

Bi-annual Review

BRICS: The new Syndicate





भारतीय वैश्विक संबंध परिषद्

Bi-annual Review
January – June 2012

Letter from the Executive Director



Manjeet Kripalani
Executive Director
Gateway House: Indian Council on Global Relations

This quarter was dominated by the BRICS alliance. The first BRICS meeting to be held in India was hosted in New Delhi on 29 March 2012. The big announcement was the possible establishment of a BRICS Bank – an alternative and supplement to the World Bank and IMF that currently dominate international development financing today.

The rest of the world is skeptical about what they see as diverse developing nations trying their hand at institutional financial independence. But given the stresses that are threatening the most ambitious financial integration project – the Euro – a new international financial alliance that can keep in mind the lessons from the Euro's strains, may be a worthwhile experiment for the developing economies. A key concern: Keeping the Renminbi as a partner currency, and making sure it does not dominate (page 7).

Meantime, the BRICS are experiencing troubles of their own: India and China are slowing down economically, and as Gateway House points out, while China is by design, while India's is involuntary. Putin's re-election has evoked public protest, but there is also a new xenophobic dimension of nationalism in the country which is noteworthy (page 26). Brazil's currency is too strong and growth has slowed significantly for the grouping to benefit from each others' strengths, they must learn from each other – and India and Brazil provide some examples (page 31).

The troubles of the Arab uprisings never far from our shores, is intensifying. The Assad regime is being cornered now, and Western support of various 'rebels' in West Asia has caused a full-scale Shia-Sunni split to erupt across the region (page 44). The consequences will be catastrophic.

In March, Gateway House launched its first Global Stability Map, authored by our research head Akshay Mathur and interns. The map, which all our members received, is the first attempt to look at the world's political, social and economic elements from the viewpoint of a developing country – in our case, from the shores of Mumbai. The map will be an annual feature for Gateway House members.

Enjoy the summer and the mangoes that come with it.

Manjeet Kripalani
Executive Director

Table of contents

Greeks do not want to leave the Eurozone	6
Beware of cheap lending from China	8
IMF interview: How the European crisis will affect India	10
What the Dimon debacle means for the world	11
EU austerity: Room to wiggle	12
The case for BRICS swaps	14
China: What Nixon wrought	17
China's global proxy game	19
Pragmatic Populism: Learning from the new Latin America	20
India-U.S.-Iran: A tightrope walk	22
Petit, not grand geste on India-Pakistan	24
Iran: An opportunity for BRICS	25
The Bahrain formula	28
U.S.-Afghanistan agreement: A welcome start	29
Sanctions on Myanmar: Have they worked?	31
Qatar: Geopolitical Cosmopolitanism	34
Deconstructing the Muslim Brotherhood manifesto	36
Can Pakistan sustain its democracy?	40
What Iran's election means for India	41
Competitive intolerance: Reflections on Gandhi's death anniversary	43
A significant election in Kuwait	44
Maldives: Nasheed outpaced his people	46
Rethinking human rights	48
Russia's growing nationalism	50
India and Russia: A new Central Asian engagement	52
India-Brazil: Pioneers of a new development agenda	54
BRICS: Moving in the right direction?	56
BRICS: Their case against the U.S.	58

Myanmar in the ASEAN Matrix: An opportunity for India?	59
India-Tonga: Old friends, new engagements	60
India-U.S.: More equal partners	62
BRICS: An alternate financial framework	63
West and Wahabi vs. Shia	65
UN: A return to 'mandated colonialism'	67
Hillary Clinton's 'Pivotal' Moment	70
Rio + 20: Accommodating new global donors	72
Taliban in Qatar: An Afghan view	74
MMRCA: Building empires, not security	75
India: A unified defence command?	77
AFSPA: National necessity or human rights violation	79
Should India emulate China in space?	81
Piracy: A dangerous eco-system	83
Gateway House Meetings: January to July	85

Greeks do not want to leave the Eurozone

28 March 2012

Akshay Mathur

Head of Research, Gateway House



Greece holds on /Storem-Flickr

The Greek debt debacle seems to be over – at least for now. The crisis is fading and the dreaded restructuring of Greece's obligations – sharply reduced in value for investors – went smoothly. Despite riots and strikes, Greece moreover seems willing to pay whatever price necessary to stay in the Eurozone, an outcome few outside experts foresaw. Recently in Paris, Head of Research for Gateway House: Indian Council on Global Relations, **Akshay Mathur**, spoke with **Kostas Botopoulos**, Chairman, Greek Financial Services Authority, on the pain and commitment of the Greek decision.

Akshay Mathur: Why didn't Greece choose to default? The devaluation of the currency and

separation from the Eurozone may have enabled faster recovery.

Dr. Kostas Botopoulos: I've never supported the idea of Greece leaving the Euro. I'm not an economist, but many research reports have shown that it would be devastating for both the Greek and European economy if the Euro were to begin unraveling. So I think this is out of the question. A large majority, around 80%, of Greeks also do not want to leave the Eurozone.

Of course, there are some parts of the Parliament that now say we should renegotiate but they are not in power, and if they ever came to power they would change their opinion. There are extreme right wing and the extreme left-wing

opinions but a majority, both in the political spectrum and in society, do want to be in the Eurozone.

AM: This is a Eurozone crisis but it affects the global economy. Shouldn't you engage the emerging countries? It is time to think out of the box.

KB: We are thinking out of the box. The world has changed dramatically. The 'G' now has 20 countries (G20) and the emerging powers are more and more important. We are trying to have financial partnerships with every country that is willing to work with us. We have built a strong partnership with China for example. It would be a very good idea to have the same relationship with India.

AM: But I have not seen any movement toward India.

KB: No, not yet. But it is important. I know that our stock exchange has been going all over the world and seeking opportunities for funds to come from foreign countries. So this is an invitation for Indian investors to come to Greece, see first-hand what is happening, and invest here. Our tourism industry is one obvious starting point. Infrastructure, maritime and energy sectors are also very lucrative.

AM: The rest of the world is surprised by the slow decision-making process. Why couldn't the stakeholders agree on a deal sooner?

KB: This process has been going on for more than two-and-a-half years. The outside world must understand that it is not an easy process for us. The procedures in the European Union (EU) are by essence very slow because you have to build a consensus with 27 different countries that have different interests. We also have numerous institutions – the European Union is guided by the European Council and the European Commission, which is approved by the European Parliament. In addition, the respective national parliaments have to ratify the main political decisions. So you need agreement from all stakeholders for a final arrangement. It takes time, it's very difficult and the negotiations are very lengthy, with the end result is always culminating in a compromise.

AM: Private bondholders of Greek debt have agreed to a 75% haircut. Are you happy with the number?

KB: Actually, if you count the Collective Action Clauses (CACs) participation in the Private Sector Involvement (PSI), it will be close to 95%. Voluntary acceptance was 85% and the CAC forced most of the remaining 15% to participate.

AM: What are the other elements of the deal?



So this is an invitation for Indian investors to come to Greece, see first-hand what is happening

KB: One hundred and seven billion Euros have been erased from our books. There is a €30 billion aid package for the banks and another €30 billion on top of that will be given to combat recession in Greece.

The goal is to reduce debt from the private sector and restart the Greek economy. It seems voluntary but it really is a global arrangement. We didn't know the exact numbers up to the last minute. The 85% is high. This is the first time ever that a PSI of such scale is going on in any country in the world. Argentina's debt restructuring totaled \$60 billion whereas we finished at roughly double the amount.

AM: It seems that Greece was initially reluctant to accept default and was not using the bail-out money productively.

KB: Greeks are the first to blame because the political system and the society have lived very carelessly for many years. But there have also been delays by the EU. Some European packages with considerable funds lacked incentives to boost growth

in sectors such as infrastructure. They were pumping money into the Greek economy without a clear idea of the results they wanted to achieve. That's a problem. A lot of money has been given but not as a present. It has been lent, albeit at a very good rate, but it has been lent. So this is something to keep in mind. What has been lacking up to now is a strategy to ensure that the money is being put where it counts; that is, in the real economy, and in the banks; then making sure that the banks lend it to the real economy and not keep it for themselves.

AM: What are the reforms demanded by the stakeholders?

KB: This is a global political program that has been imposed on Greece after very little negotiations, to be frank, on a sovereign state. In this program, one good thing, but not popularly discussed, was the series of important structural reforms such as abolishing privileges for legal and pharmaceuticals sectors that were over and above normal European standards.

The second example of reform demanded is that of the tax system. This is a big problem because we have high tax evasion. Every government wants us to fix it but it is very difficult to put into force. Another example is reform of the social security system.

These reforms have been put into place, even if they are imperfect, to avoid default and keep our place in the Eurozone.

AM: What are the signals you are getting from the market?

KB: I hope everybody will understand now that there is no danger of Greece's defaulting and going out of the Eurozone. This should calm the foreign investors because they account for 55% of our exchange. Foreign participation is very important and we are opening up to new markets. We hope this will provide a healthy shock in order for the system to restart.





Beware of cheap lending from China

9 March 2012
 Samir N. Kapadia
 Geoeconomics Researcher
 Gateway House

As the banker to the emerging world, China has the ability to use cheap loans as leverage

Everyone's taking Beijing's money, but at what cost?

With over \$3.2 trillion in foreign currency reserves, China has a lot to invest. In addition to investing across asset classes, offering attractive loans has been a growing part of China's geo-economic strategy. China's fellow BRIC partners, Russia, Brazil, and India have benefited from this largesse. As emerging market economies, all three countries desperately require the cash to break ground on massive infrastructure projects. BRIC nations, along with South Africa, are currently gearing up to sign a memorandum of understanding to receive renminbi loans from the China Development Bank. Before they meet in New Delhi on March 29 at the 2012 BRICS summit, it's important to remember that China's loans come with strings attached.

India has much to consider. Recently, China made news by lending money to Anil Ambani's Reliance Communications, for the second time. The Reserve Bank of India last month approved a refinancing

of foreign currency convertible bonds worth \$1.18 billion dollars by a consortium of Chinese banks for the prominent Indian industrialist. It was the largest refinancing of its kind for an Indian company. The seven-year loan was offered at a 5% interest rate. In 2011, Ambani also needed cash – \$1.9 billion – to help finance his 3G telecommunications infrastructure for Reliance Communications. Recorded as the largest financing in the history of India's telecom sector, the loan was underwritten by the China Development Bank. Reliance had said that the average projected interest cost savings on the loan are valued at \$100 million a year.

As part of the \$1.9 billion loan agreement, Reliance would import a part of its telecommunications equipment from Chinese vendors, namely Huawei Technologies. Huawei, a quasi-government company partially owned by the People's Liberation Army, has since invested \$200 million in another Indian telecommunications company, Unitech Wireless, a major competitor of Ambani's Reliance.

The loan opened the door for China to enter one India's largest markets, which is key since the Indian government had been working to keep Chinese companies out. While India's mega-companies are only experiencing the beginning of Beijing's accommodating bank policy, Brazil and Russia seem to have grown accustomed to taking Chinese money with conditions.

In 2009, Russian oil and pipeline giants, Rosneft and Transneft, took a combined loan of \$25 billion from the China Development Bank. The loan was needed to finance a massive project that would supply China 15 million tons of oil a year, or 300,000 barrels a day, over 20 years. With \$10 billion, Transneft was able to finish constructing Russia's first pipeline to Asia, now linking the Federation to China and the Pacific. With the remaining \$15 billion, Rosneft launched its Vankor field in eastern Siberia, the largest find brought into production in Russia in the last 25 years.

Today, Rosneft is paying about 4% in interest, based on a margin of

3.25% over a six month averaged LIBOR rate. With LIBOR at historic lows, the terms of the loan agreement remain attractive for Russian companies.

The pipeline was completed on January 1, 2011, but the cost per barrel has been under dispute between the two countries. Last month, Rosneft approved changes in the existing agreement that permitted a \$1.50/barrel discount on crude shipments offered to China National Petroleum Corp, the beneficiary of the supply contract. The Russians will absorb a discount of \$3 billion in aggregate revenue over the course of 20 years, or \$450,000 a day. The initial capital investment thus served as a bargaining chip for the Chinese in the boardroom.

Brazil is headed down the same path. In 2009, Brazilian oil giant, Petrobras accepted a \$10 billion dollar loan from the Chinese Development Bank over 10 years. The financing also tacked on an export agreement calling for 150,000 barrels of oil supply a day for the first year, followed by 200,000 barrels of oil supply a day for the remaining nine. The terms of the loan were also attractive for the Brazilians.

Petrobras' then CEO, Jose Segró Gabrielli, stated that the loan's interest rate, at less than 6.5%, offered better terms than anything the company had seen before. By offering the oil as collateral as opposed to being a part of a securitization structure, Petrobras makes the loan payments primarily from its oil sales. One question is whether Petrobras will be asked to discount the oil price as Russia did for China. By priming the pump with financing, China has demonstrated how it can lock up supply in a straight procurement contract, avoiding the commitment of an equity stake that it used in other Brazilian energy deals. In 2010, the Brazilian iron ore giant Vale signed a \$1.23 billion loan agreement to construct 12 'Chinamax' shipping




If there's a lesson here, it may be not to expect the Chinese to make concessions on the deals that they make with BRICS partners

vessels, each with a 400,000-ton carrying capacity for iron ore. Vale had the ships manufactured in China to create some goodwill, thinking the Chinese would then allow the Brazilian company to ship large quantities of iron ore to Chinese ports in its own vessels. But the plan backfired. On her maiden voyage in June last year, Vale's first Chinamax vessel was barred from anchoring at Dalian port. Facing a backlash from domestic shipping companies, the Chinese government banned Vale's ships from any port of entry in China. After months of dispute, particularly from China's state-owned shipping company COSCO, Beijing allowed the ships to unload ore.

If there's a lesson here, it may be not to expect the Chinese to make concessions on the deals that they make with BRICS partners. When China finances a pipeline, it may demand a lower price on the oil delivered. If you use Chinese yards to build your ships, it may ban your ships. China's use of power through state-owned companies like COSCO is exactly what India has to watch out for. India has to be especially careful with loan repayment plans that rely on assumed business with China. That interdependency can put companies and their shareholders at risk. India has to also beware of seeking loans

at the last minute. Reliance tied up refinancing on its bonds just six weeks before the redemption date. With distressed Kingfisher Air looking for money, one can only hope China doesn't become the reserve bailout bank for strapped Indian corporates.

All countries practice sharp bargaining. As the banker to the emerging world, China has the ability to use cheap loans as leverage. But what China concedes on financing, it can recover on the supply agreement. This quid pro quo then becomes more of an implicit guarantee for favorable supply terms and access to markets. Because of these tacit obligations, India needs to look behind the veil. Brazil, burned by its experience, is now stacking up the bricks against China with policies in an effort to forestall further influence. Brazil's rude awakening has made it more protectionist. To curb damage to domestic manufacturers, the government raised taxes by 30% on all cars with a high proportion of foreign-made parts. Brazil has also put restrictions on foreign land ownership and in the case of Petrobras, made it the sole operator of oil fields where licenses haven't yet been auctioned. Petrobras' Refining Director Paulo Roberto Costa said the regulation "represents a strong position of the state to keep this wealth," making Brazil – not anyone else – the prime custodian of its energy resources. Brazilian steps are all seen as ways for the nation to protect itself from Chinese influence in industries such as manufacturing, agriculture, and oil.

In a two-year window of 2009-2010, China has expended some \$50 billion in Brazil through loans and investments, up from \$83 million the year earlier. While the rate of Chinese investment has been significantly higher in Brazil, the Brazilian government's new 'BRICS-laying' policy may be what Russia and India should be considering as they tap China's ever-flowing river of money. 

IMF interview: How the European crisis will affect India

11 May 2012

Hari Seshasayee

Researcher, Gateway House

A report released by the International Monetary Fund (IMF) on the Regional Economic Outlook for Asia and the Pacific notes that stronger economic and policy fundamentals have helped buffer the region's economies against the global financial crisis, by limiting adverse financial market spill-overs and improving the impact of de-leveraging by European banks. Gateway House's Hari Seshasayee interviews Anoop Singh, Director of Asia and Pacific at the IMF, to discuss the way forward for Asia and the lack of reform in India.

Q: Two weeks ago, Standard & Poor's cited lack of reform as one of the reasons for their lowering India's investment outlook from stable to negative. What can India and institutions like the IMF do to ensure that New Delhi enacts long-term reforms?

If the business community feels that a country is not carrying out the reforms needed for growth, investment tends to fall. This is what we've seen in India in the last six months—a fall in corporate investment. Investors want to be convinced that governments can enact reforms which will yield long-term returns.

With regard to the reforms that India needs, much of it is already laid out in the 12th Plan Approach Paper. These reforms are suited for long-term growth. But they will take time to be put into effect because laws must also be changed to enforce these reforms. The challenge for government is to work out what must be done until these laws change.



If India intends to return to a rate of growth of around 9%, reforms are essential as recognized in the 12th Plan documents

If India intends to return to a rate of growth of around 9%, these reforms are essential as recognized in the 12th Plan documents.

Beyond this, it is significant to note that countries in Asia have begun to build their corporate bond markets. This is required for financing longer-term investments, because bank credit is typically short-term. What these sectors need is longer-term capital.

There was a certain emphasis on China in the IMF's new report on Asia, but the region follows a different trajectory than China. There is a large need for capital in the rest of Asia. Could measures like the intra-BRICS trade in local currencies and the multi-lateral letter of credit be the way forward for Asia?

If you look at Asia in the next 10-15 years (even if you exclude China) you'll find that Asian countries – and also the other BRICS countries – will grow much faster than the

advanced economies. Therefore, you can expect capital to continue to flow into Asia and other emerging markets.

The way forward is two-fold. One is to direct capital inflows to the right areas. A framework must be built to attract capital into areas like energy, infrastructure and FDI, and not into short-term speculative capital. That needs to change.

Secondly, many countries in Asia have a lot of domestic savings, but the financial sector in Asia has been unable to keep those savings in the region. Countries with excessive savings tend to send their surpluses to advanced economies; these surpluses come back as capital flows. If we in Asia build up our financial sectors to ensure savings remain in the region, it would reduce volatility in capital flows.

In the short run, this volatility may be a problem, but in the long-term, it need not affect growth. And the signs are already here: in the first quarter of this year, money has come back.

The on-going financial crises in Europe and the U.S. have already resulted in slowing growth in many emerging economies. In this context, how sensitive is India to the crisis?

India is clearly exposed to the crisis. Of late, the country has become more financially integrated – on trade, services, capital, and financial markets – with Asia and the global economy. Although this may increase the risk India faces in the event of a global crisis, India is not nearly as exposed to the crisis as

many of its Asian counterparts. This is primarily because its economy is more driven domestically rather than by exports. This helps create a buffer to regional or global shocks.

What must also be noted is that in the past five years, the Indian corporate sector has begun to rely on financing from foreign institutions. As much as one-quarter

of the financing needs of the corporate sector in India is met by foreign capital. If there were to be a renewed phase of increased de-leveraging due to the crises in Europe, India could be affected.

And how do you see the results of the recent elections in France and Greece impacting India?

It is too early to tell now. According to our projection for this year, the Euro zone area will go through a recession. It will contract by roughly 0.3%. There is a strong commitment to address public debt in Europe, but a balance is required: along with fiscal measures to re-structure the economy, these should be balanced with rebuilding competitiveness and ushering in growth.

GFI

What the Dimon debacle means for the world

18 May 2012

Bob Dowling

Editorial Advisor
Gateway House



Marc Mezvinsky, Gillian Tett, FT, Chelsea Clinton, Jamie Dimon and Mary Callahan from JPMorgan at the Davos Nightcap/Financial Times – Flickr

It's been a week since J.P. Morgan Chase, considered the "safest, best run, smartest" of the Big Four banks that dominate the U.S. financial landscape, disclosed that it had more than a \$2 billion trading loss. A lot has transpired since. Jamie Dimon, chairman of the bank since 2006, admitted that the surprise loss would set back his campaign against tougher regulation of trading.

He agreed that the "buck stops with me," meaning it was his ultimate responsibility for allowing a London-based trader nicknamed "the Whale" to violate the bank's policy on trading risks. Several top officials of the bank, including Ina Drew, the woman who directly oversaw the traders, are stepping down. It's still unclear whether Drew

will have a "clawback" of some of her \$15 million salary and bonus. At an annual meeting in Tampa, Florida, well away from Wall Street, Dimon apologized to shareholders but was able to keep his \$23 million in compensation and his two titles, chief executive and chairman. Some politicians suggested he should resign, but U.S. President Barack Obama called Dimon "one of the smartest bankers we've got."

Washington's bank regulators, the Securities and Exchange Commission, and several committees in Congress will investigate the trades. It's worth noting that J.P. Morgan passed a Federal "stress test" for safety and soundness just months earlier so well it was allowed it to raise its dividend.

To Americans, this script is all too familiar. A bank "too big to fail" has a huge loss. It won't break the bank this time, but if several banks experienced the same result close to each other, it could set off another 2008 financial panic. That would mean U.S. taxpayers would be expected to fund another bail out.

So the argument that the banks are safer does not hold in the public view, even if the regulators say they are. It was the full Washington establishment led by Federal Reserve Chairman Alan Greenspan and then board member Ben Bernanke who assured the world as late as 2006 that the financial system was self-regulating and safe. The financial press promoted their views without question. Then came the collapse.

The odds for some reform are better now. The U.S. Dodd-Frank law, passed over two years ago to prevent speculative trading by U.S. banks, was hardly considered stringent. But it's been stalled as bank lobbyists worked to water it down further. Leading that campaign was Dimon, who said the regulation called for by the law was unnecessary. European bankers have also been trying to undercut trading regulation.

The Morgan debacle improves the chances for stronger regulation, but banks will still work to carve out loopholes to preserve some potentially profitable trading for themselves. Under the so-called Volcker rule which they opposed, named after former U.S. Federal Chairman Paul Volcker, banks would be permanently barred from trading for their own account, but allowed to hedge risks for customers as long as their positions were disclosed. A better outcome for the public would be to have all trading and banking permanently separated, just as hedge funds are separated from banks today. Then if a high-risk trade blows up, the need for the government to bail out is much less, since the fund's investors are the ones who get wiped out.

But for the world, the stakes are much broader. While many in Washington and Wall Street want to relegate the 2008 collapse to history,

it's clear international financial and government officials who were blindsided by the subprime crisis think a repeat is all too likely while the U.S. and Europe permit mega banks. At an International Monetary Fund conference of Indian and Chinese officials in New Delhi in March, the prevailing opinion was not whether there would be another financial crisis, but when – unless Europe and the U.S. enacted believable restriction on their banks. A meeting of the developing world's BRICS group of Brazil, Russia, India, China and South Africa, debated setting up their own currency system to insulate themselves from another Wall Street collapse.

It's taken a long time but an international backlash against the mega banks may be slowly building. Banks in London and Paris have been attacked by shareholders for excessive executive compensation and loss-making risk taking. The tide could manifest itself in calls for the size and scope for deposit-taking banks, especially if political parties in France and Germany move left. Volcker and U.S. regulators have suggested limiting the size of government-insured deposit-taking banks to \$100 billion in assets. Contrast that with the U.S. today, where J.P. Morgan at \$1.7 trillion in assets is the largest, followed by Citibank, Wells Fargo and Bank of America. The four mega banks



“I just want all of this garbage out of insured banks”

now control 60% of U.S. deposits, far more than before the crash because of bailout mergers and consolidations.

A leading regulator, Shelia Blair, the former head of the Federal Deposit Insurance Corporation, which insures bank deposits, wants a complete separation of banks and trading. “I just want all of this garbage out of insured banks” she says. “A bank should be making loans.” That separation still would not prevent Wall Street trading abuses, but without the banks financing them, speculators, hedge funds and private equity players wouldn't be able to amass the gigantic leveraged positions that brought down the world financial system. U.S. mega banks still have a lot of political power with lawmakers. The next few months will show whether regulators will finally have the spine to stand up to them.

GH

EU austerity: Room to wiggle

28 May 2012
Ambassador Neelam Deo
Director,
Gateway House
&
Akshay Mathur
Head of Research,
Gateway House

In the last month, European voters once again reminded their leaders that all politics, everywhere, is local. The French ousted the rightist Nicholas Sarkozy to elect Socialist Party leader Francois Hollande with the expectation that he will force a re-design of the European economic recovery process to include measures for growth. The same day, Greeks voted in the anti-austerity Syriza party to

second place at the cost of its two major parties New Democracy and PASOK, the winners of the 2009 elections. Within Germany, voters from the industrial provinces of North Rhine-Westphalia and Schleswig-Holstein rejected Angela Merkel's Christian Democratic Party and ushered in the Social Democratic Party – illustrating that the trend is not just in troubled



European leaders show their constituents a win-all agreement

economies. Soon enough, on May 31, the Irish will vote in a referendum to decide whether to ratify the Treaty on Stability Coordination and Governance in the Economic and Monetary Union – an updated version of the agreement that stipulates a fiscal deficit within 3% and public debt within 60% of GDP for each EU country starting January 2013.

These are momentous developments. Nevertheless, their impact may result in only a miniscule change in policy-making. There are four reasons why.

The first is historical. The formation of the European Union ended hundreds of years of fighting between European countries which culminated in the two world wars of the last century. Even Germans are reluctant to break up the Union. There is a shame-faced recognition that a much poorer Greece was dragged into a Union of sophisticated, developed nations in 1981, despite being geographically separated by a thousand miles, because it was the only non-communist country in the Balkans. Reports such as one by Nick Dunbar on BBC Newsnight in 2004, exposed the fact that investment bank Goldman Sachs helped Greece hide its €2.8 billion debt by using currency swap agreements with dollars and yen, deferring its liability for 10 years just to meet the Maastricht Treaty criteria. In their eagerness to have Greece join the Euro-zone at the time, European

institutions such as Eurostat, responsible for maintaining statistical data for the EU, turned a blind eye to this deceit.

Second, being part of the EU also means adhering to the rules. No provisions exist in the EU treaties for a country to be forced out of the union; countries have to voluntarily exit. At this time, all Greek political parties including Syriza are pledged to stay in the Union. There is little patience to re-negotiate existing agreements as each one has to be ratified by the 17 member nations of the Euro-zone. Third, election cycles occur more frequently than the time required for austerity measures to take effect or for any of the 15-year bail-out loans to conclude. That means austerity measures must be accompanied by some optimistic boosters so politicians can be motivated enough to sell them to their constituents.

Greek leaders understand this; they voiced their concerns even during the last bail-out agreement in February 2012. George Papandreou, president of PASOK, wrote to the leaders of the powerful institutional troika – the International Monetary Fund, the EU commission and the European Central Bank – requesting growth measures for investments in green energy grids, broadband transportation, education and innovation. But no such incentives to support these were included in the agreement, barring a weakly financed Hellenic fund for entrepreneurship called ETEAN.

Lastly, European voters are increasingly becoming confused and impatient with the way the bail-out agreements are structured. First, the international private sector holders of Greek bonds took a haircut of 53.5% on the nominal value of their investments, reducing debt by €107 billion. Then €93.5 billion was issued for the bailout. Of this, €30 billion was kept to pay the same international private sector bondholders for their reduced, remaining investment; €5.5 billion

was reserved to pay interest on those same outstanding bonds; €35 billion was reserved to support new bonds issued and guaranteed by the Greek government in global capital markets. The remnants were to assist in capitalizing the Greek banking system in case of a liquidity crisis. To ordinary people, this sounded more like the complex but sugar-coated bailouts given to Wall Street banks, while they were stuck with living through the hard times without any direct benefit from the bail-outs.

In other words, in the near future, Greece will stay in the Euro-zone, the bail-out agreement will not be renegotiated, the harsh austerity measures are unlikely to accommodate local politicians' electoral compulsions, and the financing is likely to stay as complex and disconnected to ordinary lives as they currently are. There's not much wiggle room here; at most EU administrators can consider two options. First, highlight improvements, to keep the momentum of the current austerity programme going. For instance, Greece's legendary bureaucratic bottlenecks and regulatory and legal framework, currently considered one of the worst in the EU, are becoming more efficient. Ditto with its increased digitization of healthcare systems, introduction of generic drugs and reduction of overtime pay.

Second, enable growth by expanding the mission of the €60 billion Co-Investment Fund (CIF) and European Investment Bank (EIB). Currently, they are limited to investing in sovereign bonds and infrastructure projects only. They could extend funding to lenders familiar with local markets who could invest in employment generating businesses, making EU money visible on the ground.

This then, can be the new "growth pact" where European leaders show their constituents a win-all agreement, and there is less hand-wringing over austerity or lack of progress.

The case for BRICS swaps

1 June 2012

Samir N. Kapadia

Goeconomics Researcher, Gateway House

At the last BRICS Summit held between Brazil, Russia, India, China and South Africa on March 29th in New Delhi, the development banks of the participating countries agreed on a proposal to extend credit in local currency for trade, project financing, and infrastructure projects.

So far, no clear mechanism on how participating countries will extend local currency credit has been announced. Some financial gurus even dismiss the BRICS agreement as purely symbolic. Yet banks in London, New York, Tokyo, and Singapore would be wise to take

a second look at what now could be the most significant agreement in international finance since the Euro.

BRICS countries make up a massive trade bloc. Current intra-BRICS trade stands at \$307 billion, set to reach \$500 billion by 2015. Within BRICS, China is the dominant player, exporting nearly \$135 billion in goods and services a year to its partners. India imports nearly \$50 billion annually from China, and China accounts for 11.8% of India's total imports, increasing its share of the Indian market by 2% just in 4 years.

This provides valuable insight on what kind of currency deal could be made in the future. As trade increases, it is possible that China will move swiftly to provide renminbi for importers of Chinese goods.

At this time, China facilitates payment in renminbi through a central bank liquidity swap. Since 2009, 16 countries have exchanged local currencies for a total of 1.6 trillion renminbi through these swaps; more are in line to participate. In a March 22 article published in the Financial Times entitled "China and Australia in \$31bn currency



Depreciation against the U.S. Dollar



Source: Bloomberg Data, Gateway House Analysis 2012

swap,” Simon Rabinovitch and Neil Hume reported that Japan and Great Britain are rumored to be in queue for the next Chinese central bank swap. But after the Delhi meeting, China’s BRICS partners may leapfrog to the top of the list.

From the BRICS, Russia is currently the only country that swaps its currency with China. It seems obvious that India, Brazil, and South Africa should do the same.

Four factors make a central bank liquidity swap particularly important for these four BRICS partners. First, BRICS countries are losing purchasing power because of depreciation against the dollar.

The dollar accounts for 40% of global foreign exchange trade. The BRICS, hungry for goods and services to fuel their emerging economies, depend on the dollar



Russia is currently the only country that swaps its currency with China. It seems obvious that India, Brazil, and South Africa should do the same

to pay for imports. But it’s getting harder for BRICS to buy dollars. Brazil has seen its currency depreciate by over 16% since February 2012 and the Indian rupee has fallen to an all-time low of 56.51 to the dollar on Thursday, losing more than 20% of its value in the last 12 months. To finance imports, India is paying more for dollars than it has done in over a decade. India can benefit from a Chinese swap arrangement to hedge against fluctuations in the currency market.

Second, following the 2008 financial crisis, rupee-dollar exchange rate volatility has increased by as much as 50%, making it more difficult to predict the cost of dollars in the currency market.

This uncertainty places India in a tough situation, given the rising prices for key commodities like crude oil, a slowdown in capital

U.S. Dollar to the Rupee



Source: RBI , Gateway House Analysis 2012

inflows, and the current account deficit, now at a decade low of – 4% of GDP. India isn't alone – Brazil and South Africa are facing the same problem as their currencies have seen deviations of up to 25% to the dollar. Their current account deficits too are high, at – 2.1% and – 3.4% of GDP respectively.

Third, there is an opportunity to save on the transaction costs. Exchange rate transactions for Indian business can typically cost up to 1%-2% of a deal. In BRICS New Delhi Summit 2012, the inaugural publication of the BRICS Research Group, Vladimir Dmitriev, chair of the Russian development bank, suggested in an article entitled "Plenty to gain from strengthening financial links among BRICS" that trading participants will save up to 4% by entering into these agreements. Participating countries could alleviate the burdens of transaction costs, financing fees, and currency fluctuations. Quick math shows that at full potential, BRICS countries save \$12.3 billion a year in banking services. Based on its share of trade with BRICS countries, India could save \$2.3 billion annually from entering into such swap arrangements.

Lastly, a central bank liquidity swap will benefit small business. With the credit rating agencies such as S&P downgrading India, it has become harder to get dollar loans at reasonable interest rates. This is especially true for small and mid-cap companies which do not have large balance sheets or a long credit history to defend the loan requests – and it is these companies that are likely to be the backbone of increased intra-BRICS trade between.

Drawing on a swap line from China, the Reserve Bank of India can offer attractive loans to businesses through the Export-Import Bank in renminbi, to finance Chinese deals. At the government level, swaps can guarantee the mode of payment without having to worry about inadequate dollar supply.



In the late 1950s, India did not have the institutions and capacity to facilitate large-scale foreign exchange transactions

There is geopolitical risk in this however.

India entered into a similar currency agreement with the former Soviet Union. In the late 1950s, India did not have the institutions and capacity to facilitate large-scale foreign exchange transactions. So, Russian exports were paid for with non-convertible rupees, which were used by the Russians to purchase Indian goods like tea, jute, and other commodities.


