs 95,000 crore in 2017-18.

STRATEGICALLY IMPORTANT ROHTANG TUNNEL COMPLETED

The construction of a tunnel under the Rohtang Pass in Himachal Pradesh, one of the country's strategically most important defence infrastructure projects, has been completed, Finance Minister Arun Jaitley said on Feb 1.

"To secure India's defences, we are developing connectivity infrastructure in border areas," he said in his speech presenting the Union Budget 2018-19.

"Rohtang tunnel has been completed to provide all-weather connectivity to the Ladakh region. The contract for construc-

tion of Zojila Pass tunnel (located between Srinagar and Leh) of more than 14 km is progressing well. I now propose to take up construction of a tunnel under Sela Pass (in Arunachal Pradesh)," he said.

Officials involved in the construction of the 8.8-km horseshoe-shaped Rohtang tunnel, an engineering marvel that will ensure all-weather connectivity to the landlocked Lahaul Valley from tourist resort Manali, told IANS the tunnel's excavation was completed in October last.

The Border Roads Organisation (BRO), a wing of the Defence Ministry that is constructing the tunnel, aims to open the Rohtang tunnel, which was earlier scheduled to be completed by 2015, for traffic in 2019.

The project is being executed by the BRO in collaboration with Strabag-Afcons, a 60:40 joint venture between Strabag SE of Austria and India's Afcons Infrastructure Ltd.

Once ready, the Rohtang tunnel will be a boon for the cold deserts of Himachal's Lahaul Valley, where over 20,000 people remain cut off from the rest of India in winter owing to the closure of the Rohtang Pass, located about 50 km from Manali and a major attraction for both domestic and foreign tourists.

Besides reducing road distance by approximately 46 km and saving travel time of about four hours, the tunnel will open up new vistas of trade and tourism and generate jobs for the locals. The tunnel will provide ample room for two-way traffic and is designed to cater to a maximum vehicular speed of 80 km an hour.

The Rs 1,495-crore tunnel's foundation stone was laid by Congress president Sonia Gandhi on June 28, 2010, in the picturesque Solang Valley.

The Rohtang Tunnel is a key element in the Defence Ministry's attempts to make the entire 475-km-long Manali-Keylong-Leh highway, used by the armed forces to reach forward areas in Ladakh bordering China and Pakistan, motorable round the year, said officials.

The strategic importance of the Manali-Leh link was realised by the Indian govern-

ment almost a decade ago when Pakistan tried to cut off the Srinagar-Leh road during the Kargil conflict, in a bid to restrict road access to Ladakh.

Currently, the movement of armed forces to the forward areas in Ladakh from Manali side, that doesn't fall in the firing range of Pakistan forces, is feasible only from June to mid-December.

STRATEGIC PARTNERSHIP MODEL WILL LEAD TO EMPLOYMENT GENERATION: PRESIDENT

The Strategic Partnership model will lead to higher participation of the private sector in defence manufacturing and create employment opportunities, President Ram Nath Kovind said on Jan 29.

"Strategic Partnership policy in defence manufacturing has been given the final shape. It will provide an opportunity for private sector to participate in the manufacturing of defence equipment, and also generate employment," he said.

The President also said that his government has kept its promise of giving "One Rank One Pension", which was welcomed by the heavy thumping of desks.

"Keeping its promise of 'One Rank One Pension', my government has paid more than Rs 10,000 crore to veterans," he said in his address to a joint sitting of the Parliament on the first day of the Budget Session. The President also said India has been the first responder in natural disasters and humanitarian crisis in the sub-continent.

He mentioned whether it was an earthquake in Nepal, floods in Sri Lanka or drinking water crisis in Maldives, India was the first to reach out.



ARMY HOME MINISTRY ALLOTS ₹370 CRORE TO STRENGTHEN BORDER INFRASTRUCTURE

Laying emphasis on building infrastructure along the Indo-Pak and Sino-India borders, the government has sanctioned

nearly ₹370 crore to the BSF (Border Security Force) and the ITBP (Indo Tibetan Border Police) for construction of bunkers and special climate-controlled huts in forward areas, an official said Wednesday.

A total of ₹369.84 crore has been sanctioned by the Home Ministry for construction of infrastructure for Border Security Force (BSF) and Indo Tibetan Border Police (ITBP).

The amount will be spent for construction of bunkers, fortifying border out posts of the BSF along the Indo-Pak border, construction of climate-controlled huts, procurement of snow scooter for the ITBP besides other necessary works of the two forces.

The BSF guards the 2,526.86-km-long Indo-Pak border, including 237.2 km of the Line of Control, and 4096.7 km of the Indo-Bangladesh border.

The Indo-Pakistan border has been witnessing massive ceasefire violation from across the border since the beginning of 2017.

ITBP guards the 3,488-km-long Sino-India border that runs through Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and Arunachal Pradesh. The force is specially trained to operate in high altitude mountainous terrain along the border.

A MORALE BOOSTER FOR WOMEN ARMY OFFICERS

In a morale booster for women Army officers, the Defence Ministry withdrew its appeals against a 2012 Armed Forces Tribunal decision setting aside denial of promotions and benefits to Short Service and Women Commissioned Officers commissioned before 2006.

A Bench led by Chief Justice of India Dipak Misra agreed to the Ministry's plea that the issue has been resolved and it would withdraw the case against the women commissioned officers, represented by advocate Aishwarya Bhati, who were denied due recognition and benefits despite years of service for the country.

Panel recommendation: On implementation of the recommendations of the Ajay

Vikram Singh Committee, the government in 2004 had accepted promotions of army officers at two, six and 13 years of service to the ranks of Captain, Major and Lieutenant Colonel.

But though the promotions were made applicable to all commissioned officers, the benefit was later withheld from Short Service and Women Officers due to an interpretation by the Army's Military Secretary's (MS) Branch.

The benefits were not extended despite a gazette notification by the Ministry extending the same to the affected officers. The problem was confined to personnel in the Army.

In 2006, when the Short Service scheme was changed from 5+5+4 years system to 10+4 years system, the benefit was extended to officers opting for the new scheme resulting in a sharp disparity wherein senior officers were retired as substantive Lieutenants and Captains while their juniors could reach the Lieutenant Colonel-rank.

In 2012, on petitions filed by women officers and SSC officers, the Tribunal struck down this discrimination. But the Army and the Defence Ministry appealed in the Supreme Court.

An expert panel set up by the Defence Ministry in 2015 recommended the withdrawal of the appeal, and said that such unnecessary litigation was due to an "a self-created negative interpretation even when the scheme had been approved for all officers by the Cabinet."

AG'S VIEWS AGAINST CBI FILING APPEAL IN BOFORS CASE, NOT BINDING: PARLIAMENTARY PANEL TOLD

The government is learnt to have told a Parliamentary panel that the view of Attorney General K.K. Venugopal against filing an appeal in the Bofors case in the Supreme Court was not binding on the CBI, and the investigating agency is expected to take a call on the matter in the next few days.

The issue came up on Jan 30 at a meeting of a sub-committee of Public Accounts

Committee (PAC) which quizzed CBI Director Alok Verma, CBI Special Director Rakesh Asthana and Secretary Department of Personnel and Training (DOPT) Ajay Mittal.

Sources said the CBI is likely to decide whether it will file a Special Leave Petition (SLP) in the case or it will go ahead as a respondent in an existing case.

They said Mittal is learnt to have told the panel that Attorney General Venugopal's view against filing an SLP in the case was not binding on the Central Bureau of Investigation and the agency was free to file an appeal.

Venugopal had told the Department of Personnel and Training (DoPT) that CBI should not file an SLP as it is likely to be dismissed. The opinion was shared by CBI with the PAC sub-committee which is looking "into the non-compliance of certain aspects of a 1986 Comptroller and Auditor General of India (CAG) report on the Bofors Howitzer gun deal".

The sources said that BJP member Nishikant Dubey submitted two "pieces of evidence" which supported CBI moving ahead in the case. Dubey is learnt to have said that the Income Tax Tribunal had given an order in 2010 which said that kickbacks were given in the Bofors deal. He also said that in 2014, Delhi High Court rejected former External Affairs Minister Madhav Singh Solanki's plea for quashing an FIR against him as an offshoot of the Bofors scam.

The CBI wanted to file an SLP challenging the Delhi High Court order of May 31, 2005, quashing all charges against Europe-based Hinduja brothers in the Bofors case.

The DoPT had sought a legal opinion from the Attorney General on the CBI's intention to proceed with the SLP. In a letter to the DoPT Secretary, Venugopal said: "Now, more than 12 years have elapsed. Any SLP filed before the Supreme Court at this stage, in my view, is likely to be dismissed by the Court on account of the long delay itself."

In October last year, the CBI had sought the central government's permission

to file a petition that could lead to reopening of the Bofors case.

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

The Parliamentary sub-committee on defence attached to the PAC had in July last year suggested that the case of irregularities in purchase of Bofors guns should be reopened as there were many "loopholes" in the investigation in past.



NAVY

3RD SCORPENE-CLASS SUBMARINE 'KARANJ' LAUNCHED

The third indigenously-built diesel-electric Scorpene-class submarine, 'Karanj', was launched at the Mazagon Dock Shipbuilders Ltd (MDL) in Mumbai on Jan 31 morning by Reena Lanba, wife of Indian Navy chief Admiral Sunil Lanba.

Another three Scorpenes, being built by MDL in collaboration with DCNS of France under a Transfer-of-Technology contract, are in the pipeline.

The first of the vessels, INS Kalvari, was commissioned into the Indian Navy on December 14, 2017, while the second, 'Kandhari', was launched in January of that year and is undergoing sea trials.

Admiral Lanba said the launch of 'Karanj' marked a significant departure from the manning and training philosophy adopted for the first two submarines, adding that from now onwards the Navy would be fully self-reliant in the training and certification processes.

The previous INS Karanj served the nation for 34 years until 2003 and also participated in the 1971 war, he added.

The state-of-the-art technology utilised for constructing the Scorpene class submarines has ensured superior stealth features such as advanced acoustic silencing techniques, low radiated noise levels, hydro-

dynamically optimised shape and the ability to launch a crippling attack on the enemy using precision-guided weapons.

The attack can be launched with both torpedoes and tube launched anti-ship missiles, while underwater or on the surface. The stealth of this potent platform is enhanced by the special attention given to various signatures.

These stealth features give it an invulnerability, unmatched by most submarines.

A sophisticated and state-of-the-art Shore Integration Facility has been developed at MDL for integration and simulation of various equipment of the Scorpene submarine combat system for which there was no facility available in the country.

However, in a setback to the programme, the indigenous AIP will not be incorporated in vessels five and six as originally planned but retrofitted on all six boats at a later stage.

Air Independent Propulsion (AIP), being developed by the Maharashtra-based Naval Materials Research Laboratory (NMRL), is a fuel cell that replaces diesel in the conventional submarines.

With this system, a conventional submarine that needs to surface every three to four days for oxygen can stay underwater for up to two weeks.

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

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

A sophisticated and state-of-the-art Shore Integration Facility has been developed at MDL for integration and simulation of various equipment of the Scorpene submarine combat system for which there was no facility available in the country.

As part of the efforts to reduce the construction timeline, the MDL completed the critical sub-section fabrication of the pres-

sure hull for all six submarines 11 months before the PERT date.

Further time taken to complete the fabrication of the 16 sub-sections of a submarine came down from 39 months in Boat 1 to 20 months in Boat 2 and this time frame of 20 months has been accepted by the French collaborators as higher than their standards.

Also due to stringent monitoring and proactive resolution of problems, the number of defects found during fabrication of sub-sections fell from 165 in Boat 1 to just 14 in Boat 6, said an MDL official.

PM MODI GREET'S INDIAN COAST GUARD ON ITS FOUNDATION DAY

Prime Minister Narendra Modi Thursday greeted Indian Coast Guard personnel on their Foundation Day.

"Congratulations to the Indian Coast Guard, which marks its Foundation Day today. The Indian Coast Guard is serving the nation with great assiduousness. They not only guard our coasts but also help protect the maritime environment", Prime Minister Tweeted.

The Indian Coast Guard is celebrating its 41st anniversary on Thursday. The Indian Coast Guard was formally established on 18 August 1978 through the Coast Guard Act 1978 of the Parliament of India as an independent armed force of India.



AIR FORCE LIGHT CHOPPER FLEW WITH OWN FLIGHT CONTROL FOR THE FIRST TIME

State-run Hindustan Aeronautics Ltd (HAL) on Jan 31 said its pilots had successfully flown the indigenously built 5.8-tonne Light Combat Helicopter (LCH) with its own automatic flight control system for the first time.

"The 20-minute maiden flight of the multirole copter was flawless with the engagement of the flight control system throughout," the defence behemoth said in

a statement in Bengaluru.

HAL Chairman T. Suvarna Raju said the flight control system, whose development the company funded, would replace the imported one.

The digital four-axis flight control system is capable of performing control and stability augmentation function and auto-pilot modes of helicopters.

The company has also indigenised the attack copter's cockpit display system or the integrated architecture display system with the involvement of the private industry.

The company received a Request for Proposal (RFP) on December 22 for the supply of 15 LCH from the Indian Air Force (IAF) and the Indian Army. The Defence Acquisition Council in 2016 cleared 10 LCH for the IAF and five for the Army.

The chopper is powered by two Shakti engines and has many features of the indigenous Advanced Light Helicopter (ALH) christened Dhruv.

The company has so far built four technology demonstrators (TDs) of the LCH for flight testing. One of them also landed in forward bases at Siachen, located 5,400 metres above sea level in the eastern Karakoram range of the Himalayas.

"The LCH also participated in the IAF's 'Iron Fist' exercise in March 2016 and displayed its rocket-firing capabilities in weaponised configuration," the statement added.

Then Defence Minister Arun Jaitley launched the LCH production on August 26 when it received the Initial Operational Clearance.

The helicopter also has day/night targeting systems for the crew, including the helmet pointed sight and electro-optical pod.

As a derivative of the ALH platform, the LCH was certified by the defence regulator Cemilac on October 16, 2015, after extensive trials in all-weather conditions.

Known for its agility, the tandem twin-seat chopper is equipped for day-and-night combat operations, with digital camouflage system for stealth actions.

IAF OFFICER HELD ON CHARGES OF SPYING

An Indian Air Force officer, posted at the Air HQs, has been taken into custody on a charge of spying, sources said on Jan 31.

According to a source, during a routine counterintelligence surveillance carried out by the IAF's Central Security and Investigation Team, the officer, who is a group captain, was found indulging in "unwanted activities through unauthorised electronic devices".

The case, said the source, was of "honey trapping" after the officer is said to have befriended a woman on Facebook.

The source added that the officer has been taken into custody for further questioning.

The services have a strict code on engaging on social media, which restricts soldiers from sharing their identity, rank, posting and other professional details. The restrictions include posting pictures in uniform.

In December, 2015, a dismissed IAF official was arrested by the Delhi Police for allegedly passing on information to intelligence operatives suspected to be backed by Pakistan's Inter Services Intelligence (ISI).



DEFENCE PRODUCTION INDIA NEEDS TO BE SELF-SUFFICIENT IN WEAPONRY

Arun Prakash, retired Chief of Naval Staff writes about India's military deficiencies and problems its readiness to "fight a two-front war". The two main adversaries will be Pakistan and China.

Pakistan has the world's seventh largest army whose "professional capabilities cannot be ignored." And "having created a high level of equipment commonality with the People's Liberation Army (PLA), Pakistan can go to war, confident that its attrition losses will be expeditiously replaced from PLA stocks.

"By comparison, India's acute dependence on imported arms and ammunition, 60 per cent-70 per cent of Russian origin, will constitute a grave handicap and vulnerability in a conflict. Over the years, not only have Indo-Russian relations become purely transactional, but the (post-Soviet) Russian arms industry has been found incapable of providing timely support for its products..."

With respect to China, the "PLA constitutes the world's largest military organisation, with formidable capabilities in the conventional, nuclear, cyber, maritime and space domains. Of greater significance is the fact that China is self-sufficient in major weapon systems, and has surpassed Britain, France and Germany as an exporter of arms, 70 per cent of which are supplied to neighbouring Pakistan, Bangladesh and Myanmar..."

The former Admiral notes that "at the turn of this century, China had reached a level of technological development surpassing Russia's. Today, China has stunned the world by its ingenuity, exemplified by the world's fastest super-computer (the Sunway Taihu-light), J-31 fifth generation stealth-fighter, an electro-magnetic aircraft catapult to equip its new aircraft-carrier and huge strides in robotics, artificial-intelligence and drones.

"India, by a quirk of circumstance, has become a military and economic entity with great-power aspirations, before it has become a significant industrial power. Consequently, it is in the anomalous situation of being a nuclear-weapons state with the world's fourth-largest armed forces, but having to support their operational needs through massive arms imports. All this, inspite of a vast military-industrial complex, with a large pool of DRDO scientists and a network of sophisticated laboratories, backed by advanced production facilities of the defence PSUs."

