

## Quarterly Review

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# NEW TRENDS IN THE MANAGEMENT OF UPHEAVAL

*Regime change backed by Western powers has been revolutionised by the United Nation's new "Responsibility to Protect" doctrine which states that armed intervention does not depend on the aspirations of a populace but on the facilitation of existing power equations.*



भारतीय वैश्विक संबंध परिषद्

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## **Gateway House**

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*Mahindra Towers,*  
*Dr. GM Bhosale Marg, Worli,*  
*Mumbai 400 018, India*  
*Tel: (+91-22) 2490 5063*

*[www.gatewayhouse.in](http://www.gatewayhouse.in)*  
*[info@gatewayhouse.in](mailto:info@gatewayhouse.in)*

## Letter from the Co-Founders



Welcome to Gateway House: Indian Council on Global Relations. We are a new foreign policy think tank in Mumbai, established to engage India's leading corporations and individuals in debate and scholarship on India's foreign policy and India's role in global affairs. We are membership-based, independent, non-partisan and not-for-profit.

Many ask us, why locate in Mumbai? Because it is India's most international, cosmopolitan city, one with historical links to the outside world. Mumbai is also at the heart of the changing international matrix: globalization, terrorism, energy, environment, innovation, technology, nation-building and the new geo-economics. And it is home to the country's leaders – corporate, financial, media, artistic and technological. Mumbai is, as our logo and brand depicts, the gateway to India and our face to the world.

As that gateway re-opens wide to the world, it brings in more talent and entrepreneurship. It also brings in the complexities of a globalising environment, absorbed by a country that is moving from tradition to modernity at unprecedented speed and scale. India is on a new and ambitious path economically, socially, politically and geopolitically. The country is now at a pivotal point in history, and has started to play a transformative role in global affairs.

The world too, is at a pivotal point in history, presented with extraordinary opportunities but also confronted by extraordinary problems. As the familiar orders – political, economic, security – convulse, unable to match the needs of the contemporary world, a new order is taking shape. Ahead lies a time where nations, states and businesses are reordering themselves, sometimes resulting in conflicts, but more often creating a grouping of new winners. India is creating its place in this new order. This is why we need an independent foreign policy think tank that is both India-based and India-focused.

An opening has already been made by India's dynamic business community, whose success around the world has put the global spotlight on India, giving the world's businesses and governments a new view of India and a heightened desire to engage with it. As India's businesses expand overseas, they inject a new vitality and pragmatism into India's traditional foreign policy.

They are an invaluable asset to India – a friendly, productive, on-the-ground presence in foreign lands. The technology sector, with its clientele based largely in the United States, catalysed the new relationship between India and the U.S. The dramatic India-U.S. nuclear deal has been the outcome of much such intangible bridge-building. If India can contribute to bringing Africa into the global logistics chain, it will be because Indian business there has been directly engaged with people in those countries for decades, employing them in factories and businesses, and imparting new skills. Indian business is interacting productively with China too, investing in building their educational capacity from English-language teaching to writing software code for a global market.

The emergence of Indian business on to the global scene runs parallel with the emergence of the Indian Diaspora onto the

As that gateway re-opens wide to the world, it brings in more talent and entrepreneurship. India is on a new and ambitious path economically, socially, politically and geopolitically. The country is now at a pivotal point in history, and has started to play a transformative role in global affairs.



political scene in their adopted countries. They are now a powerful source of global influence and goodwill towards India. Through Gateway House, our website, scholarship and discussion fora, they too can engage in India's foreign and economic policy debates, and bridge the gaps in understanding between India and the world as no others can.

Our scholarship reflects our view of India – open, global, innovative and a positive influence in a complex world. Our scholars cover new subjects such as geo-economics and space technology – cutting edge not just in India but globally.

For those who wonder: Gateway House is not a lobbying organization. India has many of those, in the form of chambers of commerce, various associations, advocacy groups and the 2 million non-government organizations in the country. Rather, our goal is to create public awareness and debate and make policy recommendations flowing from serious scholarship in international affairs.

Manjeet Kripalani  
Neelam Deo  
June 2011



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## Foreword

Gateway House launched its website in August 2010 and began showcasing short pieces on a range of foreign policy subjects. As an institution, our mission is to stimulate discussion and debate, defining foreign policy in its broadest sense, to include geo-economics, geo-politics, energy and environmental issues, maritime affairs, science, technology and innovation and other relevant focus areas.

Being in Mumbai makes us uniquely sensitive to the important role that Corporate India, including the financial sector, plays in branding India on a global platform. The youthful cultural spread of Bollywood, especially to the non-resident Indian is as much of interest to us as Mumbai's maritime character and international linkages.