For Russia and India, the principal motive for rupee-denominated trade was to facilitate arms deals. India's defense imports from Russia prompted a large trade deficit. The RBI reports that from 1961-64, India tripled its trade deficit with Russia, from 13.1 to 45.5 crore rupees. This trade relationship has stood the test of time. Since then, Russia has supplied India with over \$35 billion in arms. In 2012, Russia is expected to supply \$7.7 billion in arms to India, about 80% of India's total arms imports.

Because of the trade deficit, the Soviet Union accumulated rupees it didn't need. From 1955-76, Russia accumulated upwards of \$350 million in non-convertible rupees. As the rupee holdings accumulated, Russia sought a strategic advantage from its poorer

trading partner. Firstly, redundant imports like Indian tea were re-exported by Russia to Western markets. From 1958-60, because of this trade diversion, or 'shunting', the Indian Directorate General of Commercial Intelligence and Statistics reported that India lost up to 20% in signature commodities sold to developed countries. Then, in the 1960s, Moscow also asked for naval base rights in Indian ports. To avoid setting a precedent, then Prime Minister Indira Gandhi refused to buckle under pressure from the Russian Navy, believing that the quid pro quo would also threaten regional security in the Indian Ocean. Though national autonomy was not compromised, India learned an important lesson having been on the receiving end of geopolitical pressure from its trade partner.

As with the Soviet Union then, so is the possibility with China now. Given the lessons from its past with Russia, India should be concerned with the growing trade deficit with China, estimated to reach \$60 billion by 2014-15. If it enters into a similar currency agreement, India can expect trade diversion, geopolitical pressure, and a long-term commitment with its trade partners.

In negotiating its rupee relationship with Russia, H. V. R. Iyengar, then Governor of the RBI, wrote to Prime Minister Jawaharlal Nehru, warning him of the dangers of such currency arrangements. Nehru ignored the Governor's judgment, declaring that, "political compulsions far outweigh economic considerations."

A half a century later, India's motives are economic. BRICS swaps make sense – they save money on imports by freeing India from currency fluctuations and reduce the cost of funds, providing liquidity that businesses require in a tough financial environment. The key for India will be to negotiate favorable terms of agreement. Only then will India's economic advantages outweigh the geopolitical risks of such a deal. 



Richard Nixon in the late sixties/ Bernd W. Schüttke – Wikimedia

China: What Nixon wrought

23 February 2012

Bob Dowling

Editorial Advisor, Gateway House

It's hard to believe it was only 40 years ago this week that Richard Nixon went to China and opened up a nation that has become the world's second largest economy.

For Americans like me, the event falls between the second by second recall you have from when Kennedy was shot in 1963 and the night when you heard Neil Armstrong say "one small step for mankind [...]" as he stepped onto the surface of the moon in 1969. However, on a timeline of history, what is indisputable is the fact that Nixon's visit changed immeasurably more lives than what Armstrong or Kennedy did.

Some scholars are recalling the trip this week. Minxin Pei of

California's Claremont-McKenna college notes that "Nixon could not have imagined what his gamble would unleash", nor how difficult it is today for China to transform itself from producer to constructive member of the global economy.

The first candid pictures I saw of the Nixon trip were from Byron Schoemaker, a Washington D.C. neighbor and White House photographer on the plane. Sitting in his Capitol Hill townhouse we leafed through scenes of Beijingers on bicycles in olive green drab suits riding to work in the February cold. Inside buildings they kept on the long underwear and scarfs and hugged thermos bottles of hot tea. There was scant central heating.

Fourteen years later when I visited Beijing as a correspondent, people were still riding bikes in Mao suits and huddling with hot water bottles in buildings. The hulking Capitol Iron and Steel Plant on the city's edge rained down coal dust so thick, it dimmed by half the headlights of the official black Audi's and the tin-box taxis on the streets. Visitors to the first Western auto plant started by Jeep, were stunned to see workers hand roll the chassis along an assembly line that could have served in a 1920's Ford Model T plant.

Why does this matter today?

For one thing, it wasn't just Nixon who couldn't imagine today's China. Even by the mid 1980's,

few could have guessed that China was destined to become the world's factory. It was just a ripe-for-picking 1 billion market that every multinational CEO said he had to be in. No one said it would displace a huge portion of the industrial West.

No one foresaw that a command-and-control regime would lift some 300 million peasants out of poverty and create a middle class of another 200 million. No one imagined 50-story skyscrapers, clean fast subways, MAV trains, 30 huge new airports, very big Audis, Buicks, Mercedes, BMW's, Rolls and Bentley's on the streets and millions of Chinese in the city sporting tight jeans, designer shirts, spiked heels, Gucci loafers and iPhones, would be the new norm.

No one said China would command a 3 trillion war chest of mostly dollars making it banker to the world. When the pile got to \$1 billion they said maybe \$1.5 billion. At \$2 billion they said maybe \$2.4. No one now predicts beyond \$3 trillion because the future seems infinite. If you're doing back-of-the-envelope dating, you can say the rise of economic China, the nation that dominates business and government and now security thinking, didn't even really get going until 25 years ago.

So: What does that mean for other countries?

One, is that authoritarian government works. In just 25 years, Beijing and Shanghai have been entirely razed and rebuilt to the hilt. So gleaming are the cities that it's now fashionable for Chinese billionaires, party leaders and Westerners like Rupert Murdoch to restore a hutong, the historic alley-way peasant flats that weren't bulldozed—just as actor Robert De Niro turned New York's Tribeca neighborhood from schlock to hip.

A second lesson is that it pays to have a powerful patron who enlists you in their crusade against the enemy – in this case Russia. For



No one said China would command a 3 trillion war chest of mostly dollars making it banker to the world

Nixon, "the enemy of my enemy Russia was my friend China." There was a lot of official U.S. government aid going to China immediately after the Nixon trip. But that could never have built the nation.

It was the U.S., European and Japanese multinationals teaming up with the Taiwanese investors who erected Factory China. And it wasn't until Deng Xiaoping cleared the way for private investment in the second half of the 1980s that the sustained boom commenced.

Then, to make sure there was a place for all of those goods, the U.S. kept an open market for China—a 30-year dividend that rewards to this day. Europe and Japan were doing their utmost to keep China out.

And so to be blunt and chauvinistic about it, you can say the lesson of this 'Nixon-to-China-week' is that the U.S. made modern China. It created the Goliath that took away the millions jobs U.S. presidential candidates say they will get back. America's China strategy did pay off handsomely for investors and hooked U.S. consumers on cheap "Made In China" goods while repulsing them with the idea that every dollar sent to China stole a U.S. job. American presidential campaign reflects none of this history. Thirty years too late,

candidates from President Obama to most of the Republican candidates tell voters they'll get tough with China and restore the jobs with phrases like "reshoring". The only rational response I've heard came from Jon Huntsman, the former U.S. Ambassador to China who, when he folded in his campaign, said that the U.S. had a long history of tough negotiations with China and that was the way it will be for years to come. America voters certainly didn't want to hear that.

So what's the answer? As a journalist living in Mumbai, its clear democratic India could never have politically adopted China's command-and-control approach to development. So don't blame India for not trying. It could have unshackled hundreds of regulations two decades ago and may be afforded an alternative market to China for investment. But that's past history too. Friends say the national election in 2014 may launch a new brighter future, and everyone pours over regional election results for clues. No one of course pours over election results in China. There are none.

Yet as Professor Pei and other China skeptics point out, China also has large bills coming due. It needs to install a better health and education system, pay for the retirement of some 600 million peasants, create a rule of law and finally give voting rights. Call them the soft-side needs. Whether India can use social tolerance, democracy, street-level ingenuity, a young population, a flexible service economy and modern factories to build its own growth model between China's command-and-control and the West's reliance on fully open markets, is the question ahead. What's important to remember in this "Nixon week" is that China built its formidable economic muscle in a little over two decades, not the 40 years since it was "opened". That means a balanced and committed India might do a lot in less than a generation.

GH

China's global proxy game

27 January 2012

M.D. Nalapat

Director, Department of Geopolitics, Manipal University

Across the world, from Iran to Sudan, Syria and Venezuela, China has been boosting the military and other capabilities of forces hostile to the NATO powers, led by the U.S. In doing this it is following a time-worn, low-cost, low-visibility strategy of draining the U.S. in particular through feints and jabs, conducted by states and organizations that are in effect proxy players for Chinese aims.

This strategy is as old as the Cold War and the doctrine of Mutually Assured Destruction, or MAD. From 1952-92, the period of the Cold War, the possibility of any form of direct attack by the former USSR on the United States or vice-versa, was reduced to near-zero by the principle of MAD. Each had the capability of absorbing a nuclear first-strike and thereafter inflicting terminal damage on the other. Knowledge of such capability kept the peace in Europe, and enabled that continent to escape the conflicts that broke out in Asia.

Indeed, the USSR was so intimidated by the U.S. nuclear arsenal, that the Communist Party of the Soviet Union (CPSU) lacked the courage to mount even a conventional challenge, not simply against the U.S. and its NATO allies, but also against countries such as Pakistan, that were being used by Washington to conduct a war by proxy against Moscow. Had a fraction of the munitions expended by the USSR during its failed adventure in Afghanistan been spent on locations within Pakistan – in particular the regions feeding the American-led insurgency in Afghanistan – it is very probable that Russia might have crippled the U.S. enough to have held its



The PLA will have greater influence over the Pakistan military than the Pentagon

ground in the Afghan campaign. At the time, China was nowhere on the horizon. Today, the view that China is becoming a significantly powerful influence in South East Asia and the Indian Sub-continent seems well-ground in U.S. thinking.

The 2012 U.S. Department of Defence strategic vision document recently released by President Obama explicitly mentions the Peoples Republic of China (PRC) as being in the same category of hostile nations as Iran, and therefore a direct threat to the U.S. The ultimate goal for China? Being the pre-eminent power in Asia first – and then the world. Its strategy: copy-cattng the NATO and U.S. pattern of using military superiority for economic advantage, as seen recently in Iraq and Libya.

As U.S and NATO forces prepare to leave Afghanistan by 2014, it's clear that Afghanistan has become the first significant theatre of effective confrontation between the West and China. China is in fact adopting the 1980s U.S. strategy of using Pakistan to drain and drive the U.S. out of the region just as the U.S. did

with Russia in Afghanistan. It also seems that U.S. President Barack Obama indirectly recognizes this power shift but realizes he has little scope to change direction. Obama has understood that while military power can win a territory from a conventional enemy, it cannot hold it unless it is willing to inflict human casualties on a scale made impossible by cable television and the use of mobile telephones as video cameras.

The same occurred with the British Raj in India. Once international publications had begun to extensively cover the various protests of Mahatma Gandhi, the list of feasible responses by the Indian Office in London narrowed considerably. Obama has rather unfairly been condemned on the campaign trail as being 'weak' on national security. But the reality is in fact that it was he – rather than eight years of George W. Bush – that saw off Osama bin Laden, just as it is since 2009 that drone attacks on terrorist hideouts in Pakistan have accelerated and severely crippled Al-Qaeda. Indeed, in 2001, the Bush administration had given a free pass to the most deadly elements of Al-Qaeda and the Taliban, by permitting their evacuation from Kunduz and other locations within Afghanistan.

Obama's withdrawal from the region comes against a backdrop where China's People's Liberation Army (PLA) seeks increasing influence. It is no secret that the PLA and the U.S. military consider themselves rivals.

As this withdrawal takes place, the PLA will have greater influence over the Pakistan military than the Pentagon – public perceptions

and statements to the contrary. Some may argue it has had greater influence for nearly a decade. The evidence of this is that at the smallest provocation, Pakistan now challenges NATO by cutting off supplies to its forces across the Durand Line. The preferred outcome for the PLA would be a complete withdrawal, in humiliation, of all NATO forces from Afghanistan and Pakistan, followed by the Pakistani takeover by a Taliban affiliate of the ISI.

What of India, caught in the claws of the dragon's new great proxy game? Certainly China has no

hesitation in using Pakistan against India—a course of action which the Pakistani military has always been eager to follow. Not so, however, with China's commercial interests, which see in India a \$300 billion viable market for Chinese goods, a large chunk of it being telecom and infrastructure. The powerful state-owned enterprises are as important to Beijing as the Chinese army, and they don't want military tension with India.

Already, Chinese banks are lending to Indian business – last week, a trio of state-owned banks lent \$1.1 billion to Indian businessman Anil

Ambani to help him refinance the loans of his telecom company. That came on top of the \$3 billion syndicated loan to Ambani's power company, Reliance Power, last year. India-China trade, at \$63 billion, is expected to touch \$100 billion in the next couple of years. A reasonable prediction will be that once NATO gets bundled out of Afghanistan, the state companies will finally have an upper hand over the PLA in regard to policies towards India. Elsewhere in the world, the NATO humiliation in Afghanistan is likely to further a shift towards China as the new protector of nervous states worldwide.

GH

Pragmatic Populism: Learning from the new Latin America

23 March 2012
Estefanía Marchán
 Researcher, Gateway House



Dilma Rouseff during her presidential campaign/Aloizio Mercadante – Flickr

Budget deliberations in the world's largest democracy are a contentious affair. With an increasing fiscal deficit, stubbornly high inflation, and growth at its slowest since 2008, there is broad displeasure with New Delhi's 2012-13 Budget announced last Friday.

At the centre of criticism are the government's extensive subsidies and poverty alleviation programs, lambasted as populist and ill-executed. In the 11th Five Year

Plan, the government allocated over Rs. 1.8 lakh crores to 13 social programs, and it will continue to spend Rs. 40,000 crores annually on fuel subsidies with little to show for it. Marred with inefficiency and corruption, the programs scarcely manage to reduce poverty by 1% a year. Agricultural growth remains weak at 2.5%, while subsidies mostly support a powerful minority of Indian farmers – none of whom pay taxes. Most unfortunately, even as the number of Indian billionaires identified by Forbes magazine

swells to 55, India remains home to the largest number of the world's poor and hungry. A similar mix of fruitless populism and macro-economic imbalances has crippled many countries in the past, most notably in Latin America. And now it seems India is treading down the path that once led to that region's economic collapse.

Latin America is a connoisseur of populist politics. It hit its peak during the 1920s through to the 1970s, when the working poor

united behind icons like Brazil's Getúlio Vargas and Argentina's Juan Perón over dissatisfaction with industrialization. Populist governments granted immense benefits to the poor and chosen special interests – often paying for it with inflationary financing.

By the 1980s, uncontrolled public spending resulted in excessive fiscal deficits, unsustainable public debt and intractable inflation. Latin America's Lost Decade followed. Growth, at 5.6% in the 1970s, shrunk to 1.3% and stagnated for another decade. By the 1990s, inflation had reached 1000% in countries like Brazil, and the poor suffered exponentially. Large economies including Mexico, Argentina and Brazil languished and up to half of Latin Americans slid into poverty.

India could be tempting its own lost decade with populist profligacy – and it is jeopardizing its long-term growth trajectory.

Finance Minister Pranab Mukherjee has set a goal of reducing the fiscal deficit to 5.1% of GDP in 2012-13, from 5.9% in 2011, but the new budget offers few sustainable means to accomplish this. Meanwhile, the largest poverty alleviation program, the proposed Food Security Bill, will add up to Rs.1 lakh crore to expenditures with no plan for an equivalent increase in revenue. It is not certain that the Public Distribution System, the engine to execute the bill, will be able to efficiently deliver food to needy families; even less so, any other new vehicles of distribution. Without strong leadership and management, it remains unclear whether this or other social programs will reduce poverty and hunger.

So what can India do? Populist or not, an emphasis on inclusive development is essential. Perhaps the path that Latin America pursued, to lead itself out of populism into policies that are now pragmatic but also pro-poor, can serve as an example. The key to its success has



The region has experienced healthier and higher growth rates and historic rates of poverty reduction

been responsive and responsible leadership. In the last decade a new cadre of leaders has risen in Latin America, advocating economic pragmatism alongside progressive social agendas. The most famous are former President Luiz Inácio Lula da Silva of the Workers Party of Brazil and his successor, Dilma Rousseff. There are also Chile's, Ricardo Lagos and Michelle Bachelet, José Mujica of Uruguay, and Ollanta Umalta of Peru, among others.

Their blend of redistributive social policies with a more disciplined, market-friendly economic approach has given birth to a New Populist Consensus. Latin American governments increased social spending from 12% of GDP in 1990 to 18% in 2008 and introduced new social programs, including direct cash transfers, which have been adopted in 17 countries in the region. These programs have been executed keeping inflation at bay and while maintaining economic stability. Chile, for example, implemented stronger banking regulations and financial safeguards, plus a counter-cyclical savings plan after the crisis in the 1980s. In 2009, it was invited to be part of the OECD, a group comprising the world's

economically developed countries. Similarly, aided by improved terms of trade, many Latin American countries have reduced public debt and maintained surpluses for much of the past decade. The region has experienced healthier and higher growth rates historic rates of poverty reduction.

There are two types of populism at work in the region. As Mexico's former Secretary of Foreign Affairs Jorge Castañeda points out in 'Latin America's left turn', one is mature and pragmatic, representing a real break from the past. The other is rather repressive, nationalist and amnesic about the pitfalls of unbridled populism. Relying on high oil revenues and high short-term prices of raw materials to finance steep expenditures, Venezuela, Ecuador and Bolivia are examples of the latter.

What is striking is that although both have increased social spending, the pragmatic left has enacted more redistributive and transparent social policies. Brazil's famous conditional cash transfer program, Bolsa Família, is a powerful example. It has helped Brazil achieve the U.N.'s Millennium Development Goal of reducing extreme poverty and hunger by half effectively and at a relatively low fiscal cost – about 0.5% of GDP. This is evidence of a well-managed social policy.

India can follow a similar pragmatic path if its leadership is prepared to demand results-driven social spending. A solid, technical framework needs to be in place to ensure the efficiency and sustainability of programs before they are implemented or expanded.

When Brazilian President Lula came to power in 2003, he expanded cash transfers nationally, but soon realized that an emboldened approach was not enough to catalyze concrete improvements. His government then set to simplify the program. It merged overlapping schemes, setting a single registry to identify beneficiaries, and created

rules and incentives to promote highly efficient service delivery.

In contrast, India's Food Security Bill has confusing cut-offs for poverty levels, lacks reach, and will depend on an already weak distribution that lacks accountability. The risk of failure runs high. It would better to simplify the bill before

adopting an inflexible framework into law. Populism is a term often used pejoratively. But modern Latin America illustrates that it can be a positive phenomenon if channeled to produce tangible and sustainable results. When an economy shows signs of weakness, criticism of populist policies becomes most damning. Yet Latin America

has thus far shown that prudent economic and progressive social policies are not mutually exclusive.

India will do well to bring the experience of its distant peers closer to home. After all, when populist measures stop reaching the poor, they soon also cease to yield political dividends.

GRI

India-U.S.-Iran: A tightrope walk

4 April 2012

Seema Sirohi

Journalist and Analyst, Washington

Washington – The recent visit of Wendy Sherman, U.S. under secretary of State for political affairs, to Delhi has helped ease some of the tension between India and the United States on the difficult question of sanctions against Iran, an issue that has divided Washington and New Delhi lately.

The Obama Administration says India stands out for the wrong reasons on an issue on which most of the world, including the Arabs, is united: that Iran must be punished for its nuclear ambitions. While the political discourse in Washington is binary and stark, the reality of Indian actions and decisions is complex.

Although India is being portrayed as defiant on the sanctions issue, it is in fact reducing its oil imports from Iran, diversifying to other regions despite the fact that many Indian refineries are geared for handling Iranian crude. India is also quietly telling its private sector to make the hard choice between doing business with Iran vs. business with the US. But this is not sufficient for American politicians who want countries to line up behind them, produce statistics, and prove their loyalty. In an election year, the fervour can spill over.

The wise words of former U.S. ambassador Robert Blackwill, who warned against forcing India into a corner on the question of Iran, are being ignored. Blackwill, without whom there would be no strategic partnership between the U.S. and India, was perceptive about India's compulsions. He warned in 2005, "It would be a serious U.S. mistake to attempt to force New Delhi to choose between its burgeoning strategic relationship with the United States and its cordial ties with Iran. India will not do so."

But forcing New Delhi is exactly what Washington appears to be doing for the past six months. The political noise in the U.S. and the resulting pressure has created a degree of unnecessary friction in bilateral relations with India. It came into sharp focus last month after the U.S. announced a list of ten countries – Japan and European countries – which were exempt from U.S. sanctions because they had "significantly" reduced their oil imports from Iran. What is considered "significant" has never been defined but U.S. officials have hinted it would be in the range of a 15% to 18% reduction in oil imports.

Stung by the certificate given to the Europeans, Indian officials stressed

they are not about to "apply" for an exemption. It is up to U.S. officials to look at the scenario, read the statistics – and the tea leaves – and decide where India stands on the question. After all, they say, India didn't support the U.S. decision on imposing the crippling sanctions on Iran.

India was also criticised by unnamed U.S. officials who accused India of skirting the sanctions. There were some sharp public comments too, especially by Nicholas Burns, Sherman's predecessor in the Bush Administration, who wondered whether India was fit for a global leadership role. Burns, a friend of India, was instrumental in the negotiation of the 2008 India-U.S. Civil Nuclear Agreement and in moving a reluctant U.S. bureaucracy toward its successful conclusion. His words are taken seriously in New Delhi.

In an article in *The Diplomat*, which received wide publicity – and acidic responses – he said he found India's decision to continue buying Iranian oil as "bitterly disappointing" news when the U.S. was trying to isolate Iran. When he added that India was impeding the Indo-U.S. strategic partnership because of its stance on Iran, the accusation hurt deeply, prompting many analysts to respond that he

was indulging in “if-you-are-not-with-us-you-are-against-us” kind of black-and-white reasoning. A letter from the American Jewish Committee to Indian Ambassador Nirupama Rao did not help. It accused India of capitalizing on opportunities “created by the European withdrawal from the Iranian market.” It said India was taking “advantage of sanctions” and elevating “commercial interests over vital security concerns.”

For the record, Iran is India’s second largest oil supplier after Saudi Arabia. India imported 370,000 barrels per day (bpd) from Iran in 2010-11 but the figure was expected to come down to 320,000 bpd in the fiscal year that ended last month. Imports from Iran are declining as avenues for payment shrink, but it is not happening fast enough for Washington. From supplying nearly 14% of India’s oil needs a few years ago, Iran supplied a little more than 10% of the total oil imported by New Delhi in 2010-11. What caused outrage in Washington was the spike in January 2012, which showed India as the largest importer of Iranian crude. The hike in one month’s bill does not negate the overall trend. Meanwhile, Indian officials have said that Saudi Arabia’s oil exports to India are expected to increase to plug the gap.

Some recent moves bear repeating. Threatened by U.S. sanctions, India stopped payments for Iranian oil through the Asian Clearing Union on Nov. 27, 2010, making it clear to the international community that the Reserve Bank of India would not facilitate payments for Iranian oil imports. Indian private companies have already walked out of Iran at considerable financial loss to themselves because they don’t want to be on the wrong side of the U.S. financial system. India, where 400 million people have no access to commercial energy, is not in the same league as European countries or Japan. It is still a developing country where hard choices are even harder. It has told the Obama



The geopolitical situation in Asia hasn’t changed much except that the fear of Chinese dominance has increased among Asian countries

Administration it needs time but voluble and valuable members of the U.S. Congress counter that India has had many years to get smart to the game. After all, U.S. policy toward Iran is nothing new. It has been in the making or unmaking for more than 30 years.

Sherman, the third highest officer in the State Department, came to India against this background of hard feelings and raised hackles. Only after a series of candid discussions with senior Indian officials who explained that public commentary on issues of divergence only makes the management of differences more difficult, did she seek to assuage her counterparts and publicly said the U.S. did not want to undermine India’s energy security. Even though there is an understanding of India’s dilemma within the State Department, feelings on Capitol Hill are in freefall.

But here are some counter arguments to the spate of criticism coming from Washington. For India, Iran is a possible ally with an open avenue to the region if things fall apart and the centre does not hold in Afghanistan. India has to keep the Iran option open in case Pakistan is handed the keys when U.S. and NATO troops depart in 2014. It is for this reason that India developed the Chabahar port in

Iran once China was ensconced in Gwadar in Pakistan with an eye and ear on Indian naval movements. The Chabahar port was used recently to send Indian wheat to a food-strapped Karzai government.

Iran also provides a possible future entry into Central Asia, where China already is making major inroads. India’s attempt to link Chabahar by road to Afghanistan (the Zaranj-Dilaram highway) and by rail through Central Asia to Russia – the North-South corridor as it is called – is designed with an eye on China and Pakistan.

If one of the main planks of the Indo-U.S. strategic partnership is to send China a signal that it can’t run or rule Asia, then surely India’s futuristic moves must be supported. Iran is one of the best options in the medium term to protect Indian security interests in Afghanistan and potential strategic openings in Central Asia. The passage to and through Pakistan is expected to remain blocked for some years given the Pakistan Army’s trenchant opposition to Indian influence in the region. It might be worthy to once again quote Blackwill, who fought for the nuclear deal with India against the non-proliferation hardliners who put forth every argument against it and wanted more curbs on Indian defense capabilities. In 2005, he asked, “Why should the United States want to check India’s missile capability in ways that could lead to China’s permanent nuclear dominance over democratic India?”

The geopolitical situation in Asia hasn’t changed much except that the fear of Chinese dominance has increased among Asian countries. Washington needs to give India space and India in turn needs to articulate its needs better. If India wants to be a valuable pole in a multi-polar world, it might have to defend its choices and compulsions with the same ardour that it once used to berate western imperialism. But for now, India is executing an excruciating tightrope walk.

GH

Petit, not grand geste on India-Pakistan

6 April 2012

Ambassador Neelam Deo

Director Gateway House

Pakistan's President, Asif Zardari, will be in India on 8th April. It was to have been a private visit to the shrine at Ajmer Sharif. Naturally Prime Minister Manmohan Singh invited him to Delhi for a meeting followed by lunch. Equally naturally the Pakistanis accepted.

The Americans inserted themselves into this congenial India-Pakistan relative normalcy. On 3rd April, Wendy Sherman, Under Secretary of Political Affairs at the State Department, who was visiting New Delhi, announced a bounty of US\$ 10 million on the head of Hafiz Saeed, chief of the Lashkar-e-Toiba (LeT) believed to be responsible for the horrific attack on Mumbai in 2008.

Press reports say India was given no advance intimation of this hugely significant decision. But our Home and External Affairs Ministers welcomed the move as additional pressure on Pakistan to act against terrorist groups in general and the LeT and Saeed in particular. There is some speculation that the timing of the Sherman announcement may have been a calculated quid for an Indian quo on Iran.

More plausibly, it could be a way for the U.S. to corner Saeed, who is leading the opposition to the reopening of NATO supply lines into Afghanistan. Given the complex and extended processes involved in bounty-setting, the Americans may be given the benefit of doubt that it is related to the killing of six Americans in the 26/11 Mumbai attacks and the growing internationalization of the LeT threat.



**the US move
has ensured that
terrorism will
top the list of
issues Indian
and Pakistani
principals will be
obliged to take
public positions**

The U.S. announcement was greeted with scorn by Saeed asking that the money be given to him directly since he is not in hiding. Equally farcical was the bureaucratic response of the Pakistani government, which sought information from the U.S. in order to act. It reveals simultaneously the power of the Army and Inter-Services Intelligence (ISI)-nurtured groups like the LeT, and the absolute dysfunctionality of the Pakistani government.

Whatever their motives may have been, the U.S. move has ensured that terrorism will top the list of issues when Zardari arrives in India, on which Indian and Pakistani principals will be obliged to take public positions. That is a pity because President Zardari has previously made some sound pronouncements on the terrorism issue including that the Taliban is a greater threat to Pakistan than India. So although we may get some positive sound

bites, actual actions will be further delayed by the need to pander to both the army and intelligence network, let alone the inflamed Pakistani street. Beating conventional wisdom, President Zardari, with the weakest hand imaginable, has managed to hold on to elected office longer than predicted. He has also been low-key and generally flown below the radar on recent testy exchanges with Americans on Afghanistan, allowing the hapless Prime Minister Gilani to take the flak from Parliament, the armed forces, the judiciary and the fundamentalists.

Zardari has also tried to reach out regionally. Through announcements and strategic visits, he has made it clear that China and Pakistan remain best friends, and he has worked on opening up relations with the Russians, possibly with the end game in Afghanistan in mind. For the same reason, he assured the Iranians that if the U.S. were to attack them, Pakistan would stand beside Iran. Lastly, the Arabs, especially Saudi Arabia, remain strategic and to some extent, financial supporters.

In addition to the recognition that Pakistan's greatest threats come from within, Zardari has shown flexibility on nuclear and trade issues. Although his announcement immediately after the Mumbai attacks that the ISI chief would come to India for discussions was torpedoed by the Pakistani army, it was an act of courage. Similarly his efforts to bring the Army under civilian control may have failed in the immediate, but have been part of the dynamic of the erosion of

its image after the Osama killing. Again, Zardari's statement that he hoped that Pakistan would not ever think of using nuclear weapons against India, is the nearest any Pakistani leader has come to a "no first use" policy. And it is his government that is implementing the significant step to grant Most Favoured Nation status to India, albeit step by single step, which could eventually yield a mutually profitable commercial relationship.

There is a pattern here. It may be time for India and Pakistan to eschew dramatic and decisive agreements on Kashmir etc. and work for incremental improvement, almost

by stealth. Over time, this process may generate sufficient cumulative benefit to have a qualitative change, which can then be taken to the next stage. That would be more or less the route followed on nuclear issues, where the two countries have been exchanging lists of installations as an annual confidence-building measure.

Both India and Pakistan must work hard to avoid a Musharraf-type Agra debacle – where hopes were raised sky-high and the immediate results were non-existent.

It may also be a better strategy to work on one issue at a time, rather

than on a whole raft of pending issues. It has been the political history of both countries to reject rational solutions on accounts of the perceived inability of public acceptance; similarly the smaller the target available to anti-Indian forces, the greater the possibility of its attainment. President Zardari, with his reputation and alleged interest in business affairs, may be willing to abjure glory for lucre. Small and innocuous deal-making may work – we should be modest and low-key. The grands gestes have never been achieved. Zardari is not Sarkozy, nor is Manmohan Singh. On Sunday, remember that here, small may well be better.

GH

Iran: An opportunity for BRICS

9 April 2012

Ambassador Peter Jenkins

Permanent Representative to the IAEA

The winter months saw the controversy over Iran's nuclear programme become dangerously heated. Western media were encouraged to interpret recent International Atomic Energy Agency (IAEA) findings as proof that Iran is bent on making nuclear weapons, despite the assessment of the U.S. intelligence community remaining that a weapons decision has not been taken and is in no sense inevitable. The U.S., UK, and European Union (EU) used the concern aroused by media reporting to justify a further sharpening of their attack on the Iranian economy, while Israel pressed for a different sort of attack, to wipe out Iranian nuclear facilities before the programme enters a so-called "zone of immunity." Iran reminded its adversaries that it could retaliate by closing the Straits of Hormuz to oil and gas shipments.

As spring has come, passions have

cooled. U.S. President Barack Obama seems to have felt able to tell Israel's Prime Minister Netanyahu that a military attack is unnecessary at this juncture, even though the U.S. President is vulnerable to Israeli influence on U.S. public opinion in an electoral year. The five Permanent Members of the UN Security Council, the EU and Germany have agreed to talk to Iran's nuclear negotiator despite the latter's failure to commit Iran to full implementation of the resolutions passed by the UN Security Council since 2006 (Notably these require Iran to suspend all production of the enriched uranium that can be converted into reactor fuel, but which Iran could divert to military use if it decided to withdraw from the Nuclear Non-Proliferation Treaty [NPT], or to ignore its NPT obligations).

There are signs that the U.S., UK and Germany, if not France under

President Sarkozy, are moving towards the Russian and Chinese position of accepting Iranian enrichment as long as Iran offers the best possible guarantees that all its nuclear material will remain in non-military use. Public diplomacy has moderated rude aggression yielding to civility and reason.

The risk of disruption to oil and gas shipments has receded – for the time being at least – although recent U.S. and EU measures are causing problems for some of Iran's traditional customers, and are hurting consumers everywhere through their effect on prices.

So it is not irrational to hope that when the eight parties – Britain, China, France, Russia and the U.S., the permanent members of the UN Security Council, plus Germany, the EU and Iran – meet on 14 April in Istanbul, they may find some way of launching a process that



Dr. Homi J. Bhabha of India, President of the Conference, and Prof. Walter G. Whitman from the United States, Conference Secretary General. (Switzerland, August 8, 1955)

can, over time, lead to agreement. At long last, perhaps there can be concurrence on handling Iran's nuclear ambitions in accordance with the treaty to which Iran is a founder-party, the NPT.

An NPT deal would recognise Iran's right to enrich uranium and would accept its taking advantage of that right, in return for Iran placing all nuclear material in its possession under IAEA safeguards and renewing its commitment to refrain from manufacturing or otherwise acquiring nuclear weapons.

In one sense, the West approaches these talks from a position of weakness. The Iranians have shown no sign of buckling under the pressure of ever-tighter sanctions. They know that the West's military option is deeply unattractive to any of sane mind.

In another sense, the West has many good cards in its hand. Sanctions are hurting Iran and it has an interest in having them lifted provided the price is not intolerable.

Abandoning its enrichment plans would be intolerable; volunteering full access to IAEA inspectors, and other measures that can allay the concerns aroused by the clandestinity of some of its past nuclear activities, need not be.