The Admiral suggests that India needs "a 50-year vision for self-reliance in weaponry and a clear-cut strategy, for its implementation..."



JAMMU AND KASHMIR ARMY FILES COUNTER FIR IN SHOPIAN FIRING

The Indian Army has filed a counter FIR in the firing incident in Shopian district of Jammu and Kashmir, informed sources said on Jan 31. The counter FIR was filed on January 28 in response to an FIR lodged by the Jammu and Kashmir Police over the killing of civilians that mentions soldiers from 10 Garhwal Rifles as the accused.

Three youths were killed in Ganowpora village of Shopian district in south Kashmir on January 27, when security forces opened fire after an army convoy came under a stone pelting attack.

In a statement, the Indian Army said the administrative convoy was passing through Ganapura chowk when it came under "unprovoked and intense stone pelting" by a group of 100-120 people.

The army said the crowd surrounded an isolated portion of the convoy consisting of four vehicles. A Junior Commissioned Officer accompanying the convoy got hit on the head and fell unconscious suffering serious injury. Considering the "extreme gravity of the situation, the army was constrained to open fire in self-defence", it said.

The state Bharatiya Janata Party has demanded the withdrawal of the FIR, while Chief Minister Mehbooba Mufti said the investigation into the killings of the civilians would be taken to its logical conclusion.

A magisterial probe has also been ordered by the state government into the firing incident.



INDIA - SEYCHELLES INDIA SIGNS CRUCIAL DEAL WITH SEYCHELLES ON INDO- PACIFIC COOPERATION

In a significant step to New Delhi's quest for influence in the Indo-Pacific re-

gion, India has signed an agreement with the Indian Ocean archipelago nation of Seychelles for the development, management, operation and maintenance of facilities on Assumption Island.

The island in Seychelles is leased to India for the operation of a naval base and airstrip by the Indian navy.

Foreign Secretary S. Jaishankar and Seychelles Secretary of State Barry Faure signed the agreement on Jan 27.

"Relations with countries in the Indian Ocean Region and nurturing a climate of peace and stability are important cornerstones of India's foreign policy," Jaishankar said following the signing of the agreement. Our vision for the region is based on cooperation and collective action to tackle maritime security challenges."

Jaishankar referred to Prime Minister Narendra Modi's remarks during his visit to the Seychelles in March 2015 when the latter said that India's goal was to seek a climate of trust and transparency, respect for international maritime rules and norms by all countries, sensitivity to each other's interests, peaceful resolution of maritime issues, and increase in maritime cooperation.

"We seek a future for the Indian Ocean that lives up to the name of Sagar - an acronym that stands for Security And Growth for All in the Region", Jaishankar said. Sagar is an Indian initiative to have a positive effect on sea-borne trade.

India, after leasing Assumption Island, began preparations for infrastructure development, including quarters for the Seychelles Coast Guard and fixing the airstrip on the remote island where there is very little human activity.

India and Seychelles have had cooperation in the field of defence and maritime security for many years, which has seen India helping to patrol the Seychelles waters and gifting much equipment to the Seychelles People's Defence Forces (SPDF).

During Modi's 2015 visit, India announced gifting of a second Dornier surveillance aircraft to the Seychelles Coast Guard to increase maritime security. India gifted Seychelles its first Dornier in 2013.

India and Seychelles had inked an agreement in the course of that visit to develop infrastructure on Assumption Island, which lies 1,140 km southwest of the mainland of Mahe, and is one of the 115 islands that constitute Seychelles.

Jaishankar said that India and Seychelles have over the years built an elaborate architecture of defence and security cooperation. "As two maritime neighbours, we have a stake in each other's security and safety. Seychelles with its Exclusive Economic Zone (EEZ) spread over 1.3 million square km is particularly vulnerable," he stated.

"Recognising this, India and Seychelles have drawn up a cooperation agenda that covers within its purview shared efforts in anti-piracy operations, and enhanced EEZ surveillance and monitoring to prevent intrusions by potential economic offenders indulging in illegal fishing, poaching, drug and human trafficking."

The Foreign Secretary said that the India-Seychelles cooperation was further exemplified by the operationalisation of the Coastal Surveillance Radar System in March 2016, "and our commitment to augment defence assets and capability of Seychelles".

"We are proud of the role played by patrol ships Topaz, Constant and Hermes and the Dornier aircraft in securing the resource-rich waters of Seychelles," he stated.

"In recognition of our strategic convergence in the Indian Ocean region, the agreement that we sign today is an important step forward in the further deepening of our cooperation in the spirit of our unique bilateral ties," he added.



COMMENT INDIA NEEDS TO BRING MORE INNOVATION, INDIGENISATION IN NATIONAL SECURITY MATRIX

C Uday Bhaskar

India's overall financial outlay in the national budget offers some instructive

insights about the constraints and the opportunities in which national security in its most comprehensive definition is pursued at the policy level.

In the last budget, in February 2017, Finance Minister Arun Jaitley allocated a total of INR 359, 854 crores (USD53. 5 billion) to the defence ministry and INR 97,187 crores (USD14. 4 bn) to the home ministry. While the defence allocation caters largely to the three armed forces, the home ministry allocation caters primarily to police and central paramilitary organizations like the BSF (Border Security Force) and CRPF (Central Reserve Police Force). India allocated USD 68 bn for 'national security' - both external and internal.

This was under 14 percent of the total central government allocation. This is not an insignificant amount in a country where poverty is stark and millions hover near the subsistence level.

Anomalies abound about India's security profile. For a nation that can legitimately take pride in its indigenous capability at the macro end of the spectrum (nuclear weapons, missiles, nuclear submarines and satellites), it is deficient at the lower end of the military inventory spectrum.

The Republic Day parade on January 26 illustrated this in a vivid manner. Most of the platforms and ordnance delivering guns are of foreign origin- primarily from Russia. The majority of India's tanks, ships and fighter aircraft are ex- Soviet (now Russian) design and while some have been assembled in India, the reality is that Delhi is yet to acquire appropriate levels of design and manufacture even for basic inventory like personal weapons (rifles and pistols) and artillery guns.

Similarly, India has been pursuing fighter aircraft and helicopters with limited success. The Indian LCA (light combat aircraft) Tejas has been a work in progress for decades. While the first flight took place in January 2001- the aircraft is yet to be proven in a manner that will meet all requirements of the users.

There are some encouraging signs and one success story was on display at the parade - the Rudra helicopter. Envisaged as

an attack helicopter, it is derived from the Dhruv and was proudly showcased. However this chopper is a work in progress and needs to be pursued diligently to meet all the specifications initially outlined.

The opportunity that lies ahead is the possibility of India slowly acquiring a degree of credibility in designing and manufacturing conventional military equipment at the middle and lower end of the spectrum. Many developing nations have evinced interest in the Indian helicopters. Some were exported to Latin America - but the satisfaction level has been low.

The just concluded India-ASEAN summit had expansive references to security partnership and the maritime domain received considerable focus. India has been seen as a net security provider in the Indian Ocean and various partnerships that add to the common good at sea have been mooted. This will be predicated on the material status of the Indian Navy and Coast Guard. The helicopter is little noticed work-horse for operational exigencies.

Over the next decade, based on current trends, India will allocate upto USD 900 billion for national security. Of this, over USD 200 bn will be spent in acquisition and modernization of military capacity. The twin focus will be on 'Make in India' and redressing inventory gaps. Innovative partnerships that build on niche capability among India's bilateral partners need to be innovatively explored.

A last thought. While the Indian women bikers from the BSF stole the show on Rajpath, the need to induct higher levels of technology in policing to improve internal security needs little reiteration. Funding is not the constraint but a more innovative and indigenous-technology driven focus is the need for comprehensive national security.

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

In arrangement with South Asia Monitor



COMMENT INDIA'S MISSILE ARSENAL - AN OVERVIEW

Brig. Gurmeet Kanwal

On January 18, 2018, the personnel of the Indian armed forces test-fired the 5,000-km-plus Agni-5 Interim Range Ballistic Missile (IRBM). The test, conducted from Kalam Island in the Bay of Bengal, achieved all the mission parameters that had been stipulated. The last test of Agni-5 had been conducted on December 26, 2016. After additional user trials over the next twelve to eighteen months, the nuclear-capable Agni-5 missile will be inducted into India's Strategic Forces Command (SFC). Normally, five to seven tests are carried out, including technical trials and user trials, before a missile is inducted into the arsenal. On the operationalisation of Agni-5, all targets in China will come within the range from India. The Chinese are reported to be concerned at this development.

The 4,000-km Agni-4 IRBM was successfully test-fired by personnel of the SFC from the same launch facility on January 2, 2017. After these two tests, the credibility of India's nuclear deterrence received a good boost.

Under the aegis of its Integrated Guided Missile Development Programme (IGMDP), which was approved by the Government on 26 July 1983, India has achieved considerable success in ballistic missile development. The Prithvi Short Range Ballistic Missile (SRBM) (1-metre diameter, 150 km to 350 km range, liquid-fuelled) and the multiple models of Agni IRBM (800 km to 5,000 km range, solid-fuelled) have provided India with an assured retaliation capability. Though exact details are not known in the public domain, DRDO spokespersons have shared sufficient information to allow for an assessment of the missiles' capabilities. While the Agni-5 is still under development, the Agni- 4 is reported to be ready for deployment. According to a Ministry of Defence press release, 'Agni-3 was inducted to strengthen India's strategic might and joined Agni-1, Agni-2, Prithvi-2 and

Dhanush (the naval version of Prithvi capable of being launched from ships even under rough sea conditions).’

Agni IRBMs are the mainstay of the surface-to-surface leg of India’s strategic forces. With the exception of the Agni-1, all Agni missiles are fully solid-fuelled with carbon composite heat shields for re-entry protection. All of the Agni variants are known to be extremely accurate and use navigation systems based on a combination of ring laser gyros and inertial navigation. Presently, at least two Agni missile groups are reported to be in service.

India’s successful experience in space research, particularly the launch of multiple satellites on a single rocket, has endowed the scientists with the capability to master MIRV (multiple independently targetable re-entry vehicles) technology. In view of the R&D developments in China, it was considered expedient to commence a research programme on MIRV systems as a technology demonstrator. Costing Rs. 100 crore per missile, the Agni-5, with a range of 5,000 km-plus, is known to be capable of carrying MIRV warheads. At its maximum range, the Agni-5 can reach even Harbin, China’s northernmost city (according to Chinese officials, the maximum range of Agni-5 is 8,000 km). A canisterised version of the Agni-5 was first test-fired on January 15, 2015. The process of canisterisation means the warhead will be mated with the missile for storage, not stored separately and mounted on the missile shortly before launch.

Dr V K Saraswat, a former DRDO chief, said the Agni-5 had ‘ushered in fantastic opportunities in...building Anti-Satellite (ASAT) weapons and launching mini/microsatellites on demand’. The Agni-5, like Dongfeng 31A, is a canisterised, road-mobile missile. According to Avinash Chander, director, Advanced Systems Laboratory, Hyderabad, ‘With the canister having been successfully developed, all India’s future land-based strategic missiles will be canisterised as well.’ The DRDO is also reported to have plans to develop the Agni-6 Inter-Continental Ballistic Missile (ICBM), which will be capable of carrying a 3-ton payload of MIRVs and

manoeuvrable re-entry vehicles (MaRVs). The range of this missile, made of lightweight composite materials, is expected to be over 5,500 km. However, the existence of such a programme has been officially denied.

Prithvi-1 (150 km-range), Prithvi-2 (250 km, IAF version) and Prithvi-3 (350 km) Surface to Surface Missiles (SSM) are all nuclear-capable. Prithvi missiles are liquid fuelled with strap-down inertial guidance and a manoeuvrable trajectory; accuracies are claimed to be in single digits and the circular error probability (CEP) is likely to be less than 100 meters. These dual-use missiles are capable of carrying 500 kg to 1,000 kg warheads. It is now being increasingly believed that the Prithvi-1 missile was never intended to carry nuclear warheads. Six Prithvi missile groups are reported to be in service.

As soon as the Agni-1 regiments are fully operational and the missiles have been produced in the required numbers, it should be possible to retire the Prithvi missiles from service with the SFC. However, these missiles are likely to continue to be used for conventional conflict and as part of the ballistic missile defence (BMD) technology development programme till these become obsolete. A modified Prithvi missile is the interceptor in the Prithvi Air Defence (PAD) system for an exo-atmospheric interception. It is also used as a target for an incoming missile.

India has a few other missiles in its arsenal. The Dhanush SSM is a ship-to-surface variant of Prithvi-3 with a maximum range of 350 km, while Nirbhay is a subsonic (Mach 0.7) cruise missile with a maximum range of 1,000 km. Of the Tomahawk and Kh-57 class, it carries a 450 kg high-explosive warhead and was successfully tested in November 2017. Prahar is a highly manoeuvrable, precision-strike tactical SSM with a range of 150 km and is armed with a conventional warhead. Comparable to the US Army Tactical Missile System (ATACMS), it has been conceived as a quick-reaction battlefield support weapon system that fills the range gap between multi-barrel rocket launchers (MBRLs) and SRBMs. All of these missiles have been in-

digenously developed by the Aeronautical Development Establishment (ADE), Bengaluru, and have been produced by Bharat Dynamics Limited (BDL), Secunderabad. The rate of production of Agni missiles is reported to be twelve to eighteen per annum.

India does not maintain its missile launchers on hair-trigger alerts as India’s ‘no first use’ posture does not require launch-on-warning (LoW) and launch-through-attack (LTA) capabilities. Alert levels are planned to be progressively raised based on intelligence inputs or for the purpose of signalling. As India shares its western boundary with Pakistan, the time of flight of ballistic missiles ranges from eight to thirteen minutes for a target between 600 km and 2,000 km away. Deployment sites – hides and firing positions – are selected keeping this in mind, besides other tactical parameters. Depending on the level of the alert being maintained, preparation time for launch can vary from one to four hours. When deployed, missile batteries would be provided logistics support by the nearest field formation of the Army and helped with their local defence where feasible.

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



COMMENT

ARTIFICIAL INTELLIGENCE IN MILITARY OPERATIONS: TECHNOLOGY, ETHICS AND THE INDIAN PERSPECTIVE

RS Panwar

Ever since Google DeepMind’s AlphaGo programme defeated South Korea’s top professional Lee Sedol in 2016 in the popular board game Go, artificial intelligence (AI) technologies, including machine learning and deep learning, have seized the imagination of people across the globe. While the impact of AI is already being felt in many areas, such as speech recognition in digital assistants like Siri and Cortana, and consumer behaviour prediction by Amazon and Google, it is future AI

systems that are creating all the excitement. The most prominent amongst these is self-driving cars, with the year 2020 being targeted by market leaders for productionising cars capable of driving themselves without any human intervention.

There appears to be general agreement on the positive benefits which AI can bring to society. At the same time, there is also an underlying fear grounded in the belief that AI systems would one day exceed human intelligence and capabilities, a line of thinking which leads to many doomsday scenarios. Stephen Hawking, Bill Gates, Elon Musk and others have all expressed serious concern about the uncontrolled development of AI applications, stating repeatedly that AI could pose the greatest existential threat to humanity.

Of immediate concern, however, is the use of AI in military applications, specifically those termed as Lethal Autonomous Weapon Systems (LAWS). LAWS, according to a commonly accepted definition, are weapon systems that “once activated, can select and engage targets without further human intervention”. The prospects of this military application have given rise to the Campaign to Stop Killer Robots, a global coalition of 64 non-government organisations (NGOs) launched in April 2013 under the aegis of Human Rights Watch with the aim of pre-emptively banning fully autonomous lethal weapons. This Campaign, amongst others, advocates the view that retaining human control over the use of force is a moral imperative and essential for promoting compliance with international law and ensure accountability.

An informal group of experts from a large number of countries has been debating the issue of LAWS for three years now at the United Nations Office of Disarmament Affairs (UNODA) forum known as Convention on Certain Conventional Weapons (CCW). In December 2016, countries agreed to formalise these deliberations. As a result, a Group of Governmental Experts (GGE) has been established, the first of which was held from 13 to 17 November 2017, chaired by Ambassador Amandeep Gill of India. Approximately 90 countries along with many other

agencies participated in the meeting. Some of the conclusions arrived at during the meeting were:

- states must ensure accountability for lethal action by any weapon system used by them in armed conflict;
- acknowledging the dual nature of technologies involved, the Group’s efforts should not hamper civilian research and development in these technologies; and,
- there is a need to keep potential military applications using these technologies under review.

It was also agreed that a ten-day meeting should be scheduled in 2018.