To say that hope is permissible is not to say that the odds on yet another disappointment are long. In 2007 a promising opening vanished when Iran's chief negotiator clashed with President Ahmedinejad. In 2009 it was President Ahmedinejad's turn to be thwarted by domestic rivals; and President Obama, under pressure from hawks, withdrew his negotiators rather than wait for the Iranians to sort out their differences. In 2010, the timing of Iranian assent to a confidence-building proposal brokered by Turkey and Brazil cast doubt in Western minds on Iran's sincerity.

In other words, the scope for any process to founder on distrust, misunderstanding and political in-fighting in both Tehran and Washington remains formidable.

Equally disturbing are the wider political realities. Since 1992 both leading Israeli parties, Likud and Labour, have sought to convince Washington that Iran is a mortal threat to U.S. interests in South West Asia. This they have done in order to maintain Israel's value to the U.S. as an ally in a post-Cold War Middle East and to avert a thaw in U.S.-Iranian relations that they fear might entail a cooling in U.S.-Israeli relations. For these Israelis, Iran's nuclear programme, and especially its undeclared activities prior to 2003, has been a gift from heaven.

Iran's transgressions are a matter for persuading Americans that Iran is bent on acquiring nuclear weapons, that these weapons will be used to destroy Israel, they say. Iran's programme, if left unchecked, will precipitate nuclear proliferation in an unstable region, leading Saudi Arabia, Egypt and Turkey to acquire similar capabilities. U.S. conservatives, in thrall to dreams of re-shaping the Middle East and regime-change in Iran, have been

eager echoers of these (highly questionable) arguments.

These constituencies, Israeli and American, have no interest in the normalisation of the Iranian nuclear case through an NPT deal. On the contrary, they have every interest in making it as politically difficult as possible for any U.S. administration to arrive at such a deal.

Saudi Arabia has been even less transparent than Israel. It is not obvious that the Saudis have been poisoning the wells of American opinion to thwart a deal with Iran. But Saudi-Iranian rivalry, multifaceted and acute since the advent of an Islamic Republic that challenges the legitimacy of Saudi occupation of the Holy Places, seized from the Hashemites in 1924, and which shows up the undemocratic nature of the Saudi monarchy, is well-documented. There have been veiled threats that Saudi Arabia will ignore its NPT obligations if Iran is left in peace to exploit nuclear technology that the Saudis themselves are decades away from mastering without outside help. Saudi Arabia too has an interest in thwarting any deal that leaves Iran in possession of enrichment plants.

There are additional factors. Ever since the NPT opened for signature in 1968, U.S. officials have found it hard to accept that the treaty allows non-nuclear-weapon states (NNWS) access to technologies that can serve both civil and military purposes. There's been a 44-year itch to close what Americans see as a loop-hole, despite all the evidence that many NNWS are unready to concede a back-door renegotiation of a carefully-balanced instrument.

There is also in the U.S. a tendency to blind self-righteousness that can lead Americans to treat non-Americans as miscreants when the latter err. Iran's failure to respect its NPT safeguards commitments prior to 2003, ill-disposes American officials to accord Iranian representatives the respect the latter crave. There's a risk Iran's



Iranians have a tendency to give way to the temptation to retaliate when instead keeping a stiff upper lip would be wiser

negotiators will be made to feel like criminal suspects invited to engage in plea-bargaining.

For their part, the Iranians have a tendency to give way to the temptation to retaliate when instead keeping a stiff upper lip would be wiser. For instance, they retaliated for the 2006 reporting of their IAEA non-compliance to the Security Council by ceasing to allow the IAEA the access it needed to arrive at the conclusion that there are no undeclared nuclear activities or material in Iran.

They retaliated for recent UK sanctions on financial dealings by trashing the British embassy in Tehran, an act of vandalism ill-calculated to make it easier for the British government to accept their enrichment activities. Will they be able to resist the urge to retaliate if some indignity is inflicted on them while negotiations are underway?

These wider factors suggest that India, Brazil and South Africa could play a part in resolving this controversy if they chose. They could act as auxiliaries of their

BRICS partners, Russia and China, whose role in a negotiating process will be to help narrow differences. India could use its influence in Washington and European capitals to urge patience and the turning of deaf ears to special pleading from Israel and Saudi Arabia.

It could draw attention to the way in which Western slowness to accept evidence that the Iranian nuclear threat had been exaggerated, has damaged Indian economic interests. India could also stress the unacceptability of any attack on Iran that has not been authorised by the Security Council, both on legal grounds and on account of its probable consequences for Indian living standards. It could draw on 2,500 years of cultural affinity with Iran to offer advice on Iranian sensibilities: the dos and don'ts that matter in any negotiation.

The underlying need is for the BRICS to make their voice heard on this issue, to counter-point the tunes composed by the West's Middle East allies. The BRICS are qualified to argue against seeing Iran's nuclear programme in isolation. They can point out that the programme is a symbol of a geostrategic shift: Iran is slowly returning to the ranks of Asia's greater powers.

This shift is unwelcome to some of Iran's neighbours, it seems. They have sought to prevent it by distorting Western perceptions, by encouraging Western governments to assume the worst of a state whose intentions the West finds it hard to fathom, and by playing on the negative prejudices that are the legacy of past clashes with Iran.

But this kind of shift cannot be prevented without a conflict that would entail hardship or suffering for most of mankind. So the global family has an interest in Iran's neighbours accommodating what can hardly be prevented, and according Iran a say in the affairs of South West Asia – what the Iranians see as their rightful place in the world.



The Bahrain Grand Prix – LGEPR

The Bahrain formula

24 April 2012

Ambassador Neelam Deo

Director Gateway House

A year ago the Grand Prix in Bahrain was cancelled because of demonstrations by the country's approximately 70% Shia majority, protesting their second class status. Bahrain was a creation of the British and the ruling Al-Khalifa family derives its present stability from its alignment with Saudi Arabia. This year the event went ahead on April 22 despite continuing protests. Even though the usual champagne popping seemed a bit forced, the race was attended by the King of Bahrain and was won by Red Bull driver Sebastian Vettel.

The kingdom of Bahrain, with a population of 1.2 million, had a GDP of over \$20 billion in 2010, the latest year for which statistics are available. Per capita income is approximately \$16,500, but the

Shia majority is known to be much poorer than the privileged 30% Sunni minority. Bahrain is reported to have spent \$90 million to build the track, and paid some \$40 million to Formula 1 event-managers for the privilege of hosting the race. It was viewed as a matter of pride for the royal family, which first brought the event to Bahrain in 2004. This year, the event was expected to yield \$500 million in endorsements and visitor spending, easily a more important consideration than a fleeting protestors' tarnish to the Kingdom's reputation.

The royal family, whose wealth is estimated upwards of \$5 billion, did not see the event as a 'Formula for Blood' as the opposition dubbed it. Instead they projected it, in the words of the Crown Prince Salman

bin Hamad Al Khalifa, "as a force for good" and a way to celebrate and unite their great country. He also warned that its cancellation would "empower extremists."

The chief executive of F1, Bernie Ecclestone, had earlier stated that the protests had "nothing to do with us" and that there was no problem in Bahrain with free speech since protesters were able to talk with the press.


While such disdain for the courage of the protesters was only to be expected from Formula 1, what was more objectionable was that the Prime Minister of the UK would come in with a strong endorsement for the government of Bahrain. Perhaps encouraged by the support of only 17 MPs to a cross-party

motion calling for its cancellation, Prime Minister David Cameron helpfully clarified that “Bahrain is not Syria. There is a process of reform under way and this government backs that reform and wants to help promote that reform.” Not at all surprising from a government that will not even consider dropping Dow Chemicals as a \$100 million sponsor of the forthcoming London Olympics simply because some 20,000 people died and thousands more are suffering the after-effects of the Bhopal gas tragedy perpetrated in 1984 by its recent acquisition, Union Carbide.

Despite Human Rights Watch saying that in Bahrain “normalcy doesn’t exist,” the United States government was tight-lipped – perhaps because the Fifth Fleet,

responsible for naval forces in the Persian Gulf, Red Sea, Arabian Sea and coast of East Africa (including Somalia) as far south as Kenya, is based in Bahrain. Given the turmoil in the Middle East, the drawdown in Iraq and Afghanistan, active piracy off the coast of Somalia and the close identity of interests with Saudi Arabia over Iran and Syria, the U.S. is unlikely to speak about democracy or the human rights of a few hundred Bahrainis.

Nor can India, for more than half the expatriate population of 500,000 in Bahrain are Indians whose remittances are significant especially to the economy of Kerala. India itself hosted Formula 1 in October 2011 in the vicinity of New Delhi after spending at least \$40 million on the inappropriately-named

Budh International Circuit. In all the excitement over Bahrain, the outcome of a 2012 study by Berkeley psychologists Paul Piff and Dacher Keltner carried in *Scientific American* which showed that the wealthier a person is, the less he/she is likely to empathize with the problems of the poor and disadvantaged, received no notice. That the organizers of sporting events for the super rich are unconcerned with the protests of the disempowered and the discriminated, should not come as a surprise. What is more worrisome is that globally, politics now responds only to the concerns of elites – dressed down as the middle class as revealed by the campaign rhetoric in the U.S. Presidential election, which inevitably trickles down to Europe and to our own developing world. 

U.S.-Afghanistan agreement: A welcome start

27 April 2012

Seema Sirohi

Journalist and Analyst, Washington

Washington—The draft of the strategic partnership agreement between the United States and Afghanistan was signed on April 22 in Kabul, and is an important achievement in the continuing process of the 2014 U.S. drawdown from Afghanistan. The rather thin document is expected to grow in substance by May 20, when NATO leaders meet in Chicago for a summit and discuss the question of Afghanistan. For now though, the draft raises more hard questions than it answers. The most important take away from the preliminary document is that the Americans are not packing their bags and leaving as they did in the 1990s. A continued U.S. presence for at least 10 more years after 2014, when the bulk of NATO and U.S. troops depart, should give pause to the Taliban and neighbouring

countries engaged in the “waiting game.” From India’s point of view, this is good news in terms of regional stability.

With the U.S.-Afghan document in hand, the Europeans too can begin to make their pledges for the stable future of Afghanistan. They had been quiet, waiting to judge the dynamic between Kabul and Washington before putting forth their own plan, and mindful of the active opposition to any long-term U.S. presence from both Pakistan and Iran, two key neighbours of Afghanistan.

The Taliban, predictably, denounced the U.S.-Afghanistan agreement, saying it was nothing but an attempt by Washington to inject secularism and prevent the rise of a “true” Islamic government. A continued

U.S. presence would be a threat to “Islamic countries in the region” (read Pakistan and Iran) and it would prevent Afghanistan from developing political and military ties with its neighbours. To the extent that a U.S. presence would be a deterrent against excessive meddling by Iran and Pakistan, the Taliban have got it right. But whether a few thousand U.S. troops can impose real order is anyone’s guess, especially when 100,000 troops couldn’t do so.

That Washington and Kabul were able to agree on a strategic partnership against a background of horrific recent events involving U.S. troops is significant. The incidents of Quran-burning, the killing of 16 Afghan civilians by a U.S. soldier and ugly photos of U.S. troops with dismembered body parts of Afghan militants, poisoned

the atmosphere. It took more than a year of hard negotiations to get a draft acceptable to both sides because of differences over night raids which have killed civilians, creating strong opposition among ordinary Afghans. The U.S. agreed to give Afghan forces the lead role in night raids while relegating itself to a supporting role. However, it is unrealistic to expect that the U.S. will not take unilateral action against top insurgents if there is good intelligence.

Control of the keys to the main military detention centre was another cause of contention for months. But the U.S. found a way around it. According to Lisa Curtis of the Heritage Foundation, the Memorandum Of Understanding that dealt with detainees leaves the door open for the U.S. to “block the release of detainees even after they are transferred to Afghan authority.” There are likely to be several other such MOUs which will help avoid the problem Washington faced in Iraq, where the Pentagon wanted to leave behind thousands of troops as a “residual force” but was unable to. The Pentagon wanted “immunity” for U.S. forces from future prosecution by the Iraqi government, a promise that was politically unacceptable to the Iraqi leadership.

In the end, the whole question became embroiled in the very idea of “foreign troops” in Iraq. The same question is swirling around in Afghanistan but this time the U.S. negotiators are better prepared to handle it.

Details of the draft agreement are under wraps mainly because they are neither filled nor final. At this stage, it is essentially an executive agreement, more conceptual than concrete. It envisages a “significant” presence of U.S. Special Forces to conduct successful counter-terrorism operations.

The tougher battle in Washington will likely be over a 10-year financial commitment to support Afghan security forces. Afghan



**There is
no way to
determine
how many US
troops would
be adequate
to fight the
insurgents
who will
continue to
operate in
the border
areas of
Pakistan and
Afghanistan**

President Hamid Karzai wanted a firm commitment “in writing” from Washington on U.S. financial support but U.S. officials impressed upon him that it was not possible, given the mechanics of the American government. The U.S. Congress approves foreign aid on a yearly basis, and for the executive branch to make a commitment to a foreign government is essentially meaningless. Karzai had said in a speech last week in Kabul, “Give us less, but mention it in the agreement. Give us less but write it down.” The fact that the draft was signed a few days after his speech is an indication that Karzai withdrew his demand.

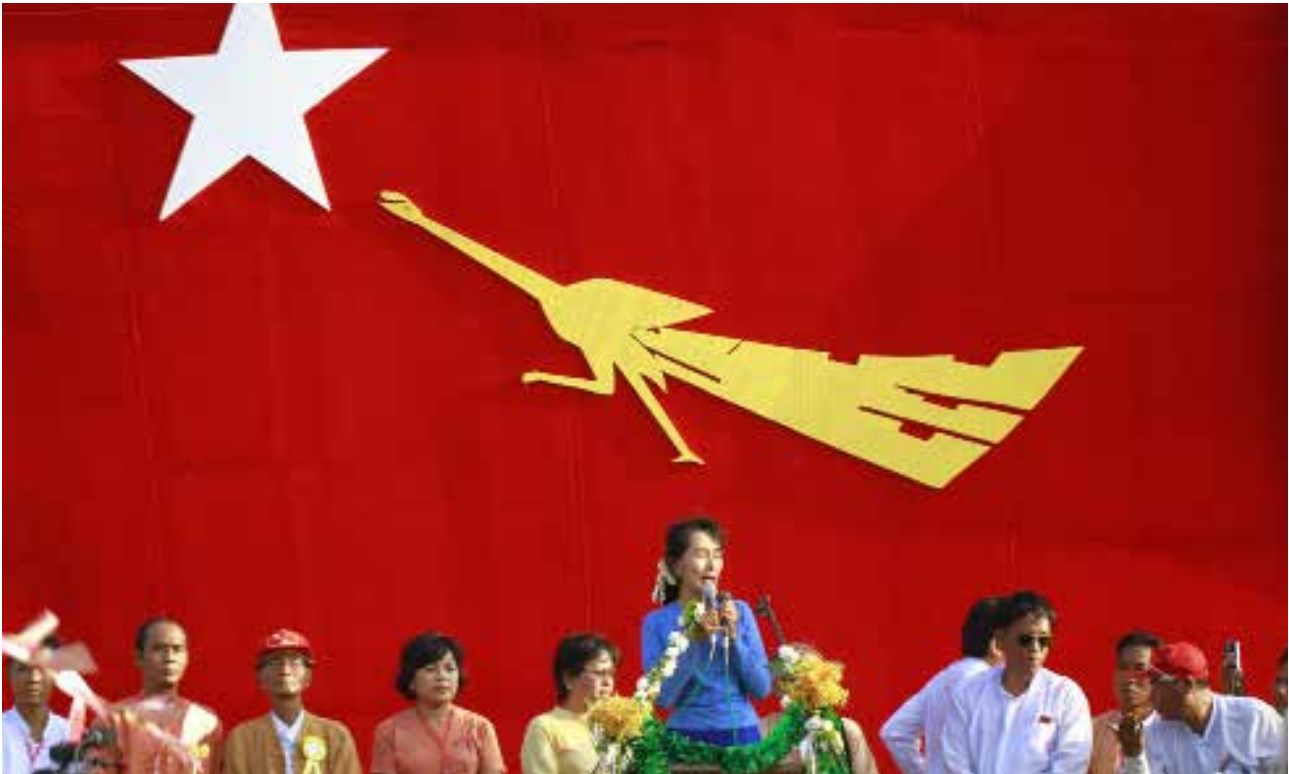
The figure being discussed for American support ranges between \$10 billion to \$2.5 billion annually, a fraction of the estimated \$110 billion a year that Washington currently spends in Afghanistan after the

surge. The budgetary support would depend on the number of Afghan national forces that will be trained. The goal was to train and equip 350,000 Afghan security forces by early 2014 but some in the Obama Administration want that number reduced to 250,000 for budgetary reasons. It is also clear that the U.S. Congress will have an easier time approving aid for Afghanistan – any amount – if the Afghan government were to take concrete steps to fight corruption. An undercurrent of anger against sending American taxpayers’ money to a “corrupt” Afghan government is palpable among Congressional staffers and Washington policy wonks.

What the Obama Administration will argue is that while al-Qaeda has been severely hurt by counter-terrorism operations over the years, it has not disappeared. As Bruce Riedel, a former CIA official and currently an analyst at the Brookings Institution, said Thursday, the new al-Qaeda leader, Ayman al-Zawahiri, should not be underestimated. “He is trying to rebuild the al-Qaeda core. There is a heavy propaganda flow from him,” Riedel said. In addition, a “syndicate of terror” is developing inside Pakistan under the rubric of Difa-e-Pakistan or Defence of Pakistan, where prominent militants openly advocate jihad against America and India.

There is no way to determine how many U.S. troops would be adequate to fight the insurgents who will continue to operate in the border areas of Pakistan and Afghanistan. In addition, the underdeveloped Afghan economy is unlikely to improve dramatically by 2014 to sustain the additional burden of departure of NATO forces. Many Afghans in the urban areas make a living from the jobs generated by “foreign troops.”

There are no easy answers to the hard questions. But now, there is also no appetite in Washington to continue the war in Afghanistan on a full scale.



Suu-kyi-gives-speech-in-khawmu/Htoo Tay Zar-Flickr

Sanctions on Myanmar: Have they worked?

1 May 2012

*Ambassador Neelam Deo
Director Gateway House*

The by-election which Myanmar's opposition party National League for Democracy (NLD) swept to victory on April 1, was a tribute to the fortitude and abiding popularity of its leader, Aung San Suu Kyi. It is also reflective of the low-key but steadfast manner in which the Myanmarese government, led by former members of the military Junta, especially President Thein Sein, has taken the reform process to an important – and hopefully irreversible – juncture.

There is much to celebrate about the rapid democratization in Myanmar. In grudging recognition, numerous foreign dignitaries have visited Myanmar this year including

the UN Secretary General, the U.S. Secretary of State, the U.K. Prime Minister and the Foreign Minister of Japan. Our own Prime Minister Manmohan Singh, who had received President Thein Sein in New Delhi last October is scheduled to visit in May. He will no doubt be followed by many other senior leaders from the ASEAN countries, China, Latin America and Europe. In return, Suu Kyi will make her own first foreign visits – to the U.K. which was her home for decades and where her sons live, and to Norway because her Nobel Laureate status contributed much to her global profile.

Apart from conducting an internationally-certified free and

fair by-election, Naypyidaw has moved swiftly towards political reconciliation with Suu Kyi and the ethnic minorities, media openness and economic reforms. A majority of political prisoners have been released and exiles welcomed back in time for some of them to participate in the by-election. The legislature, written off as a puppet a year ago because of the dominance of the military and its Union Solidarity and Development Party legislators, has actively supported reforms through legislation and those promoted by the President. These relate to commerce, tax and labour regulation as also bills on microfinance and foreign investment.

A controlled float of the currency has begun and Naypyidaw has started to prepare its own accounts at the market rate of 800 kyat to the dollar from the earlier fiction of 6 kyat to the dollar. Restrictions on the media have been lifted and a Human Rights Commission established. Ceasefire agreements have already been concluded with 11 of 12 dissident armed groups that have long battled the state. Even constitutional changes that could re-order the sharing of power and the natural wealth of the country with the ethnic groups as envisaged by the Panglong Agreement of 1947, are no longer ruled out.

The western countries have been quick to claim that it was their sanctions against Myanmar that brought about these astonishingly swift and wide democratizations in the last one year, and they have begun the process of removal or relaxation of long-standing sanctions against Myanmar. The EU announced the suspension of sanctions for one year and Australia followed, lifting sanctions against the country and some senior military figures. Lifting U.S. sanctions will be lengthy because it requires legislative action. Nevertheless Washington announced the opening of an embassy in Npyidaw and withdrew its earlier objections to international organizations including UN Agencies, the World Bank and IMF and the Asian Development Bank to begin extending financial and technical assistance to Myanmar. The ill-natured and bullying suspensions rather than outright removal of sanctions, are signals to the Myanmar government that it is on notice; any thwarting of the wishes of Aung San Suu Kyi could result in their re-imposition. This is also underlined by the TV grabs of press conferences with visitors including Ban Ki Moon, Hillary Clinton etc. with Suu Kyi where she is treated almost as though she were the Head of the Myanmar government already.

This underlines one of the most important features of sanctions



Mugabe remains in power and there has even been an economic resurgence in Zimbabwe

– that they are almost invariably imposed on developing countries by the rich, developed world to force political processes and economic rules that open the society and economy to Western entities. The only known case of developing countries ganging up to try to impose sanctions against a member of the rich, white club was that of the Arab countries against Israel in 1967 after the Six Day War. Although their boycott of Israeli products did cause some dislocation, the impact of the sanctions was overcome by Israel finding new markets for its products and sources of essential supplies for its needs in developed countries.

Another feature of sanctions is their stickiness – which means that once imposed, they are hard to lift and become a way of life. Upon their imposition, affected governments hunker down and look for ways around them, often with popular support on the issue of sovereignty and national honour. Simultaneously Western imposers find it difficult to walk away from their own heated violation-of-human-rights rhetoric and the inertia of legislative and bureaucratic procedure which do not allow these processes to be junked overnight. This has created a community of sanction ‘lifers.’ Countries like Cuba have been sanctioned for half a century, since the Cuban Missile Crisis. Most Cubans alive today know no other way of life. Similarly North Korea has continuously been under some

form of western sanctions since the Armistice of 1953, never lifted since there has been no formal end to the Korean War. Even after the dissolution of the Soviet Union and the subsidies that it gave North Korea, the latter has survived. The resultant distortion of its economy is reflected in the fact that while its people suffer malnutrition – and maybe even hunger – it has developed a formidable nuclear weapons and missile capability with which it continues to threaten South Korea and the world. Iran is another lifer, under sanctions since the siege of the American Embassy in Tehran in 1979 and now being strangled by more sanctions that seek to force the rest of the world to stop purchasing Iran’s oil and gas. There is no doubt that the Iranian people are hurting; but the regime remains unrepentant, despite open avowals of regime change by the U.S. Even as negotiations over Iran’s nuclear programme resumed, the Iranian foreign minister stated that if western sanctions against Iran were lifted, all disputes with the west could also be resolved quickly. Clearly, the west has learnt nothing from pushing Myanmar into the arms of China – a colossal strategic misstep – and it has so far ignored the Iranian overture. Zimbabwe has been sanctioned since 2002 because of the undoubted brutality of the Mugabe government but initially to protect the interests of barely 5000 white farmers sitting on some 70% of arable land. Despite the suffering imposed on the people for the last decade, and forcing an ill-advised coalition government with his principle challenger Morgan Tsvangirai, Mugabe remains in power and there has even been an economic resurgence in Zimbabwe.

These prolonged time frames for sanctions prove the old Greek saying that “while the strong do what they can and the weak suffer what they must” In fact such bans do not usually achieve their stated purpose of forcing regimes to change their behavior even as they distort economies and cause much suffering to ordinary people.

Less spoken about these days is that India itself first began to be sanctioned by Canada, the U.S. and west Europeans after the nuclear test of 1974. Numerous technology-denial regimes such as the Australia group which controls exports of biological and chemical agents, Wassenaar Agreement which bans dual use technologies, Missile Technology Control Regime etc., were devised with India as the principal target. Ironically, the U.S. and the U.K. were disappointed at the award of the French Rafale as the choice of our fighter jet; yet they continue to deny many advanced technologies to us under the rubric of “dual use” technology.

The questions that arise are: Is long-sanctioned Cuba, with its world class education and health systems, worse off than its Caribbean neighbours like Panama with their lopsided dependence on rich American tourists? Could Mugabe have been dislodged by following some other course of action as sought by South Africa? Are the Iranians better off after decades of isolation which has completely distorted their first world oil revenue fueled level of economic development? Could not the current imbroglio with Iran have been resolved by confronting Israel's security issues more honestly? Could we argue that India persevered in developing nuclear and space technologies and scientific competencies under sanctions, which it may otherwise have purchased from developed countries?

Things change with economic might. Some restrictions on the sale of weapons and dual use technologies on China remain, but most other sanctions introduced after the Tiananmen Square incident in 1989 have fallen by the wayside as that country's economic profile has grown rapidly. Does this mean that sanctions against big countries and economies are shrugged off more easily?

In the case of Myanmar which has been under military rule since



Secretary General of the UN in his address to the Parliament in Naypidow on April 30, ungenerously termed the reforms “fragile”

1962, incremental sanctions have been imposed starting from trade and investment bans to travel and confiscation of assets held abroad by military leaders and finally – and reluctantly – to barring western oil companies from exploiting Myanmar's substantial fossil fuels. Did the crushing of the Myanmar economy and denial of financial and technical multilateral assistance, result in the democratization we are celebrating today?

Unlikely – especially considering that China alone has invested more than \$20 billion in that country's infrastructure and fossil fuel sector in the last couple of years. ASEAN accepted Myanmar as a full member in 1997 and sought constructive engagement, including through stepped up trade and investment. The fossil, forest and precious stones resources of Myanmar have served to benefit corrupt Thai generals enormously but not the Myanmar people.

India, after initially extending support to Suu Kyi, sought to engage the military regime to address insurgencies in the Northeast, seek fossil fuels in its vicinity and build a bridge to its ASEAN neighbours. It was also responding to misgivings within the Myanmar elites to

being overwhelmed politically and economically by China. Has this entrenchment of Chinese influence on Myanmar benefitted the sanctioning countries in their strategic and commercial objectives? Can lifting sanctions be more productive than their imposition?

Almost certainly so. A well-researched, balanced April 2012 report by the respected International Crisis Group concludes that the impetus for reforms in Myanmar has been internal, not the result of sanctions imposed externally. It also states that lifting the sanctions piecemeal could actually harm the Myanmar democratization project by exposing the reformers to criticism and a pushback from their opponents in parliament and the armed forces. Unfortunately the Secretary General of the United Nations in his address to the Parliament in Naypidow on April 30, ungenerously termed the reforms “fragile” – in line with the view of western governments. What the UN really needs to do is to assist Myanmar in capacity building to absorb foreign aid and advice. Myanmar also needs to ensure that it does not hop out of the Chinese wok into the resource curse as the world begins to exploit its wealth of natural resources.

Here, India can play a role, notwithstanding the paralysis in New Delhi. Even as it does in Africa, India can accelerate its academic and human resource development programmes especially in the area of information, communications and technology. It has experience to share in agriculture and institution – building, particularly the machinery of elections. And it can help incubate non-governmental organizations, a critical and necessary national asset for liberalizing Myanmar which will otherwise be overwhelmed by wealthy western NGO seeking to further the adoption of their world view. Such moves can lift the fortunes of the ordinary Myanmar people – and put the trauma of decades of sanctions behind them.

Qatar: Geopolitical Cosmopolitanism

3 May 2012

Akshay Mathur

Head of Research, Geoeconomics Fellow

Qatar topped the Middle East rankings in the just-released 2012 MasterCard Worldwide Index for Consumer Confidence. To those who have followed the trajectory of this nation, it comes as no surprise that this tiny peninsula off Saudi Arabia has transformed into a city-state of commercial energy and urban magnificence.

Less known is Qatar's growing role in international geopolitics; and those who are aware of its position are puzzled by what Qatar hopes to achieve from it.

Since the beginning of 2011, Qatar has raised its profile as an active participant in world affairs. During 2011-12, when Qatar simultaneously held the Presidency of the Arab League and of the UN General Assembly, it used the platform successfully to oust Libyan leader Moummar Gaddafi while independently providing Qatari military and monetary support to the rebels. Similarly, it supported the revolutions in Tunisia and Egypt through the reportage of its state-owned Al Jazeera Network which blanket-covered the protests. Qatar was the first country to recall its ambassador from Syria before calling for President Assad to step down, and was host to the peace accords between Sudanese government and Darfur rebels in 2011.

Simultaneous with Qatar's international profile is a growing cosmopolitanism within the country. Doha is already home to the United Nations offices, the Al Jazeera Network which is an established popular voice of the Middle East, the controversial office of the Taliban, the headquarters of the US

Central Command, the liberal U.S. think tank Brookings Institution, several multinational companies, and a rotating calendar of intellectual international conferences such as the Doha Forum and United Nations meetings. These institutional interactions coupled with the grandeur of the city of Doha with its beautiful seaside esplanades, shining skyscrapers, refurbished ethnic villages and opulent theatres, is a magnet for international diplomats and executives.

BOLD ASPIRATION

Some indication of their strategy is evident in the Qatar National Vision 2030. It is a statement of bold aspiration – one that puts building a knowledge economy and international engagement at the same level of priority as oil and gas exploration.

The 2,500 acre Education City supported by the government-owned Qatar Foundation, is the largest foreign cluster of American universities outside of the United States. Georgetown University is teaching foreign affairs, Carnegie Mellon focuses on information technology, Northwestern University teaches journalism.

Where entrepreneurship, enterprise and cosmopolitanism are not instinctive, it is being enabled by creating forums that reward these skills. On January 29th, 2012, Enterprise Qatar, a joint initiative between Carnegie Mellon University and the Qatar Business Association, launched a business plan competition called Al-Fikra for identifying and promoting creative business ideas that would be based in Qatar.



Simultaneous with Qatar's international profile is a growing cosmopolitanism within the country

Similarly, the World Innovation Summit for Education organized by the Qatar Foundation for Education, Science and Community Development began in 2009. It supports innovative ideas for raising the awareness of education as a means to development and has seen entries from Paraguay to Ghana. Every year, they choose six winning ideas to support with finance and advice. Nanhikali, an NGO that promotes education for girls in India, supported by Mahindra & Mahindra (which also supports Gateway House) won the award the first year it was launched in 2009.

Away from the limelight, geopolitics is being practiced from the bottom-up. Georgetown University organized its first ever Young Leaders Seminar in Qatar in April 2012. It brought together 18 leaders under the age of 35 from different regions of Africa, Middle-East and South Asia with varied backgrounds such as social activism, journalism,

political dissidents and scholars for a healthy discussion and understanding of global developments. The same weekend, Reach Out To Asia (ROTA), an NGO set up by the Emir of Qatar for engaging the expatriate community in Qatar – 80% of Qatar's population comprises expatriates on work visas – also organized a youth conference that brought participants from Yemen to Japan. The 350-strong student conference discussed how sports and conservation of the environment can provide a platform for dialogue between countries which do not engage with each other.

POWER OF ENERGY WEALTH

Beyond the diplomacy and intellectual pursuit, is the power of Qatar's energy wealth – used for its geopolitical goals. With the third largest natural gas reserves and the 13th highest oil reserves in the world, Qataris are the richest people on the planet, with a per capita GDP of over \$100,000. At the April 21, 2012 World Investment Forum meeting in Doha, Qatar Investment Authority revealed that its Sovereign Wealth Fund is now over \$100 billion and will have \$30 billion more to invest in 2012 alone. So far, it has invested the money in European markets such as the French energy company Total, and in the London-based property of the tony Harrod's department store.

But now, many developing countries such as Sudan, Colombia, Djibouti, Namibia, Rwanda, and Uganda are wooing Qatar for investments in food processing, infrastructure and agriculture sectors. Sudan has successfully even won \$2 billion loan in March 2012 that includes the purchase of government bonds which saved the country's sliding currency.

GEOPOLITICAL COSMOPOLITANISM

All these developments exemplify a kind of geopolitical cosmopolitanism that is new to Qatar and the world. So far, all moves indicate

that Qatar wants to go further in influencing the developments in the region – either as a neutral peacemaker or through the use of hard or soft power – simply because it can. It is a more anodyne stakeholder than perhaps any other in the region where leadership is split between the Western powers, Saudi Arabia, Iran and Turkey. Qatar seems determined to use its developing intellectual heft to play an active role in the region, even if not neutral, while it bulldozes its way into becoming a commercial hub like Dubai or Singapore.

One direct benefit is its new friendship with United States, which is happy to befriend another Sunni monarchy besides Saudi Arabia and increasingly depends on Qatar to communicate with non-state groups such as the Taliban.

Unfortunately, there are not too many successful precedents to follow. In the past, Jordan has played a similar role in the Middle-East, mediating between Israel and Palestine. In fact, there is an uncanny resemblance between the royal couples — King Hussein and Queen Noor of Jordan, and Sheikh Hamad and Sheikha Mozah of Qatar – both glamorous, worldly and cultural icons. More recently, Turkey has played a similar role between Iran and the P5 +1. But Jordan's role was limited to Israel and Palestine.

Dubai and Singapore have largely remained commercial centres. India, Brazil, and South Africa have only now started to identify and vocalize their global role after acquiring some economic confidence.

Those who tried were not always effective or proactive. Turkey's roadmap for negotiations with Iran was never accepted. India, Brazil, and South Africa have only now started to identify and vocalize their global role after acquiring some economic confidence. India does not support interference in foreign countries and Russia and China remain reticent about overthrowing

authoritarian governments purely on western pressure. Norway is the only country that has had some success of being a neutral peacemaker. It has done so with Israel and Palestine resulting in the Oslo Accords in 1993, and then again with the Sri Lankan government and the rebel Tamil Tigers in 2002. Its history as a non-colonizer and economic strength made gave it the necessary credibility to be a neutral participant with no direct stakes.

CHALLENGE OF DIVERGING INTERESTS

As Qatar engages further internationally, it will face the challenge of absorbing and responding to diverging international interests and implications of its participation in the world. By training the Libyan military and flying bombing sorties, it won the accolades of NATO and revived an ailing Arab League but has certainly lost the credibility of a neutral peacemaker. Many at home and in the region are already troubled by difference of coverage between Al Jazeera English and Al Jazeera Arabic as was obvious in the reporting of the recent protests in Bahrain.

Internally, Qataris remain satisfied with their leadership so far. No one but a few journalists showed up for the "Day of Rage" in Qatar on March 16th, 2011 to protest against the administration of the ruling Sheikh Hamad. Women have the right to vote in national elections, have 100% literacy and over 30% are part of the workforce. Some gender disparities remain with regard to marriage and travel but Sheikha Mozah has promised changes.

Regardless of the uncertainties, the cosmopolitan education being imparted in Education City to domestic and international students will certainly help Qatar make and retain friends all over the world. At least just enough to maintain internal solidarity while it begins the learning process of playing the international role it aspires to.



Deconstructing the Muslim Brotherhood manifesto

28 June 2012

Ambassador Neelam Deo

Director, Gateway House



Egyptian rallying/ Gigi Ibrahim – Flickr

On 24th June Mohammad Morsi of the Muslim Brotherhood was finally anointed the elected president of Egypt. His installation came after almost a week of suspense during which the country teetered on the edge of chaos when his rival Ahmed Shafiq, Mubarak's last Prime Minister, also claimed a win. Despite Morsi's small margin of victory – 52% vs. Shafiq's 48% – the latter did not challenge the verdict. What probably won Morsi the day were backroom deals with the powerful Supreme Council of the Armed Forces (SCAF), which just days earlier carried out a soft coup through a pliant judiciary, annulling the parliamentary election and enacting a hated Emergency law to

give itself the authority to appoint a Constitution-writing body.

A year ago the Muslim Brotherhood had decided not to contest the presidential election or dominate Parliament. Yet, today it has won the Presidency and over 50% seats in the annulled Parliament. An Islamic orientation then, is both expected and feared. There is no doubt that the Brotherhood will challenge, probably in stages, the emasculation of the powers of the President and the effort by the SCAF to entrench a constitutionally-guaranteed superior position for the military. The next few months or years will witness a struggle between the Muslim Brotherhood

and the Egyptian armed forces, but for now, attention has shifted to the economic and social policies of the new government. At play within the tussle will be the 30% of the Egyptian economy owned and operated by the Armed forces.

The Brotherhood has been at pains to project itself as holding moderate and liberal economic and social policies. Although there is a group within attracted to intervention and support for unspecified "prime sectors," the majority argue for a "liberal market economy with a business friendly climate." The Brotherhood's economic and social policies are set out in a document entitled the Nahada (Renaissance)

Project. Its implementation will be led by the Brotherhood's previously disqualified presidential candidate, the conservative successful businessman Khairat Al Shater, who remains the most powerful member of the Brotherhood. This is important for a government that will soon need support from the IMF and indirectly the US, to address its \$190 billion deficit.

While the Nahada manifesto is rich in generalizations, it is short on specifics. It "aims to build a state that provides people access to education, healthcare, jobs, investment, and business-building opportunities; and protects their rights and dignity within and outside the country." It does not, however, name any specific sectors other than a reform of the banking sector and a focus on education for which it hopes to raise the allocation from the existing 3.3% to 5.2% of the budget. This is being interpreted to mean that there will be no wholesale move of the nearly \$200 billion banking sector towards Islamic (interest-free) practice. That should reassure foreign banks like our State Bank of India. Less reassuring have been the hints about making Zakat, the 2.5% of wealth that Muslims traditionally contribute to charity, compulsory (this possibly has resonance with the Indian government's own discussion on making a 1% Corporate Social Responsibility contribution compulsory for its companies).

In order to achieve a transition from a "rentier economy to a value added economy," the Nahada plans "100 national projects, each exceeding a billion US dollars within the boundaries of an information and production society, guaranteeing the multiplication of Gross Domestic Product in five years at an annual growth rate of 6.5-7%."

While no further details can be found, at the very least this means rich potential for Indian IT companies like Wipro and Mahindra Satyam, already in Egypt, and others like NIIT, as the country



Egypt will face many "unknown unknowns" from the military and how it handles them will have significance for the awakening in the whole Arab world

has a large pool of educated and tech-savvy but unemployed youth. Although not a major oil exporter, the Brotherhood's Freedom and Justice Party (FJP) has speculated about a review of oil and gas export deals to raise some \$18 billion for its depleted state coffers. This has huge political implications as the most important deal will be the continued supply of gas to Israel at the old heavily discounted rates. It is unlikely that Israel (and the US) would be willing to reopen any old agreements.

Tourism, which employs 1 in 9 Egyptians, has suffered but can revive quickly if the new government's focus on infrastructure fructifies, as does a softer attitude towards alcohol and beachwear. While this is good news for India's Oberoi hotel group and Air India, some forward and backward movement must be anticipated in an environment where conservative religious forces come up against the pushback of more hard-headed and powerful businessmen.

There are already 100 Indian companies operating in Egypt, in sectors from steel to transport, paints and beauty products. Notwithstanding early nervousness, most of them have continued to function throughout the volatile

last year. The high-level exchanges between the two governments, including the March 2 visit of India's foreign minister to Cairo, have discussed active Indian engagement in the revival and growth of the economy.

The Nahada document has, refreshingly, referred to both diversity and equality as an objective. It has sought, in particular, women's participation in "society, politics, and priorities of national development." An advisor to President Morsi announced that in a first for Egypt, a woman and a Coptic Christian would be appointed as vice-presidents; brooding beneath the surface have also been hints that Sharia and the Koran could be the source of legal practice. And the Brotherhood's intent to defer to the Salafists on religious matters has naturally generated concerns for maintaining the rights of women. While the manifesto has reassured the roughly 10% minority Coptic Christians that it intends to respect "all our fellow Copts' rights of citizenship and realizing their full legal equality as Egyptian citizens while maintaining their right to appeal to their religious strictures on matters pertaining to personal status and their religious affairs". Sadly, a more likely scenario is a slow seepage of Christian emigration – as has already occurred in other Arab nations, including Iraq.

Unsurprisingly the Brotherhood, which has been banned for most of its 75 years of existence, has a commitment to the strengthening of civil society institutions to safeguard democracy and prevent state control through "acknowledgement of the judiciary as the governing reference." But faith in the judiciary has already received a rude shock given its meek compliance with the military in dissolving Parliament.

Egypt will face many "unknown unknowns" from the military and how it handles them will have significance for the awakening in the whole Arab world.

GH



Tripuras woman in Bangladesh/MRHASAN – Flickr

Bangladesh: A passage through Tripura

13 January 2012
Ambassador Neelam Deo
Director, Gateway House

“

Morshed Khan, Bangladesh's foreign minister from 2001 to 2006, was fond of stating that if Bangladesh was India – locked, then Tripura was Bangladesh – locked.

Tripura and Bangladesh have a special history – the two share a porous border, which stretches over 800 kilometers. During Bangladesh's struggle for independence, the people of Tripura welcomed more Bangladeshi refugees per capita into their homes

than in any other civil war situation in history. Prime Minister Sheikh Hasina's current visit to Tripura is significant. Since its inception in 1971, no Bangladeshi head of state or government has visited India's North-East. This visit has the potential to rebalance the still tremulous relations between India and Bangladesh.

Historically, Bangladesh's attention has been focused primarily on West Bengal (once the eastern part of

The future of natural gas as a source of energy for the South Asian region is vital and could be promising

undivided Bengal), with which it shares a love-hate relationship. By now turning its gaze toward the north – east, Bangladesh could be heralding a strategic change in the dynamic of its relationship with India. If such a paradigm shift commences, then West Bengal's Chief Minister Mamta Banerjee's tantrum, last September, over the Teesta Waters Accord, could become a blessing in disguise.

Bilateral relations between the two countries have been fractious since the 1974 assassination of Sheikh Mujibur Rahman, the father of current Prime Minister Hasina. Differences over illegal immigration into India, support for terrorist activities, especially in Assam, cattle-smuggling, and Bangladesh's reluctance to grant India access to its transit facilities, made the exchanges infructuous. This has now begun to change.

Prime Minister Hasina's visit was preceded by the establishment of tentative links including bus services between Dhaka and Agartala, the proposed revival of the rail link from Akhaura to Agartala, and the announcement to allow our North Eastern States the use of the Chittagong Port. This could be the ballast which can cause the two countries to build a genuine and mutually constructive future. For the first time, Bangladesh even allowed heavy power equipment for the Palitana project in Tripura, to be transported along its fragile road system, in exchange for which it is seeking a stake in the project.

Such exchanges are tentative, but can usher in a process of normalcy for the movement of goods between the two countries. India and Bangladesh have already been somewhat successful in addressing complex issues related to terrorism – they have completed the demarcation of the border, which is helping to curb the infiltration of militant groups principally into Assam. What also needs to be addressed is the management of the waters and the maintenance of the banks of



Bangladesh has looked westwards to Assam and West Bengal to engage with India; it must now pivot and look east to Tripura and Mizoram

the Feni river, easier perhaps than addressing the sharing of the waters of the Teesta river.

Fifteen years ago, the Chambers of Commerce of Agartala and Chittagong met to discuss economic exchanges between south – eastern Bangladesh and Tripura. But little came of it. For decades, the porous border between the two has facilitated the entry of smugglers and terrorists into India.

Now is the time for our countries to recognize the tremendous value and potential from increasing legal cross – border trade. Exchanging domestically produced goods: household gadgets, saris and readymade garments, pharmaceuticals, agricultural products, small machinery etc. can provide India with an opportunity to crush the smuggled – goods market in Agartala, one that is also being replenished by Chinese products brought in illegally from Bangladesh.

This is also the moment for the national and provincial governments of both countries to think ambitiously about gas swaps. Until recently, gas from Tripura could not be exploited due to geographical

constraints. However, this gas can now be linked to the pipelines of the Bibiyana gas field in Eastern Bangladesh for consumption within the country, or swapped for power for West Bengal or Assam. The future of natural gas as a source of energy for the South Asian region is vital – and could be promising. If India and Bangladesh can effectively advance their strategic partnership, a link to Myanmar's Shwe gas field becomes a realistic goal. However, if Delhi and Dhaka cannot strengthen their diplomatic ties and cooperate to develop their energy, infrastructure and financial sectors, then futuristic projects such as TAPI (The Turkmenistan – Afghanistan – Pakistan – India pipeline project) or IPI (The Iran – Pakistan – India pipeline), become ever more ephemeral.

Tripura, rather than Bengal or Assam, is an inspired Indian partner for Bangladesh. Like most people in Tripura, Manik Sarkar, the chief minister, is a Bangla speaker, and there is a key cultural affinity that will surely make social and intellectual exchanges with Bangladesh more meaningful. Sheikh Hasina's visit began with the inauguration of an open – air theater and a statue of Rabindranath Tagore at Tripura University, followed by the conferment of an honorary degree.

Both countries now have a mutual and abiding interest in ensuring that Tripura leads the India-Bangladesh relationship. For too long, Bangladesh has looked westwards to Assam and West Bengal to engage with India; it must now pivot and look east to Tripura and Mizoram. While the former are stalwart but still troublesome prospects, far in the distance, a more realizable and immediate strategic partner is the state of Tripura. For Bangladesh too, Tripura can be the gateway to Myanmar and ASEAN, through Mizoram. The troubles of Manipur – which is the only existing link between India and Myanmar – can thus be transcended, making Morshed Khan's gentle but ominous threat wrong, twice over.

GH

Can Pakistan sustain its democracy?

20 January 2012

Tasneem Noorani

CEO, TN Associates, Lahore

Pakistan is clearly struggling to make democracy a sustainable form of government. In the 64 years of its existence, it has only succeeded 50% of the time and that too as a democracy that keeps looking over its shoulder.

Today, the fight for democracy has gained strength because of the emergence of two new pillars of the state i.e. the judiciary and the media. While the judiciary has asserted its independence with an unprecedented activism (sometimes swinging to other extremes, like trying to control the price of sugar), the media has made the age-old tool of governments' [mis]management of the media almost impossible to implement. A case in point is the open vendetta between the Jang group and the Presidency.

President Asif Ali Zardari and Mir Shakeel-ur-Rehman, part-owner and group editor-in-chief of the Jang Group, have been contemporaries as young men in Karachi in the 1960s and 70s. It has not stopped the TV channels and newspapers of the Jang Group from taking on the government frontally, seizing every opportunity it can to expose and embarrass it. In return, the government repays in kind, opening up old tax cases and using other such weapons against Jang at its disposal. In this confrontation, the public has benefitted from learning all about the sleaze in government. While useful, this excessive and repetitive government-bashing often leads to naked sensationalism and a demoralization of the public.

The current standoff, however, is between the government and



President Asif Ali Zardari /U.S. Joint Chief of Staff-Flickr

the judiciary. While the judiciary has a foot on the government's tail in a number of cases, the two matters that are destabilizing the government are the National Reconciliation Order (NRO) case and the so called 'memogate' case.

The NRO was a document negotiated between General Pervez Musharraf and Benazir Bhutto in 2007, whereby all corruption and criminal cases against the latter, her husband Asif Ali Zardari and her party stalwarts were supposed to abate. In return, she would allow Musharraf to continue as President. The implementation, however, was marred by bad intentions on both sides before the ink of the agreement could dry – resulting in the assassination of Benazir Bhutto, and the subsequent ouster of Musharraf by now President Zardari under the threat of being impeached.

The NRO's main benefit – of the

state revoking all corruption cases against Zardari and PPP stalwarts – was considered as a legitimate bonanza of the Ordinance. But it was struck down by the Supreme Court in 2009. Amongst the most critical cases against the Zardaris, was a case in Switzerland, where the Government of Pakistan prosecuted Benazir Benazir and Asif Ali Zardari for kickbacks from the Swiss inspection and certification services companies SGS and Contecna.

As the prosecution in the Swiss Court was about to be completed, the then Attorney General of Pakistan, reportedly unauthorizedly, requested, in a letter to a Swiss Court that it withdraw the government's case. The Supreme Court took serious note of the letter, and at once asked the government to resume prosecution with the Swiss Court. For two years, the ruling government dithered and the

Supreme Court kept quiet on the pretext that the Government filed a review – even though the Supreme Court had not yet issued a stay order against its decision of declaring NRO illegal. After the review petition of the government was declined a few weeks ago, the Supreme Court has finally become proactive. The latest act of the apex court was to summon Prime Minister Yousuf Raza Gilani personally on a show cause for contempt of court (for not writing a letter to the Swiss authorities to reopen the corruption case against Zardari). Gilani presented himself before the Supreme Court on January 19 and pleaded that his government did not comply.

Why? Because they are under the impression that the President is immune to prosecution, both inside and outside the country. To the disappointment of many, the apex court has given Gilani's lawyer an opportunity to convince the court of the claimed immunity in the

case. The next hearing, scheduled for February 1, will determine the fate of the Prime Minister. As for the government, it seems safe for now. It still has a majority in parliament – along with its three main coalition partners, ANP, PML(Q) and MQM. The first two are likely to stay with the government, with some doubts about MQM, known for its 'pragmatic' politics.

The average tenure of a democratic government (other than under a General) in Pakistan in the first eleven years (before the first martial laws), was under one year. During the eighties and nineties (when the two main parties, i.e. PML(N) and PPP, took two turns each) the average life was two years. Given that, expecting a democratic government to survive five years under the current dispensation is an unrealistic expectation. The democratic maturity and level of patience of the Pakistani public is about three years. Evidence is the current

government: just as it completed three years of being in power, it began to shake. It has now been ten months under this condition, and continues to be under enormous pressure. Under the circumstances, what role does the army play? Is a coup imminent?

In view of the firm resolve of the Supreme Court to conform to the letter and word of the Pakistani Constitution – a determination aggressively backed by the media – an army intervention is unlikely. The only option available for change is for the opposition to force the government to call an early election – which at the earliest could be after six months.

So while the Prime Minister can rightly claim to be one of the longest serving in Pakistan's history, the instability of the government and its poor governance record make the common man wonder about the wisdom of democracy.

GH

What Iran's election means for India

17 February 2012
Azadeh Pourzand
Researcher, Gateway House

The threat of a military attack against Iran has grown ever more imminent. At the same time, the country is fast approaching a ninth parliamentary (Majles) election March 2, 2012. As the first national poll after the largely disputed presidential elections of June 2009, this vote is of unprecedented value for the legitimacy of the Islamic Republic of Iran. While prepared to forcefully clear off any possible uprising, the leadership is visibly concerned about low turnout rates. The unpredictability surrounding this election and the composition of the ninth Majles add

to a complex situation. The general political climate leading to election, the outcome and state decisions that follow will have direct and indirect implications for India.

The presidential election of 2009 resulted in the reelection of President Ahmadinejad. It also generated the Green Movement in response to the allegedly fraudulent elections. This set an entirely new stage in the politics of Iran. The government responded with organized violence against these uprisings leading to the marginalization of Green Movement and reformist figures.

With the exception of a small number of highly moderate candidates, reformists are essentially absent in the parliamentary election. Objecting to the house arrest of the leaders of the Green Movement and the detention of their supporters, reformists have refrained from running. Further, they aim to boycott the election, thereby creating anxiety about the possibility of low voter turnout among the ruling elite. Ultimately, this year the competition is merely among conservative candidates. Interestingly, due to escalating disputes among the Supreme



An Iranian casts his vote/Amir Ebrahimi-Flickr

Leader, President Ahmadinejad and the eighth Majles, competition among conservative factions is now unusually fierce. Nevertheless, in the complex structure of the Republic's governance where there are a number of power centers, national security and foreign policy decisions often supersede the power of the Majles. Thus, it is important to closely follow power dynamics in all key institutions of the leadership and not only the Majles. Currently, the single most influential power struggle development is arguably the deepening clashes of the Supreme Leader and President Ahmadinejad. With various conservative factions choosing sides in this unparalleled clash, this disparity will continue to manifest itself at the Majles and beyond.

India currently has three interlinked areas of concern with regards to today's Iran: First is deepening anxiety in the West and Israel pertaining to Iran's nuclear program, second is the geopolitical influence of Iran in West Asia, and third are Iran's energy exports to India.

Israel and the US are running out of patience with Iran's nuclear program. In particular, the possibility of an Israeli military strike against Iran is fast materializing. Given India's strategic ties with the US and Israel, the future of its relations with Iran will highly depend on the events unfolding

surrounding Iran's nuclear program. Moreover, this week India has unintentionally become even further involved with Iran-Israel clashes. Israel blames Iran for the recent bombings in New Delhi and Tbilisi that injured an Israeli diplomat. While Iran denies these accusations, India is refraining from putting the blame on Iran until investigations are complete.

Secondly, Iran's role in West Asia is currently of high relevance for India. In Afghanistan, Iran and India aim to outmaneuver Pakistani influence. India seeks to limit Pakistan's strategic presence in the post-US Afghanistan while Iran aims to deter the Sunni and Wahhabi hegemony. Essentially, India needs Iran's cooperation in deterring Pakistan and countering the Taliban in Afghanistan. Another complexity concerning Iran-India relations is Syria.

While the Iranian leadership allegedly contributes to Bashar Assad's uncompromising violence against the uprisings, India has voted in favor of the UN resolution aimed at stopping violence in Syria. Similarly, Iran is a key player in Iraq. Independently of the ninth Majles election results, Iran is likely to continue exerting influence in Iraq. Should a military strike arise against Iran, its leaders will utilize Iraq to further complicate matters in the region. If strategically desired, it has the power to create further instability and corruption in Iraq. Given India's interest in West Asia and its strong ties with the US and Israel, India will suffer from the implications of any such strategy shifts.

Thirdly, energy trades shape bilateral India-Iran affairs. Iran remains India's second major oil supplier. Tighter sanction regimes against Iran have created payment issues between the two countries. Stating that reducing oil imports from Iran is not a possibility, India has agreed to make part of the payments to Iran in rupees. However, taxation complications involved in this



India currently has three interlinked areas of concern with regards to today's Iran

mechanism have led to the increase of costs for India and the decrease of revenue for Iran.

Therefore, this mechanism might not prove sustainable for India due to taxation issues and increasing pressures put on India by Israel to refrain from seeking energy sources in Iran.

All in all, India will have to develop highly calculated and fluid strategies toward today's Iran. The unpredictability of domestic affairs and the impact of escalating international pressures on Iran only make it more challenging for India. Also, India currently has two vital concerns: maintaining its strategic alliance with the US and Israel and, not losing ground in the region to its rival, China. Iran's political future is key to both of these concerns. Given the subtle situation of Iran, even a highly domestic event such as the ninth Majles election has imperative implications for India.

Moreover, the deepening clashes of conservative factions in various power centers will also have implications. Essentially, the less politically aligned the various key institutions of Iran, the more clashes are to be seen in the state's decision-making process. In short, the configuration of conservative factions at the ninth Majles and beyond will play a role in shaping strategies in response to the world's growing concerns with respect to Iran.



M.K. Gandhi

Competitive intolerance: Reflections on Gandhi's death anniversary

27 January 2012
Rajni Bakshi
Gandhi Peace Fellow,
Gateway House

This year's Jaipur Literary Festival was laid siege by those who vowed not to let Salman Rushdie speak there. Even before nerves jangled by this experience could recover, a new controversy erupted. Outraged Sikhs demanded that the Indian government take action against U.S. talk show host Jay Leno for his allegedly insulting remarks about the Golden Temple.

How might we view these flares of competitive intolerance on what is probably the most poignant day on the calendar of contemporary India – 30th January, the date on which Mahatma Gandhi was assassinated?

Lamenting, 'Oh, what has become of Gandhi's India!' is always a waste of time but more acutely so on the anniversary of his murder,

reminding us that things were not all that better before.

The bullets fired by Nathuram Godse into Gandhi were intolerance in its most distilled, carefully-reasoned form. Later, during his trial, in an eloquent speech Godse argued that Gandhi did a great injustice by reciting from the Quran in Hindu temples but never reciting the Bhagavad Gita in a mosque: "He knew what a terrible Muslim reaction would have been if he had done so. But he could safely trample over the feelings of the tolerant Hindu. To believe this belief I was determined to prove to Gandhiji that the Hindu too could be intolerant when his honor was insulted." [Nathuram Godse, Answer to the Charge Sheet (Para. 35)]

Equating tolerance with passivity, and aggression with honour, was the crux of why Godse needed to eliminate Gandhi. For the 21st century liberal mind, these are primitive concepts existing before the dawn of civilization. But clearly a wide variety of people across the world disagree. Rushdie may be the most famous target for a particular variety of intolerance but he is part of a large volume of artists, thinkers, writers and political workers who are increasingly threatened, not just in India but in every corner of the world, by those who disagree with them.

As Hindi film lyricist Javed Akhtar pointed out, it was also in Rajasthan – of which Jaipur is the capital – that the film *Jodha Akbar* depicting the love story between a Muslim emperor and a Hindu princess, was not screened because some Rajput groups declared its story to be an offence to their version of history.

So what is the implication of Gandhi's legacy for those of us who oppose such an assertion of 'might' over the 'right' of free expression and open exchange?

First of all it helps us to remain alert to the risk of becoming intolerant towards those who are intolerant.

It might be a knee-jerk reflex to demonize those who threatened to storm the literary festival if Rushdie appeared even on a video link. But this too, is a raw emotional response not conducive to building a social ethic that is both open and creative.

The challenge for us all lies in finding creative ways to actively manifest the faith that acceptance of differences is true strength. Eliminating, or even shouting down, those who disagree is cowardice. This may sound like a cliché within liberal circles but it is a truth worth acting upon collectively more often. It has been more than a decade since a group of journalists and writers launched a Nirbhay Bano ('Be Unafraid') campaign in Mumbai to stand-up against both physical and verbal attacks by the Shiv Sena, a Maharashtrian right-wing group which routinely ran rough-shod over anyone who opposed them.

The campaign consisted of public meetings to celebrate the greater strength of freedom of expression.


Initially the Sena troops stormed several of these meetings and violently disrupted them. But the campaign continued to persist in defiance for two months till the disruption of meetings finally stopped. This did not alter the character or tactics of the Shiv Sena – but left behind a lingering feeling of empowerment for those who value and respect differences.

This takes us to the most vital element of Gandhi's legacy. It inspires us to build strength in community and society rather than seeking constant recourse to the state as either provider or protector. Of course the state's presence is needed when there are acts of violence or infringement of basic rights. So if there is fore-warning that a group intends to storm a peaceful gathering or someone's home or office, it is the duty of the state-machinery to prevent it.

However, state action cannot replace or subsume our own role as members of a *sabhya samaj* or civilized society. When the Shiv

Sena opposed the release of the film *My Name is Khan*, the government of Maharashtra deployed armed police contingents at cinema halls in order to ensure that people could watch the film safely. This happened again more recently with the film *Aarakshan*, a movie about caste-based reservation, which was released in Mumbai recently under heavy armed police protection.

But is freedom of expression under police protection a victory at all? It might be far more powerful if we cultivated collective mechanisms for defying acts of intolerance.

It was the state machinery of newly Independent India that apprehended, tried and punished Godse. But he was really defeated by the outpouring of active opposition to his execution, by the family and followers of Mahatma Gandhi – and above all by his fellow Hindus, who instead of feeling liberated by his act, felt so ashamed that an entire generation very decisively turned away from the very idea of Hindutva or Hindu dominance. 

A significant election in Kuwait

30 January 2012

M.D. Nalapat

Director, Department of Geopolitics,
Manipal University

In 1962, when democracy was not even a dream in the Arab world, the Emir of Kuwait promulgated a constitution that introduced male suffrage, albeit with qualifiers. Since then, periodic elections have been held in the small but wealthy country (GDP per capita is \$41,365). Since 2006, women have been given the right to vote and to get elected. The last Kuwaiti parliament had four women Members of Parliament (MPs), including the formidable campaigner for women's rights, Massouma Al-Mubarak.

This year, in the upcoming February 2 national elections, significant changes are expected to take place – with potential repercussions around the Arab world. This time, 23 women are contesting the 50 elective seats in the National Assembly. The 15 other seats will be filled by nominees of the Emir, who appoints both the Prime Minister as well as the cabinet, usually from among the nominated MPs. Thus, Kuwait has what may be called “a democracy with Arab characteristics.” The emirate in that sense serves as an example to Saudi



**Shia in
Kuwait have
improved their
representation
in the National
Assembly by
tending to vote
en bloc for the
Shia candidates**



Sheikh Jaber Al-Sabah/Khalil Al-Hamar-Flickr

Arabia on how political reform can be carried out in a way that retains the pre-eminence of the royal family. Should such incremental changes be denied in countries such as Saudi Arabia and Bahrain, what will result are Egypt-style meltdowns in the coming years, especially if oil prices drop. While the previous ruler of Kuwait, Sheikh Jabber, pushed the envelope on reform, his successor, Sabah Al-Sabah, has been more respectful of the Saudi Arabian model.

He has sought to guard the royal prerogative of formulating policy and deciding who should be tasked with implementing it. This has often brought his nominees into confrontation with MPs, many of whom have been calling for a Westminster-style system where the Emir reigns but the National Assembly rules. Some members of the Al-Sabah family have supported this unorthodox idea, calling for only the Emir and the Crown Prince to come from the family, with the other posts held by commoners. Presently the Al-Sababs control not only the premiership but also

the ministries of Defense, Interior, Foreign Affairs and Finance, besides other key posts including key diplomatic assignments abroad such as the embassy in Washington. It needs to be said that several of the royals are well-qualified, and have been successes in their tasks, despite their promotions being owed to bloodline rather than merit.

However, there is tension between the Emir and the elected MPs; consequently, his hand-picked Prime Minister Nasser Al-Sabah – who is also a nephew – resigned and was re-appointed no fewer than six times. The standoff has led to repeated mid-term polls – in 2006, 2008, 2009, and now in 2012 – a situation that needs to be resolved by the selection of a Prime Minister who can take the majority of the elected members of the National Assembly with him. That will create a healthy Westminster-style precedent. Also under the scanner this election is the Sunni-Shia representation in the Kuwaiti parliament. At the moment, to avoid the election of candidates reflecting narrow sectarian or tribal

interests, there are only five mega constituencies in Kuwait – each of which elects ten MPs i.e. the top ten in vote-share in each constituency.

Of course, such a system cannot avoid sectarian and tribal influences, because like most other democracies in the world, members of a group are likely to vote en bloc for their particular candidate to ensure that she or he figures within the top ten. Apart from the Shia, the blocs within the Sunni MPs include religious conservatives as well as liberals. Fortunately, relations between the two are not frayed, the way they are in some other countries. The Al-Sababs have ensured that Kuwait remains moderate, and a country where – for example – women are free to wear what they please, and to work where they like.

Kuwait is therefore an example for its more conservative neighbours. Although all three are hereditary monarchies, Kuwait differs from Bahrain and Saudi Arabia in its treatment of the Shia minority. About 20% of the 970,000 Kuwaiti citizens are Shia, the rest being overwhelmingly Sunni. About a third of the Sunnis follow the Wahabbi strain of their faith, backed by Saudi Arabia and Qatar. Unlike in Bahrain, where the Shia majority suffers severe discrimination and grossly inadequate representation in the agencies of governance, or in Saudi Arabia where Shias are treated as second-class citizens and deprived of representation in the middle and upper reaches of state agencies, in Kuwait there is no discrimination between Sunni and Shia, despite the family that's ruling being Sunni.

The Shia in Kuwait have improved their representation in the National Assembly by strategic voting – tending to vote en bloc for the Shia candidates most likely to do well overall in the constituency. Interestingly, this has led to constituencies where their strength has been disproportionately larger than their percentage share in the

population. The First Electoral District, for example, has 38,000 Sunnis (including Wahabbis) and only about 32,000 Shia. But because of a higher turnout by Shia voters as compared to the rest, and their strategic voting for particular candidates, as many as seven of the ten MPs of the First Electoral district are Shia.

This time around also, they are hoping to maintain their numbers. Kuwait's Al-Sabah ruling family has historically been far more advanced in its thinking than their cousins in West Asia, especially those in Saudi Arabia. However, 1962 was a long time ago, and the 2011 Arab Spring has made a second wave of political reform an imperative for Kuwait.

Friends of Kuwait are looking forward to Emir Sabah Al-Sabah proactively implementing changes that will further expand democratic freedoms in Kuwait. Within the



Kuwait presents a valuable model or the sheikhdoms of the Arab world

Palace, it is known that his eldest son, Sheikh Nasser Al-Sabah (not the former premier), favours comprehensive reforms as do other members of the Al-Sabah family, especially the lady royals. Should Sheikh Nasser succeed in persuading his father, the Emir, towards further political liberalization, he will once again show that "Sabahism" is a far better model to follow than Wahabbism. Kuwait is already a country where tribal

or gender discrimination is far below the regional norm. Even the hitherto-ignored Bedouin (who are nomads with roots in Iraq and Saudi Arabia) are at the cusp of finally getting Kuwaiti citizenship. Christian churches are openly permitted in West-leaning Kuwait, but temples or Gurudwaras are technically not. However the latter exist within the cloisters of residential buildings, tolerated by the authorities, and provide spiritual succour to the more than half-million Indians working in Kuwait (most of whom are from Kerala).

Kuwait presents a valuable model for the sheikhdoms of the Arab world; Hopefully the Al-Sababs will retain their lead over the other West Asian royals by aligning the Kuwaiti democracy closer to those of the more developed democracies of the world rather than the more rigid states of Bahrain and Saudi Arabia. GH

Maldives: Nasheed outpaced his people

16 February 2012
Ambassador Neelam Deo
Director, Gateway House

One year on, the Arab Spring continues to spread even as the early hopes raised by the uprisings wither. Democratisation is neither easy nor has it historically been a linear process, even in older well-established democracies. So while Tunisia appears to be in a relatively more peaceful transition, Egypt is riven with disappointment and frustrations. Libya is, as anticipated by everyone except its willfully blind benefactor, NATO, descending into regional and tribal chaos. The media, focused on regime change in Syria, has lost interest in Yemen as the US and Israeli drumbeat for military action against Iran rises to a crescendo. Meanwhile there

has been a regime change in the tiny Indian Ocean Republic, the Maldives.

The circumstances surrounding the change become more ambiguous daily with ousted President Mohamed Nasheed claiming that he was forced to resign at gunpoint. The televised resignation on the 7th of February was preceded by weeks of unrest on the street as Nasheed's secularising and democratising agenda brought the conflict with religious conservatives and the elite supporters of the previous government, especially the appointees in the judicial, police and armed forces, to a head. So poorly has Nasheed

managed the Maldivian political establishment that his entire cabinet had been forced to resign in 2010 by the threat of a vote of no-confidence from former President Maumoon Abdul Gayoom's Maldivian People's Party (DRP), which had more representation in the 77 member Majlis and enough other Members of Parliament willing to vote against Nasheed. According to the press, he had managed to stay on as President only because of the support extended by the Government of India.