The primary argument put forth by advocacy groups calling for a ban is those weapon systems that have autonomy in the critical functions of ‘select and engage’ would be in violation of International Humanitarian Law (IHL), and specifically its principles of distinction and proportionality. While the former principle requires weapon systems to be able to reliably distinguish between combatants and civilians, the latter requires value judgement to be used before applying military force. According to this argument, LAWS will never be able to live up to these requirements. In addition, there is also the consideration of what is known as the Martens Clause, wherein it is contended that delegating to machines the decision power of ‘life and death’ over humans would be “against the principles of humanity and the dictates of public conscience.”

There is an equally vocal body of opinion which states that the development and deployment of LAWS would not be illegal, and in fact, would lead to the saving of human lives. This is because, without the driving motivation for self-preservation, LAWS may be used in a self-sacrificing manner, saving human lives in the process. Moreover, they can be designed without emotions that normally cloud human judgment during battle leading to unnecessary loss of lives. An argument is also put forth that autonomous weapons would have a wide range of uses in scenarios where civilian presence would be minimal or non-existent, such as a tank or naval warfare, and

that the question of legality depends on how these weapons are used, and not on their development or existence.

Some of the well-known autonomous defensive weaponry already in use today are missile defence systems such as the Iron Dome of Israel and the Phalanx Close-In Weapon System used by the US Navy. Fire-and-forget systems, such as the Brimstone missile system of the United Kingdom (UK) and the Harpy Air Defense Suppression System of Israel, also function in an autonomous manner. Another oft-quoted example of existing autonomous weapon systems is the SGR-A1, a sentry robot deployed by South Korea in the Demilitarized Zone with its northern adversary.

The relevance of the ongoing debate on LAWS in the context of the Indian military landscape cannot be over-emphasized, as there are many scenarios where these can be deployed to advantage. Autonomous systems designed to disarm improvised explosive devices (IEDs) are already in use by Indian forces, although these are non-lethal and defensive in nature. Future possible applications include AI-enabled drone swarms to boost surveillance capabilities; robot sentries along the borders to check infiltration by terrorists; autonomous armed UAVs for use in conventional as well as sub-conventional scenarios, and so on. In general, saving own soldiers from the lethality of war would yield rich dividends to any military force, especially in conventional conflicts. Faced with the prospect of a two and a half front war, the development of LAWS by India assumes strategic significance.

The United States has put AI at the centre of its quest to maintain its military dominance. As a part of its Third Offset Strategy announced in 2014, the Pentagon has reportedly dedicated the US \$18 billion for its Future Years Defense Program, a substantial portion of which has been allocated for robotics, autonomous systems and human-machine collaboration. Chinese military leaders and strategists believe that the character of warfare is fundamentally changing due to unmanned platforms and autonomous systems and have labelled AI research as a national priority, thus giv-

ing it a huge impetus. Russian president Vladimir Putin has recently predicted that whichever country leads the way in AI research will come to dominate global affairs. Without a doubt, Russia is pursuing the development of LAWS in earnest, in order to keep pace with the US and China in this new arms race. The UK, France and Israel, amongst others, are expected to be significant players in this contentious new field.

In the context of India's defence, presently there appears to be a void in terms of doctrines and perspective plans when it comes to the exploitation of AI/ Robotics technologies. Occasional interactions by the defence establishment with the DRDO's Centre for AI and Robotics (CAIR) and other agencies are inadequate to spur the latter into producing timely and meaningful results. Given its track record, DRDO is unlikely to be successful in developing complex lethal autonomous systems anytime soon. It is also worth noting that worldwide, R&D in these technologies is being driven by the private commercial sector rather than the defence industry. Unfortunately, the Indian equivalents of Baidu, Amazon, Google and Microsoft are yet to rise to the occasion, despite the strengths of our IT industry. Clearly, much more needs to be done.

After decades of false starts, AI/ Robotics technologies today appear to be at an inflexion point, making rapid advancements which are considered significant enough to usher in a new revolution in military affairs (RMA). Notwithstanding the worldwide concern about the development of LAWS from the legal and ethical points of view, it is increasingly clear that irrespective of any conventions that may be adopted by the UN, R&D by major countries is likely to proceed unhindered. Given India's security landscape, perhaps there is a need to adopt a radically different approach for facilitating the development of LAWS. As with any transformation, this is no easy task. Only a determined effort, with specialists on board and due impetus being given from the apex level, is likely to yield the desired results.

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



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- 23 INDIA - PAKISTAN: STALEMATE IN RELATIONS LIKELY TO CONTINUE
 24 INDIA - CHINA: CHINA OFFERS TALKS WITH INDIA ON CPEC
 26 INDIA'S FOREIGN POLICY HAS BECOME VIBRANT, ASSERTIVE: CHINESE THINK-TANK
 26 AFGHANISTAN: GROWING PRESSURE ON THE WESTERN-BACKED GOVERNMENT
 27 INDIA - NEPAL: REPAIRING RELATIONS
 28 ROHINGYA ISSUE: GOVERNMENT DOES NOT WANT INDIA TO BECOME THE REFUGEE CAPITAL OF THE WORLD

INDIA - PAKISTAN: STALEMATE IN RELATIONS LIKELY TO CONTINUE

General Qamar Javed Bajwa, Pakistan's chief of army staff at a rare briefing to Pakistani parliamentarians, said that the army will back the political leadership if it seeks to normalise relations with India. However, in the same speech, he defended the 26/11 Mumbai terror attacks mastermind Hafiz Saeed, chief of the terrorist organisations Jamaat-ud-Dawa (JuD) and Lashkar-e-Taiba (LeT), to support the Kashmir cause.

The Pakistan army chief's statement was largely ignored in the Indian press except by Gurmeet Kanwal (distinguished fellow, Institute for Defence Studies and Analyses (IDSA), New Delhi) who examines the statement.

For more than 70 years now, Kanwal says the Pakistan army has been waging a low-intensity limited war against India at the Line of Control (LoC), ostensibly to complete what it calls the "unfinished agenda of the Partition" — the merger of Jammu and Kashmir with Pakistan.

"What Pakistan's 'miltabishment' euphemistically calls the provision of political, diplomatic and moral support to so-called Kashmiri freedom fighters, in effect includes the recruitment, training, arming, equipping, funding and the launching of radical extremists to conduct what they are indoctrinated into believing is a jihad."

If the Pakistan army carries out a dispassionate analysis of the actual pay-offs of its policy of giving State patronage to ter-



rorist groups within Pakistan, Kanwal writes "it will realise that it has created a Frankenstein that is gradually but inexorably spinning out of control. The GHQ will find that hostility with India over seven decades has yielded no dividends. Radical extremism is gnawing at Pakistan's innards and its name has become synonymous with international terrorism."

The manifestations are in the Baloch uprising, the Shia-Sunni sectarian divide and Talibanisation.

"The leadership of the Pakistan army must realise that there is no point in continuing to pursue a fundamentally flawed policy. In war, a general never reinforces failure. Since conflict has not paid dividends, it is time to give peace a chance."

PEACE HAS A LIMITED CHANCE

Peace between the two neighbours may have only a limited chance in the prevailing

environment. The stalemate in India-Pakistan relations is expected to remain so with elections around the corner in Pakistan and rumours Modi may advance the Lok Sabha elections according to K C Singh, former Secretary, Ministry of External Affairs.

President Donald Trump's pressure on Pakistan would give India some solace as K C Singh puts it. The US withholding military aid, amounting to \$2 billion, including \$900 million in coalition support funds to compensate Pakistan for its counter-terrorism operations along the Durand Line (Pak-Afghan border), is a first step to ratchet up pressure on Pakistan. US government sources are telling the media that there is an escalation plan if Pakistan does not heed the warnings. The action that the US seeks is Pakistan severing links with the Taliban and the deadly Haqqani network. The same source told Washington Post that there was "immense" frustration

over Pakistan continuing to deny that there were any Pakistani safe havens for these groups.

Senior US officials touring India, writes Singh “recently displayed guarded optimism over change in Pakistani attitude. They take the cue from Pakistan not threatening to disrupt US supply routes via Pakistan. But recent terror attacks in Kabul, where an ambulance bomb caused severe casualties, negate that finding....”

Meanwhile, states Singh “Pakistan blocked access to Hafiz Saeed when a team deputed by the UN Security Council sanctions committee arrived to assess Pakistan’s handling of a listed terror mastermind. Reports keep resurfacing that Pakistan was in the process of allowing the India-specific terror syndicates to enter the political field. This could be a double-edged sword to both legitimise the groups and undercut the Sharif brothers, who control the Pakistan Muslim League (N), in the forthcoming parliament election. China has been more forthrightly defending Pakistani credentials as a nation fighting terror and not abetting it.”

HISTORY OF THE VIOLENT LOC

Even as relations worse, the LoC or the Line of Control along the India Pakistan border remains as hot for a long time with no let up by either forces. This violates the ceasefire agreement of the Simla Agreement of July 2, 1972. The agreement put an end to the 1971 war between the two countries after the creation of Bangladesh from the then East Pakistan.

Lt-Gen Syed Ata Hasnain (retd) writes that “immediately after 1989, the LoC got associated primarily with infiltration’ because terror sponsors in Pakistan found it the “simplest way of forcing gaps in deployment to effect infiltration.”

During the time of prime minister Vajpayee, there was a thaw in bilateral relations with the then Pakistan President Musharraf agreement. “On November 26, 2003, Pakistan took a decision to vigorously implement the ceasefire and abide by it. Although it appeared unilateral and India has never made it look any different, the

truth is that some behind-the-scene parleys did assist in reaching that stage where Pakistan could announce its ‘offer’. There was no official document signed by the two sides, although recorded announcements to abide by it made it appear as a de facto agreement. Infiltration attempts continued as before, but at reduced levels....”

Lt-Gen Syed Ata Hasnain (retd) further writes that “the LoC remained quiet almost till 2009 when one segment in the Krishna Ghati sector erupted and has never quieted thereafter. Siachen has remained a model of the ceasefire as much as has been Kargil. This gives weight to the argument that breaches of ceasefire take place in infiltration-prone areas because there is no infiltration in the Ladakh zone.....”

Assessing the prime reasons for Pakistan’s breach of the ceasefire, Lt-Gen Syed Ata Hasnain (retd) writes “1 Firstly, infiltration continues to play a role, irrespective of the explanations above. 2 Secondly, the LoC offers the easiest location for the demonstration of violence for the international community to take note that the J&K conflict continues to fester. 3 Thirdly, the Hindu populated areas of the Jammu IB or LoC belt get targeted to cause more angst within J&K and, indeed, within India and enhance the communal temperature to Pakistani advantage. 4 Fourthly, Pakistani friendly jihadi elements such as the Jaish-e-Mohammad (JeM) and Lashkar-e-Taiyaba (LeT) maintain their relevance through shallow infiltration and attempted terrorist actions against objectives closer to the LoC, as shown by the Uri and Mohra attacks in the Jhelum Valley. 5 Lastly, with increasing political ambitions of the jihadi groups of Hafiz Sayeed and Masood Azhar, spectacular acts at the LoC or deeper in the hinterland will continue so as to draw attention and attraction.”

The experts concludes that while the “advantage of keeping the LoC hot finds favour with Pakistan, but once a threshold is crossed, India will not disfavour a more robust response....”



INDIA - CHINA: CHINA OFFERS TALKS WITH INDIA ON CPEC

China Monday offered to open talks with India to resolve differences on the China-Pakistan Economic Corridor (CPEC), opening the door for removing a major irritant in New Delhi-Beijing ties.

“We are ready to work with Indian side through dialogue and communication for a better solution. This best serves the interests of the two countries,” Chinese foreign ministry spokesperson Hua Chunying said, when asked to comment on remarks on CPEC by India’s ambassador to China, Gautam Bambawale.

The Chinese foreign ministry’s advocacy for talks in the context of CPEC, follows observations by Luo Zhaohui China’s ambassador to India. In November, Luo had expressed readiness to accommodate India’s concerns regarding CPEC. “We can change the name of CPEC (China Pakistan Economic Corridor). Create an alternative corridor through Jammu and Kashmir, Nathu La pass or Nepal to deal with India’s concerns,” he observed during a speech at the Jawaharlal Nehru University, in New Delhi.

India has objected to CPEC which passes through Pakistan occupied Kashmir (PoK), as violation of its sovereignty.

In an interview with Global Times last week, Bambawale had proposed a new phase of dialogue between India and China, which would cover all differences including CPEC. He had also highlighted that India and China were “partners” and not “rivals”.

ON MILITARY INFRASTRUCTURE IN THE DOKLAM

Asked to comment on China’s alleged newly developed military infrastructure in the Doklam area, as shown in recently published satellite pictures, Hua reiterated Beijing’s stock response that Donglang (Doklam) was China’s sovereign territory, and Beijing had a right to build infrastructure in the area.

“The Sikkim section of the China-India boundary has been demarcated by historical treaty and is under effective jurisdiction by

China. And China will as always uphold its sovereignty along the border area including Donglang.”

The spokesperson said that China and India “should look at our border issue in a calm way...so that we can create a good condition and enabling environment to properly solve our differences.”

Hua underscored that India was China’s “cooperation partner,” endorsing the Indian envoy’s advocacy in his interview for a deeper engagement between the two countries. “As two neighbours in Asia and major developing countries the two sides should treat each other as (neighbours presenting) opportunities for development. It is also a consensus reached by the two state leaders and we will surely treat India as our cooperation partner,” Hua observed.

She added: “We hope to enhance people-to-people ties through such communication exchanges, and to enhance our mutual trust so that we can lay a more solid foundation and public support for our bilateral relations.”

DOKLAM CONTINUES TO DAMAGE BILATERAL RELATIONS

While the statements of the Chinese foreign ministry are welcome, the ghost of Doklam continues to strain India - China bilateral relations. It is still a thorn between the two countries.

Last week, senior Colonel Wu Qian, spokesperson of the Ministry of National Defense (MND), in his regular monthly Press conference spoke in a derogatory manner about the India Chief of Army Staff General Bipin Rawat: “I have noticed many China-related remarks made by this Indian general lately.” This was in response to the statement by General Bipin Rawat who had said India needed to shift its focus to the northern border.

Col Wu continued: “I would like to stress that Donglang [Doklam] is China’s territory and the remarks from the Indian side also shows that illegal border crossing of the Indian troops is a clear fact. We hope that the Indian side will draw lessons from the incident.” He also spoke of India’s ‘Cold War mentality’.

Claude Arpi (expert on India-China relations and an author)

looks at the facts in countering the Chinese statements. “In 2012, the Governments of India and China had reached an agreement that the location of the tri-junction would be finalised in consultation with the concerned countries. On June 30, 2017, the Ministry of External Affairs issued a statement: ‘Any attempt, therefore, to unilaterally determine tri-junction points is in violation of this understanding.’ The finalisation of the boundary was to take place during the Special Representatives’ talks.

“In June-July 1956, a tour of the Sikkim-Bhutan-Tibet frontier from the tri-junction area was conducted by the Ministry of External Affairs, the Survey of India, along with Bhutanese officials. The location of the boundary was reconfirmed on the watershed principle, but also on the basis of the reports of the local inhabitants. ‘The Bhutan-Tibet frontier starts in the vicinity of Batang La and runs along the La Hen Chum ridge via Sinchu La and then along the Amo Chu upto Chilim Chon.’ The description continues till the Chomo Lhari, in North-West Bhutan.

“Interestingly, the factors which weighed in favour of the confirmation of this boundary were, firstly, [in] the west of Amo Chu, the published Chinese maps themselves appeared to include the Doklam pastures (south of Batang La and Sinchu La line) in Bhutan; and secondly, the east of Amo Chu, the Bhutanese had strong claims over the pastures of the Langmarpo valley (south of Tendji ridge).”

According to Arpi China suddenly changed the status quo and starts to build a road on the Bhutanese territory. This “was apparently the initiative of a Chinese General, with the knowledge of President Xi Jinping (who was probably not briefed on the details of the operation and its implications).”

General Zhao Zongqi was commander of the Western Theatre Command facing India and had, for two decades, served in Tibet.

Arti quotes The Indian Express which wrote: “Even before the face-off in Doklam,

Chinese border troops had been telling Indian soldiers in daily interactions at multiple points on the Line of Actual Control (LAC) that General Zhao had walked each of these tracks with military patrols over 20 years, and had been rarely confronted by the Indians. As the Indian deployment has increased over the past decade, General Zhao is unwilling to accept the challenge to Chinese claims. Not only in Doklam, but also at other places on the LAC.”

Arti therefore writes that it is the PLA that has a Cold War mindset and not India. “China is not ready to restart the usual Border Personnel Meetings (BPM) along

CHINA - PAKISTAN: 6 AGREEMENTS SIGNED ON GWADAR PORT

Pakistan and China signed six agreements Monday for the development of Gwadar port as Islamabad formally inaugurated an economic free zone in Balochistan province that will be a key part of a multi-billion dollar transit corridor.