This time it was not to be. Unusually, all the major players were quick to extend support to the



Fmr. Maldivian President Mohamed Nasheed/ UNDP-Flickr

new government. The day after the ouster, Prime Minister Manmohan Singh wrote and assured Dr. Mohamed Waheed Hassan that India remained committed to working with the Government of the Maldives. U.S. Assistant Secretary of State Robert Blake pronounced that this was not the right time for new elections “because the police, the Election commission and the Judiciary are not prepared for a vote.” The UN Assistant Secretary General told the press in Male that “the Maldives cannot afford a descent into violence and protracted instability that would jeopardize the progress achieved by the country since 2008.” Therefore there was an urgent need for all sides concerned to come to an agreement on forming a government, based on the principles of inclusiveness and national unity. Even normally reticent China said that “as a friendly neighbor of the Maldives China respects the Maldivian people’s choice and sincerely hopes that the country can realize national stability, social harmony and economic development at an early date.”

The slowcoach Commonwealth Ministerial Action Group (CMAG), a nine-member committee, will send a Ministerial mission to probe the circumstances of the change of Government in the next few days. This rare unanimity underscores the stakes involved for everyone. That is that Maldives not disturb the peaceful flow of trade from the oil-rich Middle East to the energy-hungry growth magnets in East Asia, or that it become a haven for terrorists, as happened in Somalia and to a lesser extent in Yemen.

The Maldives occupies a strategic position in sea lanes in the Indian Ocean, with Sri Lanka and India as its nearest neighbors. China’s entry into the Indian Ocean on the back of ‘legitimate’ concerns regarding piracy in the Persian Gulf and its aggressive investment policies is a new and destabilising factor in the region. Therefore, internal stability is not important just to the Maldives, but also to the international community, and most of all, to India. Lending substance to these concerns, Nasheed has told the Indian Express that the Maldivian National Defense Force (MNDF) had sent him a document that constituted a security agreement with China. He claims that his security ministers told him “you have to sign the agreement” but that he refused because his Maldivian Democratic Party (MDP) was pro-India by ideology.

Despite its own problems with strengthening democratic institutions, Pakistan has long sought to play a role in the Maldives. In an unintended irony, it underwrote the building of the ‘Majlis’ (parliament) in Male and has provided training to the Maldivian armed forces. More worryingly, Maldivian students seeking a university education in Pakistan often returned radicalised after encountering Wahhabist Islamic ideologies in the madrassas. Despite its small size, the ‘long beards’ of the Adhaalath or ‘Justice’ party have wielded the same agenda setting influence in the Maldives as the extremist parties do in Pakistani



The events in Maldives highlight some important aspects of the process of change

politics, with their demand for Sharia to be the law of the land.

The events in Maldives highlight some important aspects of the process of change. In countries where the politics has been frozen for decades under dictatorships that the rest of the world accepts and works with. Nasheed recklessly, as it turned out, took on the religious establishment, even trying to amend the school curriculum on religious instruction, without having neutralised important parts of the old establishment. He thought his record as an agitator for human rights and democracy would see his agenda through and retain the support of the outside world, especially its democracies. This can also be seen in the fragility of the ‘democracy’ that the West leaves behind in Iraq after eight years of mayhem and bloodshed. The same is playing out in Egypt today as it surely will in Syria or Libya.

The second important caution is contained in the statement of Indian Special Envoy, M. Ganapathi, which asserted clearly that India will remain engaged but will not interfere. Instead of looking for reasons to intervene, as can surely be found in countries with 30-year-old dictatorships, it might allow for a more harmonious outcome if the internal dynamic is allowed to play out and find a better balance.

GH

Rethinking human rights

1 June 2012

Azadeh Pourzand

Senior Researcher, Gateway House



Posters of protests /Tao_zhyn-Flickr

The Arab Spring has once again raised pressing questions about the effectiveness of international human rights organizations. Along with the United Nations Security Council (UNSC) and Western powers, these organizations are being increasingly castigated for their failure to stop violence in the Middle East-North Africa region generally, and in Syria in particular.

Despite the nobility of their cause, Western human rights organizations are losing legitimacy because they fail to assess the repercussions of their call to Western powers to take immediate action against human rights violations. All too often the response of Western powers is military intervention. This usually results in more of the loss of life and human rights abuses that the organizations were trying to prevent in the first place.

Moreover, the goals of the human rights organizations are widely seen as synonymous with the agenda of the Western powers—regime change, securing a supply of oil, maintaining security of Israel, and restraining terrorism in the region. This does not bode well for human rights organizations that need credibility to do effective in order to work. The best way for these organizations to avoid being seen as handmaidens to Western governments is to anticipate how their findings will be used and do detailed cost-benefit calculations and to reform the United Nations Security Council.

Critics such as Mahmood Mamdani, professor at Makerere University in Uganda and Columbia University in New York, point to the recent NATO-led operations that have forced regime change in

the guise of the “War on Terror” or Responsibility to Protect (R2P) to show how such initiatives foster deeper anti-Western sentiment.

A look at the numbers and consequences of the “War on Terror” in Afghanistan and Iraq exposes the impact of the intervention in the region. Afghanistan became the first target of the “War on Terror” and the human rights violations of the Taliban was used to justify the continuing NATO presence.

More than a decade later, this war has left irreversible costs. According to a report by the UN Office of High Commissioner for Human Rights, a decade after the war began “the armed conflict in Afghanistan again incurred a greater human cost in 2011 than in previous years.” The report documents 3,021 civilian deaths in 2011, an increase of 8 percent over 2010 (2,790 civilian deaths) and a 25 percent increase from 2009 (2,412 civilian deaths) caused by anti-government groups, such as the Taliban and al-Qaida, as well as Afghan and international military forces. Similarly, according to a report by Iraq Body Count, the total number of violent civilian deaths due to small arms gunfire, explosive weapons, and airstrikes recorded since the 2003 invasion exceeded 114,000 as of December 2011. These casualty rates indicate that neither of the governments in Kabul or Baghdad can secure peace in the absence of Western troops.

The recent military interventions of Western powers have also led to problems in countries facing the Arab Spring. For example, there are serious concerns over the initiation and conduct of NATO’s air strikes against the Qaddafi regime in Libya. UNSC Resolution

1973 authorizes states to “take all necessary measures” to protect civilians in Libya. However, doubts remain over whether the word “necessary” included a military intervention by NATO forces. According to a report by Middle Eastern human rights groups led by the Arab Organization of Human Rights, NATO’s attacks on towns and cities held by Qaddafi forces and their choice of targets such as a regional food warehouse could be categorized as “offensive actions.” NATO’s actions did not protect all Libyan civilians, just those allied with the rebels. Yet, the Libya NATO intervention is still promoted as a human rights intervention that toppled a repressive dictator by the same powers that, for years, had turned a blind eye to his atrocities.

The direct cost of these attacks aside, NATO intervention has not achieved its goal of securing long-term peace and stability for the country. Instead, a year after the NATO strikes, Libya faces potential disintegration and partition. Also, according to Navi Pillay, the Chief of the United Nations High Commission for Refugees (UNHCR), in Libya today there is still “torture, extra-judicial killings, [and] rape of both men and women.”

Though Western humanitarian organizations criticize these acts of violence, these groups seem to accept this loosely defined, ad hoc framework for international intervention in future troublespots such as Syria. Of course, they rightfully highlight the brutality of the regime in Syria, but when these organizations ask the international community and UNSC to act, they often overlook how their advocacy could lead to an attack, resulting in large-scale consequences for the masses. Thus, before prescribing the immediate involvement of the international community, these Western human rights organizations must make an in-depth cost-benefit analysis of the short-term, medium-term, and long-term implications of



Without a healthy questioning of the consequences, and without the diverse perspectives of the emerging world, these well-meaning organizations will continue to be perceived as biased institutions

intervention in countries like Syria. They need to alert the world to the risks of and ways to avoid the post-intervention chaos evident in Iraq, Afghanistan, and Libya.


The challenge is, of course, that regardless of how inappropriate, inconsistent, or ineffective the Western framework of human rights protection may be, the world cannot afford to lose Western participation in the call for justice. Therefore, it is important that Western human rights organizations, especially the most visible and influential ones, revisit their approach in the Middle East and beyond. For as long as these organizations continue to blindly support the business-as-usual practices of human rights protection led by the West, their legitimacy will continue to erode.

One way is to stop stigmatizing emerging democracies for not supporting intervention and to include them in the dialogue for solutions instead. Such an approach has not happened yet, but it is possible through the UNSC. Even

though the Security Council is still the most important source of legitimacy for international action, this body has remained unaltered since 1965, and is overdue for reform. Western human rights organizations should advocate for the expansion of the council to facilitate a more inclusive and comprehensive range of human rights definitions and paradigms, in turn re-orienting the mission of the Council. The perspectives and historic experiences of emerging countries such as India, Brazil and South Africa must be seriously considered. In essence, these new perspectives will change the terms of the current discourse on and timing of military intervention, and whether intervention is a fitting response to begin with.

The contemporary history of these emerging countries can offer insightful perspectives. To list a few: India, against all odds and despite its lingering poverty, has become a key democratic nation with myriad religions and ethnicities. Brazil overcame a long period of military rule that undermined the rights of its indigenous populations for years and, with a critical eye to its past, is re-emerging. South Africa’s Truth and Reconciliation Commission, in the aftermath of a brutal apartheid regime, is a model of collective experience with key lessons for the international community.

The inclusion of these perspectives in the UNSC will make human rights organizations more effective, independent, and globally acceptable in their efforts to minimize violence around the world. Moreover, the inclusion of the perspectives of emerging countries will help in seeking appropriate solutions for the historically multi-ethnic and multi-religious people of the Middle East and North Africa.

Without a healthy questioning of the consequences, and without the diverse perspectives of the emerging world, these well-meaning organizations will continue to be perceived as biased institutions seeking to propagate Western interests. 



A scene from the Bhagavad Gita which Siberia threatened to ban

Russia's growing nationalism

7 February 2012

Katherine Foshko

Russia Studies Fellow Gateway House

The recent India-Russia annual summit which took place December 16-18 in Moscow could have been a victorious engagement of two old friends who grew apart but who recently recognized the importance of their relationship. Instead, the summit achieved only some modest gains and was overshadowed by two other events—one, the large-scale civil protests in Russia's cities following the allegedly rigged Russian parliamentary election on 4 December, and two, the threat by a Siberian court to ban the Bhagavad Gita, a case that broke out in the worldwide media shortly ahead of its verdict in December. Both these significant events—and the popular response

to them—stand witness to the forces of nationalism that hold a potential threat for the India-Russia relationship, already suffering from neglect on both sides.

A mere five agreements were signed this time, instead of the thirty inked at the 2010 summit. The most important of these had to do with the first two Russian-made nuclear reactors that were finally installed at Kudankulam, Tamil Nadu, after the Indian government signalled its readiness to proceed despite protests from local residents (however, no agreement on reactors 3 and 4, long in the works, was concluded). In defense, India announced the purchase of 50 more Russian Su-30

aircraft, bringing the total number of Indian-owned Sukhois to over 250.

This deal is neither new nor game-changing despite the many problems that remain to be addressed in the two countries' military partnership. Overall, the diplomatic function was small-scale and quickly forgotten, sandwiched chronologically between two events that received much greater exposure in Russia and internationally. The protests that shook the Russian public sphere and unnerved its rulers was a pent-up reaction to the state's brazen determination to keep the current Prime Minister Vladimir Putin in the saddle until he can again run for president in the spring of 2012—helping him retain power for a total of twenty-four years. They also reflect the declining standard of living that followed the financial crisis of 2008, and the widespread disaffection with the corruption pervading Russian society at all levels. Clearly, Putin needs legitimacy around the world, since the continued support for his government by the majority of the Russian population may not be as reliable as once believed.

Just a few weeks later, a case simmering in the Tomsk law court since June came to a boil. The regional governor had put on trial the Russian edition of the Bhagavad Gita, *As It Is*. According to the prosecutor's assessment, the teachings of the Bhagavad Gita inspired "religious hatred," and were "extremist in nature." The move pushed the Russian Hindu community into energetic protest—which extended back to India. Swift diplomatic footwork by the Russian Ambassador to India, Alexander Kadakin, as well as Indian Foreign Minister S. M. Krishna, were quick and decisive in dousing some of the fury. The response from Russia, with several major newspapers expressing embarrassment with the court case and the Russian Foreign Ministry pointing out that only the Gita's translated version was going on trial, testified

to the importance still accorded to the India relationship. Within India, Prime Minister Manmohan Singh and Congress leader Sonia Gandhi cautiously abstained from commentary or intervention with the Russian authorities. But the opposition Bharatiya Janata Party (BJP) shook the Indian Parliament with fiery speeches in defense of the text and even a proposal to ban Russian vodka in reprisal—hardly an equal measure, financially or symbolically.

The nationalist fervor stirred by the BJP constituted a response to what was actually a Russian legal move steeped in xenophobia. While absurd on the surface, the attack on the Bhagavad Gita was reportedly instigated by the local branch of the Russian Orthodox Church – an arm of the state – and the Federal Security Service (FSB), successor to the KGB, to sideline and eventually repress the Hare Krishna movement. There is a robust group of devotees of the sect, also known as the International Society for Krishna Consciousness (ISKCON), which has attempted to build ISKCON temples in Tomsk and Moscow – with opposition from the Russian government (both these projects have been put on ice, permanently). The larger trend is that of religious minorities—especially foreign ones—increasingly coming under persecution in Russia. Finally, the ban was overturned just in time for the new year, yet its roots in Russian politics’ strong-arm tactics make it more than a quaint Siberian echo.

The Gita scandal was a shock to Indian society, which was patently unprepared to objections to any manifestation of the Hindu religion coming from Russia, of all countries. The historic warmth of the two countries’ ties manifested in Russia’s love of Raj Kapoor films and ongoing pilgrimages to the Sathya Sai Baba birthplace and India’s enchantment with the Russian circus, to cite some examples, is an anchoring point in a bilateral relationship that continues to be a trusting, if not a



India needs to invest more in its increasingly threatened ties with its historic partner

dynamic, one. Up to now, the two countries have never experienced any problems with one another at the cultural level.

Yet, while the recent unprecedented attack on the major Hindu text has no precedents in Indo-Russian ties, attacks on the 30,000 – to 40,000-strong Indian population in Russia do. In 2006, a slew of violent crimes against students of Asian origin—including reported murders of three Indians—caused the Indian Embassy in Moscow to issue an advisory warning.

Previously, in 2002, the Neo-Nazi Association of Russian Skinheads sent a message to the Embassy threatening to kill all Indians living in the country. These were isolated incidents, yet Indian citizens are still often wary of visiting Russia, informed of the violence that has been periodically directed against racial minorities—especially natives of North Caucasus and the Central Asian states, but others as well.

The current trend of growth in Russian xenophobic nationalism is both state-driven, fomented by the increasingly jittery Putin government, and public, practiced by the broader society. The tenor of the December protests, for instance, has been as much liberal democratic as nationalistic. The opposition blogger Alexei Navalny, who was known for his exposés of corruption in the Russian government before emerging as one of the main instigators and leaders of the December events, has long

participated in nationalist politics. In the parliamentary election, Russia’s Communist Party, whose platform is as nationalistic as that of their ideological predecessor, the Communist Party of the Soviet Union, came in second (and may have led in some districts had it not been for the ballot-box stuffing).

While this was largely a protest vote, some of the support the Communists got was emblematic of the “Russia for Russians” slogan that is being heard more and more in recent years, both in the streets and within the higher circles of power. The Putin-led government that seems poised to assume the reins of power—given the lack of credible alternatives—in 2012 is likely to be an increasingly wary one, and the forces of nationalism will be evoked on both sides of the political barricades once again. The Gita scandal which closed the last year is therefore a warning sign that Russia’s state-anointed xenophobia and nationalism could act as a dampener for the formerly solid Indo-Russian relationship.

India needs to invest more in its increasingly threatened ties with its historic partner. Specifically, it should pay greater attention to building up a stronger relationship in such mutually beneficial areas of cooperation as new technologies—one of the Russian government’s current focuses—and pharmaceuticals. It is up to the Indian government to assure its embattled partner of its continued commitment to cooperation and, rather than responding with its own nationalistic outcry, it should continue to work on establishing a more productive and accountable relationship.

The two Eurasian powers need each other for commercial as well as geopolitical reasons, particularly an important future partnership will be in a post-war Afghanistan. It is crucial that the demons of national hatred do not pose an obstacle to their developing future relationships.

India and Russia: A new Central Asian engagement

8 February 2012

Katherine Foshko

Russia Studies Research Fellow, Gateway House



Oil pipelines being laid/Ulrichulrich-Flickr

In the past five years, India's policy towards the countries forming the core of Central Asia—Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan—has shown the greatest progress since these states ceased to be republics of the Soviet Union. Since its independence in 1991, the little-known region of 62 million people has drawn increasing attention as the sixth-largest producer of hydrocarbons in the world and the fourth-largest producer of gas. It is also rich in other resources such as uranium and hydropower.

Geopolitically, the Central Asian states (CAS), an economy of \$217 billion, occupy a crucial position bordering Afghanistan. That makes it a hub of regional security – or, to the contrary, an area of destabilization through networks of international terrorism and drug supply that extend right from Afghanistan all the way to Europe.

India's engagement has come not a moment too soon. Unlike its Asian neighbour China which has a large energy and commercial presence in the CAS, energy-starved India needs a strong relationship with the central states region. The political impossibility of establishing land routes through Afghanistan, Pakistan, or China's Aksai Chin territory means that India has no pipelines into those states, and does not figure on the list of the top ten countries involved in exploitation of Central Asia's rich hydrocarbons. It also lags in trade, far behind the first – and second-rank players like Russia, China, or the European Union. India's bilateral commerce with Central Asia in 2010 was a mere \$467.7 million.

There are a few positives, of course, in terms of new infrastructure, health, and education initiatives begun by India in the region. And some energy successes: last year,

Kazakhstan, the energy powerhouse of the CAS, agreed to supply India with over 2,000 tons of uranium by 2014 and gave Indian oil major ONGC Videsh a 25% stake in the Satpayev oil field on the Caspian Sea. But to find a strategic place in Central Asia, and be a real player, India will have to energetically multiply its efforts. It is just the latest in a long line of countries that have been vying for a presence in, and ultimately influence over, the region. These are led by the former regional hegemon Russia and rising superpower China, as also Iran, Turkey, South Korea, and the more distant United States.

How can India, a latecomer to the game and at a disadvantage geographically and financially, strategize its arrival on the Central Asian scene? And how can it position itself to overcome its lack of access to the valuable energy routes in the CAS?

One sure and still available route to success is through strategic collaborations with other players. Rajiv Sikri, India's former Ambassador to Kazakhstan, said in 2007, "in order to protect and preserve its interests in the region, India has no alternative but to closely consult and cooperate with the other major powers who have an interest and a presence in Central Asia."

More specifically, India can align with an experienced partner which is also invested in securing better access to Central Asian resources and the geopolitical influence they bring. That partner is India's old friend, Russia.

Some effort will be needed to make that partnership work. The India-Russia bilateral relationship, while positive, has suffered from benign neglect in the past, and the two are currently passive allies in the region, sharing the same goals of stability and security yet not cooperating on specific projects.

Even so, the two allies have common strategic goals in the region. Russia, like India, is in some sense a late-comer to the game in Central Asia, as it has been preoccupied for the last two decades with reviving its own economy and infrastructure. Consequently it has failed to establish a coherent strategy in the region for years, and ceded ground to China, which swept into the vacuum and captured the valuable energy relationships that were once Russia's.

Now, under its current budgetary constraints – dating back to the fallout from the financial crisis of 2008 – and its subsequent economic slowdown, Russia may not ever be able to reassert itself as a regional force unless it has a partner familiar with its ways and one with existing goodwill in the CAS. India, is ideal.

As a prelude to a strategic Central Asian entry, Russia and India can gain quick experience in joint engagement in Afghanistan, where both countries have civilian and

military missions and a vested interest in assuring Afghan stability after the projected NATO pullout in 2014. They can pool their resources to develop the war-devastated nation's development—here, India can use and learn from Russian technical expertise and specialists in engineering and information technology, while Russia, perpetually short of manpower, can learn to work with India's vast human resources. Together they can provide joint anti-terrorism training for local Afghan troops and oversee security.

Since their Afghan involvement will dominate Indo-Russian strategic relations for years to come, extending that partnership into neighboring Central Asia is a natural next step.

Immediately viable is a financial partnership between India and Russia to invest in Central Asia. Determined to maintain its economic influence, Russia has existing plans to break down the customs borders with the various states, enshrining economic integration; this will open a channel for India to do business in the region.

An example that is already working well is the Customs Union that Russia created with Belarus and Kazakhstan in 2010. Kyrgyzstan, and potentially Tajikistan, are likely to join, leading to a common regional market planned for 2012. This is a unique opportunity for India which can use its strategic partner as a gateway to Kazakhstan and any other CAS that might join in the futuristic union.

The two countries can also work together to develop joint economic development projects in Central Asia, by the following means:

1) Encouraging joint Russia-India IT projects in region with a transfer of skills.

A trilateral IT partnership between Indian, Russian, and Kazakh entrepreneurs – the latter are the most active in the CAS – could

further strengthen the three states' collaboration in other high technological fields, particularly bio – and nano-technology, clean and renewable energy and water conservation. Once the paths to cooperation are established, India and Russia can work together on providing professional training via IT centers opened throughout the Central Asian region, with the aim of raising the qualifications of local specialists – a much-needed infusion of skills in the region.

2) Coordinating aid and pooling funding through joint facilities.

Both Russia and India can increase and coordinate their aid-giving to the CAS, in particular by creating a Joint Central Asian Fund for the development of the region's private sector, with initial contributions by both governments on a 50-50 basis. The fund can have downstream linkages to the Russian and/or Indian businesses in Central Asia. Most importantly the Fund can benefit the inherent artisanal skills and small-craft industries of the CAS such as textile embroidery and silversmithing by providing subsidies to small-scale manufacturers and markets.

3) Cooperation on aero-space industry projects.

One of the most fertile venues of CAS cooperation for India and Russia, and an area both have skills in, is space. Both can jointly establish large R&D facilities and testing grounds for experimentation at Kazakhstan's Baikonur Cosmodrome, the principal space facility in the former Soviet Union and still the launching pad of over 70% of Russia's space rockets. Together, the two countries can also build simulation facilities for flights and institutes for training astronauts. Kazakhstan's vast empty spaces, far from human habitation, can be used for facilities to process rocket fuel and other hazardous operations as well as for space launches, such as the man-in-space operation that India has long been

preparing for in conjunction with Russia.

4) *Collaboration on infrastructure development.*

All of the Central Asian republics are infrastructure deprived, especially in railways, roads, and power plants. So far, China has dominated, particularly active in railway-building projects in Kazakhstan. However, Russia and India are also well positioned to jointly propose and bid on infrastructure projects in the CAS. For instance, Russia can construct hydroelectric power plants in Central Asia with the help of Indian labor, providing the region with a much-needed steady supply of electricity. Both countries can and should involve skilled and unskilled labor from the CAS in their collaborative projects—something that China has been notoriously unwilling to do.

5) *Creating partnerships through*


educational and medical institutions.

Such long – term projects for the CAS will benefit from India's abundance of English – language educators and Russia's pool of talented specialists, across a number of disciplines. This can well be the Technological Silk Road Institute, jointly administered by the two nations and staffed with Indian and Russian educators as well as local experts and affiliated with reputable, internationally known universities in the two countries, such as Jawaharlal Nehru University in Delhi and Moscow State University.

The goal for this institution will result in the training of a new generation of Central Asian specialists and help fill the great unemployment and development gap in their countries. Key to this will be the institutionalization of programs focused on advancing the medical infrastructure in Central Asia. This

will help to promote India's affordable pharmaceutical products and low-cost Russian technologies, as also encourage medical education exchanges and doctor upscaling programs focused on the CAS, in both Russia and India. These are all institution-building initiatives that China, with its minimal commitment to economic development, has not done.

While working on strengthening bilateral relations with the CAS, the Indian diplomatic community will do well to expand its positive and trust-laden cooperation with Russia in commerce, technology, and education, into a broader regional one.

By establishing a more meaningful presence in Central Asia, India will be better positioned for the future acquisition of energy resources and avoid becoming an also-ran in the modern iteration of the geostrategic power struggle for Central Asia. 

India-Brazil: Pioneers of a new development agenda

13 March 2012
Estefanía Marchán
 Researcher, Gateway House

Expectations are high for the fourth summit of Brazil, Russia, India, China and South Africa, to be held in New Delhi on March 29th. With economic crisis ablaze in the Eurozone and signs of another global recession, anticipation is mounting for how the leaders of the so-called BRICS will address the world economic slowdown and how far they will push to reform the institutions of global governance.

Yet with the spotlight on the economy, a promising and tangible development agenda could be



Sustainable farming/ photofarmer-flickr

overlooked. At every summit, members have renewed their pledge to strengthen cooperation on social protection, public health, food security and agriculture. But little has been achieved so far. For India – home to one third of the world's poor – these efforts should be a major priority. The potential benefits of cooperation are especially clear in the case of Brazil. India and Brazil have declared inclusive development an imperative and have engineered creative solutions to meet their developmental challenges. But both also face many obstacles to equitable development – some of which can be overcome through mutual learning and targeted bilateral investment.

Brazil's Zero Hunger strategy, for instance, has been successful at reducing poverty, inequality and hunger by developing profitable small farms and delivering cash to poor families through innovative payment systems. As the debate rages in India about how best to reduce poverty, curb growing inequality and boost agricultural production, Brazil's experience can help. Brazil's social schemes are among the world's best targeted and they're transparent. They have demonstrated how to streamline the delivery of services across all levels of government. By collaborating with Brazil, India can improve the reach and efficiency of its own, notoriously leaky schemes, including the Public Distribution System, whose losses are estimated to be around 44% a year.

There are of course vast differences between the two countries. India's poor are twice Brazil's entire population, for example. But that shouldn't stop India from borrowing some good ideas. It's not necessary for India to indiscriminately adopt cash transfers or other Brazilian schemes to benefit from knowledge sharing. India can leverage its private sector skills to scale up programs. In turn, Brazil can benefit from India's innovators, who are finding novel ways to provide the country's low-income population greater access to



Brazil's Zero Hunger strategy has been successful at reducing poverty, inequality and hunger

products, services and employment that enhance living standards. India has produced the world's cheapest car; electronic tablets that cost \$50; large, successful retailers that link thousands of rural workers to modern urban markets; and family-sized apartments in cities that sell for \$4,200. In the affordable housing sector the long-term opportunities for partnerships with Indian entrepreneurs are particularly significant. Brazilian officials predict a deficit of 23 million homes for low-income families in the next 20 years.

In healthcare, the benefits of India-Brazil collaboration are already evident. Faced with common diseases and limited resources, India and Brazil have used each other's comparative advantages, and challenged the international intellectual property regime to combat HIV/AIDS. In 2007, for example, Brazil broke a patent on an antiretroviral drug produced by Merck Pharmaceutical in the wake of rising drug costs. Indian firms were the only producers of the generic version of the drug, and Hyderabad-based Aurobindo ultimately provided Brazil with the active ingredient to produce it. It was estimated that this would save Brazil \$237 million through 2012.

Brazil has taken advantage of their joint campaign for greater access to life-saving medicine and seen an extraordinary decline in HIV/AIDS. Recognizing such synergies,

India and Brazil have invested \$1 million each in joint research on common diseases through the Indo-Brazil Science Council. This alliance can and should be strengthened.

Healthcare, poverty alleviation and market-driven social innovation are just a few areas where cooperation between these powers can produce broad social benefits. A formal partnership is needed between Brazil's Ministry of Social Development and Fight Against Hunger and India's Central Planning Commission to institutionalize knowledge-sharing and technical cooperation on social protection programs. Chambers of commerce, including FICCI and the India-Brazil Chamber of Commerce, can drive private sector collaboration, connecting Indian and Brazilian entrepreneurs. At a time when both countries are beginning to use foreign aid as a diplomatic tool, it is tempting to regard them as competitors. But these countries should instead recognize each other as strategic partners and pioneers of a new development agenda – one that pragmatically addresses the needs of developing nations. India and Brazil's strategies for inclusive development are complementary in nature and together hold great value.

Foreign aid provided by BRICS countries has more than doubled since 2005, and the surge is intimately tied to their efforts at reforming global governance. Since the end of World War II, global governance has been a Western-led enterprise. The rules that govern aid and influence the development of other nations have been made by the victors of the war and have evolved to rest within a small group of powerful countries – which now face a self-made crisis. With the rise of these new powers, partnerships that once seemed weak are gaining traction. Prime Minister Manmohan Singh should take advantage of his position as host of the upcoming summit to drive a new development agenda.

BRICS: Moving in the right direction?

30 March 2012

Manjeet Kripalani

Executive Director, Gateway House

The five most important emerging economies – India, Brazil, China, Russia and South Africa, or BRICS – met in New Delhi on March 29th. It was the fourth meeting of these nations since they decided to take their acronym seriously. This was also the most significant of the meetings so far, and one that should have the Western-dominated developed world worried about its eroding position at the top of the global heap.

Much of the worry centred on the announcement of the formation of a South-South development bank which would facilitate Intra-BRICS trade and finance projects in local currencies. Western commentators view this as a challenge to the World Bank, which disperses development funds largely to the third world, with conditions attached. Of course it is a challenge to long-held privileged positions. The idea of a South-South bank is overdue. In fact, the very powerful idea of South-South economic comity is overdue. In the last five years, there has been heady growth in the developing world, and the arrival of China on to the world stage has given the group new heft. On average, the BRICS countries put together have seen an annual 7.1% GDP growth rate since 2005, powerful compared to the slowdown in the developed world due to the financial crisis.

But the BRICS don't really see their goals as a defiance of the established order. These countries have many preoccupations, of which poverty alleviation and failures of governance are of primary importance. Taking over the world isn't on their agenda. What they are looking for



“Inclusive growth is a BRICS-wide problem,” says Catherine Grant Makokera of the South African Institute of International Studies

is a level playing-field with the developed world. They've created new models of business, new development methods and a new international engagement. They are impatient with the lecturing and hectoring that comes with the funding given by the multilateral institutions. BRICS countries don't want to be blamed for the trade impasse in Doha, nor do they want capable candidates from their part of the world to be denied a fair shot at the top international jobs in Geneva and Washington. They have similar issues, and can share solutions that will make a positive contribution to the world's future. So they decided to start their own shop, one which will consider their particular needs, use their common experiences and learnings, and lend to joint projects in their own currencies, decreasing exchange rate volatility and saving millions in transaction costs.

It isn't just economics on which the BRICS diverge from the West. It's also politics. In the last year, for most of the U.S. or European-led resolutions on Libya and Syria, the BRICS have voted together. Like India, they don't believe in interfering in the affairs of sovereign nations; better to let people sort out their own problems organically, the solutions that emerge are more likely to endure. In a joint statement issued after the meeting in Delhi, the BRICS nations declared that diplomacy would work better in Iran and Syria, than war-mongering. Such determined unity, seen for the first time among developing countries, will seem surprising for those who are not paying attention.

But to those in the bloc, it is high time. “Inclusive growth is a BRICS-wide problem,” says Catherine Grant Makokera of the South African Institute of International Studies, who was in Delhi addressing a pre-Summit networking meeting by Jaipur think tank CUTS International. “How do we, as emerging players, balance national interests with common interests? How do we keep the balance between development and redressing global imbalances?” she added.

Clearly, the BRICS countries are starting to feel responsible for the world that they have inherited, and want to take a more active global role. It's a good thing. The West, groaning under a massive pile of debt and a thoroughly unfashionable victor's overhang from the Second World War, should allow them to share the stage. A BRICS bank would not displace the Bretton Woods system in a hurry, or snatch

the role of global policeman from the U.S. tomorrow.

Instead, the BRICS will use their new co-operation to learn how to act in concert at multilateral fora; to trade fairly amongst themselves and learn how to negotiate well; to share valid experiences especially in the development of agricultural economics and on issues of technology transfers; to work together on the environment.

They need to think about ironing out the distortions created in the global economy from subsidies by both the North and the South; and to link investment in manufacturing to services which will lead to increased people-to-people contact. "It is so much easier to deal with the advanced countries with their established systems," says T.S. Vishwanath, principal adviser at the Delhi law firm APJ-SLG, "so we did. Now we need to develop linkages with each other." Some of the new efforts of the BRICS will

“

**Clearly the
BRICS
countries are
starting to feel
responsible
for the world
that they have
inherited, and
want to take
a more active
global role**

within BRICS: Each of the five countries suffer from lack of transparency, shaky governance, populist

at the University of Toronto, says the BRICS grouping should be that space used to "accelerate the modernization" of their economies, expand public support for mutual benefit and create a "common information space for BRICS." That means staying as an informal mechanism, and relying on regular summits and meetings between the representatives on issues of security, foreign policy, finance and trade.

This is an eminently sensible suggestion, and the group has already moved in the right direction: rather than set up yet another large and inefficient bureaucracy, there is no plan to start a 'secretariat' for the BRICS bank; instead, it would focus on extending credit in local currencies and facilitating a multilateral letter of credit for trade, according to the Delhi Declaration.

The test of the BRICS' strength will come soon. On March 23, U.S. President Barack Obama announced his nominee for the position of World Bank president, which will fall vacant by June 2012. There are already two candidates from the developing world – Nigerian finance minister Ngozi Okonjo-Iweala, and Colombia's former finance minister José Antonio Ocampo. Next year, the post of Director General of the World Trade Organization, another key multilateral body, will be up for nomination.

For both, the BRICS countries will have to reach a consensus and rally behind a strong common candidate. Then they will disprove the snarky remarks of prominent Western commentators like the New York Times and the U.K's BBC, who dismiss the BRICS as an "era that has yet to arrive" and the summit as "an organization without any structure at all. Just a little bit of unity but nothing more." The UN took years to become an effective union, and the Euro took nearly four decades to become a reality. Given technological advancements and political endorsement, it is likely that the BRICS will coalesce sooner than expected.

GH



Leader at the 4th BRICS Summit, Delhi 2012/ Kremlin.ru

work; some will not. Analysts point out that the idea of a regional bank has been tried by the Gulf countries, and not worked. In a BRICS bank, the clear fear is that the Chinese Renminbi will dominate – China already conducts some bilateral trade in Renminbi. The stand-off in Doha can easily cause a stalemate

politics, mutual suspicion over tariffs and other intra-BRICS trade barriers. But this is the first time in history that such an effort is being made. The BRICS seem determined to make it work amicably, and with pragmatism. Russia's foreign minister Sergey Lavrov, writing for the BRICS Research Group

BRICS:

Their case against the U.S.

30 March 2012

Bob Dowling

Editorial Advisor, Gateway House

The U.S. stock market is testing a four-year high. Jobs are slowly coming back and Wall Streeters who had shrunken bonuses this year are hoping memories of the bad old days will be gone by fall. Four years after America's banks toppled the global economy, the U.S. is into a slow rebuilding. To be sure, the majority of Americans whose savings are in their depressed homes don't feel it yet. And for U.S. commuters, gas at \$4 a gallon is like a painful tax that cuts into the weekly food and rent budget. It's investors who see a brighter spring.

But leaders of the developing countries aren't celebrating the U.S. recovery as they might have a decade ago. That was then. This time there's a long memory about U.S. and European monetary failures creating financial catastrophes with once-esteemed regulators losing control and credibility. And so developing world leaders are rallying around ways to counter the next American crash, which they think is highly likely given the trillion dollar mega banks and weak regulation.

They're also furious that the Federal Reserve's bailout for the banks through quantitative easing or printing money, and with Europe following suit, has created an ocean of stateless money chasing the highest returns in their fast-growing economies.

This exacerbates inflation and drives up their currency, weakening industry and agriculture, says Brazil's President Dilma Rousseff. "There's been an avalanche of money, dollars and euros...thrown into developing countries...we are

suffering from that," she said.

So when the leaders of Brazil, Russia, India, China and South Africa ended their fourth annual BRICS meeting in New Delhi on March 29, the message was clear: We need an alternative to the Federal Reserve and the dollar. It was the same sentiment behind a meeting about India and China sponsored by the International Monetary Fund (IMF) in Delhi a week earlier, and it's been the subject of countless papers, books and seminars in the last two years. The agenda: How to fend off another financial shock, that clobbers the high-growth Southern nations? How to build and sustain an alternative financial network that dilutes the impact of Wall Street?

To be sure, there was plenty of posturing and image-making as the five leaders inked a commitment to move toward their own BRICS bank. They are on a high, delivering strong growth for about half the world's population while America and Europe faltered. Soon they will start to offer letters of credit and lines of credit in their own currencies – tiny steps toward a bank that would one day make real loans.

Then there's the problem of the money. If not dominated by China's renminbi, what would nations with bills called the renminbi or yuan, the real, the rupee, the ruble, and the rand call it – the R5, the Ryi, the Realruprub, or the 7, after the 'R' digit on your mobile keyboard? And how many faces can you put on one bill?

There'll be time to work on a name. Except for the euro, which was 40



**“The BRICS
have the
economic
potential to
do that, do
they have
the will?”**

years in the making from idea to launch, no one has made a dollar rival work. The Gulf States tried it against a sagging dollar in the 1970's but failed. "You have to show them the money by creating an alternative reserve currency before they will change their ways," says European economist Nicolas Krul, a Gateway House advisor. "The BRICS have the economic potential to do that, do they have the will?" It's important to remember that the euro was born out of deep frustration with the U.S., not unlike the BRICS frustration of today.

The U.S. had printed dollars to pay for the Vietnam War, then rocked the world by ending the gold standard on August 15, 1971, allowing a floating dollar to weaken so badly it took an iron-fisted Paul Volcker three years from 1979 to 1982 to wring out inflation and lay the foundation for two decades of sustained U.S. growth. The U.S. borrowing from China over the last decade is similar, regarded by

BRICS members as money that will never be re-paid.

It's also important to consider that Asia stands as a case study of monetary reform. Hot money and reckless lending broke Thailand, Indonesia, Malaysia, South Korea and Singapore in 1997. Facing depression, they got a bailout from the IMF with harsh terms. But by 1999, they'd started on a successful long-term growth path with a vow

never to become heavily indebted in dollars again.

Many are now using China's Yuan as an emerging transaction currency to settle payments, but the odds of China agreeing to an open market for the Yuan are slim. Zong Liang, deputy manager of the Bank of China, said at the IMF meeting: "Hot money comes like a flood into your market but leaves in a flash creating all kinds of financial risks.

The international monetary system will be dominated by the dollar for some time. But we must find a way to constrain the U.S. from printing dollars indiscriminately." That still leaves the door open for Asians and BRICS to consider their own hybrid currency. It may take years, and may disappoint like the euro now. But the backlash against U.S. monetary and too-big-to-fail bank "arrogance" is familiar. You never know.

GH

Myanmar in the ASEAN Matrix: An opportunity for India?

18 May 2012

D. Jesudas Bell

CEO, Futurelinks International

The desire of Myanmar's leaders to open the country to the outside world has led to considerable euphoria in India – which sees its policy of engagement with the once-isolated nation paying off. There's also speculation that lifting economic sanctions could create a stimulus that might facilitate India's access to other ASEAN countries and be especially beneficial to India's underdeveloped northeastern states. This burst of optimism, however, must be tempered by the fact that India's 'Look East' policy with Asian nations has been more wishful thinking rather than economic development. The long-awaited road and rail connections between India and countries to its east, remains a vision.

India has been handicapped by the fact that while its relations with certain countries have been more assiduously cultivated – such as Singapore, Indonesia, Thailand and Malaysia – there has been less attention to Cambodia, Laos, Brunei and the Philippines. Even Vietnam which enjoys a 'strategic partnership' with India has only merited attention in a desultory fashion. This is a loss given the long



**Myanmar
is going to
see itself as
much more
aligned with
ASEAN and
East Asia**

cultural, historical and political ties of India with many of these countries. Not to be forgotten that a generation or two of Indian leaders and diplomats grew up honing their foreign policy skills in the political minefields of Indochina!

Such selective relationship building is also disadvantageous when dealing with an association of countries where the chair rotates every year and where, in decision-making by consensus, every member country is as powerful

as the next. This has often led to a situation where India's interests have been supported by certain members within ASEAN, only to be vehemently opposed by others. To be fair, South Block, assisted by businesses, academics and think tanks, have tried to provide continuity and engagement with all ASEAN countries including the smaller ones. However, without engagement at a political level in India this is not an easy task.

Would the rapid emergence of Myanmar as an economic powerhouse on India's doorstep change all that? There is the advantage that being next door to India makes Myanmar accessible. However, it would take a concerted and unsparing effort on India's part to keep relations with Myanmar on an even keel and focus on their special relationship as neighbors.

It is likely that Myanmar is going to see itself as much more aligned with ASEAN and East Asia – rather than where economic, political and commercial policies are concerned. This would be particularly so if, as commonly believed, one of the main reasons for the current opening of

Myanmar to the outside world is that its leaders wish to emulate the economic successes of Thailand, Vietnam and Indonesia.

The Myanmar strategy for India should therefore be two-pronged. On the one hand continue to strengthen ties based on commonly shared objectives: of developing the largely underdeveloped areas on both sides of the common

border as well as attending to other needs as neighboring countries. On the other hand, India should use Myanmar's increasing weight in ASEAN – starting from its chairmanship of the bloc in 2014 – to build stronger ties with the association and, in particular with the members which still have catching up to do – the so-called CLMV countries, Cambodia, Laos, Myanmar and Vietnam. Words

need to be translated into action to ensure that assistance promised at high-level meetings is implemented quickly. India's engagement with ASEAN has been seen as lacking clarity of purpose and drive in the past. If Myanmar's new openness serves to reinforce ties not only between India and that country but also with the whole of the ASEAN bloc, this would indeed be a great step forward.

GH

India-Tonga: Old friends, new engagements

29 May 2012
Tevita Motulalo



Late King Tupou the V/ Government Of Tonga

On 18th April, India lost a friend in the South Pacific when the King of Tonga, George Tupou V, 63, died in a Hong Kong hospital. Tupou V's death plunged the tiny South Pacific island kingdom of 100,000 into mourning, and raised questions about the future direction of Tongan foreign policy at a time when China is gaining increasing sway in the Pacific. There has been a long and deep relationship between the world's largest democracy, India, and one of the world's newest and smallest democracies, the Kingdom of Tonga. Tupou V, in power for just over five years, made a point of re-emphasizing the deep and traditional linkages between India and Tonga when, right after his coronation, he undertook a 19-day visit to India, one of his majesty's longest state-visits. In so doing, he was following a family, and national, tradition.

His late father, King Tupou IV, visited India twice, in 1971 and 1976, and Indian Prime Minister Indira Gandhi visited the island kingdom in 1981. The warm relationship shared between the two countries is expressed through many anecdotes. According to

former Indian Ambassador to Fiji and Tonga, T. P. Sreenivasan, when King Tupou IV, a large man, was bestowed a medal by Indira Gandhi, she “had to stretch herself to the extent possible on her high heels to reach his chest.” Sreenivasan called Tupou IV the “Heaviest King of the Smallest Kingdom,” and then admiringly stated, “The smaller the country, the bigger the leader.”

Tupou IV showed a keen interest in learning from India's Green Revolution, its non-aligned position during the challenging times of the Cold War, and India's military traditions. Tonga's nobility and members of the royal family (including the current King's brother) regularly receive military and administrative training in India, and Tonga was amongst the first to recognize an independent Bangladesh after 1972.

When Tupou V came to the throne, Tonga was an absolute monarchy. While long committed to democratizing the nation, perhaps influenced by what he saw in India, critics attacked Tupou V for what they considered to be the slow pace of reform. Soon after he came to power, in 2006, reformist rallies turned violent, resulting in over 80% of the capital, Nuku'alofa, being looted and burnt, and eight people dead. This was a defining moment for the new king. Rather than retaliate, he directed the armed forces to “Protect the people and harm no one,” irrespective of political creed. Buildings can be rebuilt, he said to his commanders, but fathers, mothers, and children are irreplaceable, and protection against loss of life and injury were to be the ultimate goal. Normal life was restored with minimal violence.

In spite of the pressure from reformists and some Western countries, Tupou V wanted the democratic transition to be stable, and thought a rushed change could be problematic. In an interview with Australia's ABC he said: “We don't want a third world democracy. It's quite laughable, (being) unstable. In some cases it would be



The importance of the Pacific is growing in the minds of Indian policy makers

perfectly dangerous.” He pointed out to the Australian interviewer: “Your country is about to send two thousand troops into the Solomon Islands! That's what happens when you impose democracy overnight for the most undeniable reasons, without bothering to build an economic structure which would support democracy and give politicians an incentive to behave ethically.” The transition to democracy finally happened, peacefully, with elections in 2010, which were widely lauded for being free and fair.

For traditional reasons, the king still works closely with government on foreign policy. In recent years, Tonga, like many countries in the Pacific, has been pulled closer to China. After the riots of 2006, the only country to come through with a large enough loan to rebuild the capital was China, and within the last decade, Chinese immigrants have taken over about 90% of the retail sector.

There is growing hostility in the country over the increasing Chinese influence. During the riots of 2006, around 30 Chinese shops were looted or burned, and 300 Chinese nationals evacuated back to China. Chinese nationals are regularly in the Criminal court in Tonga, including a recent case of human trafficking and prostitution. Regardless, those at the top continued the growing engagement with China, in part due to a failure of traditional partners, like New Zealand, to help it during

difficult economic times.

The new king, Tupou VI, the English-educated 52-year-old, is inheriting an extremely complicated foreign policy dynamic. Tonga is supportive of the U.S. (to the point of sending troops to Afghanistan), indebted to China, and enmeshed with Australia and New Zealand which are undergoing strategic shifts.

The question is: where will India fit into this increasingly important region, and can it build on traditional ties with Tonga? During the 1990s, Tupou V, then foreign minister, was responsible for the kingdom's “Look West” policy, which ramped up Tonga's engagement with Asia. Simultaneously, India developed and executed its own “Look East” policy, which was tailored for engagement with the burgeoning economies of the Asian Tigers. Oddly, these two traditional friends both considered themselves part of a growing Asia, and yet were so focused on the Asian ‘core’ that they largely missed out on each other.

Now, the importance of the Pacific is growing in the minds of Indian policy makers. The importance of India is also clear to all in the region, including Tonga, and it may be time for old friends to look at each other in new ways, especially now that Tonga has followed India's lead in embracing democracy. Engagement would be mutually beneficial as there are myriad commonalities between the two; most importantly, Tonga may prove a useful bridge for India as it pursues a broader ‘Indo-Pacific’ strategy.

Tupou V, friend of India, will be deeply mourned. But the passing of one King gives way to another. All eyes are on Tupou VI and the new government for signs of change in Tonga's foreign policy. This is a critical moment. The Pacific is viewed by the great powers as a strategic play and the countries, small and big, in the region, are being courted as never before in

their history. U.S. Secretary of State Hillary Clinton has emphasized the U.S.' 'Asian Pivot' and put the spotlight on the region. Renewed U.S. interest means more Chinese engagement. Even the Arab League is looking to improve relations with countries like Tonga. India has been slow to actively engage, but the

traditional relationships are there to build on, and the compatibilities are enormous. Recently, as part of the Tonga Energy Road Map (TERM), two Tongan grandmothers attended India's Barefoot College to learn how to install solar panels in their villages. They loved their experience, saying how at home they felt

in India, which like Tonga, values family, learning, community, democracy and hard work. Since returning home they have literally enlightened their communities with what India has to offer. With little effort, that light can shine even stronger in the years to come.

GH

India-U.S.: More equal partners

12 June 2012

Ambassador Neelam Deo
Director, Gateway House

As a welcome curtain-raiser to the third round of the Indo-U.S. Strategic Dialogue in Washington DC on June 13, U.S. Secretary of State Hillary Clinton announced that India was among the eight countries exempt from sanctions to our financial institutions because of significant reductions to our imports of oil from Iran. While this is a relief, it does underline once again the unilateralism that makes it difficult for India to work with the United States despite wanting to do so.

The broad setting for the third round of the Dialogue is the global shift of economic weight eastward to Asia, and U.S. resistance to the outcome of its relative economic decline, military exhaustion and indebtedness to its greatest strategic rival, China. Along with a better economic performance and our more mature relations with other regional powers in Europe and Asia, India's relationship with the U.S. has dynamically transformed over the last decade. That has raised Indian expectations of more mutuality in the bilateral exchanges with Washington.

The Asian strategic environment, already destabilized by the rapid rise of China and its military assertiveness in the region, is set to be further roiled by the impending withdrawal

of the International Security Assistance Force (ISAF) from Afghanistan. While praising India's support to Afghanistan through trade and investment, reconstruction and help (training) for Afghan security and police forces, the U.S. has not been sensitive to India's Afghanistan-related security concerns while being overly protective of imaginary Pakistani fears of India-friendly regimes in Kabul. The U.S.' antipathy towards Iran complicates its own approach and India's response to developments in the Muslim world that no amount of dialogue can smoothen out entirely.

To our east, the U.S. is seeking to draw India and other non-treaty Asian powers like Vietnam into its "pivot to Asia" global strategy by promoting new nomenclatures like the 'Indo-Pacific.' Vietnam,

along with the Philippines, Malaysia, and Brunei, are all facing-off against China in the South China Sea. While the U.S.' treaty alliances with Japan, South Korea and Australia will remain the most important elements of its strategy to remain the dominant Asian power, it is also looking for new partners. For example, during her Asian swing last month, Secretary Clinton spoke of the importance of Bangladesh to the security of the Bay of Bengal.

India is already rubbing up against China on its north and north-eastern borders, the South China Sea, the Indian Ocean, and in the global hunt for natural resources to fuel economic growth. Having asserted the principle of freedom of navigation in international waters, for India greater naval cooperation with the U.S. is highly desirable. Especially so in the context of the massive planned Chinese naval expansion, its already heightened presence in the Arabian Sea and the claim to the whole south China Sea as a "core" interest.

Consequently there has never been a greater convergence in the interests and concerns of the U.S. and India: U.S.-Pakistan relations are sinking, and India and the U.S. both feel the economic and military heat from China. If U.S. President Barack Obama called India and the U.S. "natural allies" in 2010, that reality has happened only now – at a time when India is unfortunately held back by its economic and strategic weaknesses and political indecision.

Defense Secretary Panetta took up all the issues that will figure in the strategic dialogue during his visit last week to Delhi. India will have likely given assurances in private; but publically we have only spoken of freedom of navigation. India is clearly unwilling to antagonize

China, even though the latter has shed its own past peaceful protestations. It would be unfortunate if in adapting to a multi-polar distribution of military and economic power, India continues to act out a 'survival of the timid' credo which other Asian powers will likely mimic to the detriment of India and the U.S. – leaving China the dominant player in Asia.

It is all the more essential then, for the two countries to take bold decisions in the forthcoming dialogue. The U.S. should shed its

past shibboleths on the sharing of defense technologies (with or without the enabling bilateral agreements), and India should agree to a qualitative upgradation of defense ties. Then the two countries may achieve another shift – one that can be as much of a regional game-changer as the U.S.-India Civil Nuclear Agreement of 2008 was globally.

That it is possible to move forward is amply demonstrated by reports that the two countries are firming up an Early Works Agreement for

the installation of the first 1,100 MW nuclear reactor to be installed in India by Westinghouse under the India-U.S. nuclear deal, without India changing its liability laws.

Movement in this sensitive area only goes to prove, yet again, that if the U.S. gets beyond the terms of its post-World War II NATO-type alliances with partners beholden to it, and India looks for equal partnerships in which it must learn to give and not just expect to take, then indeed the sky is the limit for our natural alliance.

GH

BRICS: An alternate financial framework

27 June 2012

Ambassador Neelam Deo

Director, Gateway House

&

Akshay Mathur

Head of Research, Senior Geo-economics Fellow

Two recent developments – the \$10 billion contribution announced by India to the IMF for the European bailout, and the June 28 deadline on China to submit to US and EU sanctions against Iran – show how exposed the BRICS (Brazil, Russia, India, China and South Africa) economies are to western financial architecture. It is clear that the grouping must now urgently organize itself to build institutions of mutual economic benefit.

The BRICS' \$75 billion contribution to the IMF, announced June 19, is also indicative of how the West has successfully co-opted the emerging economies into submitting to western dominated existing institutions –leaving them little motivation to build their own.

The sanctions against Iran are an acute example of the grip that the

West has over the world. BRICS together form a larger oil-importing bloc than the entire European Union. Although none of the BRICS are in confrontation with Iran, they are nonetheless hostage to the western sanctions imposed on that country because the conduits of international finance, trade and transportation used for crude oil trade are controlled by the West.

The entire pricing framework – including the currency which is U.S. dollar-based – is Western. The New York Mercantile Exchange (NYMEX) and the International Commodities Exchange (ICE), both based in London, conduct the largest trades in the world for crude oil futures contracts. ICE alone conducted \$14 billion worth of Brent and \$4.8 billion of West Texas Intermediate (WTI) crude futures and options in 2011. This enables them to derive the leading

crude oil pricing benchmarks in the world: the WTI and the Brent. This is important because save for the U.S., most countries in the world including India use the Brent benchmark to determine crude oil pricing.

There is the much-used Society for Worldwide Interbank Financial Telecommunication or SWIFT, the code used globally for most electronic banking transactions, retail or institutional. In March, SWIFT banned Iran's central bank and commercial banks from conducting business, leaving fuel-dependent importers such as India lurching for payment mechanisms.

Similarly, the sanctions imposed on insurance agencies which insure the ships which carry oil from Iran, have cut off transportation options for BRICS countries. The London-based International Group of P&I

Clubs which aggregates 80 reinsurers – like Lloyds – and insures 90% of the world's ocean-going tonnage for liabilities of up to \$60 million, will not issue coverage to ship-owners starting July 1, the date when the EU insurance sanctions against Iran kick in.

In the absence of alternatives, the BRICS have been trying find creative ways to pay Iran. India worked through banks in Europe, Dubai and Turkey before finally using its own state-owned bank, UCO Bank, to pay for its \$10 billion annual oil import bill from Iran. Other small banks, so far hidden from the reach of the sanctions, such as Russia's First Czech-Russian Bank, China's Bank of Kunlun and Iran's Saman Bank, Karafarin Bank and Pasargad Bank, are making up for the constrictions and capitalizing on the opportunity by charging hefty transaction fees of up to 8% on transactions – on top of the 3% banking fees, according to western reports.

Finding insurance has been harder. The Iran Insurance Company and the Chinese P&I, two companies not part of the London-based IG P&I which so far have been covering shipments to India and China, do not seem to have the financial heft to make up for the shortfall. Chinese P&I is not even confident it can support Chinese ships.

As payment options run out, BRICS countries are making individual efforts. India and China considered paying in gold. Bilateral currency swaps of the Iranian Rial with Renminbi, Rupees and Rubles are being used as viable options. India recently lifted the 40% tax on this special foreign rupee payment to Iran. In return, Iran is planning to use the local BRICS currencies it has accumulated to buy Chinese toys, Indian rice and Russian wheat.

However, none of these options are sustainable. Iran has a trade surplus of \$7 billion with China and \$8 billion with India. That means

trading in local currencies will leave Iran with a large account of mostly unused local currency deposits.

The sanctions are not just an issue for importers. Brazil and Russia are energy exporters, and the Western-dominated system that is strangling Iran, can do the same to them should their geopolitics be deemed inconvenient. Iran today, could be Russia or Brazil tomorrow.

It is therefore urgent that the BRICS quickly work together to create new institutions to counter the domination of the dollar and the West. Apart from the already proposed multilateral BRICS bank, the financial infrastructure should include a clearing union and insurance club to facilitate international trade, finance and transportation. For instance, even though China and India have a deficit with Iran, Brazil and Russia do not.

If a new trade settlement system is created – on the lines of the Asian Clearing Union set up in Tehran in 1974 or the International Clearing Union that was proposed at Bretton Woods in 1944 – but with BRICS currencies, it will enable Iran to pay Brazil with the accumulated Rupees or Renminbi, and not be compelled to accumulate rice and toys.

Brazil can use the same system to pay India for its bilateral trade, thereby facilitating multilateral local currency swaps for intra – and inter-BRICS trade. This will side-step the constraints of non-convertible currencies like the Rupee or Renminbi.

Gradually, new commodity exchanges can also be promoted to enable alternate means of price discovery and benchmarking in currencies other than the dollar. India's Multi-Commodity Exchange (MCX) is already doing crude oil futures contracts. Iranians also launched their own Oil Bourse in Kish in 2008 for trading oil in non-dollar denominated contracts. At the time, BRICS was only an emerging grouping, and gave no

collective backing to the effort.

Now is surely the time to activate alternate payment regimes. It will require adjustments by the BRICS and their trading partners. China's reserves are largely still in dollars; it will have to balance preserving that value with internationalizing the Renminbi – a stated Chinese goal achievable under a new system. External trade partners such as Iran will also have to make a concerted effort to increase trade with the BRICS countries to avail of the new system's benefits.

Countries like India, a net importer within BRICS, will have to step up economic activity to create exportable products and services of value to its compatriots. In return, China and Russia, both net exporters, may have to patiently hold weaker currencies like the Rupee until a balanced equation is achieved.

Of course there is going to be resistance from the United States and Europe. Not only will they lose control of instruments like sanctions, but an alternative platform will be a direct threat to the almighty dollar-denominated trade and its use as the international reserve currency. The rise of alternate commodity exchanges will be a direct hit to NYMEX and ICE – lucrative businesses which earned record-breaking revenues of over \$3 billion and \$1.3 billion respectively in 2011.

If the BRICS grouping thinks creatively, it can overcome the risks of facing down the dollar and the West. Much will depend on how China reacts to the June 28 deadline for responding to U.S. sanctions against Iran. It has leverage: China is a member of the P5+1 negotiating group and is a major energy client for Iran.

The West has dismissed the workability of BRICS. But if 28 countries in NATO could unite to contain Russia, surely the five nations of BRICS can come together to ensure their geo-economic future.

GH

West and Wahabi vs. Shia

24 February 2012

M.D. Nalapat

Director, Department of Geopolitics, Manipal University



Mosque in Kuwait- by Kuwaitsoccer/Wikimedia

While there was a strong and overt congruence of interests between the NATO powers and Wahhabi extremists during the 1979-94 Afghan war, 9/11 reversed the situation, leading to a pullback from the earlier policy of coordination between the two, and NATO support to armed Wahhabi groups. The 2003 invasion of Iraq by the US and the UK had the unexpected effect of creating the grounds for a fresh partnership between the NATO powers and Wahhabi extremists. Both loathed Saddam Hussein, although post-Saddam, several extremists groups turned on NATO, angered by that alliance's call for democratic processes that would place the Shia in Iraq in a dominant role that till then had been the monopoly of the Sunnis.

By the close of the last decade, Iraq joined Iran as the other large Shia-dominated state, eclipsing Lebanon. The case of Bahrain has been different thus far, in that the country's estimated 70% Shia majority is ruled by the Sunnis. In Saudi Arabia, however, the

20% Shia population suffers from serious discrimination at the hands of the Wahhabi-oriented administration. Only in Kuwait do the Shia (who form a quarter of the citizenry) enjoy the same civic rights as Sunnis. Outside the Arab states, Sunnis in Shia – dominated Iran suffer from several forms of discrimination, although not to the extent seen by the other sect in Bahrain or Saudi Arabia.

In Iraq, the influence of the US has helped to ensure that Sunnis are given rights greater than their proportion; this situation may slowly change, once the effects of the US military withdrawal become more obvious. The US has been deeply solicitous of Sunni/Wahhabi interests in Iraq in a way that it has never been about the plight of the Shia in Saudi Arabia or in Bahrain.

Still, the fact remains that it was mainly US firepower that toppled the secular Sunni dictatorship of Saddam Hussein and after an interval of six years, ensured the takeover of the centre of gravity

of governance by the Shia. But this was never followed by other Shia-specific policies. The result is the goodwill created within the Iraqi Shia by the toppling of Saddam Hussein, has been almost entirely dissipated. The constant demonization of Iran (as distinct from the mullahcracy, which is not at all representative of the people of that country) and now the moves against Bashar Al-Assad in Syria, have helped feed a perception that NATO has joined with the Wahhabis in the latter's war on the Shia.

A perusal of either Shia or Wahhabi literature would reveal the distaste each feels for the other, although the ideology of Khomeinism (which at its root is a repudiation of the basic tenets of Shia Islam) shares many common characteristics with Wahhabism. Both fuse the state and religion into a single entity. Both use the bitterest terms to describe rivals. And both are authoritarian, with no pretence at democracy or matters such as gender justice.

The 1980s Afghanistan-oriented alliance between the NATO powers and Wahhabi extremists was as beneficial for the former as backing from the UK was for followers of the creed in the early part of the last century. But for such support, it is doubtful that the Al Saud would ever have succeeded in driving away the Turks from the Hejaz, and in taking over what has since been named as Saudi Arabia.

This fusion of interests took place despite an existing (Wahhabi) world-view that was in absolute contradiction with that of the West. Its restrictive, regressive vision makes it impossible for Wahhabis to ever be genuine partners of

the West, in a way that India (and its 300 million English-speaking population) has the potential to. Any partnership between them can only be opportunistic, discarded once the need for it is extinguished.

Once the Wahhabi extremists saw the blowback from 9/11, they understood that the West had the capability to comprehensively humiliate them. From 2001, the year the Taliban fled from NATO and its newfound allies in Afghanistan, the course of action propagated by Al Qaeda (of using violence against the West in an effort to get them to retreat) has become discredited. Today, Ayman Al Zawahiri has become a joke, even an embarrassment, when he joins with US Secretary of State Hillary Clinton in calling for an immediate overthrow of Bashar Al-Assad in Syria.

Even as Al Qaeda has become a ghost organisation, visible mostly in the virtual world, the philosophy of Wahhabism – especially its extreme variants – remains a long-term security risk to the civilised world. In particular, through the spread of Wahhabi education in tens of thousands of religious schools across the globe, the practitioners of this creed are breeding tens of millions of youth who are certain to remain outside the productive economy, and as a consequence, seethe with resentment and anger against the rest of society.

Consequently, the need of the hour is to engineer a broad-based rollback of Wahhabism, a position put in motion soon after 9/11 but abandoned after the 2003 Iraq war. The young within the Sunni/Wahhabi population of the world need to be intellectually equipped to deal with the challenges of globalisation, something possible only if they are exposed to modern education. Unfortunately, in large parts of the world, the reverse is taking place. Wahhabi curricula are displacing modern teaching systems, with disastrous effects on the ability of students to compete in the global marketplace. Their



It took 9/11 before there was a comprehensive turning away from the Taliban

inevitable failure is explained away as prejudice, thereby deepening their hatred against modern segments of society, most notably populations living in the West or more progressive developing societies in Asia.

Their philosophy and world-view make them the antithesis of the major thought systems in the West; yet sections of the Wahhabi fringe have shown dexterity in convincing key segments of Western opinion about the need to support them. This has usually been done by camouflaging their actual aims in a fog of talk about human rights, high ethical principles and self-determination. Press coverage of the Taliban was almost uniformly favourable in the Western world, until the militia showed the world exactly what kind of order they sought to impose on the people of Afghanistan. Even then, it took 9/11 before there was a comprehensive turning away from the Taliban.

After the 1980s Afghan jihad, the 1990s Kashmir jihad too generated a considerable amount of favourable media coverage in the NATO countries, because of the way in which Wahhabi goals were concealed beneath a flow of idealistic words. Even the forced exodus of the Hindu Pandit community from the Kashmir Valley during the initial years of the 1990s, and the destruction of dozens of Hindu and Sikh shrines by the Wahhabis in Kashmir, failed to slow down the volume of laudatory coverage of what were portrayed as 'freedom

fighters' battling a cruel state. The small print – such as ethnic cleansing and the imposition of Wahhabi variants of Sharia law – were not noticed by the Western media, and to a considerable extent, are still not.

The "Kashmir Model" (of using the language of democracy and human rights to win Western support, even while adhering to a contrary policy in practice) was next widely used by the Libyan opposition to Muammar Gaddafi. The Arab dictator was loathed by the monarchies of the Middle East, because of his often-expressed contempt for such rulers. Wahhabis hated him for the fact that he ran a secular – albeit harshly authoritarian – administration, with no quarter given to such demands as the imposition of Sharia law or the banning of women's dress other than the abaya.

Once he was defeated and killed, those who took over (as a result of generous help from Nicholas Sarkozy and David Cameron) have lost no time in imposing a Wahhabi version of Sharia law across the parts of Libya controlled by them, and in executing or jailing those who disagree with their extremist world-view. Fortunately for them, Western media channels that were once filled with news about Libya under Gaddafi are now silent about the immense human rights violations taking place in that country after its 'liberation' in 2011.

Seeing the success of such a pitch in Libya, groups in Syria which have a theological opposition (as distinct from political) to Bashar Al-Assad, have begun cultivating the Western media and public opinion, the way the jihadists in Kashmir or the elements loosely known as the Taliban, used to do in the 1990s.

So extreme has the identification with such elements become, that even the largest media outlets accept without question 'facts' such as that Bashar Al-Assad bombed his own troops and facilities in order "to blame it on the Opposition."

Such fantasies are in the same league as tracts which claim that 9/11 attacks were a joint operation of the U.S. CIA and Mossad. What is happening in Libya post-Gaddafi ought to be a wake-up call for those from the NATO countries analysing the Middle East. It is not.

They remain easy targets for those

who prey on western idealism by couching their own sectarian and extremist views in the language of democracy and human rights. Yes, there are indeed secular, sane elements in the Middle East. But these are not the ones getting favourable media attention in the West. Instead, those who in reality look upon the countries

of Europe and North America as civilisational enemies are seeking to entice NATO into backing their theological wars of conquest – first against non-Wahhabi Sunnis, and thereafter against the Shia.