Two agreements declared Pakistan’s Gwadar and China’s Tianjin as sister ports, and Gwadar and Piung as sister cities. Another agreement was for cooperation between Pakistan State Oil, Gwadar International Terminals Limited and Gwadar port.

The Securities and Exchange Commission of Pakistan and China’s Free Trade Zone Company and Gwadar port and HATA Trade City inked two agreements on cooperation. An MoU for a poverty alleviation initiative was signed by the Gwadar district government and China Overseas Ports Holding Company.

Prime Minister Abbasi also inaugurated the Gwadar Free Zone, with state media describing it as “another milestone” in efforts to transform the China-Pakistan Economic Corridor into reality.

The corridor will connect Kashgar in northwestern China with Gwadar in southwestern Pakistan through a network of roads, railway lines, oil and gas pipelines and a fibre-optic cable. India has opposed the project as the corridor passes through Pakistan-occupied Kashmir.

the Line of Actual Control (LAC). Only two BPMs took place on the occasion of the Republic Day, both in Ladakh region (in DBO and Chushul area). Why was no BPM held in Bumla, Kibithu in Arunachal and Nathu-la in Sikkim?"

The year 2018, concludes Arpi "may not be serene despite the peaceful vows of President Xi."



INDIA'S FOREIGN POLICY HAS BECOME VIBRANT, ASSERTIVE: CHINESE THINK-TANK

India's foreign policy has become vibrant and assertive under the Modi government with its risk-taking ability also on the rise, according to Rong Ying, Vice President of China Institute of International Studies (CIIS), a think-tank affiliated to Chinese Foreign Ministry.

Rong said over the past three years, India's diplomacy has been vibrant and assertive, and has formed a distinctive and unique "Modi Doctrine", a strategy for the rise of India as a great power in the new situation.

In an article in the CIIS journal, the first of its kind by a Chinese think tank on the Modi government so far, Rong, who also served as a diplomat in India, took a critical look at India's relations with China, South and South East Asia, India's closer relations with US and Japan, saying Indian foreign policy under him has become increasingly assertive while offering mutual benefits.

On India-China ties, Rong said since Modi took office, the development of overall relations between the two countries has maintained "steady momentum".

"The Dong Lang (Doklam) incident taking place at the Sikkim section of the China-India borders has not only highlighted the border issue, but also for a time seemed to imperil the overall relationship between the two countries," he said.

On the future formula for ties, he said as major countries on the rise, India and China are both partners and competitors. "There is competition in cooperation and

cooperation in competition. The coexistence of cooperation and competition will become the norm. This is the status quo of China-India relations, which cannot be evaded," he said.

"We must implement the strategic consensus of the two leaders," he said, adding that China is not a "hurdle" for India's development but a major opportunity for India. "It will not and cannot stop the rise of India. The biggest obstacle to India's development is India itself," he said.

For China, India is an important neighbour and a big emerging country, an important partner in promoting the reform of the international system. "India's huge market potential will bring about opportunities for the successful transformation of China's economy, especially for Chinese enterprises going global," he said.

With reference to her neighbours, the concept and practice of the 'Modi Doctrine' reflected in South Asia diplomacy, when compared to previous administrations, has highlighted both its own authority as well as the benefits it can provide to its neighbours, and is more concerned about its dominance in South Asia, he said.

While continuing to provide massive assistance to neighbours, the Modi government paid more attention to its control over them, he said alleging that India imposed an economic blockade on Nepal on the constitutional issues relating to Madhes.

"In order to exert pressure on Pakistan, the Modi government was not averse to crossing the border to attack the base of the anti-Indian organisation in Pakistan-controlled Kashmir," he said.

Rong said Modi's strong and decisive governing style and pragmatic governance philosophy paid special attention to delivery of projects committed by India in the neighbourhood.

Also "under the influence of Modi's governing style, the risk-taking and practicability of India's diplomacy are also on the rise, he said, pointing to Indian troops crossing the Myanmar border to destroy rebels bases.

"In 2016, India risked a conflict with Pakistan and crossed the border to attack a militant camp in PoK, at one point caus-

ing great anxiety both at home and abroad," he said and criticised India's policy towards Pakistan saying the confrontation will consume India's energy and diplomatic resources and create new problems for India in South Asia.



AFGHANISTAN: GROWING PRESSURE ON THE WESTERN-BACKED GOVERNMENT

The latest Taliban strike in Kabul in a crowded street that killed no fewer than 100 people and wounded many more - 235 is chilling even by Afghan standards.

This and the other strikes in the last few days are a calculated answer to Donald Trump's strategy in Afghanistan according to the Asian Age. If the official response of the Islamist fundamentalists is any indication, "the Islamic emirate has a clear message for Trump and his hand-kissers that if you go ahead with a policy of aggression and speak from the barrel of a gun, don't expect Afghans to grow flowers in response." After a week in which the office of Save the Children in Jalalabad was also attacked, the western-backed government of Ashraf Ghani has faced growing pressure to improve security. "In the net, confidence in the Western-backed government has been undermined beyond measure."

Pressure is likely to mount on President Ghani to resolve the political discord with his opponents, in particular with provincial power-brokers in Afghanistan who defy the central authority.

PAKISTAN, ANOTHER BIG CHALLENGE

The other challenge for President Ghani is relations with Pakistan. After a meeting with Pakistan counterparts, Afghan Interior Minister Wais Ahmed Barmak and spy chief, Masoom Stanekzai, told a news conference that they have given Pakistan confessions and other proof showing that the militants who carried out a recent series of attacks were trained in Pakistan and that Taliban leaders there are allowed to roam freely.

However, in some good news for Afghanistan, Pakistan Foreign Office (FO) spokesman Dr Mohammad Faisal has said Pakistan “continued to push any suspected TTA (Tehreek-e-Taliban Afghanistan) and HN (Haqqnai Network) elements to prevent them from using our soil for any terrorist activity in Afghanistan.”

“In this context, 27 individuals suspected of belonging to TTA & HN have been handed over to Afghanistan in November 2017,” he tweeted.

In his new South Asia Policy in last August, US President Donald Trump had called for tougher measure against Pakistan if it fails to cooperate with the US in its fight against terrorism. In his first tweets this year, Trump had accused Pakistan of playing a “double game” on fighting terrorism and asked Islamabad to take decisive action against militants operating from its soil to “earn” the US aid.

Attacking Pakistan, he also said they have given America “nothing but lies and deceit” despite having received more than USD 33 billion in last 15 years. The United States later suspended its USD 255 million military aid to Pakistan.

The FO spokesman also said that “Pakistan has sacrificed 75,000 civilians & 6000 soldiers to the scourge of terrorism”. He said that Pakistan has one of the highest officer-to-soldier casualty rate globally, as traditionally officers lead the fight. About economic losses in the war on terror, Faisal said that Pakistan “suffered economic losses worth USD 123 billion”.

Meanwhile, a high-level Afghan delegation, comprising the country’s Interior Minister Wais Ahmad Barmak and the chief of its intelligence agency the National Directorate of Security (NDS), Masoom Stanekzai is in Islamabad to discuss “possible cooperation to tackle cross border militancy”.

The visit by Afghan delegation comes after a recent wave of deadly attacks in Kabul, including ambulance bombing that killed around 100 people for which the Taliban and the Daesh took responsibility.

The two sides often allege each other for failing to stop militants using their soils for lethal attacks.

UNSC CLEAR ON EXISTENCE OF TERROR SAFE HAVENS IN PAKISTAN: AFGHAN ENVOY

Meanwhile, Afghanistan’s UN Ambassador, Mahmoud Saikal said there is a clarity among the UN Security Council members on the existence of terrorist safe havens inside Pakistan.

In an indirect reference to Pakistan, the Ambassador said his government has provided evidences to the UNSC about violations of its resolution by “a country in the region”.

In an interview to PTI (Press Trust of India), Saikal said he has stressed the need for action against “the country”, as mandated by the UNSC resolutions.

He said there is unanimity more than ever and clarity among UNSC members about the presence of terrorist safe havens in Pakistan, days after an ambassadorial-level of delegation of the 15-member powerful body returned from a trip to Kabul. “I have not heard any member of the council denying the existence of these (terror) safe havens in Pakistan. I have not heard any member of the council stand up and say, ‘no this is not true’,” Saikal told PTI.

“But we need to go beyond that,” he said, adding, “we need to get the council consensus that ‘yes, they are there’. Once there is consensus that they (terrorists) are there (in Pakistan), then the (security) council is obliged to take action.”

Noting that the issue has come to the attention of the UNSC more than ever, the ambassador said some of the council members were now openly talking about it.

He said Pakistan has been “unsuccessfully trying to change the narrative” in the past couple of years, but there are no takers for arguments coming from Pakistan’s diplomats, either at the UN or other international forums. Majority of the member states know about the safe havens. They know that the leading figures of terrorist groups have lived in Pakistan. They have been found dead in Pakistan. They have been killed and buried in Pakistan.”

“Osama bin Laden was found and killed in Pakistan. Mullah Omar died in a Karachi hospital. Mullah Akhtar was found

and killed in Baluchistan. And right now, leading figures of the Taliban are in Pakistan. This is a public knowledge,” he claimed. He said it was time for everyone to accept that “there is something wrong”, which is hurting Pakistan itself as well as the region.



INDIA - NEPAL: REPAIRING RELATIONS

A week ago, Narendra Modi, called K P Oli, chairman of the Communist Party of Nepal-Unified Marxist Leninist, to convey that he was eagerly waiting for Oli’s visit to Delhi as prime minister. Oli is understood to have responded warmly.

It is obvious that India is seeking to instil confidence among Nepali leaders, especially Oli. However, writes Yubaraj Ghimire, Nepal expert “one telephone call from Modi, or a visibly warm reciprocal gesture by Oli, may not put the deeply impaired bilateral relationship on track.”

At the World Economic Summit in Davos, Modi talked about India’s “magnanimity” to its neighbours. He told the world that India was the first to reach out when the devastating earthquake struck Nepal in 2015.

There has been a clash of perceptions in Nepal regarding what Indian policymakers want according to Ghimire. “The bureaucracy, especially the MEA under the UPA regime, collaborated with the Maoists, Nepali Congress, CPN-UML and the Madhesi groups, to force radical agendas — republicanism, federalism and secularism — on the country without involving the people. There is deep suspicion in political circles about the commitment or willingness of Modi, the BJP and its mother organisation, the RSS, to the principles that Nepal has come to adopt after 2006.....

“But with some of the key architects who crafted the radical agenda for Nepal openly admitting that Indian diplomacy has failed in Nepal, Modi will be able to see for himself and conclude what has gone wrong for Delhi in Nepal. He should then be able to make the necessary corrections

if he desires. There is little doubt in Nepal that the new constitution is not working. The formation of the government has been prolonged endlessly and the affairs in the provinces, formed for the first time under the federal set-up, are in a deep mess.”

Grimire further writes about the internal conflicts in Nepal with the current caretaker government of Sher Bahadur Deuba, chief of the Nepali Congress, taking populist measures that could cost around 550 billion rupees. This is unfair, unethical and unacceptable,” says Oli. The Deuba cabinet has also declared all the civilians and security persons killed by Maoist guerrillas during the insurgency martyrs, a decision that may pit political parties against each other.

“An empty coffer that has forced the state to borrow internally to pay salaries to government staff, a confrontation among internal actors, a constitution that will be understood and interpreted differently by its makers, a sluggish economy and a judiciary, including the supreme court that public figures have openly started calling biased and corrupt, are what defines post-election Nepal. Yet, Nepali politicians may refuse to introspect and sort out the mess, and instead, blame outside forces including India. Modi, perhaps, seems to have foreseen it; the call to Oli was a preventive gesture.”



ROHINGYA ISSUE: GOVERNMENT DOES NOT WANT INDIA TO BECOME THE REFUGEE CAPITAL OF THE WORLD

Additional Solicitor General Tushar Mehta told a Supreme Court Bench led by Chief Justice of India Dipak Misra Wednesday that it does not want the country to become the refugee capital of the world.

The government was responding to a submission made by Rohingya refugees that the Border Security Force (BSF) was "pushing back" their compatriots, fleeing persecution in native Myanmar, at the borders with chilli spray and stun grenades.

He submitted the government is in talks

and should be allowed to take a decision. There was no contingency as of now and this was not a matter for the court to intervene.

Mehta said he needed time to respond to the allegations made by the refugees, represented by advocate Prashant Bhushan, about being driven back from the border. The court gave him time till March 7, the next date of the hearing.

Bhushan submitted that welcoming refugees who have fled persecution, with violence, was against India's international and humanitarian commitments. Bhushan pointed out that Rohingya refugees in camps in India live in abject poverty and squalor. "The conditions are inhuman. There is no access to either schools or hospitals," he said.

Justice D.Y. Chandrachud observed that the court did acknowledge the humanitarian aspects in Bhushan's submissions, but asked if judicial standards of India, which applied to refugees already living on Indian soil, also apply to those attempting to enter the country

"Somebody comes to your border and says 'I am a refugee'. It has to be determined whether he is a refugee. He cannot be blindly pushed back... then what is the commitment of India to refugee determination? Several high courts have upheld the right to refugee determination. Let the government deal with it diplomatically, but this court should also decide on its own," senior advocate Rajeev Dhavan, an intervenor, responded.

Senior advocate Ashwini Kumar, also for the refugees, said "minimum humanitarian morality" should be shown to the refugees at the border. We cannot push them back to the jaws of death. You cannot deny a man his right to life. The Supreme Court has to intervene as the ultimate protector of life ”

The court has said it would want to balance national interests with humanitarian concern about the refugees. The court is hearing a bunch of petitions, one filed by persons within the Rohingya community, against a proposed move to deport over 40,000 Rohingyas. ■ ■ ■

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- 29 INDIA-ASEAN SUMMIT: MODI'S ACT EAST POLICY; BALANCING CHINA
 31 COMMENT : INDIA, AUSTRALIA MUST COMMIT TO COOPERATION IN INDO-PACIFIC
 34 DAVOS: UNMISTAKABLE BUZZ ABOUT INDIA
 34 INDIA - US: TRUMP FOND OF GROWING RELATIONSHIP WITH INDIA; NIKKI HALEY
 34 INDIA - CANADA: PRIME MINISTER JUSTIN TRUDEAU'S VISIT

INDIA-ASEAN SUMMIT: MODI'S ACT EAST POLICY; BALANCING CHINA

Prime Minister Narendra Modi hosting all 10 Asean leaders as chief guests at India's 69th Republic Day Parade along with a similar event in May 2014 when he invited all the Saarc leaders to his swearing-in ceremony, "mark a new genre in Indian diplomacy" according to Swaran Singh (Professor, School of International Studies, Jawaharlal Nehru University, Delhi).

"This is important for a rising India as Asean represents the most institutionalised and most acceptable grouping for all major world powers. This has become increasingly critical given the global power shift from the Atlantic to the Pacific where these tiger economies stand next to by world's most militarised nations. The unprecedented rise of China is a shared concern, and Asean nations engage India as their alternative to an increasingly assertive China. However, neither side seems willing to confess or address this dichotomy of their dependence and discomfort with Beijing. Asean has failed to put up a joint front against China's building of artificial islands across the South China Sea where claimants like Vietnam and the Philippines have taken opposite trajectories of accusing and acquiescing with Beijing. India's confrontation with China at Doklam last year saw Asean wary of taking sides."

In the circumstances, Prime Minister Modi's moving over from a Look East policy to an Act East policy is significant. "The aim has since been to widen and



Prime Minister Narendra Modi with the ASEAN Heads of State / Governments and ASEAN Secretary General at the ASEAN India Commemorative Summit in New Delhi

deepen India's politico-security engagement in the Asia-Pacific with Asean at its core where Modi has sought to take it beyond, into socio-cultural and civilisational connect that underlines India's advantages over other world powers. Closer links of Buddhism and Ramayana from the first millennium has been revived to strengthen domestic constituencies for stronger relations."

India's growing integration into South-east Asia "is nudging discourses on Asia-Pacific geopolitics towards the new Indo-Pacific formulation with India at its centre. No doubt China with a \$12 trillion economy and a \$450 billion trade with Asean remains the elephant in the room in all these parleys. Yet India and Asean together hold the potential to ensure China stays on course respecting norms and laws. This is where both India and Asean are now evolving flexible strategies of 'conengagement' (containment and engagement) of China. The Delhi Declara-

tion, for instance, talks of ensuring implementation of the United Nations Convention of Laws of the Seas in the South China Sea but also alludes to accepting China's lead in building the Regional Comprehensive Economic Partnership."

Importantly, Modi invited Assam chief minister Sarbananda Sonowal to join the PM's dinner for the 10 Asean leaders. "This enthusiasm is expected to further synergise linkages between India's North-east and Southeast Asia. The birth of India's Look East policy coincided with the expansion of Asean. The addition of Cambodia, Laos, Myanmar, and Vietnam brought Asean to share borders with India. They were, accordingly, conceptualised to be at the centre of India's Look East policy and their connectivity with the tiger economies was to bring economic relief to their political turmoil. Now with the new focus on Act East, all eight Northeast states are expected to be connected by rail by 2020.

“So, both its compulsions as well as its ambitions to play a major role in the region hold promise to sustain this new enthusiasm in India’s expanding engagement with Asean.”

GANGING UP AGAINST CHINA ?

China was the indirect focus of the ASEAN summit and although it made a diplomatic statement at the end of the meeting, it would have noticed with some concern, the gathering of 10 leaders of its neighbourhood in India.

Sunanda K. Datta-Ray (has been a Bengali journalist for half a century. He has been editor of *The Statesman*, Calcutta and New Delhi and has also written for the *International Herald Tribune* and *Time*) writes that China could have been concerned for two reasons. “First, the heads of the 10 Association of Southeast Asian Nations states represented Indochina, where India and China met centuries ago and have been in a competitive relationship ever since. Second, the far-seeing Lee Kuan Yew, whose son Lee Hsieng Loong is Singapore’s present Prime Minister, perceptively commented that while India alone or Asean alone might not be a significant global player, together they can look China in the eye.”

If India and Asean are now celebrating 25 years of partnership, Datta-Ray says “it is largely because Singapore — this year’s Asean chair — had convinced other Asean countries they needed India to establish a sense of regional balance. Being overwhelmingly Chinese, Singapore is acutely sensitive to China’s past glory and future aspirations. The senior Lee, who took the lead in nudging an indifferent India into the region, therefore persuaded Indonesia, which had expected to dominate South-east Asia once the Americans left, that there would be no Southeast Asia, only a Greater China, without India....”

ASEAN WILLING TO ENGAGE WITH INDIA

India today is a growing powerhouse in both economic and military terms and thus is sought after. It is a market for every nation seeking to expand trade as also

a security provider in the larger Asian region. With this changing profile, Harsha Kakar (retired Major-General of the Indian Army) writes that “international leaders are keen to engage with India.”

In the ASEAN region “China has begun pushing its weight on its smaller neighbors....It has become aggressive over its territorial claims including in the South China Sea. Its loans at higher rates of interest are trapping developing countries. Its trade policies are resulting in balance of payments shifting in China’s favour.” And with the US withdrawing under Trump, India is seen as “a reliable friend.”

Asean leaders are therefore “seeking to enhance cooperation with India in both economic and security spheres. They like the US and Japan seek India as a counter balance to China. Thus, Indian security engagements with them would be on the rise. The Indian navy would be more engaged in visiting ports in the Asean region as also conducting bilateral and multi-lateral exercises.

“There would be more exercises involving the army, with India sharing its expertise on handling terrorism. Many Asean nations are seeking to procure the BrahMos and Akash missile systems from India. These are clear indicators of India’s growing military power.”

Kakar however notes that while “individually many ASEAN nations already have security and joint exercise tie-ups with India, but not collectively.

“The major issue for which a resolution or a common approach would always elude Asean is unanimity in its approach to China. Chinese investments in the region and the fact that China is a major trading partner would always be a hindrance. India on its part would be willing to support the nations in their seeking security, enabling economic development.”

THE CHALLENGE FOR MODI’S ASEAN POLICY

New India therefore, according to Sandeep Dixit, Congress leader definitely “seems to be on the march: there were Netanyahu’s gushing words for India and Modi; Indian diplomats and military offi-

cial huddle with peers from the US, Australia and Japan as part of a Great Game in the South China Sea; the PM’s serenading of world leaders touches unexplored dimensions with equally hearty reciprocity.

“The chink in this grand alliance-in-the-making is the extraordinary focus on maritime cooperation with near-neighbours and the strained political relationship with two neighbours with disputed land borders....”

“Despite a background of occasional military clashes with China on the South China Sea dispute, not one of the 10 ASEAN countries has shown inclination to be drawn in an adversarial alliance of extra maritime powers. The ASEAN’s feeble desire for a military option towards China grates uncomfortably against India’s enthusiastic endorsement of the Quad concept: four democracies with large navies ensuring a free Indo-Pacific....”

China remains the important country for India. According to Dixit “India’s troubled security and political ties with China have a spillover effect on the economic front in ASEAN. The Chinese projects on the north-south axis are at an advanced stage of implementation. India has proposed projects mostly on an east-west axis and needs to activate consultation channels with China to ensure they are not dead in water.

“The Chinese advantage of being a much early entrant in ASEAN is visible in the form of the world’s biggest industrial supply chain that begins from East and South East Asia and terminates in China. India needs to integrate more of its industrial sectors into this supply chain.....A consultative approach with China to integrate Indian business into the global supply chain may not work out after New Delhi’s security managers badly misread the Chinese signals in Doklam.”

At the same time China “cannot be ignored because of its dominant position in ASEAN’s trading calculus. South Block has a lot of political ground to recover and demonstrate flexibility to get into the game in ASEAN.

“India’s school headmaster approach with smaller neighbours like the Maldives, Nepal and Pakistan has already encountered a blow back. The joint photo event with heads of all SAARC countries during Modi’s swearing-in ceremony is now an embarrassing memory. It later emerged that some SAARC leaders were miffed because they felt used. ASEAN, like SAARC, is too critical to be permitted to suffer a similar fate. The security wallahs need to loosen their grip on India’s foreign policy apparatus if the Indo-ASEAN summit is not to end up as another lost opportunity.”

SEVERAL UNANSWERED QUESTIONS AND ASPIRATIONS

India’s Act East policy thus has to be taken to its course. Rahul Mishra (senior lecturer, University of Malaya, Kuala Lumpur) writes that while “the India-ASEAN dialogue partnership has come a long way in the past quarter century several questions remain unanswered, and several aspirations are yet to be met. For one, while it is fine to celebrate India-ASEAN ties in isolation, a comparison with how other Asian powers have fared during this period is important. In the past 25 years, China has arguably emerged as the biggest stakeholder in the region, followed by Japan. Interestingly, in 1992, China was on a weaker footing vis-à-vis India in terms of relations with the ASEAN. With China’s launching of OBOR, and the Trump administration preoccupied elsewhere, the strategic and economic milieu of the region is swiftly changing. Countries, which are otherwise against China dominating the region, are also welcoming OBOR albeit with certain conditions.

“India’s connectivity efforts, on the contrary, have been marred by procedural delays. While China is working on regional and inter-regional connectivity with projects such as cross-country railway networks with the ASEAN, India is still unable to complete projects initiated more than a decade back. Deadlines for both Kaladan and India-Myanmar-Thailand Trilateral Highway have been repeatedly postponed for factors within and beyond

India’s control. It is important to expeditiously improve upon the under-utilised aspects of the physical, digital and transport connectivity.”

Even on trade with ASEAN, India is at a disadvantage. A swift conclusion of Regional Comprehensive Economic Partnership (RCEP) agreement “is more difficult than it seems. . . . India’s trade imbalance with China further complicates the situation. Nevertheless, India’s RCEP tightrope walk will be aimed at assuaging the concerns of domestic industry while also showing RCEP partners that India is an active partner in Asian regionalism. India’s share of the ASEAN’s external trade is currently less than three per cent. It urgently needs to improve stakes in ASEAN economies and regional supply-chain networks.?”



COMMENT INDIA, AUSTRALIA MUST COMMIT TO COOPERATION IN INDO-PACIFIC

Adm. Arun Prakash (Retd)

Part of the same geographic hemisphere, India and Australia are key players in a shared strategic environment. Both countries also share the fraternity of the Commonwealth, speak the same language, are committed to a democratic way of life, and have secular, free and open societies.

The cricket linkage apart, a fact not recalled often is that Indians and Australians were comrades-in-arms, in the 20th century fight against fascism and imperialism. India contributed over two million troops to World Wars I & II; Indian soldiers fought alongside the ANZACs at Gallipoli, and thousands shared a soldier’s fate in battlefields across Europe, Africa and Southeast Asia.

India and Australia can also be termed as ‘book-ends’ of an ocean space whose strategic importance has led to a debate on its nomenclature, especially after US President Donald Trump’s use of the term ‘Indo-Pacific’ in recent policy statements.

The Indo-Pacific paradigm reflects the growing economic and security linkages between nations of the Western Pacific and the Indian Ocean.

While not India-centric, this concept acknowledges the reality of a rising China and India, and the continued strategic role of the US in both oceans. It is the unquestionable reality of vital trade and energy sea lanes that run seamlessly across the region and the imperative of providing maritime security that will sustain the Indo-Pacific logic.

Since challenges in the maritime domain demand a collective response, they can be used for collective endeavours to ensure the security of this vast commons. Traditionally, while India’s policies have been guided by the principle of ‘non-alignment’ and subsequently, in ‘strategic-autonomy,’ Australia has remained focused on its core alliance with the US. The idea of an Indo-Pacific strategic-arc has, however, caused both nations to re-evaluate the significance of the other in its security matrix.

Among the drivers that should bring the two nations closer are: a mutual recognition of the value of cooperative maritime security; common interest in regional peace and political stability; opposition to violent extremism; shared interests in the security of sea lines of communication and in upholding the principle of ‘freedom of navigation’.

While ‘traditional security threats’, arising from typical issues of international relations, are dealt with by states, the term ‘maritime security’, implies maintenance of ‘good order at sea’; a task undertaken by navies and coast-guards. Good order is achieved by addressing, ‘non-traditional security threats’ arising, largely, from non-military sources. As far as Indo-Australian cooperation is concerned, there are many ‘low-hanging fruits’ to be picked.

With a 100,000 merchantmen transiting the Indian Ocean and trade worth trillions of dollars passing through the Malacca Strait annually, protection of international shipping against pirates and other non-state actors remains an issue of prime concern. The resurgence of piracy offers

fertile ground for Indian, Australian and other navies to act in concert for safety of shipping.

The December 2004 Asian tsunami exposed the vulnerability of this region to natural disasters and showed the value of multi-national collaboration in rescue, relief and rehabilitation. Climate change is looming over us and rising sea levels will lead to mass migration and regional crises that no single nation can cope with. Under such circumstances, the growing importance of humanitarian assistance and disaster relief demands participation by major navies in a common humanitarian endeavour.

The disappearance of Malaysian Airlines flight MH-370, in March 2014, had focused attention on another critical area demanding maritime cooperation on a huge scale. Similarly, the loss of the Argentinean submarine San Juan is a reminder of the sparse submarine-rescue facilities available in the region. Thus, there is compelling need for regional navies to pool specialist search and rescue facilities in the region.

For maritime cooperation to be effective, it must be supported by a system that will provide common maritime domain awareness (MDA). This is another arena where Indo-Pacific neighbours could pursue cooperation by creating a framework for information sharing with each other.

President Trump's retreat from globalization and focus on 'America first' may mean the end of pax Americana which, for six decades, ensured regional stability and provided succour during emergencies. This should motivate Indo-Pacific nations to come together in common causes. The second AUSINDEX in 2017 was a welcome sign of Australia-India bilateral naval cooperation.

Apart from naval cooperation, India also seeks advanced military technologies in a number of fields like electronics and submarine-building where Australia has much expertise.

India is a dialogue partner of the Pacific Island Forum. Prime Minister

Narendra Modi has initiated enhanced engagement with this region, evidenced by his visits to Fiji and Papua New Guinea, and the convening of two India-Pacific Island leaders' summits in 2014 and 2015. The promising momentum of South Pacific-India engagement must not be allowed to stall. This is an area where India and Australia could work together to revive impetus.

However, there are two aspects of Indo-Australian relations that must be borne in mind. The first is Australia's past political ambivalence towards India.

The 1980s saw the Indian Navy undergoing a long-overdue expansion and inducting an aircraft-carrier, some destroyers, diesel submarines and a nuclear attack boat on lease. Pakistan was expected to complain, but it was Australian Defence Minister Kim Beazley who publicly criticized India's naval accretions, apprehending, what he called a possible 'clash of interests'. Australian Navy aircraft started buzzing Indian warships in a hostile manner and laying sonobuoy patterns around them.

The 1998 nuclear tests saw Australia condemning them as "outrageous acts perpetrated by India", suspending defence relations and withdrawing its Defence Adviser in New Delhi and expelling three Indian officers at defence colleges in Australia overnight. Kevin Rudd's withdrawal from the Quadrilateral Dialogue in 2007 and serial flip-flops over the sale of uranium to India may have been manifestations of political caginess in Australia, but for Indians, these were unfriendly gestures.

The second 'fly-in-the ointment' in Indo-Australian relations is represented by China. India acknowledges China's economic rise and military prowess, and seeks friendly relations with its northern neighbour. However, we have serious bilateral territorial disputes awaiting resolution for over five decades.

As demonstrated in the stand-off in Doklam, India will not compromise on its territorial integrity and hopes its nuclear arsenal will deter any possibility of war. Another disturbing aspect of China's pos-

ture has been its active engagement in serious nuclear and missile proliferation through the China-Pakistan-North Korea nexus. However, India has pursued a multi-track engagement with China.

India, certainly, does not consider the Indian Ocean as 'India's Ocean'. However, as a peninsular nation, we do have vital interests and assets which need safeguarding. India hopes to use its dominant location in this ocean to ensure 'good order at sea' and the safety of shipping.

India does not seek military alliances and hopes that the Quad will become a maritime partnership for the common good. While each of the four participants has their own national interests to advance, there is no reason for China to suspect containment or 'ganging up'. For its members, the Quad - a concord of four democracies - should become a source of mutual support and reassurance, in times of need.

The attitudes and perceptions of India and Australia seem to present a number of conundrums to each other. India is aware that Australia-China relations are characterised by strong political, economic and trade bonds and that China is also beginning to play a role in Australia's domestic politics. But these are matters, internal to Australia.

As two robust democracies, no matter how desirable the professional linkages between the two navies, such cooperation will be circumscribed by larger political compulsions. Therefore, if Australia does recognise India as an important potential partner, and both nations invest effort and goodwill in this relationship, there must be tangible assurances of commitment and constancy.

(Admiral Arun Prakash served as the Chief of Naval Staff of the Indian Navy and Chairman, Chiefs of Staff Committee, from July 31, 2004, to October 31, 2006)

In arrangement with South Asia Monitor



KYRGYZSTAN: DEALING WITH THE LEGACY OF ALMAZBEK ATAMBAYEV

In a peaceful transfer of power, Kyrgyzstan's new president, Sooronbai Jeenbekov took over from his Social Democratic Party (SDPK) compatriot Almazbek Atambayev.

Jeenbekov however, has inherited a legacy that he will struggle with. And the prime cause for this is the harsh and allegedly undiplomatic words used by his predecessor Almazbek Atambayev, in particular against Kazakhstan. The most recent manifestation of the troubled relations between the two countries has been along the border.

On 15 November, former Kyrgyzstan President Almazbek Atambayev complained that Kazakhstan has blocked its border and consequently cut off its links with the Eurasian Economic Union. Atambayev compared the 'blockade' with a time in 2014 when Islam Karimov, then president of neighboring Uzbekistan, ordered the cutoff of natural-gas supplies to Kyrgyzstan. The present border dispute resulted in a long lines of trucks — many laden with perishable produce.

Observers however, believe that even if it is the Kazakhs who have imposed border restrictions, the situation was execrated Atambayev's caustic remarks and statements. But, to be fair, Kazakh-Kyrgyz border controls have been an issue since Kyrgyzstan acceded to the EEU in 2015. Some observers say Kazakhstan has been slow to roll back veterinary controls and other mechanisms, saying Kyrgyz checks were not up to standard.

Another legacy that the new president will need to deal with concerns the Eurasian Economic Union (EAEU). Once a supporter of the EAEU, Atambayev is alleged to have attacked the entire structure

of the Union. He doubted the effectiveness of the Union and urged businessmen to work with China. Some critics say members of the Union lose billions of dollars from the re-export of Chinese goods through Kyrgyzstan. They claim that to import goods into the Union through other countries is more expensive. For Kyrgyzstan however, since the customs rates are lower, it is economically a better proposition to resell Chinese goods through their border.

A related issues concerns the Eurasian Economic Union (EEU) customs code which is to come into effect on January 1, 2018. Four of the EEU's five members — Armenia, Belarus, Kazakhstan and Russia — have ratified the code. Kyrgyz lawmakers haven't even put the code on their agenda. Kazakhstan says its concerns are about smuggling and sanitary issues.

Experts say the deteriorating Kazakhstan and Kyrgyzstan's trading relationship has wider implications since it casts an additional shadow on the viability of EEU. When the customs code comes into effect it is supposed to streamline the process of cross-border trade between member countries. This may not be possible in view of the Kazakh-Kyrgyz border issues. This will make it further difficult for the new president, Jeenbekov and for Kyrgyzstan's economy.