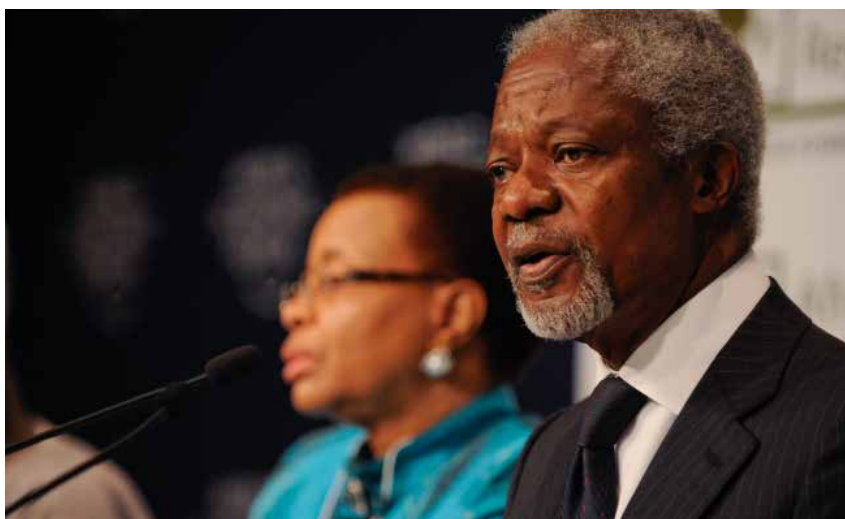
Backing them now will invite the same blowback that backing the fanatics did in Afghanistan. GH

UN: A return to 'mandated colonialism'

21 April 2012

M.D. Nalapat

Director, Department of Geopolitics,
Manipal University



Koffi Annan is the UN-Arab League envoy to Syria/ UN Photo gallery

Even when compared to his Emollient competitor for the job Shashi Tharoor who is beloved in Europe and North America in a way that few international diplomats are, UN Secretary-General Ban Ki-Moon is a bargain. Since taking office in 2007, Ban has hewed even more closely to any agenda set by NATO than even Barack Obama. Indeed, following on the UN's 21st century replay of the 1930s League of Nations principle of trusteeship in 2001 in Afghanistan and in 2003 in Iraq, the UN Security Council approved resolutions that in effect made the two countries colonies of their military occupiers. The local population was given zero rights. Interestingly, no time limits were placed on such an occupation.

Such a return to "Mandated Colonialism" may be said to be Kofi Annan's contribution to the ideals of the UN, which have most clearly been expressed in the composition of the UN Security

Council (UNSC). It has two European countries (the UK and France), another where the ruling elite considers itself part of Europe (Russia) and a fourth that has since its inception been happy to be regarded as a slice of Europe transplanted in the American continent, i.e. the U.S. Only China falls outside this category within the permanent members of the UNSC, an 'honour' which Winston Churchill and his successor Clement Attlee succeeded in keeping India away from.

Today, the UNSC has in effect become the UN, with the rest of the "international" body's membership reduced to irrelevance. The UNSC "Permanent 5" usually manage to get another European country, Germany, into "P-5 plus 1" arrangements, for example while dealing with Iran. Why Germany, and not Argentina or Indonesia, is never a point of debate within a UN headquarters that has over the decades been completely house-trained to

reflect the views and the strategic and tactical needs of NATO. The non-NATO elements, Russia and China, usually parley their initial opposition to NATO-centric resolutions and statements into private deals between themselves and the NATO countries.

They thereby leave in the lurch those countries that had depended on their veto to avoid hostile actions which suit only the interests of NATO, but which are given an international gloss by becoming the subject of a UNSC resolution. Hence Russia and China's unwillingness to seek a reversal of the 2011 UNSC resolution used by NATO as cover for giving military assistance to armed elements in Libya that sought not dialogue, but regime change in that country.

The odds are that Syria will witness a similar trajectory, when the U.S. and the EU's (usually off-camera) offer of concessions to China and

Russia reach a level that will ensure a Libya-style abstention in a future UNSC resolution that targets the Bashar Assad regime in Syria.

It is this propensity of Moscow and Beijing to exchange commitments to their allies for concessions from NATO members, that has given UN General Secretary Ban Ki-Moon the confidence needed to once again go four-square on the side of the Western alliance in an issue before the UN. While Kofi Annan covered up his cheerful, carrying-the-weight-of-NATO, commitments with sometimes acerbic language against the alliance – more notably the US – his successor Ban Ki-Moon has been endearingly honest in declaring his fealty to supporting the interests of NATO all across the globe. Indeed, Ban has evolved his own doctrine, which is that former colonial masters know best how to deal with issues that concern their former colonies.

Thus, he backed France in the Ivory Coast, when Paris armed a faction loyal to itself against another which sought autonomy from its former colonial master. Under Ban, France has once again become the arbiter of the destinies of several of its former colonies in Africa. Italy was given pride of place in the 2011 conferences on Libya, and France has been the location of choice for the numerous "Friends of Syria" meetings whose single aim is to ensure that Bashar al-Assad, the President of Syria, follows Muammar Gaddafi and Saddam Hussein into oblivion. About the only exception that Ban observes for his "former-colonial-masters-know-best" doctrine seems to be Japan, which he has not thus far tapped to be the lead actor in UN moves on the Korean peninsula. Ban is clearly aware of the distaste that Koreans have for their former colonial master, even while he ignores similar sentiments among African and Arab peoples.

As Syria was once a colony of France, the Ban-led UN has given



Hosni Mubarak was seen as expendable, even by the generals in Cairo

the leadership position to Paris to fine-tune the response of the "international community" (otherwise known as NATO) towards Damascus.

This is nothing short of regime change. The "Arab Spring" would, it was hoped, lead to so many manifestations of dissent within Syria that the country would go the way of Egypt. What was forgotten was that the Egyptian military is a creature of NATO, while Syria's is not. Despite his decades of service to the alliance, Hosni Mubarak was seen as expendable, even by the generals in Cairo, in large part because of the cupidity of his family members (who in their greed resemble certain political families in India) and his determination to have his headstrong, intellectually-challenged son Gamal succeed him as President of Egypt. While the Egyptian military was happy to allow Mubarak to continue in office till natural causes supervened, his increasing ill-health made it likely that Gamal would get speed-promoted through the hierarchy so as to take over from his father.

Unfortunately for the Mubarak family, such a transition plan was put off to 2013, or about three years too late for it to succeed. By 2010, even the military had realized that Mubarak and his brood were a burden on the brass, and needed to go. Hence the January 2011 signal from the Obama White House and State Department to dump Mubarak was accepted almost instantly. Operations to clear up

Tahrir Square were abandoned, and Egypt and the rest of the Arab world entered upon a period of ferment, the consequences of which are still opaque. For reasons that are not self-evident, it was the authorities in Qatar which gave a boost to the scattered demonstrations that took place in Tunisia and in other Arab countries beginning December 2010. There was almost certainly a prod from the Obama administration to local Arab satraps to remove those leaders who were symbols of greed and inefficiency.

Was this the reason why Al Jazeera emerged as the cheerleader of what became known as the "Arab Spring"? Few know, and those who do, are not talking. However, the fact is that the upsurge was immensely fuelled by the 24/7 coverage given by the news channel to the demonstrations, especially in Egypt. Exaggerated accounts of crowd strength were repeatedly aired, such as the frequent estimates (first by Al Jazeera and subsequently CNN and BBC) of a million "protestors" congregating in Tahrir Square, when independent reports never put the number as higher than 200,000 within the square itself. The figure of a million was obviously arrived at by adding bystanders as well as local residents to the number of actual protestors.

Barack Obama's decision to back his Secretary of State Hillary Clinton in giving full-throated backing to the "Arab Spring" may, in time, be seen as a decision as momentous as that of the French to give asylum to Ayatollah Khomeini just before the change of regime in Tehran in 1979, and of President Carter's injunction that year to an ailing Shah of Iran to avoid the use of force when dealing with protestors. Teheran could have been cleared up in a week, had the Iranian military been given freedom to do so, while Tahrir Square could have similarly been denuded of protestors, had the Egyptian army enforced the same policy as that followed by the People's Liberation Army in Beijing in 1989. However, it needs to be remembered that

militaries in the Mideast are almost all clients of the principal NATO powers, and lack the freedom to act independently in such matters.

Unlike in the case of Libya, where Secretary General Ban was able to ensure the execution of both Colonel Gaddafi as well as his regime, such a result is unlikely in Syria. For one, there is no Saif Al-Islam in Syria. In Libya, Saif and other sons of Muammar Gaddafi prevailed upon their doting father to place his fate in the hands of NATO by surrendering his weapons of mass destruction and his intelligence trove. NATO would like Asma Assad, the spouse of Bashar al-Assad, to play such a role in Syria, by "persuading" her husband to, in effect, concede defeat unilaterally by ceasing operations against irregulars focussed on his destruction.

But there is no evidence that the siren calls (and threats) from NATO capitals is having any effect on Asma Assad's views. The spectacle of the final days of Muammar Gaddafi must be sufficient reason for her to disbelieve the promises made by NATO of safe conduct, or the same inducements that were offered to Gaddafi (and in large part accepted, until it became clear that nothing except his downfall would satisfy NATO). It is clear that what NATO seeks is the physical end of the Assad regime, including its highest tier, and this has brought together the leading elements of the regime in a way that has not been seen before in Libya, where high-level defections are frequent.

Second, unlike Saddamite Iraq and Gaddafi's Libya, Syria has not unilaterally disarmed in response to the siren calls of NATO. The UN-imposed arms embargo has not stopped the constant flow of weapons from Turkey to Syria via its 600-kilometre land border (the prohibition is imposed only on weapons sold to the regime in Damascus), and it is yet to reach a scale sufficient to threaten the dominance of the Syrian military. Should Ankara (together with

Doha) seek to significantly increase the flow of weapons, it may lead to a conflict with the Syrian military as well as a militarization of the Kurdish areas of Turkey, that for long have been eager for independence. It is telling that within Syria, the Kurds – even though Sunni – are keeping away from the NATO-backed insurgency. Should the regime in Damascus decide on a tit-for-tat policy of providing a safe haven for armed Kurdish groups active in Turkey, Istanbul may find itself paying a steep price for joining hands with Doha and Riyadh to remove a Shia from power in a country that is 66% Sunni (including Kurds).

Interestingly, the question of casualties has been framed in the context of the Syrian Army being solely responsible for them. The reality though, is more complex. More than 6000 members of the security forces and their relatives have been killed by the "freedom fighters," while the figure of deaths for the latter is around 3000. As in Kashmir in the past, the narrative omits the reality of conflict, giving the impression that all such killings are unilateral, committed by the Syrian security forces on innocent civilians. In fact, as in Libya, several armed groups have sprung up on the anti-regime side, who have scant hesitation in taking civilian lives.

Oddly, despite their commitment to "Christian values," Obama, Sarkozy and Cameron are siding with Wahabbis in locations such as Homs, where the Christian minority is comprehensively opposed to the CNN/BBC/Al Jazeera-fuelled insurrection in that city. The Christians there and in the rest of Syria, who comprise more than 9% of the population, are terrified that NATO's allies will succeed in Syria the way they have in Libya, and replace a secular regime with a Wahabbi substitute. Perhaps because of gaps in their intelligence-gathering mechanisms, as yet Cameron, Sarkozy and Obama seem unaware that Christians have zero rights in Saudi

Arabia, in contrast to the situation in Syria, or that neither Qatar nor Saudi Arabia are democracies. Somehow, in her calls for the world to embrace democracy, these two countries seem to have been left out even by Hillary Clinton.

Even within the majority-Sunni community, the overwhelming masses are terrified that their country will go the way of Libya, should NATO succeed in swapping the Assad regime with the Wahabbi-Salafi mix now in control of the ground in Libya. Alawis – the same group to which Bashar Assad belongs – form 11% of the population, and other Shias a further 13%. More than a third of the population is from the minority communities.

None of these considerations seem likely to prevent the Sarkozy-Obama-Cameron trio from backing Ankara, Riyadh and Doha in forcing regime change on Syria. A beginning has been made by sending UN observers, within which those from countries like Morocco and Denmark who are against the Assad regime, predominate. These can be expected to twist their mission from monitoring the ceasefire to locating military targets for future attack, as well as detecting vulnerabilities in Syrian defenses that can be exploited in a future attack on the country by NATO and the GCC.

By first forcing regime change in Libya and now Syria, and by promising arming disparate groups of Wahabbis and Salafists to achieve this aim, NATO is creating the same instability that Brzezinski-Casey caused in Afghanistan following their arming of extremists against a moribund Soviet Union.

What Syria needs – as did Myanmar – is engagement, and not isolation. What it needs is dialogue and not the arming of rebels.

The world will pay a heavy price for the mistakes being made in the Mideast by the trio of Sarkozy, Cameron and Obama.

GH

Hillary Clinton's 'Pivotal' Moment

18 May 2012

Ambassador Neelam Deo
Director, Gateway House

This month, U.S. Secretary of State Hillary Clinton made what may be her farewell visit to the region – a region growing in importance to the U.S. as per its much-hyped 'pivot' to Asia announced by the Obama administration last November. The much-touted visit may not have left the lasting impact she desired.

Clinton was in China for an annual dialogue. The visits to India and Bangladesh, however, were virtually forced upon them at short notice. Bangladesh was a pure last-minute add-on while India was made necessary, presumably to press the Iran issue – this, despite the U.S.-India dialogue being only a few weeks away.

Perhaps the choice of countries had some perverse strategic significance, starting with China, the rise of which the U.S. hopes to stall, followed by Bangladesh and India. India is often flagged, especially in the U.S. Congress, to play the role of balancing the rise of China. A strategic understanding with Bangladesh was in the works to make it the chief lieutenant in the Bay of Bengal. Myanmar had already been drawn into the fold by Secretary Clinton in a November 2011 visit.

Without doubt, some serious business must have been conducted in all three destinations but the sound of the debris created by an arrogant superpower trampling the sensitivities of her interlocutors was deafening, including in the U.S. putative rival, China.

Not that the international or local media covered itself with glory. As far as they were concerned, the visits were about the blind activist, Chen Guangcheng, Muhammad Yunus,



U.S. Secretary Hillary Clinton/marcn-Flickr

and Mamata Banerjee respectively.

In China, where the United States is neck-deep in debt, Secretary Clinton and U.S. Treasury Secretary Tim Geithner still tried to bully their Chinese counterparts during the Strategic and Economic Dialogue, on the overvalued Yuan by claiming that the roughly 13% revaluation of the last two years was not enough to address America's trade deficit. Even as Mr. Chen was unceremoniously bundled out of the American Embassy before the commencement of the talks, Secretary Clinton said that "he was leaving in keeping with his wishes and our values."

Obviously Chinese media followed the official line, characterizing the fourth session of the Strategic and Economic dialogue as having helped to manage their differences and deepen strategic trust. The Western media, on the other hand sought to use the diplomatic disaster to remind the Chinese government that it needed to do much more on

issues of human rights and freedom of expression. A week later it is becoming clear that while the U.S. has won an increase in foreign holdings in Chinese banks (from 26% to 49%) and tariffs have been lowered, Mr. Chen has had trouble applying for a passport and his family, including his mother and nephew, have been tortured – all no doubt in keeping with American values.

In Dhaka, Clinton signed a "Joint

Declaration on Bangladesh-U.S. Dialogue on Partnership" which establishes a bilateral framework for an annual dialogue. Bangladesh probably hopes to use this framework to obtain "duty-free and quota-free" access to the U.S. market for its ready-made garments. However by referring to Bangladesh as "a key player in maintaining security in the Bay of Bengal, Clinton gave the game away and exposed her own agenda: that of incorporating Bangladesh into a

network of countries that will prop up its “pivot to Asia” and resist an expansive and aggressive China. It will be interesting to see how Bangladesh manages to balance its interests and obligations to its new best friend, the U.S., with those of its old close friend, China and now even Russia, both of which have undertaken to supply Dhaka with up to \$1 billion worth of weaponry. And there is always its neighbor India to be kept in good humour.

Old habits die hard. Clinton’s decision to spend equal time with her friend Muhammad Yunus, recently removed from the Presidency of Grameen Bank because he had crossed the retirement age of 70, and the gratuitous warning to the government of Bangladesh not to undermine all the good work done by him and the institution, would have been hard for Bangladesh Prime Minister Sheikh Hasina to swallow. Equally unacceptable was the public admonition to both the Bangladeshi Begums – the present and former Prime Ministers – of her (Clinton’s) vision of their country as a democracy and the injunction that they must act responsibly to maintain unity and investigate the disappearance of opposition political figures.

The India visit started with blemishes. The logistics for the visit were all upside down. Clinton first met Mamata Banerjee, then the Prime minister and Sonia Gandhi, and lastly her counterpart, the External Affairs Minister. Normal protocol has it the other way around. The whereabouts of the Indian and Bangladeshi players in such high-level visits, were also helter-skelter. Pranab Mukherjee, India’s Finance Minister – hopefully soon-to-be President – was in Dhaka when Clinton landed in Delhi. The Bangladesh Foreign Minister was in Delhi at the same time as Clinton, as was a large trade delegation from Iran. This may have been the result of the governments of India and Bangladesh, already in the delicate process of normalizing their commercial and political relations,



It is past time for the US to match its assurances to India by using its political capital to ensure that India is at the negotiating high table

scrambling to accommodate the somewhat last-minute desire of Clinton to visit.

Nevertheless the encounter with Mamata Banerjee, the Chief Minister of West Bengal, certainly flattered the latter who was reported to have blushed telling the press that Hillary Clinton, who knew all about her struggle against the communists, had wanted to meet her in Kolkata because of Time magazine’s recent listing of her among the world’s 100 most influential. She also claimed that the U.S. (through its companies) would invest billions in West Bengal, which they had earlier been unable to because the communists were in power. Clearly Banerjee has forgotten the many visits made by the communist finance minister to the U.S. and the West, to invite foreign investment to Bengal.

But then parody took over, after Bengal’s Banerjee asserted that neither the sharing of the Teesta waters nor FDI in retail had figured in her talks with Clinton, and the visit dissolved in ill-will and confusion. The U.S. Consulate in Kolkata countered asserting that they had, followed by Bengal finance minister Amit Mitra’s letter to the consul general demanding that they say no such thing – perhaps worried

that the Communists would attack Banerjee on the issue.

By the time Clinton met foreign minister S.M. Krishna, India had moved on – or was trying to, notwithstanding the striking Air India pilots. So aggressive was Clinton at the joint press conference on the purchase of oil from Iran, that even the normally mild Krishna was constrained to read out a statement asserting India’s multi faceted relationship with Iran. The presence of an Iranian trade delegation in India helped to save some shred of dignity – for a week. India has since announced that it will buy 11% less oil from Iran than last year. It is unclear whether this will be enough to save us from the truly draconian sanctions announced by the U.S. against countries that don’t do enough to reduce oil purchases from Iran.

In the end, India will have to view the Clinton visit from the lens of self-interest. The second Indo-U.S. strategic dialogue is scheduled to take place from June 11-13 in Washington D.C. Prior to that, on May 20th, is the NATO summit in Chicago which will focus on Afghanistan. The Pakistanis have been invited, subsequent to their announcement of the probable re-opening of NATO supply routes to Afghanistan. So far it appears that India – so often referred to as a valuable partner in Afghanistan – will not be at the table where the post-NATO scenario in Afghanistan is determined.

It is past time for the U.S. to match its assurances to India by using its political capital to ensure that India is at the negotiating high table. There’s little in the bilateral for India if the U.S. continues to club us together with not-invited Iran and staying-away Russia – the three regional leaders with the most at stake in deciding the future of Afghanistan. The new secretary of state would do well to keep this in mind when he or she begins to give substance to the U.S. ‘pivot’ to Asia.

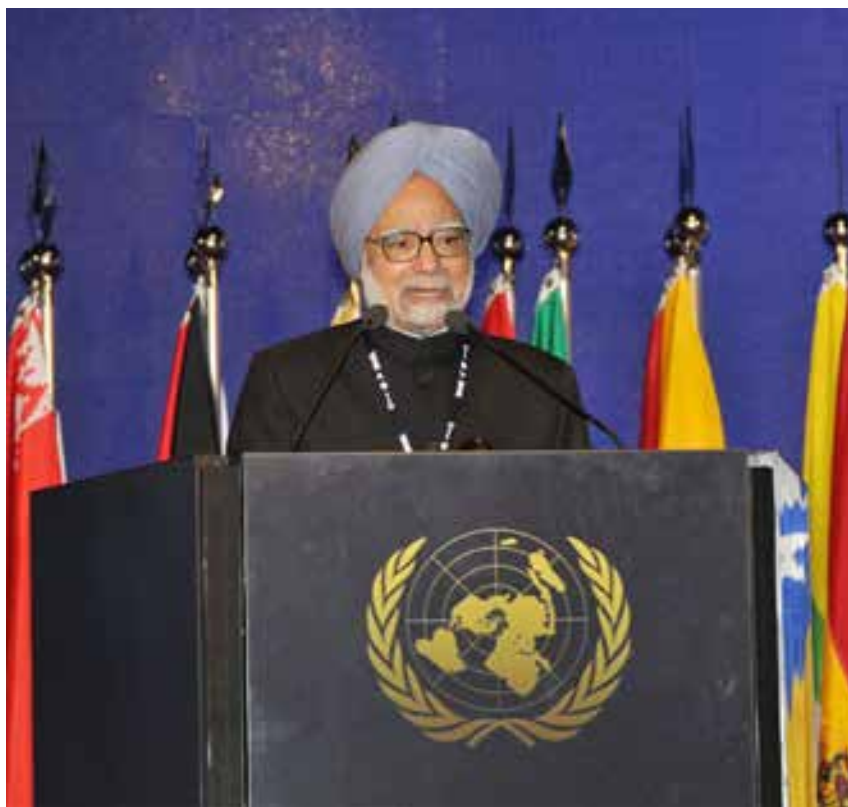
GH

Rio + 20: Accommodating new global donors

14 June 2012

Estefanía Marchán

Researcher, Gateway House



Prime Minister Manmohan Singh addressing the delegate at the RIO + 20/ PMO

Heads of state from over one hundred countries and tens of thousands of representatives from non-governmental organizations and businesses will descend on Rio de Janeiro this month for the United Nations Rio +20 Conference on Sustainable Development. With the slogan, 'The Future We Want,' participants will aim to put in place a universal framework to tackle the interlinked challenges of economic and social development, poverty eradication and environmental protection.

Leading up to the summit however, negotiations are stalled amidst disagreements between developed and developing countries on what should

constitute the roadmap to sustainable development. Developing countries are cautious to commit to a framework that might restrain their economic development, and developed countries – most battling severe economic crises – are reticent to include language that would require them to aid poorer nations with implementation, financing and the technology needed to meet agreed goals.

The deadlock is emblematic of a broader shift in the global power structure where developed countries, now less able to commit significant levels of resources to multilateral efforts, are leaving a void in global governance that

emerging and middle-income economies are gradually beginning to fill. As these new actors rise to global prominence however, the standoff also points to the difficult path we face in solving global challenges.

In an age fraught with economic malaise and fragmented political interests, can there truly be a unified vision of a future we want?

Rio +20 is unlikely to yield any binding international agreements, and most experts have already deemed the summit a failure. Even so, a look at how some of the largest emerging economies including India, China and Brazil are leveraging their growing economic heft as donors of development aid can provide a glimpse into the kind of future they envision for the world.

Official data on development assistance by so-called 'emerging donors' varies considerably as countries lack transparency in reporting and have varied definitions for what constitutes aid. Still, even conservative estimates show that emerging economies are aggressively joining the ranks of international donors, backed by a philosophy that – at least theoretically – represents an alternative to that of traditional donors, specifically members of the Organization for Economic Cooperation and Development (OECD).

Members of the OECD's Development Assistance Committee (DAC) continue to be the largest contributors of development aid globally. But foreign assistance by Brazil, Russia, India, China and South

Africa (BRICS) is growing rapidly against the backdrop of declining assistance from traditional donors. Development aid by the BRICS grew by an average of 19% in 2010, compared to a 1.5% growth in OECD's top aid programs, and a subsequent 3% drop in 2011.

China provides the bulk of foreign assistance, giving \$3.9 billion in 2010 according to conservative estimates. High-end estimates for 2009 show China's contribution at \$25 billion, making it the second-largest provider of development aid after the US. India and Brazil's assistance remains more modest at \$680 million and \$1 billion respectively, although recent reports by the International Monetary Fund and the Center for Global Development argue that India's infrastructure financing in Africa is now comparable to that of DAC donors, and that Brazil's foreign assistance can be as large as \$4 billion a year – roughly equivalent to that of Sweden, Norway and Canada.

To be sure, China, India and Brazil have a longstanding tradition of assisting fellow developing countries, and have historically done so under the umbrella of what they call South-South cooperation. Rhetorically, this means that they regard recipients of foreign assistance as equal partners and recognize the mutual benefits of aid. In turn they stress a policy of non-interference in their affairs and tend to provide aid bilaterally and without conditionalities.

In practice, mutually beneficial cooperation means that Southern donors tie their assistance to economic or geopolitical considerations. For instance, the OECD reports that China and India often provide aid in the form of “packages” that can include loans, grants, debt relief, preferential trade and investment agreements and provisions that require a recipient country to purchase the donor's goods and services. An extreme example has come to be known as

China's “Angola Model,” where China finances infrastructure projects through oil-backed concessional loans; Chinese companies are contracted for the projects, and supplies and labor are sourced from China.

Critics, particularly in the West, fear that such aid doesn't create horizontal relationships and can instead result in higher levels of indebtedness for developing countries. Echoing the trouble with the Rio +20 negotiations, they argue that unconditional aid also undermines the rules-based regime that developed countries have been moving towards over the last two decades – an aid regime intended to foster transparency and macroeconomic stability, and protect human rights and the environment.

Beyond the obvious double standards embedded in such criticism (after all the U.S. and Soviet Union spent decades giving aid to dictators during the Cold War, and aid by most nations continues to be influenced more by realpolitik than by selflessness or goodwill) – one cannot argue that more choice is inherently bad for developing nations, or expect that emerging economies will not try to advance their own interests.

Southern donors have a lot to offer developing countries. Even in the case of Angola, it was the local government that appealed to China for loans to build critically needed infrastructure when loans by the IMF seemed too inflexible. Aid by Southern donors tends to be targeted to infrastructure and other productive sectors, which developing countries need and developed nations shy away from, preferring to fund poverty alleviation and social sector initiatives. Being themselves developing countries, Southern donors also have relevant knowledge, experience and technical expertise to offer other nations.

Without leaving lessons and rules behind, in today's fragmented

environment we need to accommodate myriad modes of development. The 2005 Paris Declaration and Accra Agenda for Action, which make up the backbone of the developed world's aid regime, were issued against a clear North-South divide – a divide that is ever more elusive. Today, the BRICS and other emerging countries are reshaping the world, and the international community must find a platform that reflects this new reality.

Moving away from the DAC to a more decentralized platform for negotiations on aid and development is a good start. Here, the OECD's voice can be represented as equally as other donors'. In return, the BRICS and other non-DAC members should strive to be more transparent in reporting foreign assistance and its effectiveness.

Their reluctance to sign on to a global framework that requires transparency stems partly from a lack of capacity to track data, but also from their unwillingness. Many of these ‘emerging donors’ are also large recipients of aid and house much of world's poor, making foreign aid a politically sensitive subject at home and abroad. Engaging in more common projects between Northern donors, Southern donors and a recipient country (what is often called ‘triangular cooperation’) can help transfer knowledge about data collection and build goodwill among participating countries.

Ultimately, countries like India, China and Brazil use foreign aid not only to advance their interests, but also to gain more clout in Western-dominated international institutions. They seek to be a part of the system as much as they want to democratize it. And their intentions are not so different than the West's. Brazil is hosting the Rio+20 Summit, whose agenda has been largely driven by the government of Colombia. These countries have similar long-term goals, they just need more flexible platforms for international engagement.

GH

Taliban in Qatar: An Afghan view

6 January 2012

G. Rauf Roashan

Director, Institute for Afghan Studies, Kabul

Two issues of relative importance to Afghanistan are currently being played out. One, a political development in the form of a Taliban office in Qatar, and two, an economic issue that has been on the table in Turkmenistan, Afghanistan, Pakistan and India (TAPI) for a considerable period of time – namely the extension of a gas pipeline from Central Asia to energy-hungry South Asia. Both are significant in relation to the existing Afghan quagmire of many years.

The opening of a Taliban office in the Gulf State of Qatar is more significant to a tiny sheikdom than to the issue of peace in Afghanistan. The ‘office’ will give credence to the international recognition given to the Taliban movement by the Gulf countries – the first being Bahrain which, about a decade ago, became one of only three countries that officially recognized the Taliban regime. While Afghanistan would prefer to call the office ‘a liaison office,’ the Taliban would like it to be viewed more as an Embassy.

More important though, is the fact that the U.S. has shown support for the move. This, apart from its regional implication, is significant. It shows a direct acceptance of an offer of dialogue by the Taliban, which had so far abstained from holding talks with the Afghan government or its primary supporter, the United States. A condition placed by the Taliban for talks – the complete withdrawal of foreign forces from the country – is also drawing closer. Those sentient of the mentality of the Taliban and their reactionary stance, are dubious about the outcome of talks. As envisaged by the Afghan government, the Taliban wouldn’t ideally accept the Afghan constitution – a



**The question then is this:
Who would go to the meeting from a position of strength – the Taliban or the Afghan government?**

document they have not supported as they do not believe in the basic principle of separation of religion from the state. On the other hand, the acceptance of a diplomatic office will most certainly give the Taliban the feeling that it has won its long war against the mighty forces of the U.S. and of the Afghan government.

The question then is this: Who would go to the meeting from a position of strength – the Taliban or the Afghan government?

So far, besides standing by their basic and existing demands, neither side has come up with a truly conciliatory solution. Will the peace talks offer the Taliban a part in the government? And if so, which ministries would be offered and how would the work of those ministries be coordinated with other parts of the government if a

democratic system is to be put to work?

And how should this perplexing development in U.S. foreign policy be read: a possible conciliatory gesture by the U.S., to strike off Taliban leader Mullah Mohammad Omar, from its “most wanted terrorists” list? The U.S., which not long ago strongly believed that the Taliban was the main threat to regional peace, has now taken a 180-degree about-turn and is showing signs of camaraderie towards that group.

Many endeavors have been made in the past to talk with the Taliban; but none resulted in the group’s interest or readiness to discuss peace. It consistently and adamantly called the Afghan government a puppet of the Western powers. Whatever may be the result of the opening of the Taliban office in Qatar – and not in Saudi Arabia or Turkey as the Afghan government had proposed – thick clouds of uncertainty now hover over the region.

Regarding the TAPI pipeline: it was to benefit all parties concerned. Since its inception a decade ago, a general agreement was drafted, but security remained a hurdle. Now, many more questions arise: Is Afghanistan strong enough to guarantee the security of the pipeline, both during construction and afterward? Can the Taliban and the insurgency be trusted to view the project with an open mind, and consider it an economic asset for Afghanistan? And even if so, will they take part in the provision of its security? These questions need to be answered, after considerable diplomatic scrutiny. Another state in the region, namely Iran, will not like to see the project succeed, as it has

its own plans to export energy to the Sub-continent. Tehran may use whatever influence it has in Afghan affairs to see to it that the TAPI project does not take off. This issue has to be considered as well.

But there is no doubt as to the economic benefits to all of the four countries directly involved.

If the pipeline becomes a reality, the benefits to Afghanistan will be manifold: the country will, in short order, acquire the status of a hub in regional commerce when its communication and transportation projects, including the extension of railways, materialize. Of course security will have a major role. Thus, a combined solution, reminiscent of

the Silk Route of yore, is required – for the provision of an international security arrangement for the pipeline, as well as to the new transportation routes. If diplomacy wins in the talks with the Taliban, that in itself will be a giant step in the right direction for Afghanistan, and greatly enhance its international standing.

GH



The Dassault Rafale/Ronnie Macdonald-Flickr

MMRCA: Building empires, not security

27 March 2012

Brigadier (Retd.) Xerxes Adrianwalla

Chief of CIS & Group Security of the Mahindra Group

In times of increasing fiscal deficit, India is in the process of the largest defence purchase in its history. The acquisition of 126 multi-role medium range combat aircraft (MMRCA), at an approximate cost of \$15 billion to \$17 billion dollars, would further enhance the strength of the Indian Air Force – already one of the most powerful in the world. This procurement, exorbitant even by global standards, raises many intriguing questions.

Does India have a defined national security objective and is this procurement in consonance with that objective?

In the absence of public debate and a systematic analysis of our security concerns, India has no declared strategic security doctrine which can direct a balanced development of the armed forces. As a result, the Government allots funds independently (as opposed to a consolidated fund) to each of the

armed forces; each arm separately spends such funds mostly to retain and expand their turf and to gain national visibility rather than to enhance combat-effectiveness in a balanced manner. Today, there is no critical examination of the necessity, relevance or complementarity of the many weapon-systems stridently demanded by the forces. Therefore all wish-lists items become 'strategically necessary' and ultimately receive sanction – just

like the MMRCa deal has.

Does the fighter aircraft fit into a balanced application of force?

Historically, the balance in the application of force has tipped in favour of the Air Force. Armed forces the world over have always felt their Air Forces pursue their own aims at the cost of the Army and Navy. Two fundamental changes were put to effect, by many countries around the globe, to resolve that problem: First, national Armies and Navies developed their own tactical, well-equipped, air-strike capability.

The second was the institution of a joint command, where a theatre commander has absolute operational command over the three services to execute a nation's mission. In India this has not come into being. The navy developed its own, limited air-power capability in the 70s, and the army has reconnaissance helicopters, but no strike capability – leaving the Air Force as the dominant power.

India has no joint combat command amongst the three services, leaving them all to operate in silos; each service commander fights his own war in the theatre, rendering what support he wants to or which he can spare, to the other services. In the absence of both these alterations in the Indian context, the MMRCa certainly looks like too expensive a weapon to be used at the capriciousness of one Air Force Chief alone.

Due to the change in the dynamics of conflict, is air power as we know it, still relevant?