Critics of Atambayev have also alleged that he has been undiplomatic in his utterances about foreign countries. In October 2017, for example, he criticised the US, by stating that Washington once armed Uzbekistan and was allegedly preparing for a war in Central Asia. The former president also said that instead of "spending billions on Afghanistan, Libya, Syria, the US could provide real help to

Kyrgyzstan to build a democratic country".

The former president has also accused Russia and China, without mentioning these countries. In July 2017 at a press conference Atambayev had said that Bishkek was threatened with missile strikes when the American military base was located at Manas International Airport.

Critics recall that Almazbek Atambayev had earlier made verbal attacks on Belarus as well. In 2015, he had said that they encourage the presence of criminals on their territory, provide them with passports and confer state awards on anniversaries.

Almazbek Atambayev is also alleged to have fallen with Turkish authorities after an attempted coup. Turkey had appealed to Bishkek to take measures against Fethullah Gulen's supporters, reminding that Ankara provides financial assistance to Kyrgyzstan. The former Kyrgyz president however responded by stating that "countries should help without any conditions".

A silver lining for Kyrgyzstan is its relations with Uzbekistan which is experiencing a positive outlook.

But in the end it is all about the economy and the benefits that flow to the people. The total Kyrgyzstan exports in 2012 was estimated at 1.9 billion dollars. In 2016 it was reduced to 1.3 billion. Foreign trade turnover decreased during this period from 7.5 billion dollars to 4.9 billion.

The results of this year have not yet failed, but given the deterioration of trade and economic relations with Kazakhstan, it is obvious that they will be even sadder. The new President Sooronbai Jeenbekov has his task cut out. ■ ■ ■

DAVOS: UNMISTAKABLE BUZZ ABOUT INDIA

There was an “unmistakable buzz about India at Davos with Prime Minister Narendra Modi leading the largest ever government and business delegation to the summit and becoming the first ever Indian PM to deliver the opening plenary,” writes Rana Kapoor (MD and CEO, Yes Bank and chairman, Yes Global Institute).

“Investor confidence in India recently received a positive impetus with two strong endorsements as it jumped 30 places to 100 in the World Bank’s Ease of Doing Business (EoDB) Report 2018. This is the greatest improvement seen in the case of India, placing it among the top 10 improvers in 2018. With GST being outside the assessment period and only a partial incorporation of the bankruptcy legislation, next year’s EoDB rank will see a further improvement.

“Second, after a gap of 14 years, India received a sovereign credit upgrade from Moody’s, with the current rating placing it one notch above the lowest investment grade. The Indian economy is in a sweet spot with the IMF outlook on India placing it as the world’s fastest-growing major economy in 2018 and a \$5 trillion economy by 2025, setting the tone for ‘India Means Business’ at Davos.”

The “buzz” about India is now a gigantic “roar” says Kapoor “echoing the sentiments of the PM as he presented India’s policy emphasis on creating a new economic architecture and progress through orbit-changing structural reforms to global and Indian CEOs. During these interactions, the PM exuded confidence and conviction in the country’s reform trajectory and its remarkable entrepreneurial spirit.”

Kapoor sees “a bold, assertive and confident ‘New India’ buoyed by the energy, enthusiasm and conviction of our prime minister. India’s ascendancy

in the world order is no longer a conjecture, but a welcome certainty.”



INDIA - US: TRUMP FOND OF GROWING RELATIONSHIP WITH INDIA; NIKKI HALEY

US Ambassador to the United Nations, Nikki Haley, told a select gathering high-achiever Indian-Americans that President Donald Trump is very fond of his country’s growing relationship with India. She said that “sky is the limit” for this bilateral relationship. She praised Prime Minister Narendra Modi for being aggressive in pursuing economic and administrative reforms.

It makes sense for the two democracies, having so much in common values to work together, Haley said in her remarks during her luncheon meeting hosted by the Indian Ambassador to the US, Navtej Singh Sarna, at his residence Tuesday.

Haley said when she entered the Trump administration, she desperately wanted to see the US-India relations to be very strong “which wasn’t the case during the last two presidencies”.

“It didn’t make sense to me because when you look at the values, they’re the same. When you look at the work ethic and what they believe from a corporate standpoint — the same. When you look at the research and all the things that we do, these two democracies have so much in common,” she said. It makes sense for the two countries to be friends, the top Indian-American in the Trump administration said.

“We’re seeing a growing interest, and a growing relationship and seeing that happen. The president is very very fond of what is happening with India, growing that relationship trying to make sure that we do more with India,” Haley said.

“I think that sky’s the limit now. We are going to continue to try and show the values of India to the United States and continue trying to show the values of the US to India,” she said. Haley said Modi

was aggressively pursuing reforms and changes in India.

Haley is the first ever cabinet ranking Indian-American in any presidential administration.

“It is always a delight to see the sense of pride that Ambassador Haley has in her Indian roots, and the high value she attaches to the India-US relationship even as she plays such a prominent role in the American political sphere,” Sarna said a day after.



INDIA - CANADA: PRIME MINISTER JUSTIN TRUDEAU’S VISIT

Canadian Prime Minister Justin Trudeau will be in India on a five-day visit on February 17. Among other cities he would be visiting Amritsar.

The agenda for discussions will be varied but the one issue that still rankles bilateral relations according to K C Singh, former Secretary, Ministry of External Affairs, is the activities of “Khalistani” elements in Canada and their links, if any, with Pakistan’s ISI. Last year when Canadian defence minister, Lt Col Harjit Sajjan visited Punjab, chief minister Capt Amarinder Singh literally boycotted him, “piqued over the Canadian government denying him a visa before the Punjab election last year.

“Trudeau’s visit provides a good opportunity for Capt Amarinder to bury the past. Sikhs constitute almost 40 per cent of the total population of Indian diaspora in Canada which numbers over a million. That huge number needs to be engaged and their energies channelised to contribute to Punjab’s development. The population profile of the Canadian Sikh diaspora is different from that in the US. The Canadian Sikhs are more closely linked to peasantry in Punjab. A number of episodes have riled Delhi as the Canadian government is seen as handling mischief-makers with kid gloves. Slogans in favour of Khalistan are really solitary cries for attention. The Canadian Sikh fringe needs to be politically dealt with. Banning their entry into India will only exacerbate the situation.” ■ ■ ■

35 COVER STORY ; ECONOMIC SURVEY 2018 : WORST IS OVER, BUT LOT MORE TO BE DONE
 36 COVER STORY : UNION BUDGET 2018-19: PRO-POOR WITH FOCUS ON FARM AND RURAL SECTORS
 40 RAILWAY BUDGET: HIGHEST-EVER ALLOCATION TO FAST-FORWARD PLANS
 41 POLICY INITIATIVES : LOFTY DIVESTMENT TARGET SET FOR THIS FISCAL
 41 MONEY & BANKING : SBI'S DEPOSIT RATE HIKE SETS STAGE FOR RISE IN INTEREST RATES
 41 BUDGET & INDUSTRY
 43 MARKETS : SENSEX TANKS 2.5%, DOWN 839 PTS, NIFTY ENDS BELOW 10,800 ON BUDGET WOES
 43 TRADE : CEA ARVIND SUBRAMANIAN CAUTIONS ON RCEP TRADE DEAL

COVER STORY

ECONOMIC SURVEY 2018:
 WORST IS OVER, BUT LOT
 MORE TO BE DONE

Every year, ahead of the Union Budget, the finance ministry presents the Economic Survey which reviews the overall state of the economy in the year gone by and highlights policy initiatives of the government. It also charts out the prospects of the economy in the short to medium term and provides a refreshing take on resolving the challenges facing the Indian economy. This year's Economic Survey was presented Monday, on the first day of budget session of the Parliament.

KEY TAKEAWAYS

Growth picking up as impact of reforms dissipates: According to the Survey, the growth is recovering as the impact of structural reforms such as demonetization and GST begins to dissipate. The Survey places the GDP growth estimate for the current fiscal at 6.75 per cent. This figure is slightly higher than the Central Statistics Office's projection at 6.5 percent.

The Survey estimates that as a result of the reforms undertaken this year, real GDP growth will rise by 7 to 7.5 percent in the next fiscal, a number not very different from that estimated by the World Bank and the International Monetary Fund. This would reinstate India's position as the fastest-growing major economy in the world as the average growth during last three years is around 4 percentage points higher than global growth and nearly 3 percentage points higher than that of emerging markets and developing economies.



Addressing media in the press conference post release of the Economic Survey, Chief Economic Adviser (CEA), Arvind Subramanian said the key factors contributing to the positive prognosis are the reform measures: the July 1st implementation of the Goods and Services Tax (GST) and the steps taken to address the twin balance sheet problem of banks and corporate (bad loans on the books of banks, and debt on the books of companies). He pointed out that the Insolvency and Bankruptcy Code provides a resolution framework that will help Corporates clean up their balance sheets and reduce debts. Adding to these domestic supportive factors are the fair winds of a global recovery that have already lent a lift to overseas demand for India's goods and services.

50% increase in number of indirect taxpayers: The big picture presented by the Survey points to an increase in the number of people filing income tax re-

turns, there has been a 50% increase in number of indirect taxpayers; large increase in voluntary registrations etc. This shows that the economy is becoming increasingly tax compliant, and is poised for growth, although, as the document admits, there are still challenges when it comes to both consumption-driven growth and increasing private investment.

Need for policy vigilance on risk factors: Optimistic while the Survey is, it makes out a case for policy vigilance to deal with downside risks stemming from rising crude oil prices and any setback to the ongoing recovery of the global economy.

"If macro-economic stability is kept under control, the ongoing reforms are stabilized, and the world economy remains buoyant as today, growth could start recovering towards its medium term economic potential of at least 8%," the Survey said.

The biggest challenge in the upcoming fiscal arises from the rise in oil prices. Average oil prices could rise by 10-15 per cent next fiscal, and a \$10 per barrel increase in oil prices impacts the GDP by 0.2-0.3 per cent, inflation by 0.2-0.3 per cent and also widens the current account deficit.

The Indian economy always finds its growth story challenged by twin deficits within its fiscal and current accounts owing to variability in the global oil prices. Therefore, the economy needs to find a sustainable solution to this historical macro-economic vulnerability by rapidly ramping up its strength on the export front, preferably in manufactured goods.

Over-valued Stock markets: Another risk factor highlighted by the Survey, which could impact India's growth in the near future, is a possible correction in the stock markets. Indian stock markets have displayed a puzzling trend over the last few years. Since December 2015, the Sensex has risen 46 percent in rupee terms while economic growth and corporate profits have decelerated.

This trend has largely been driven by expectations of a revival in growth and a sudden change in the savings pattern of households after demonetization. However, as the Survey points out, a sharp correction cannot be ruled out in case future growth of the economy and corporate earnings do not remain in line with current expectations.

A correction in the stock market, besides triggering capital outflows, could force policymakers to raise interest rates, choking off the nascent recovery. Hence the duality of growth and risk is the current saga of the India story.

Farm crisis and unemployment: More serious challenges are the ongoing crisis in agriculture and lack of employment generation.

The Survey stresses on giving adequate support to the agriculture sector. However, in a major setback to Modi's aim of doubling agricultural income, the Survey provides a key finding that, due to climate change, annual agricultural incomes could

reduce by 15-18 percent on an average. In un-irrigated areas, this figure could climb up as high as 20-25%.

The Survey suggests higher investments towards expanding irrigation with the implementation of efficient drip and sprinkler technologies. Moreover, a plan to provide direct income support to farmers can be put in motion to replace inefficient agricultural subsidies.

The unemployment picture is dim. Although India's unemployment rate is around 3.5 percent, the unemployment rate in the 15-24 age group stands at 10.5 percent, as per recent International Labour Organisation estimates. Therefore, India has an abysmally low capacity to provide jobs to first-time workers.

The Survey lists "private investment and exports" as the only two "truly sustainable engines". India would do well to focus its efforts on creating an environment conducive to private investment and on increasing its export competitiveness. That might be the key to creating jobs. There is also need to strengthen the manufacturing sector.

Experts also suggest providing incentives to labour-intensive export sectors. Apart from providing jobs, growth in the export sector will imply higher current account surplus for the Indian economy which can provide a cushion against swings in the global oil prices. This would therefore, go some way in reducing India's historical macro-economic vulnerability that the Survey highlights.

Fiscal deficit management: On the fiscal front, the Survey contends that the Centre needs to reappraise its priorities. It has advocated "a modest consolidation that credibly signals a return to the path of gradual but steady fiscal deficit reductions" that would take care of the need to maintain the fiscal consolidation roadmap and also take care of any populist give-aways the government may choose to give.

"Setting overly ambitious targets for consolidation — especially in a pre-election year — based on optimistic forecasts that carry a high risk of not being

realised will not garner credibility either," it warned.

In doing so, it appears that the Survey is signalling that the government may have to retain the elbow room to stabilise the GST, complete the recapitalisation exercise and, most crucially, support agriculture.

Investors, rating agencies and markets across the world watch out for the fiscal deficit number very closely as this reflects the government's resolve to keep its finances under check. "Reflecting largely fiscal developments at the Centre, a pause in general government fiscal consolidation relative to 2016-17 cannot be ruled out," the Survey said.

The Centre has set a fiscal deficit target of 3.2 per cent for 2017-18, and plans to lower it to 3 per cent in 2018-19. The Survey is also cautious in its outlook on the fiscal deficit and said that "a pause in general government fiscal consolidation cannot be ruled out," especially with Rs. 80,000 crore allocated to bank recapitalisation.

Pushing reforms agenda: The policy prescription outlined by the Survey for pushing reforms agenda for the next financial year makes a case for shrinking unviable public sector banks, privatizing Air India, facilitating easier GST compliance and decisively resolving bankruptcy cases.

In sum, the work for the economy is over, things are getting better; but there is lot more to be done.



COVER STORY

UNION BUDGET 2018-19: PRO-POOR WITH FOCUS ON FARM AND RURAL SECTORS

FARM FOCUS

With national polls looming next year -- and possibly as early as late 2018 -- finance minister Arun Jaitley has rolled out a budget designed to help distressed farmers and rural areas while boosting growth, jobs and private investment.

In this budget, India's farmers and villagers, as well as companies with exposure to agriculture, emerge as the biggest winners. At the beginning of his speech, Finance Minister said the Budget is focused on "consolidation and agriculture, infrastructure and healthcare". He has walked that talk.

Mr Jaitley has made a slew of farm-focused announcements, raising the minimum support price to 1.5 times the production cost for Kharif crops, a key demand of distressed farmers.

After the Gujarat elections, a budget to address agrarian crisis in particular was always on the cards.

To ensure that the message reaches out to the right audience with general elections next year, the Finance Minister took to Hindi when talking about agriculture/farm sector. Stating that the focus of the government in the coming fiscal would be agriculture and rural India, the Finance Minister announced that all Kharif crop would be paid a minimum support price (MSP) that is 50 percent more than the cost of production.

All of this is a good stance, as agriculture and the rural economy remain the foundation for India's overall growth story. With two of three citizens living in villages, their income and consumption patterns are indeed critical to increasing demand for industry. He also announced what is arguably the world's largest government-funded healthcare scheme and free gas connection for 80 million poor families.

Jaitley also announced 100 percent tax deduction for farm producer firms with Rs 100 crore turnover. The standard deduction allowed will benefit 2.5 crore people.

Going further, there is a quantum rise in spending on the rural sector. Institutional credit for the agricultural sector is up by 10 per cent to Rs.11 lakh crore. As much as Rs.14.34 lakh crore will be spent on creation of rural infrastructure and livelihoods by different ministries put together and they will be funded by extra-budgetary and non-budgetary resources.

By upping the food subsidy outlay by nearly Rs.30,000 crore over the revised estimates for this fiscal, to Rs.1,69,323crore, the Centre has shown that it is dead serious about not allowing price slides to recur. The outlay for agriculture and allied activities has increased by nearly 13 per cent to Rs.65,836 crore, of which the Pradhan Mantri Fasal Bima 7, Yojana's outlay has been upped to Rs.13,000 crore for 2018-19, a 21.5 per cent increase over the revised estimates of Rs.10,698 crore. The rest of the money is to beef up marketing infrastructure as key to ensuring better price realisation.

IMPROVING DIGITAL CONNECTIVITY

Jaitley also announced a Rs 10,000-crore push to roll out 5 lakh WiFi hotspots to boost broadband connectivity, which analysts and sector experts said would help bridge the digital divide in rural India. Reaffirming the commitment towards Digital India and a swift migration to a digital economy, Jaitley said 2.5 lakh villages had optical fibre connectivity under the BharatNet initiative. Of these, 1 lakh gram panchayats are now connected with high-speed fibre optic networks in the first phase and work is on towards expanding it to the remaining 1.5 lakh villages.