There is considerable truth in the statement that generals “invariably fight the previous war.” Many believe that air power alone can be the fundamental and singular means of achieving national political and military objectives, on the grounds that once air-superiority has been achieved, the war is virtually won. They also believe that air power renders ground forces obsolete, as swift military victories can be

won from the air at little or no cost in lives. In the midst of on-going conflicts around the globe, two important aspects are generally ignored or soft-pedaled: Firstly, most recent conflicts have been asymmetric. They have involved both forces which have the latest in advanced technology and adversaries whose weaponry and tactics were technologically-challenged. Secondly, in none of these conflicts has victory been swift, decisive or cheap. The wars in Iraq and Afghanistan are testimony to this. In the former, overwhelming air power victory was never achieved, and in the latter, it is yet to be achieved.

Conflict in India is largely in two spectrums: counter-insurgency and the asymmetric spectrum, as interpreted by the conflict in Kashmir against Pakistan. In both cases, an expensive resource such as the MMRCa fighter can quickly be rendered irrelevant. Besides, to counter our advanced technological capability, a potential adversary can quickly shift into asymmetric mode – marginalizing the high technology fighter. Iraq is a case in point, where massive air-borne forces were deployed but were at a disadvantage in asymmetric combat.

Even if we agree to the purchase of the fighter aircraft, what is the adverse effect of a loss of such an expensive asset?

In the case of high-cost combat assets, their utility is inversely proportional to the loss of prestige in their being shot down or destroyed by an adversary. No combat asset should be such that the cost of protecting it is more than its utility, or that its cost precludes its use for fear of being destroyed.

A classic example is the destruction of a Black Hawk helicopter in Somalia resulting in the withdrawal of U.S. forces from the mission. Incidentally, the cost of anti-aircraft weapons is a fraction of the cost of the aircraft itself. Hence Air Forces around the world are reluctant to use aircraft in asymmetric situations.

Fighter vs, Drones

The Indian Air Force may be increasing its inventory of combat aircraft but many other advanced countries are reducing their manned fighter strength in favour of drones and other unmanned vehicles. Though at present this shift remains controversial – encouraged by incidents like the death of Pakistani Taliban leader Baitullah Mehsud in a drone strike on 5 August, 2009 – the U.S. air force is looking to hugely expand its fleet of unmanned aircraft by 2047. Even today, the U.S. trains more drone operators than fighter or bomber pilots.

An imbalance in the force structure in the Indian armed forces

Within the air force, modern fighters are heavily dependent on support systems. The optimal use of a high-performance aircraft requires air-borne controllers, air-to-air refueling and a host of other support systems which India has little competence in. The acquisitions of these support systems are not as high-profile and hence tend to be at the bottom of the priority list. At present, India possesses few air-to-air refueling tankers and air-borne fighter controllers – both essential for modern combat – and lacks the mechanism and training for the optimum utilization of aircraft like the MMRCa.

Over the past decade, India's defence budget has consistently increased by an average of roughly 10%. But the capital and revenue shortfall for each year has been anywhere between 4% to 49% – meaning much of it has been left unused and many demands made by the defence sector have not been met. Now, at times of declining growth rates and marginal economic reforms, there is a genuine need for leaders to balance their needs with their budgets. With the absence of a coherent and comprehensive national security doctrine, India simply cannot afford such high-cost acquisitions.

GH

India: A unified defence command?

10 April 2012

Brigadier (Retd.) Xerxes Adrianwalla

Chief of CIS & Group Security of the Mahindra Group



General VK Singh inspecting /Ministry of Defense

India is an aspiring super power; it is also believed to be one of the largest arms importers in the world. But last week, after the defence procurement corruption exposé by army chief General VK Singh and the hullabaloo over supposed troop movements near Delhi, it seems that India is not ready to either effectively absorb the battle-ready equipment being imported, or even command it well. Once again, there was heated discussion over the necessity for India to have a unified command system, under which the three chiefs of the army, navy and air force, can operate coherently and to mutual benefit.

The debate should be even louder than it is. Our strategic and super-power ambitions are manifest in all the three armed forces: the Air Force, which is in the process of

one of the largest arms deals ever in the acquisition of the Medium Multi-Role Combat Aircraft (MMRCA); the Navy which has developed 'Blue Water' capabilities far beyond coastal defence; the Army which is raising two strike-corps capable of offensive operations into Tibet and for possible use against China. But we still don't have the necessary organizational structure to wield such massive fire power as a coherent force, and be a truly well-supported defence to repel external aggressors or project India's power overseas. The reasons are many, but the most problematic one is the archaic Second World War defense institutions on which our armed forces are organized. They were adapted from the needs of a colonial power, whose main concern was the subjugation of the indigenous population, and not to

“

the most problematic one is the archaic Second World War defense institutions on which our armed forces are organized

repel external aggressors. There has been little or no change since then. Post the Kargil conflict in 1999-2000, the Kargil Review committee headed by noted strategist RK Subrahmanyam also recommended a unified command. This organization needs to be restructured and updated, and the quickest way to start is to have a joint Chiefs of Defence staff, to co-ordinate and synergise operations and equipment.

In war, the application of maximum combat power at decisive periods influences the outcome of a battle. Maximum combat power, however, is not an arithmetic sum of the forces used; it is the result of synergies – generated by using arms and services coherently. Today, the three services are autonomous and any synergy that may exist is purely by chance. Examples are the lack of, or minimal, use of the Air Force in 1962 against the Chinese and in 1999 during the Kargil incursion by Pakistan. In both instances, the Indian Air Force resisted the use of air power on various grounds, resulting in sub-optimal outcomes for the country. In 1962, air power was not used at all and in 1999 the Air Force came in many days later, arguably on orders of the civilian government in New Delhi.

India does not follow the integrated command system during peace or in combat. So each armed force prosecutes war as they see appropriate (and possibly in a manner where they get the most glory). There are very few instances when the combat power of one force was deployed under a commander of another – but they do exist. One is the Andaman Command, which has elements of all three services operating under a single commander in war and peace. Other than that, at no time has the country has fought a war under a single commander.

Another reason is the inadequate executive power given to the apex body of the armed forces, represented by the Chiefs of Staff Committee, an organization that is just that – a committee. It has limited



India must urgently revisit the need for a unified command structure, to effectively use the enormous combat power we are developing

or no executive power. The current system of command by committee results in a situation where a service chief or a theatre commander (usually Army) is ‘advised’ by an Air Force advisor on whether or not air power will be suitable (or even available) for a particular operation. If aircrafts are not released by the Air Force, the theatre commander has no choice but to soldier on without air support at a huge cost in casualties and outcomes (China 1962, Kargil 1999). This is hardly the first time a unified command system is being recommended. The Group Of Ministers (GOM) report, under the Chairmanship of L.K. Advani, including the then Defence Minister, External Affairs Minister and Finance Minister, recommended such a system in 2001. The Cabinet Committee on Security considered the GOM report on 11th May, 2001, and “decided that the recommendation in respect of the institution of the Chief of Defence Staff (CDS) be considered later, after Government is able to consult various political parties. It accepted all other recommendations contained in the GOM report.” The appointment of CDS has remained in limbo since.

Without such a system and a CDS, combat power (comprising men and materiel) accretions by individual

services remain fiefdoms without any ability to use their awesome power as a single, war-fighting machine. The armed forces will never accept such change from within; such change has always been politically driven from the top.

The U.S. is a typical example. The Goldwater-Nichols Act, 1986, was enacted by the U.S. senate to ensure unified command in the American armed forces, amongst other aspects. By this organisation, each combatant command is headed by a four-star general or admiral. One of the best-known unified combat commanders was Norman Schwarzkopf, commander of U.S. Central Command during Operation Desert Storm. He had absolute command over all land, sea and air forces operating in his theatre during the war in Iraq, resulting in the successful prosecution of that conflict.

India must urgently revisit the need for a unified command structure, to effectively use the enormous combat power we are developing at such astronomical cost (India accounts for about 10% of global arms imports with a defence budget of approximately US\$ 34 Billion). For example, anti-piracy operations require naval power bolstered by some army and air power. Anti-Maoist operations need the army supported by air and naval power in coastal areas. Both operations would benefit tremendously from a unified command. Many models for such a joint command have been proposed, we just need to adopt one that suits our needs. In view of the current infighting between the government and the armed forces, this structure, currently used by most countries around the world, could also be the most beneficial: a chief of defence staff will provide single-point advice to the government, allowing for a balanced force-restructuring based on operational needs and not individual service turf; and most importantly, it would enable the armed forces to project itself as a single, viable, effective war machine.

AFSPA: National necessity or human rights violation

10 May 2012

Brigadier (Retd.) Xerxes Adrianwalla

Chief of CIS and Group Security of the Mahindra Group



Independence day Parade/ Alonioa Milena

Among the recommendations released on May 24 by the government-appointed interlocutors for Kashmir, is a review of the Armed Forces Special Powers Act (AFSPA). Its recommendations are reflective of the rising public ire against the Act and the presence of the army in Kashmir and India's north east.

Over the years, there have been several voices of protest. There is the 11-year-long fast of Irom Sharmila, a Manipur activist demanding a repeal of the law, which has recently received much media attention. In 2004, various civil society groups in Manipur launched an intense agitation after the death of Manorama Devi, a civilian, while in the custody of the Assam Rifles. In 2005, following

her death, the then Union Home Minister visited Manipur and instituted a commission under Justice Jeevan Reddy, which also asked for the modification or repeal of the AFSPA. In 2011, the chief minister of Jammu and Kashmir (J&K), Omar Abdullah, too asked for the AFSPA to be lifted from the state.

In March this year, the UN and other organisations, both nationally and internationally, have also jumped into the fray, asking for the repeal of AFSPA in the North East and Jammu and Kashmir.

The law, however, has been misinterpreted by many to mean that it allows the army to commit "atrocities" against the Indian people. Are these calls for the revocation of the AFSPA warranted or misplaced?

To determine that, it is necessary to examine the context in which the AFSPA is used.

During exceptional situations of internal disturbance in India, the Indian Army is called in to quell the potential and actual violence. In such a context, the army is given extraordinary powers under the Armed Forces Special Powers Act. According to the Indian Constitution, the armed forces cannot be deployed against Indian citizens unless a local government or the central government asks the army to intervene in a situation that the government is unable to handle. In short, the army is called in only after local police action has failed and insurgents have gained an upper hand. The danger in such a situation is that it is possible for

insurgents to take over and make a state secede from the Union. This is obviously unacceptable in any democracy.

The AFSPA was first enforced in the North East in 1958; due to the extreme law and order situation, the central government classified the North East as a “disturbed area.” After 1958, the AFSPA has been incrementally applied to cover the seven states in the North East. The law has also been in force in large parts of Jammu and Kashmir from the 1990s.

The AFSPA grants the army “special powers” which have to be used with extreme care. The law gives the army powers to shoot to kill, destroy property and temporarily detain suspects. Army personnel acting under the AFSPA are immune from all actions taken under other laws of the Indian Penal Code, the Criminal Procedure Code and civil suits, unless otherwise sanctioned by the central government. By any reckoning the AFSPA enables harsh powers, but tough situations require tough measures.

Critics of the AFSPA may not recognise that insurgents are now often well-trained. Insurgent or rebel groups may be funded and armed by foreign powers with the intention of creating a secessionist movement within India. The trained rebels carry modern arms and munitions which are often better than what the local police carry, and they use this fire power to inflict huge casualties on the security forces. A case in point is the massacre, in a single ambush, of more than 70 men of the Central Reserve Police Force by Maoist rebels in Dantewada in the state of Chattisgarh in April 2010.

The army is called in only when secessionist violence crosses the threshold of being a law-and-order problem that the police cannot handle. The armed forces are trained to be aggressive, to fire for effect, to be lethal; it is this training that makes the army more successful than

the police in counter-insurgency operations. The army’s efficiency translates into pressure on rebels, and the insurgents may force the local population to agitate against the “draconian” AFSPA. Unlike many in the general population, the insurgents know that revoking the AFSPA would mean withdrawing the army – which is exactly what they want.

On its part, the army has a poor and archaic public information system. The inadequacy of the information system comes from the army’s ostensible need for “secrecy” which requires hierarchical sanction at various levels. The army’s explanation for what occurred after an incident is usually defensive and too little, too late. The human rights aspects of this law also need to be clearly understood. Civilian casualties in areas of insurgency tend to be cited as “atrocities” committed by the army. It is important to remember that in most counter-insurgency situations the rebel fires first, he also almost always takes cover behind innocent bystanders, he is not in uniform and the weapon is the only thing that differentiates him from a civilian. In such crossfire, civilians will be injured or killed as in any war zone. The army cannot be faulted for this.

This does not mean that atrocities or human rights violations should be condoned. The differentiator should be casualties caused in the heat of battle versus those caused in cold blood to gain awards or recognition. Killing to gain recognition does occur on occasion, but when seen as a percentage of the quantum of troops deployed, the duration of their deployment and the number of times they have been in violent situations, such casualties are too small a number to justify revoking the AFSPA in the name of “gross misuse.”

The army is more than fair about investigating abuses and if they err, it is usually against their own men. In an analysis done in 2011 of human rights violations involving

army personnel, the army demonstrated that only 54 out of 1511 reported cases since 1994 were found to be true; 129 persons have been punished by the army in these cases. The punishments awarded by the army are severe and exemplary, including dismissal from service and life imprisonment.

The army has become a target of criticism by default, when the real responsibility rests with the government. Deploying troops under the AFSPA is aimed at preventing secession of strife-torn states from the Indian Union. Keeping potentially separatist states in the Union by deploying the army is always a political decision. Without the army’s counter-terrorism measures under the AFSPA, India could have lost Jammu and Kashmir in the 1990s. The government at the time had almost given up, but the army stood firm in its constitutional duty to safeguard and retain every inch of Indian territory. This remains the standing order for the army to this day.

The army could work on building an informed and broad-based consensus on the dangers of secession through a more effective public information system. In many instances, once the insurgents get across their version first—and this has happened in Sri Lanka, J&K, the North East, and Punjab in 1984—it becomes very difficult for the army to correct the picture already painted and to rectify the information imbalance.

The debate then should focus not on whether to invoke, modify or dismantle the AFSPA, but on how best to use the army in situations of internal conflict. When the army is used, the nation needs to see the use of military power as a failure of governance. Secessionist movements in the country signify the failure of politics, and it is up to the government to resolve the root causes. Until then, the AFSPA keeps the army empowered, and the law remains a necessary weapon of last resort.

GH

Should India emulate China in space?

Dinshaw Mistry

Associate Professor, University of Cincinnati



Carrier Rocket Shenzhou-5A Axanderr/Flickr

June 18, the Shenzhou docked with the Tiangong lab module, where the astronauts will stay for several days. This was another milestone for China's ambitious space programme, creating fresh pride in the country.

Should India emulate China to become the world's fourth country with such capabilities? This depends on whether India can actually develop such capabilities, at what cost, and for what benefit.

India's space programme has advanced incrementally over the past four decades. In the 1970s and 1980s, it built small satellites and light rockets, and since the mid-1990s, it has built heavier satellites and more powerful rockets. India thus has one of the world's six space programmes that launch satellites, alongside those of the U. S., Russia, Europe, China, and Japan. Its annual space expenditures of around \$1.5 billion are far lower

China affirmed its status as one of the world's three leading space powers by sending three astronauts, including its first woman astronaut, into space. On June 16, China's powerful CZ-2F rocket lifted the Shenzhou 9 spacecraft, carrying the astronauts; on

than the \$3 to \$5 billion each for Russia, China, Japan, and Europe, and several billions for the United States. Also, India conducts fewer launches than its space peers—in the past two years (2010 and 2011), it conducted six launches, comparable to Japan's five, but less than Europe's 11, China's 34, the U.S.' 31 and Russia's sixty-six.

Three of these countries have sent men into space—the United States and Russia began their manned space programmes in the late 1960s, and China has done so in the past decade.

China began with four unmanned missions from 1999 to 2002, when the CZ-2F rocket carried the 7.8 ton Shenzhou spacecraft to low earth orbit (LEO). China then sent astronauts aboard the fifth (2003), sixth (2005), and seventh (2008) Shenzhous, which orbited the earth for three to four days. In September 2011, China launched the 8-ton Tiangong lab module, which will stay in space for a few years, and can support three-person crews for about ten days. In November 2011, China launched an unmanned Shenzhou to successfully test its docking with the Tiangong. The end result: on June 18, the ninth Shenzhou carrying three astronauts docked with the Tiangong.

The Tiangong is the stepping stone to a space station. By around 2020, China plans to build a 60-ton station, based on several Tiangong-like modules, which can support crews for many months. China thereby aims to emulate the International Space Station, which was developed primarily by the United States and Russia, with additional contributions from Europe, Japan, and Canada, although the Chinese station will be much smaller than the 440-ton international station.

In purely technological terms, India could acquire capabilities similar to China's, but it will take 15 to 20 years.

First, India will have to build a

launcher to lift a spacecraft to LEO. Its reliable Polar Satellite Launch Vehicle (PSLV), which has had 21 successive successful flights, cannot lift a large payload. But the more powerful though unreliable Geostationary Satellite Launch Vehicle (GSLV), which has failed in four of its seven flights, can lift a 5-ton spacecraft to LEO. The GSLV's successor, the GSLV-Mk 3, which is expected to first fly in early 2013, can carry an 8-ton Shenzhou-like payload to LEO. By 2020-2025, if they prove their reliability after many consecutive successful flights, these rockets would be available for launching spacecraft.

Second, India will have to build the required spacecraft to ferry astronauts. In 2007, its 0.6 ton space recovery experiment tested the heat-shields needed for spacecraft re-entry to earth. India's space agency has also conceptualized a 3-ton spacecraft that supports two astronauts for two-day space missions. Within a few years, India can build such a spacecraft, followed by a more capable 5-8 ton spacecraft. After three to four unmanned flights to test the technology, these spacecrafts can be available for manned missions.

China reportedly spent \$2.5 billion for the first five Shenzhou flights. It will be just as, or even more, expensive for India. In 2007, India's space agency projected that the first steps to manned space flight – involving launchers, spacecraft, and an astronaut-training facility – will cost \$2 billion over eight years; more substantial capabilities would cost \$5 billion over several years. India's \$1.5 billion space budget, even if it grows at 10% to 15% each year, cannot support such expenditures. Consequently, India can only follow China's manned space trajectory if it considerably increases its space budget – an outlay that can come only at the expense of other developmental priorities.

Another option is for India to reduce expenditures on its existing space activities and divert some of




China spent \$25 billion for the first five Shenzhou flights

its space budget toward a manned programme. However, this would reduce the scope of important current projects—India's satellites have many economic developmental applications and also have military-strategic applications.

Manned space programmes have no real economic or military applications. They mainly have scientific applications, because some useful scientific research is conducted in space (most significantly, on the International Space Station). The technologies used in a manned space programme may also have industrial spinoffs. Still, the magnitude of these benefits is modest.

In the end, it would only be prudent for India to follow in China's space footsteps if it can develop the required technologies, keep costs low and promise significant benefits. Since costs will be high and the benefits remain unclear, an alternative option for India is to partner with the United States, Russia and other states, and draw upon their proven heavy launchers, spacecrafts, and space labs. Thus, Indian astronauts could fly on U.S. and Russian spacecraft, and Indian spacecraft could be lifted by international launchers, while India simultaneously develops its own manned space programme. For its space partners, India can bring cost-sharing and future co-production possibilities to the table.

In short, piggy-backing to space may be better for India than taking the slow, indigenous route to a manned space programme. 

Piracy: A dangerous eco-system

Sudeep Chakravarti
Author and analyst

Piracy has arrived as a subject of Indian policy-making. The urgency with which it needs to be implemented was highlighted earlier this month, when India's National Security Advisor Shivshankar Menon addressed a high-level global meeting in St. Petersburg to specifically discuss ways and means of fighting piracy. As Menon discussed measures India has taken to combat piracy, he also mentioned that 43 Indian sailors were at that moment held hostage by Somali pirates. "With over 237 hijacking attempts in 2011, piracy is no longer sporadic attacks by small, unconnected criminal groups," Menon unambiguously stated. "Piracy today is a growing industry and a significant threat to maritime shipping and to global commerce."

The operative phrase is "growing industry." Globally, security officials and shippers laud the diminishing of piracy in the eastern Indian Ocean area, specifically along the critically important Straits of Malacca and South China Sea. This is on account of multi-nation naval patrolling and, alongside, addressing the root causes of demographics susceptible to piracy as an occupation. However, piracy and hostage-taking remains undiminished in the Western African coast abutting Nigeria and Benin, and absolutely thrives off the East African coast near Somalia and the Gulf of Aden—a region of great importance for world shipping as it straddles the Sea Lane of Communication that connects the Mediterranean and Arabian seas through the Suez Canal and the Red Sea. A little further to the east is the Persian Gulf; nearly 90% of India's oil imports move through this zone, specifically through the Straits of Hormuz.

India's concern with piracy is, and will, in the foreseeable future, remain three-fold:

One is the direct effect of piracy. The threat to Indian-owned shipping, India-oriented cargos through ships owned by flags of other nations, and to Indian citizens directly. As Menon emphasized in his St Petersburg talk, nearly an eighth of "global seafarers" are of Indian origin. (Increased insurance costs for shipping, cargo and personnel travelling through high-risk corridors are a corollary.)

The second factor is how to deal with piracy and hostage-taking on the high seas, which brings with it a combination of preventive naval reach, prosecutorial legal reach, and geopolitical reach by working the United Nations, and other multi-lateral and bilateral systems to diminish the need to take to piracy; make extradition of pirates easier; and make multi-nation communication, patrolling, and interdiction efforts more robust.

The third factor, increasingly seen as being a fulcrum-factor, is the squeezing and shutting down of what has, over the past five years or so, rapidly coalesced into an organized industry. India's national security advisor quoted figures which estimated that \$160 million paid to pirates as ransom in 2011. "This money not only finances piracy but leads to money laundering," he asserted.

"We need to trace and shut down the networks operating in support of piracy, monitoring and punishing the security companies and financial operators who work in the background and enable and abet piracy." He specifically pointed

to the "trans-national dimensions" of Somali piracy, and re-flagged an on-going global alarm that pirates appeared to possess data on the movement of targeted vessels and on-board security arrangements.

Established and continuing research points to a seamless method of pirates reaching ship-owners, and funds in cash — ransom — finding its way to designated places and people. Lifestyles led by pirate-lords in sanctuaries along the Somali coast are the stuff of legend. There is talk of ransom money fuelling investment in several African countries, and pushing up real-estate prices in their capital cities and resorts. More intriguing is the manner in which acts of piracy are believed to be underwritten by financiers across continents and profits from ransom then shared along the importance of the food-chain, as it were.

Specific security concerns for India from such organized crime include money-laundering and counterfeit currency—and also include Al-Qaeda derivatives and splinters secure specially in the radical Islamist-controlled parts of southern Somalia, and Yemen, that are suspected of using piracy to generate funds and followers.

This collective danger, both real and potential, has now come further east, with expansion last year of the definition of the high risk area related to piracy. It has expanded from the 65th meridian east—a line on the map that extends south from the Balochistan region of Pakistan into the Arabian Sea—to the 78th meridian east, which covers the entire west coast of India; and effectively covers the sea lanes that travel to and skirt Sri Lanka, along which moves a vast chunk of Indian

and global merchant traffic. This risk and the mitigation of it is all the more immediate for India — using the United Nations Convention on the Law of the Sea, it has applied to extend its exclusive economic zone from 200 nautical miles (370 kilometers) off the coast, to 350 nautical miles (647.5 kilometers).

With greater territory will arrive greater responsibility.

At this point, Indian reach is relatively limited in the overall scheme of things, though attempts are on-going to make legal, diplomatic and security initiatives more robust. Part of it is achieved by India directly participating in patrolling operations off Somalia as part of a multinational task force. India has deployed ships with marine commandos and helicopters since 2008; escorted more than 2,000 ships along the high-risk corridor (the Internationally Recommended Transit Corridor, which is sometimes referred to as Internationally Recognized Transit Corridor) in the Gulf of Aden over the past three years. About a tenth of these have been Indian flag-carriers. Such escorting has passed without incident.

The Indian Navy too, has actively prevented several dozen acts of piracy. (This is in addition to the Indian Navy energizing and expanding its “blue water” capabilities for the strategic projection of force across the Indian Ocean area, and along with the coast guard, ensuring real-time patrolling to safeguard its already vast exclusive economic zone that exceeds 2 million square kilometers.)

A fallout — at this time an outright complication — is the incarceration of over a hundred Somali pirates in Indian jails. In the absence of specific anti-piracy law in India, various aspects of the Indian Penal Code and Code of Criminal Procedure are being applied to these pirates, with confusing results. To redress the situation and plug legal loopholes, India's Minister

of External Affairs, S.M. Krishna formally introduced the Piracy Bill 2012 in Parliament on 21 March this year. Covering acts of piracy against ships on the high seas as well as within India's exclusive economic zone, the designated penalty for acts of piracy in the Bill is emphatic.

“Whoever commits an act of piracy shall be punished with imprisonment for life,” the Bill proposes, “except where the accused has caused death in committing the act of piracy or attempt thereof in which case he may be punished with death...”

Any attempt to commit piracy or “unlawful attempt intended to aid, abet, counsel or procure for the commission of an offence of piracy” will attract a maximum of 14 years of jail term in addition to fines. (There is as yet no globally acceptable legal framework for anti-piracy action. In some cases, signatories to United Nations conventions against piracy are yet to initiate specific anti-piracy laws in their territories.)

There is greater push in the diplomatic arena. While the Indian position calls for an UN-led effort to combat and curb piracy, it has tracked with interest several other initiatives. A major initiative was the 23rd February 2012 London Conference on Somalia held at Lancaster House.

It was attended by US Secretary of State Hillary Clinton, UK Prime Minister David Cameron, UN Secretary General Ban-ki Moon, and several high-level representatives from east African nations. Of particular note was the presence of leaders from Somalia's Transitional Federal Government as well as of some breakaway regions, including the pirate havens of Puntland and Somaliland.

The conference spent considerable time on piracy issues, trying to work on strategies and mechanisms that ranged from peace deals in this strife-torn region that has emerged as the cradle of 21st century piracy,

to development assistance to minimize the need for impoverished fisher-folk to take to piracy, and legal issues that include extradition, incarceration and prosecution of pirates. In early June a major international conference on Somalia in Istanbul followed this effort. And over 27-28 June 2012, United Arab Emirates will host in Dubai its second international “public-private counter-piracy conference” as the organizers bill it, formally titled, “A Regional Response to Maritime Piracy: Enhancing Public-Private Partnerships and Strengthening Global Engagement”.

New Delhi will have its eyes and ears — and views — in such places. Alongside, as its national security advisor has stated in several forums, it will continue to aid efforts such as the African Union Mission in Somalia, or AMISOM, sometimes described as the “mainstay of security-related operations in Somalia” to which Government of India has thus far contributed US\$ 3 million.

This, in addition to UN resolutions securing and expanding the mandate of AMISONM would, as Mr Menon stated in St Petersburg, “constitute helpful steps towards sanitizing the Somali coastline and deprive Al-Shabaab [a Somali jihadist group] of revenues earned from port facilities and the export of charcoal.

Further steps are necessary to effectively sanitize the Somali coastline and ensure that the Somali pirates are not able to use their bases on the coast to launch attacks.” All of this will collectively add to anti-piracy efforts—as, surely, will focus on human and socio-political development of the entire Horn of Africa. But the Third Factor, the unseen yet emphatically-heard puppet-meisters of piracy, will likely remain elusive. It is to tracking this network that India's anti-piracy energies must also focus. As the current chair of the Indian Ocean Rim Association for Regional Co-operation, India can play a leadership role in this effort.

GA

Gateway House Meetings: January to July

The Politics of No Growth

January 10, 2012

Deven Sharma, Former President, Standard & Poor's Corporation, In discussion with K.N. Vaidyanathan Senior Geoeconomics Fellow, Gateway House; former Executive Director, SEBI.

Exclusive interactive session with the Honorable Kamla Persad-Bissessar, Prime Minister of the Republic Trinidad & Tobago

January 12, 2012

A panel discussion on 'Trinidad & Tobago and India: An Engagement for the Future' with the Prime Minister, and Moderated by Ambassador Neelam Deo.

Challenges in the Indian Ocean region

February 10, 2012

Ambassador Mohammad Osman Omar, former Somali Ambassador to India, in conversation with Michael Pinto, Former Director General (shipping) Government of India.

An informal lunch with Ambassador Sudhir Devare

February 20, 2012

Ambassador Sudhir Devare, Director General of the Indian Council of World Affairs (ICWA), New Delh, in conversation with Ambassador Neelam Deo.

The U.S.-India-Iran impasse

March 21, 2012

Ambassador Neelam Deo in conversation with Ambassador Frank Wisner former American Ambassador to India, Egypt and the Philippines and Member, Advisory Board, Gateway House.

Innovative strategies on entrepreneurship

March 14, 2012

A 28-member delegation of African Parliamentarians to discuss Innovative Strategies on Entrepreneurship in Mumbai. A panel discussion with Gautam Shewakramani from Audio Compass Sasha Mirchandani from Kae Capital, moderated by Ambassador Neelam Deo.

Dasra's Indian Philanthropy Forum

March 21, 2012

Gateway House hosts table at Dasra's annual forum, for Gateway House Members.

Launch 'Global Stability Map 2012' followed panel discussion on Beyond BRICS

March 22, 2012

Akshay Mathur, Head of Research, Gateway House, author of the map presents the and its findings to Gateway House members in a meeting in Mumbai.

Confronting Iran: Implications for energy security

March 27, 2012

Ambassador Talmiz Ahmad, former Indian Ambassador to Saudi Arabia, Oman and the UAE in discussion with K.N. Vaidyanathan, Senior Geoeconomics Fellow, Gateway House.

Food Security and Inequality: The Dangers Within

April 10th, 2012

P. Sainath, Rural Affairs Editor, The Hindu; author of “Everybody loves a good drought” in conversation with Manjeet Kripalani, Director Gateway House

Cyber Threats and Evolving International Protocol

April 13th, 2012

Rangu Salgame, President, NIKSUN; Nandkumar Saravade, Director, Citi Security and Investigative Services in conversation with K.N.Vaidyanathan, Senior Adjunct Fellow, Geoeconomics, Gateway House; Chief Risk Officer, Mahindra Group

IMF's 2012 Asia Economic Outlook

May 7th, 2012

Panel discussions on ‘Asian Regional Economic Outlook’ with Anoop Singh, Director, Asia and Pacific Department, IMF; Ashima Goyal, Economist, IDIGR; Sajjid Chinoy, JP Morgan; and moderated by Dr. Subir Gokarn, Deputy Governor, RBI. Panel discussion on ‘Financial Market and Banking Spillover’ with Neeraj Ghambir, Nomura; Ajit Ranade, Aditya Birla Group; Laura Papi, Asia Pacific Department, IMF; Selim Elekdal, Asia Pacific Department, IMF; in conversation with Ambassador Neelam Deo, Director Gateway House

India's North-East: The Heart of Regional Integration

May 10th, 2012

Sudeep Chakravarty, journalist, author, Highway 39: Journeys through a Fractured Land; Ambassador Neelam Deo, Director, Gateway House; moderated by Akshay Mathur, Geoeconomics Fellow, author, A Winning Strategy for the North East, Gateway House

Syria Briefing: Detangling the complex

June 5th, 2012

Ambassador Rajendra Abhayankar, former Indian EU, Syria, Turkey, Azerbaijan in conversation with Ambassador Neelam Deo, Director, Gateway House

Israel Briefing: Israel's position in the Middle East

June 14th, 2012

Benjamin Krasner, Director of Political-Economic Research and Analysis, Center for Policy Research, Ministry of Foreign Affairs; Oren Anolik, Director of the Department for Non-Proliferation of Weapons of Mass Destruction, Ministry of Foreign Affairs moderated by Ambassador Rajendra Abhayankar, former Indian EU, Syria, Turkey, Azerbaijan

India's Energy Future: Central Asia & the Caucuses

June 20th, 2012

Ambassador Debnath Shaw, Indian High Commissioner to Tanzania, former Indian Ambassador to Azerbaijan in conversation with Ambassador Neelam Deo, Director, Gateway House. Launch of Gateway House research paper India in Central Asia: Time for a New Strategy by Katherine Foshko, PhD

New Scenarios for India's Future

June 22nd, 2012

Arun Maira, Member, Planning Commission, in discussion with scholars and members of Gateway House comprising businessmen, academics and armed forces personnel

US-India relations: Tackling India differently

June 23rd, 2012

Thomas Nides, Deputy Secretary of State for Management and Resources, US State Department in conversation with Ambassador Neelam Deo, Director, Gateway House

Egypt: Beyond the Social Media Revolution

June 26th, 2012

Ambassador Navdeep Suri, Indian ambassador to Egypt, former Head of Public Diplomacy Department, Ministry of External Affairs in conversation with Ambassador Neelam Deo, Director, Gateway House

Published by

Gateway House: Indian Council on Global Relations
Cecil Court, 3rd Floor, MK Bhushan Marg, Next to Regal Cinema, Colaba, Mumbai 400039, India
Tel: +91-22-22023371 | www.gatewayhouse.in | info@gatewayhouse.in

Designed by

Nikhil Mani

Printed by

Spenta Multimedia, Mumbai | www.spentamultimedia.com

© Gateway House: Indian Council on Global Relations

No part of this publication may be in any form, print, digital or any other means, without the written permission of the publisher.



To subscribe to our
Weekly Newsletter
Scan the code with your
smart phone or visit
<http://mim.io/733241>