INFRASTRUCTURE BOOST

Estimating over Rs.50 lakh crore investment to increase the GDP growth and connect the nation with a network of roads, airports, railways, ports and inland waterways, Finance Minister Arun Jaitley announced an increase of budgetary allocation on infrastructure for 2018-19 to ₹5.97 lakh crore against the estimated expenditure of ₹4.94 lakh crore in 2017-18.

The Finance Ministry would leverage the India Infrastructure Finance Corporation Limited (IIFCL) to help finance major infrastructure projects, he added.

Exuding confidence regarding completing the National Highways

exceeding 9,000 kilometres during 2017-18, he said under the 'Bharatmala Pariyojana' for seamless connectivity of interior and backward areas and borders of the country, about 35,000 km of road would be constructed in Phase-I at an estimated cost of Rs.5.35 lakh crore.

To raise equity from the market for its mature road assets, the National Highways Authority of India (NHAI) would consider organising its road assets into Special Purpose Vehicles and use innovative monetising structures like Toll, Operate and Transfer and Infrastructure Investment Funds.

SMES GET BOOST

Finance Minister Arun Jaitley went the extra mile to favour the small and medium businesses in terms of corporate tax rate reduction to 25 per cent. Small-scale industries, hurt by GST, have got a fillip, with companies below a turnover of Rs.250 crore being allowed to pay corporate taxes at 25 per cent, the threshold having been raised from Rs.50 crore to include a greater number of small companies. However, large corporates were left high and dry in terms of promised corporate tax rate reduction.

The incentive to MSMEs is a good one considering they bring in the jobs and not the big corporates. So is the plan to bring public sector banks on to the Trade Electronic Receivable Discounting System (TReDS) and link it with the GSTN. The promise to revamp online loan sanctioning facility for MSMEs is encouraging too.

The corporate sector, which was anticipating a reduction in tax has reason to be disappointed. Similarly, the middle-class tax payer's grumble will continue--the Rs 40,000 standard deduction proposed to be granted is not good enough especially considering that it will be in lieu of two other tax breaks that are already available.

AMBITIOUS HEALTH PROTECTION SCHEME

The big bang announcement, of course, was the announcement of the world's largest public health protection

scheme — the National Health Protection Scheme will cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing up to Rs.5 lakh cover per family per year for secondary and tertiary care, including hospitalisation.

Apart from the above, Jaitley announced that a sum of Rs 600 crore will be provided for nutritional support to tuberculosis patients at a rate of Rs 500 per month. Additionally, 24 new government medical colleges and hospitals will be set up by upgrading existing district hospitals, thereby moving towards achieving universal health coverage.

The promised "the world's largest government-funded health care programme", dubbed Modicare is seen as an excellent proposal to support the needy as most times the poor are forced to borrow for treatment in expensive private hospitals. The key could lie in how quickly the government identifies beneficiaries, puts mechanisms in place, and gets them rolling while ensuring the gains aren't skimmed away by insurance firms and private hospitals - a tough ask, but one which is worth a beginning. If implemented with reasonable success, the proposed mega health insurance scheme will mark a huge stride towards creating a social security net for the underprivileged in a country where healthcare is scarce and costly.

COMPOSITION OF EXPENDITURE

- * The overall expenditure increase is at 12 per cent, very much in line with expected nominal GDP growth of 11.5 per cent.
- * Despite structural changes, the last year showed considerable tax buoyancy that will be enhanced in the next year. Even a modest increase in total expenditure allows a \$2.5-trillion economy to spend large absolute amounts. The impact of the expenditure can be enhanced if it is well designed.
- * While expenditure on subsidies, for

example petroleum, remains capped, there are large increases in spending for infrastructure, on reducing vulnerability (health), and increasing human capacity (education). Public expenditure that creates public assets has a higher and more persistent growth multiplier compared to the public consumption expenditure multiplier, because, apart from maintaining demand, it also reduces costs.

- * Whether the promised increase in minimum support prices (MSP) have the potential to fuel inflationary pressures, is a moot point. Large increases given by the previous government contributed to maintaining high food and general inflation. This government has kept the MSP increase low, which contributed to reducing inflation.
- * There are two alleviating factors today. First, a general glut in agriculture will tend to moderate overall price increase. Second, past and ongoing action on the supply-side, which is increasing productivity and lowering cost of production, will moderate price increase despite giving a higher mark-up on costs. Sensitivity of overall inflation to food inflation makes increasing agricultural productivity especially important.

FISCAL CONSOLIDATION

- * Fiscal deficit ratio this year has come in at 3.5 per cent (target 3.2) and is projected for 3.3 next year, marginally above the agreed-to fiscal deficit reduction path, which would have taken the FD ratio to 3 per cent next year.
- * However, the departure is marginal and credibility is maintained for two reasons. First, the recommendations of the new FRBM (Fiscal Responsibility and Budget Management) committee have been accepted with respect to a debt reduction path to a 40 per cent debt ratio and reaching a 3 per cent FD ratio by 2021. Second, even the FRBM committee had allowed a 0.5

percentage point departure from the FD target in a year of structural change. And a year when GST is introduced is a year of major structural change when slippages in revenue targets are to be expected. The deviation is small, less than that 0.5 percentage point.

- * Markets were also worried about government borrowing, with rates on benchmark 10-year G-Secs hardening to above 7 per cent when the repo rate is at 6 per cent. But this budget should assuage market worries. With signs of a recovery in growth and real interest rates falling, debt ratios will fall faster. The gross borrowing requirement at Rs.6.3 trillion is only marginally above last year's Rs.6 trillion, and should be absorbed in a growing market. Net market borrowing is Rs.4.62 trillion, only marginally above market expectations.
- * The tax buoyancy visible from GST and the rise in direct taxes may actually reduce borrowing requirement over the year. Moreover, in a booming equity market the Government may be able to raise more than the modest Rs. 80,000 crore estimated from disinvestment. This year they raised Rs.1 lakh crore, exceeding their target for the first time, and by a massive Rs. 25,000 crore. Measures for innovative financing and selling ready assets to raise money for new investment and channeling more long-term savings, such as pension funds Indian and foreign, to infrastructure, will also help in financing expenditure without straining markets.

INCENTIVES AND GOVERNANCE

These measures are likely to improve governance. The budget continues and consolidates tax reform to widen the tax base and lower taxes. This improves incentives for compliance, pushing India towards a norm where all pay reasonable taxes. Corporate tax has been cut to 25 per cent for 99 per cent of firms. This will help MSMEs and job-creating

entrepreneurship. There are tax incentives to increase employment.

There are measures to improve coordination across government departments to improve ease of doing business, such as the creation of a special logistics cell, and to encourage States to compete and improve the delivery of public services.

Higher tax exemptions on income from fixed deposits will help even the playing field between different assets and discourage households from entering narrow markets at high price earnings ratios. This is good for financial stability.

A stand-out feature is the whopping 67 per cent rise in estimated GST revenues in 2018-19 over the revised estimates, or from Rs.4.44 lakh crore to Rs.7.43 lakh crore. Even if one concedes that the Rs.4.44 lakh crore is for nine months this year, this is an ambitious target. An expenditure increase of 9 per cent, excluding transfers, is not extraordinary. The Budget math is based on a combination of compliance and growth. Finally, the Government is betting on its own reform initiatives.

PM CALLS IT DEVELOPMENT-FRIENDLY, WILL STRENGTHEN "NEW INDIA" VISION

Prime Minister Narendra Modi termed the Union Budget for 2018-19 "development-friendly" and said it will strengthen the vision of a 'new India'. The budget, he emphasised, will create new opportunities for rural India.

Discussing various schemes of his government, including the construction of toilets and initiatives in the areas of housing, power and health, the prime minister emphasised that the budget devotes attention to all sectors, ranging from agriculture to infrastructure.

The budget is "farmer friendly, common citizen friendly, business environment friendly" and will add to 'ease of living' and 'ease of doing business', Modi added.

The government will soon announce concrete steps to address non-performing assets (NPA) and 'stress account' issues for the micro, small and medium enterprises (MSME) sector, the prime minister said.

PRO-POOR, AGRI-FOCUSED FOR INCLUSIVE GROWTH

The budget has a clear push towards socio-economic growth of the country with aggressive focus on agriculture, education, rural economy, healthcare and infrastructure. The allocations aimed towards rural India will increase consumption which boost industries and help in nation building. Focus on digital solution and new age technologies is a big push in terms of creating the right environment for the next level of development in India. The increase in customs duty will further boost 'Make in India'.

At the same time, several appreciable, noteworthy proposals are all aimed at constituencies that bring in the votes. Farmers, informal sector workers, small businesses, senior citizens and the poor in general, all stand to benefit from the Budget while the middle-class tax payer, markets and corporates have been hung out to dry.

The Budget thus stands out for its heavy tilt towards the revival and development of rural India's economy. Earlier, agriculture usually got a passing mention as the focus was on industry. Considering the fact that 60 per cent of the population still lives in villages and small towns. Bharat, as rural India is often called, has long been neglected and deprived of facilities like healthcare and education in favour of urban India, which became a magnet for young village youth seeking employment. Whether the change of heart was brought about by the large number of farmers' suicides or it's a considered policy to make amends for the devastation caused to cash-reliant rural India by the demonetization move, the tilt was long overdue. There are several advantages to developing roads and rural electrification as these would not only

provide jobs but also increase rural productivity and boost the overall economy. More purchasing power in rural areas will boost consumption of healthcare, consumer and white goods produced in urban India.

The idea of setting MSP at 1.5x the cost of production sets off mixed feelings. While it is something that will benefit the farmer (assuming that government agencies are active in procurement, which has not been the case till now) the fact is that it might have an impact on food price inflation. Indeed, one of the prime reasons for the galloping food inflation just before this government took over was the generous increases on MSP offered by the previous one.

MARKETS CRASH

The sentiment dampener for investors and stock markets was the levy of long term capital gains tax, 10 per cent distribution tax for equity mutual funds and slippage in fiscal deficit targets.

The markets have the reason to whine the most with the imposition of long-term capital gains tax albeit in a stunted form. Investors, including sections of the middle class, would have less reason to cheer, with dividends on mutual funds being taxed as well as long-term capital gains tax being imposed. The Sensex crashed by over 850 points Thursday.

Finally, the slippage in fiscal deficit this year to 3.5 per cent (against the budgeted level of 3.2 per cent) and the projected 3.3 per cent for 2018-19 are unlikely to go down well with the markets and ratings agencies. The obvious question here is whether the increased spending is on productive avenues and the answer to this is: doubtful.

Having said that, the Budget is pro-actively producer-centric, whether it is boosting farm output, or giving incentives to SMEs and other labour-intensive sectors of trade and industry.

It has chosen to reach out to sections that have hitherto been less pampered than the urban middle class — the traditional support base of the BJP.

HIGHLIGHTS OF UNION BUDGET 2018-2019

- * Budget guided by mission to strengthen agriculture, rural development, health, education, employment, MSME and infrastructure sectors
- * A series of structural reforms will propel India among the fastest growing economies of the world. The nation is firmly on course to achieve over 8 % growth as manufacturing, services and exports back on good growth path.
- * MSP for all unannounced kharif crops will be one and half times of their production cost like majority of rabi crops: Institutional Farm Credit raised to 11 lakh crore in 2018-19 from 8.5 lakh crore in 2014-15.
- * 22,000 rural haats to be developed and upgraded into Gramin Agricultural Markets to protect the interests of 86% small and marginal farmers.
- * "Operation Green" launched to address price fluctuations in potato, tomato and onion for benefit of farmers and consumers.
- * Two New Funds of Rs 10,000 crore announced for Fisheries and Animal Husbandary sectors, Re-structured National Bamboo Mission gets Rs 1290 crore.
- * Loans to Women Self Help Groups will increase to Rs.75,000 crore in 2019 from 42,500 crore last year.
- * No changes in personal income tax slabs.
- * Salaried tax-payers to get a standard deduction of ₹40,000 in lieu of transport allowance and "other medical expenses".
- * All senior citizens will now be able to claim benefit of a deduction of Rs.50,000 for any medical insurance.
- * For critical illnesses, the deduction has been increased to ₹1,00,000.
- * Free power connections to 4 crore homes under Saubhagya Yojana.
- * Govt. to contribute 12% of wages of new employees for all sectors.

- * New flagship National Health Protection Scheme, providing a health insurance cover of Rs.5 lakh per family per year announced.
- * Railway capex for 2018-19 set at ₹1.48 lakh crore.
- * Disinvestment target for this year set at ₹80,000 crore.

TAX HIGHLIGHTS:

- * More concessions for International Financial Services Centre (IFSC), to promote trade in stock exchanges located in IFSC.
- * To control cash economy, payments exceeding Rs 10,000 in cash made by trusts and institutions to be disallowed and would be subject to tax.
- * Tax on Long Term Capital Gains exceeding Rs 1 lakh at the rate of 10%, without allowing any indexation benefit. However, all gains up to 31st January, 2018 will be grandfathered.
- * Proposal to introduce tax on distributed income by equity oriented mutual funds at the rate of 10%.
- * Proposal to roll out E-assessment across the country to almost eliminate person to person contact leading to greater efficiency and transparency in direct tax collection.
- * Proposed changes in customs duty to promote creation of more jobs in the country and also to incentivise domestic value addition and 'Make in India' in sectors such as food processing, electronics, auto components, footwear and furniture.

BUDGET 2018 IN LINE WITH GOVT'S FISCAL CONSOLIDATION PATH: MOODY'S ANALYST

India's 2018/19 budget is in line with the government's fiscal consolidation path, a Moody's analyst said on Thursday, adding that it reinforced the credit ratings agency's recent rating upgrade for the country.

In his budget statement to parliament, Finance Minister Arun Jaitley set the fiscal

deficit for 2019/19 (April-March) at 3.3 percent of gross domestic product, slightly higher than expectations for 3.2 percent.

Most of the spending announced seemed to be on "productive investments" rather than 'one-time hand outs', said Joy Rankothge, Vice President of Moody's Investors Service told Reuters.

"You'll see more medium-long term benefits, again depending on how it's implemented and how it's funded," he said.

Moody's Investors Service upgraded India's sovereign credit rating for the first time in nearly 14 years in November, saying continued progress on economic and institutional reforms would boost the country's growth potential.

Moody's rates India at "Baa2" with a "stable" outlook.



RAILWAY BUDGET: HIGHEST-EVER ALLOCATION TO FAST-FORWARD PLANS

In the highest-ever allocation, Union Finance Minister Arun Jaitley on Thursday announced a capital expenditure of Rs.1,48,528 crore for the Railway Ministry for the year 2018-19.

A large part of these funds will be utilised for capacity addition. The government has decided to double 18,000 km of tracks and to work on third and fourth lines in several sectors. "Five thousand kilometres of gauge conversion would augment capacity and transform almost the entire network into broad gauge," the Finance Minister said. Mr. Jaitley also said 4,000 km of the railway network will be commissioned for electrification during 2017-18.

Freight corridors: The budget has also made provision for acquisition of 12,000 wagons, 5,160 coaches and approximately 700 locomotives during 2018-19. The Finance Minister said work on the eastern and western dedicated freight corridors was in full swing.

While Rs.51,000 crore has been allocated for strengthening the Mumbai suburban network, the budget has allocated Rs.17,000 crore to add 160 km of suburban network in Bengaluru to cater to the growth of the metropolis.

Responding to the allocations, VishwasUdgirkar, partner, Deloitte India, said: "Measures announced on Railways investment is laudable, with focus on capacity creation, passenger safety, doubling of lines, and electrification. Specific mention of improving suburban train system in Mumbai is heartening announcement."

SudhirRao, managing director, India, Bombardier Transportation, said going by the Budget announcement, the Railway Ministry has a vision to create a world-class, environmentally sustainable, energy efficient rail transportation in India. "Our rail vehicles from commuter trains to metros, monorails to locomotives, high-speed trains to light rail vehicles provide sustainable mobility across cities globally moving millions daily. We are pleased with the intent for procurement of rolling stock by Indian Railways," Mr.Rao said.

"Modernising the railways riding on technology offers the appropriate ecosystem for the development of smart cities. This will help attract more business and increased employment opportunities for the local populace," said Keshav R. Murugesh, Group CEO, WNS Global Services.



POLICY INITIATIVES

LOFTY DIVESTMENT TARGET SET FOR THIS FISCAL

The disinvestment target is likely to be set at over Rs one lakh crore for the next fiscal in Union Budget 2018-19, buoyed by the success of ONGC's acquisition of a 51.11 per cent government stake in HPCL.

The divestment sum in the government kitty will be Rs 92,475 crore this fiscal against the 2017-18 budget estimate

of Rs 72,500 crore when the HPCL transaction closes by the end this month.

The government's divestment target included Rs 46,500 crore from minority stake sales, Rs 15,000 crore from strategic divestments and Rs 11,000 crore from the listing of PSU insurance companies.

Stepping up asset sales is part of the government's reform agenda and higher receipts will help it to meet the fiscal deficit target at a time the GST has not been yielding the desired revenue.

With the strategic sale of Air India, more vertical integration of oil PSUs and IPOs of several profit-making firms is on the cards.

The government may adopt different methods to meet its stake sale target, including initial public offerings, exchange-traded funds, buybacks, offers for sale and acquisition of government stake by other state-owned firms.

While the strategic sale of Air India is expected to be completed next fiscal, Niti Aayog has recommended strategic sale in over 40 public sector units and the closure of 26 sick units.

The department of investment and public asset management has created a pipeline for potential stake sales through various methods. State-owned NBCC Ltd, which bought Hindustan Steelworks Construction Ltd this year, may buy other smaller construction and engineering PSUs, sources said.

The government also plans to list several state-owned firms, including Hindustan Aeronautics Ltd, Garden Reach Shipbuilders, railway companies like Ircon, RITES, IRCTC and IRFC.



MONEY & BANKING

SBI'S DEPOSIT RATE HIKE SETS STAGE FOR RISE IN INTEREST RATES

State Bank of India (SBI) Tuesday raised rates on bulk deposits by 50-140

basis points, a move that may prompt rival lenders to increase interest rates, given tight liquidity conditions and the expected rise in loan demand.

This is the second such rate hike by SBI on deposits over Rs.1 crore, usually referred to as bulk deposits, in two months. SBI's bulk as well as retail term deposit rates range between 5.25% and 6.25%. One basis point is one-hundredth of a percentage point.

Revising the interest rates on deposits of over Rs 1 crore, the country's top bank has now decided to offer 5.25 per cent on deposits of 7-45 days against 4.75 per cent earlier.

The rate is 6.25 per cent (4.85 per cent earlier) on deposits in the maturity bucket of 46-179 days and 180-210 days.

According to credit rating agency Icria, banks are likely to hike deposit rates in the near term, as incremental credit has outpaced deposits over the last quarter, which has pushed up the credit-deposit ratio of banks.

It added the government's recapitalisation programme will improve the ability of PSU banks to pursue credit growth. "While banks have an option of reducing their SLR holdings and deploying the same towards incremental credit, they may prefer not to do so, as it may trigger an upward movement in bond yields and add to their treasury losses."

Icria anticipates an imminent increase in competition for deposit mobilisation and an upward movement in deposit rates.



BUDGET & INDUSTRY

Industry Reactions to Budget proposals: The Budget has largely evoked positive reactions from the captains of trade and industry.

CII Director General Chandrajit Banerjee termed it a balanced and prudent Budget that sets the foundation

for future growth in the economy. "In a difficult year, the finance minister has done well to contain the fiscal deficit at 3.5 per cent of GDP, a deviation of 0.3 per cent from the Budget estimate. The plan to move towards fiscal consolidation in the coming year would maintain macro stability and enhance investor confidence," Banerjee said.

However, CEO of Serum Institute of India, Adar Poonawalla rated the Budget as a highly mixed one. "One of the main focuses of the government in this Budget was touted to be employment generation. However, none of the announcements are expected to boost the creation of jobs in any significant manner.

"Secondly, I was expecting some relief towards Minimum Alternate Tax (MAT), which was missing in the Budget. It would have catered to India's SEZ units, helping the export business to great extent," he said.

Assocham President Sandeep Jajodia said the Budget is on expected lines and provides support to sections of the society, where it was needed the most. The finance minister and Prime Minister Narendra Modi know how to put the money where the mouth is, he said. "The agricultural and rural landscape were in some kind of distress and provision of over Rs 14.34 lakh crore to be spent on rural infrastructure should also add to the employment generation especially in the farm sector," Jajodia said.

Bharat, or rural India, has been the key focus of the Budget, Dabur India CEO Sunil Duggal said, adding the Budget is on expected lines and is focused on improving the quality of life in rural India.

PHD Chamber of Commerce President Anil Khaitan said the government has provided a Budget for all. The focus on agriculture, rural economy, health, infrastructure and MSMEs is highly appreciable.

Ashok Hinduja, Chairman, Hinduja Group of Companies said: "The focus on development of agriculture, healthcare, education, employment generation and

infrastructure with an innovative approach should comfortably place the economy in the growth trajectory of 8-10 per cent per annum and double its GDP by 2025."

Ficci President Rashesh Shah is of the view the Budget will drive consumption in a big way, thus helping growth in other related sectors. While we see a clear focus on infrastructure sector development in rural areas, similar plans for such development in urban areas, including wider connectivity, have got needed attention. It is clear the government is now laying equal stress on promoting both ease of doing business as well as ease of living in the country, he said.

Another major achievement as reflected both in the Economic Survey and in the Budget relate to the massive jump in the number of both direct and indirect tax payers in the country. This is a clear outcome of the series of measures taken over time to promote formalisation of the economy and have a more user-friendly and transparent tax system in the country. This also augurs well for the fiscal situation as in time a bump in revenue flows will emerge which will enable the government to finance its welfare programs.

On the fiscal deficit numbers, Shah said we see a revised figure for both FY18 and FY19. Given the kind of structural reforms the government has undertaken in the last year and the need to give a fillip, particularly through infrastructure development and strengthening of the rural economy, FICCI is fully supportive of the new glide path.

The impetus to the rural economy and the overall agriculture sector in the Budget would be a force multiplier for overall growth in the coming years. The Union Budget has provided a major impetus to the rural economy and the overall agriculture sector, which will be a force multiplier for overall growth in the coming years. It will also drive consumption in a big way, thus helping growth in other related sectors.

Additionally, MSMEs have come in for a lot of focus, be it through better access to finance or lowering of corporate tax rates — this will help spur both employment and growth in this vital segment of the economy. Moreover, the central theme of jobs has been reflected, with the government making clear its intention to help generate meaningful work opportunities for the people.

PETROL, DIESEL PRICES NOT COMING DOWN; ADDITIONAL CESS REBALANCES EXCISE DUTY CUT

While the Finance Minister has cut excise duty cut by Rs 2 per litre and additional duty of excise by Rs 6 per litre in the Budget, there will be no impact on the price of petrol and diesel as it also levied a Road and Infrastructure Cess of Rs 8 per litre, which rebalanced the deductions. The oil ministry had demanded excise duty cut from the finance ministry on the back of rallying crude oil price to provide relief to consumers.

The last excise duty cut was announced in October last year when the petrol price was just 1 paise short of hitting the Rs 80 per litre mark. However, in three months since then, the price of Brent crude oil price rose to more than \$13 per barrel and the fuel price, subsequently, shot up by over Rs 3 per litre, completely reversing the impact of the cut.

Collections from basic excise duty go to the consolidated fund of India, out of which, 40% is devolved to states. However, cess is a specific duty collected entirely by the central government for a specific purpose. Arun Jaitley in an interview with DD News said that this was just a rebalancing exercise as there was a shortfall in Central government's revenue. So the levy has moved from excise to cess.

The Brent crude oil is currently hovering over \$68 per barrel, after topping \$70 mark in mid-January. Oil

analysts expect the price to further go up to \$80 per barrel or even \$100 per barrel. The rising oil price has brought an end to the three-year-long low price windfall which allowed the government to increase the excise duty on petrol by Rs 12 per litre and on diesel by Rs 13.77 per litre since April 2014, before making the first excise duty cut in October.

As the government is estimating a fiscal slippage in the fiscal year 2017-18 by 0.3 percentage points, Arun Jaitley has fixed the target for the fiscal year 2018-2019 to 3.3%.

Last week, the Economic Survey 2018 flagged concerns over the rising crude oil price, saying that every \$10 rise affects the GDP growth by 0.2-0.3% percentage points and increased the Current Account Deficit (CAD) by \$9-10 billion. India imports 82% of its oil requirement and Brent crude oil makes up for 28% of total imports.

Oil Minister Dharmendra Pradhan had been long demanding to bring the fuel under the ambit of the GST. The GST Council is likely to deliberate upon the decision in upcoming meetings.

CORE SECTOR SEES GROWTH AT FIVE-MONTH LOW IN LAST DECEMBER

Growth of the eight key infrastructure industries slowed down to four per cent in December 2017 - a five-month low - compared to 5.3 per cent in the corresponding period of the previous fiscal. The comparison becomes stark when compared with November 2017, when growth had peaked to 7.4 per cent.

The core sectors — coal, electricity, steel, cement, refinery products, fertilisers, natural gas, and crude oil — which contribute 40 per cent to the Index of Industrial Production (IIP) saw healthy growth in refinery products and cement production, pushing the figures into the positive zone. According to experts, the sequential dip in core sector growth is largely a function of base effect and going forward, the festival season will boost the manufacturing sector.

“An unfavourable base effect for steel and refinery products as well as the continued weak performance of coal contributed to the sequential dip in core-sector growth,” said Aditi Nayar, principal economist at ICRA. Disaggregated data reveal broad-based sequential slowdown, with six of the eight constituents (excluding cement and fertilisers) displaying a downtick in volume growth, she added.

Data released by the commerce and industry ministry on Wednesday showed the output growth recorded in December is the lowest since July 2017. While cement production remained the biggest growth driver, rising 19.6 per cent in December, growth in steel production and electricity generation shrank to 2.6 per cent and 3.3 per cent, respectively.

“Cement output growth is expected to remain healthy in the ongoing quarter, given the low base of Qr.4 of the Financial Year 2017, although growth may not sustain at such levels, Nayar noted.

The output of crude oil and coal contracted 0.1 per cent and 2.1 per cent, respectively, during the month under review. Fertiliser production rose three per cent from 0.3 per cent in November and natural gas rose one per cent.

However, ICRA expects manufacturing growth to remain healthy in December 2017, benefiting from a favourable base effect related to the marginal 0.6 per cent rise in December 2016, as well as the expansion displayed by sectors such as automobiles, cement, and non-oil merchandise exports.

MARKETS

SENSEX TANKS 2.5%, DOWN 839 PTS, NIFTY ENDS BELOW 10,800 ON BUDGET WOES

When Finance Minister Arun Jaitley presented Budget 2018 in Parliament on Thursday, some of his announcements, especially the measures related

to stock markets and companies in general, sent the stock markets swinging. There was a sudden drop in the benchmark indices at the time of the Budget speech. Even as most stocks recouped some of their losses later in the day, as many as 24 Nifty50 stocks ended their day in the red. Benchmark indices tumbled on Friday as the long-term capital gains tax on equities investments dampened sentiment, while bonds slid for a second consecutive session on worries the central bank would become more hawkish on inflation.

The weak sentiment came a day after the government unveiled its budget for the year starting in April that raised spending for rural sectors and healthcare, widening the fiscal deficit target to 3.3% of gross domestic product from the previous 3.0%.



TRADE

CEA ARVIND SUBRAMANIAN CAUTIONS ON RCEP TRADE DEAL

India needs to be extra cautious and take into account geostrategic issues while moving ahead with the Regional Comprehensive Economic Partnership (RCEP) trade deal as it will also mean opening up the market to China, chief economic adviser Arvind Subramanian said last week.

“We have a natural complementarity vis-à-vis Europe. We export labour-intensive goods to Europe and they export capital-intensive goods to us. In case of the Asean and China, it's not the same thing in RCEP”, he said. There is also the geostrategic dimension we need to take into account. So that's a more difficult and richer discussion that the government needs to have,” said Subramanian in a post-Economic Survey interview.

India has a \$50 billion (around Rs3.2 trillion) trade deficit with China.

Tensions between the nations have been high in the past over Chinese military intrusions, most recently in the Doklam area of Bhutan, and the China-Pakistan Economic Corridor, which is proposed to pass through Pakistan-Occupied Kashmir.

The fact that most RCEP members are not ready to open up their services market, as proposed by India, makes the proposed deal more disadvantageous for India, said Subramanian.

RCEP is a grouping of the Asean's (Association of Southeast Asian Nations) 10 members plus India, China, Japan, South Korea, Australia and New Zealand. It envisages regional economic integration leading to the creation of the world's largest regional trading bloc, accounting for nearly 45% of the world's population with a combined gross domestic product (GDP) of \$21.3 trillion.

Asean members have been putting pressure on India to open up its market for more than 90% of their traded goods, while they remain reluctant to India's proposal to allow free movement of Indian skilled professionals in the RCEP region. There is growing clamour for India to either exit RCEP or resist its early conclusion.

Commerce minister Suresh Prabhu last week insisted on concluding a "balanced and collectively satisfactory" RCEP agreement that includes a services pact. "It is important to address the sensitivity of member countries and their aspirations as negotiations gather momentum. We would all aim to achieve an RCEP that results in the realization of the potential of the three key pillars of RCEP—goods, services, investment—in a manner that is balanced and collectively satisfactory. Keeping this in view, India will be working closely and constructively with all RCEP member nations, particularly Asean, towards early conclusion of negotiations," he said, while hosting the Asean trade ministers' meet to mark 25 years of dialogue partnership between the two sides.

Stressing why RCEP needs a strong

services pact, Prabhu said globally, trade in services is growing faster than merchandise trade. "Services are becoming a dominant driver of growth in both developed and developing countries. Services contribute almost two-thirds of India's GDP and surplus in services trade finances almost half of our trade deficit. India currently runs an around \$10 billion trade deficit with the Asean grouping," he added.

GOVT. TO TAKE STEPS TO PROMOTE AGRI COMMODITY EXPORTS

The government will take steps to boost exports of agriculture commodities which have the potential of reaching \$100 billion, Finance Minister Arun Jaitley said on Thursday.

The country's agricultural exports are around \$30 billion at present.

"India's agri exports potential is as high as \$100 billion against a current export of \$30 billion. To realise this potential, export of agri commodities will be liberalised," Mr. Jaitley said while presenting the Union Budget 2018-19 in the Lok Sabha.

He also proposed to set up state-of-the-art facility in 42 mega food parks.

The announcement assumes significance as the Commerce Ministry is working on a comprehensive policy covering issues such as logistics to promote export of agri commodities like tea, coffee, fruits and vegetables.

India is one of biggest producers and exporters of agri commodities.

Elements which could become part of the policy include certification and traceability of items. Besides, the Ministry is also in the process of identifying countries where there is a maximum import demand for agri goods.

Agri-products account for over 10% of the country's total exports.

India mainly exports tea, coffee, rice, cereals, tobacco, spices, cashew, oil meals, fruits and vegetables and marine products.

In December 2017, out of 13 agri commodities being tracked by the Commerce Ministry, five categories - other cereals, cashew, oil meals, oil seeds, fruits and vegetables-reported negative export growth.

TEXTILE EXPORTS LOOK UP

The incentives provided by the government have boosted shipments from the textile sector by 16 per cent and exports are expected to grow further as the global economy picks up in the coming months.

The GST Council is also expected to review and eliminate embedded export taxes such as on electricity and petroleum, which could provide an important boost to India's manufacturing exports.

However, there are no export superstars as the top 1 per cent of Indian firms account only for 38 per cent of exports, unlike in other countries where they account for a substantially greater share, the economic survey tabled in Parliament said on Monday.

The top 1 per cent of Indian firms account for only 38 per cent of exports unlike in other countries where they account for a substantially greater share - 72 per cent in Brazil, 68 per cent in Germany, 67 per cent in Mexico and 55 per cent in the US. This was true for the top five or 10 per cent of the Indian companies, it said.

However, the survey found that six states - Maharashtra, Gujarat, Karnataka, Tamil Nadu, Telangana and Haryana - in that order account for 75 per cent of India's exports and it also found a strong correlation between export performance and states' standard of living.

Apart from structural reforms such as the goods and services tax, the Insolvency and Bankruptcy Code and measures to facilitate the ease of doing business, the government has initiated sector-specific reforms in steel, apparel, leather and power sectors to address specific challenges associated with each of these sectors.



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November, 2017

Countdown to 2019 Parliamentary elections Issues that could influence voting patterns



It has been almost three years since the National Democratic Alliance or NDA (BJP and its allies) came to power and there have been many assessments on what it has achieved and the areas where its policies have misfired. On balance, the opinion is that under Prime Minister Narendra Modi, the NDA government has done well for itself although there are dark spots. It is debatable whether the Opposition can exploit the dark spots.

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

Asia News Agency offers an in-depth Special Study on the above subject.

The Study does not predict at this stage, whether the BJP led government will win or lose the 2019 parliamentary elections, but will equip the serious reader with a balanced perception on issues, as they have emerged presently, that could count with the voter. There will be regular updates to provide the reader with informed views and perceptions to take him right upto May, 2019.

The Special Study is available for Rs 3,000 for the print version and Rs 3,500 for the electronic version. For those who buy the Study now, subsequent updates, whenever issued, will be available at half price.

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