This compilation contains articles from our website published from April to June 2011. A full listing of the articles can be found at [www.gatewayhouse.in](http://www.gatewayhouse.in).

We hope that you enjoy reading and will continue to support our work.

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# ENERGY

## *The Post-Japan Era*

1 April 2011

*Japan's Fukushima fallout puts the future of nuclear power in India in jeopardy. Our energy needs are so high that we will now need to consider all forms of energy - solar, wind, bio-mass, geo-thermal, oceanic energy, even energy through waves. Suresh Prabhu, India's former Union Minister of Power writes on the future of nuclear power.*

The recent earthquake and tsunami has put a question mark on nuclear energy not just in Japan but all over the world. Just when the world was talking about a nuclear renaissance, even before the child is born it looks like the burial ground is getting ready - and people are already charting a future course to ensure it has a sound burial.

India, with its enormous energy needs, has always been at the forefront of keeping nuclear as one of its energy options. It has been one of the prime strategic objectives of independent India ever since the first Prime Minister, Jawaharlal Nehru, envisioned India as a self-reliant nation. All subsequent Prime Ministers made nuclear issues an area of their direct responsibility and the nuclear establishment of India always remained under the direct administrative controls of Prime Ministers - right up to the present one.

One of the reasons for this is, it was always thought that India could be at the forefront of using nuclear technology for peaceful purposes. The world was shaken to the core by the catastrophe unleashed on humanity when America dropped two bombs on Nagasaki and Hiroshima and the horror stories that followed. India always thought it would need huge energy in the years to come; at the same time it felt that technology had to be the bedrock of the modern development of the country. Using known technology not for destructive purposes but for peaceful means, it was thought, could help humanity achieve its higher goals.

India thus initiated a nuclear programme during Homi Bhabha's time and continued to pursue the same till recently. Incidentally India conducted two nuclear weapons tests - Pokran 1 and Pokran 2 - using the same know-how with which it pursued nuclear power for peaceful purposes. So in a way, the acquisition of technical capabilities for generating nuclear power was helping India pursue a professed strategic objective. India always maintained though that its nuclear capabilities are only a deterrent to ensure that it does not face any nuclear attack from those who already have nuclear weapons.

India, while pursuing its objective of nuclear energy, suffered a great setback in 1974 after Pokhran 1 when there was a virtual technological embargo imposed on it by the most advanced countries. It was thus thrust upon

India to develop an indigenous technology. And India has been trying to develop a fast breeder reactor technology which can generate nuclear power by using locally-available thorium reserves to generate electricity without having to depend on imported stock of uranium. This required some uranium stock in the short run to propel the process to the next level of generating electricity by using thorium.

India's goal was to generate 20,000 megawatts of nuclear power by 2020. Currently nuclear power generation in India is less than 3% of India's total electric installed capacity. And according to the Planning Commission's estimate, with all the ambitious targets on nuclear energy, India's total energy mix from nuclear would not be more than 8% of projected installed capacity by 2035.

India's energy needs are so high that we need all forms of energy. Coal, which is 63% of today's energy basket, is vulnerable to domestic coal stock which will get exhausted in next 40 years at today's level of generation of power. Oil, which is mostly imported and will, by 2040, be more than 85% of our demand, will be met by imports and cannot guarantee India's energy security. And gas, which is in short supply even to meet today's demand, cannot be a dependable part of the energy basket of the future.

India does however need every form of electricity while it works on diversifying its energy portfolio to bring in more clean and green energy to address the new challenges posed by climate change. That would mean generating solar, wind, bio-mass, geo-thermal, oceanic energy, energy through waves and all that. But it is a futuristic scenario. While India makes the transition possible, it must have a sound base to ensure that the transition does not cause any instability. So before India takes off, it must be sure about a landing point somewhere. Thus was India so long dependent on - and even now - dependant on fossil fuels and nuclear, though the latter in a limited way.

Even before the Japan incident, nuclear power was always suspect especially on safety issues. Nuclear waste disposal has been one of the most contentious issues, not just because of the radiation content but also the waste, not being bio degradable, will cause several health and human life-related risk issues. Though there have been



limited accidents for nuclear reactors, even then public opinion has always been against the nuclear power.

Paradoxically the countries with the higher opposition to nuclear power are also those countries that were producing the nuclear energy. For example Japan, for all its sensitivities to nuclear technology, used to procure 30% of its electricity from nuclear sources. France, where for some time the green party was in the government, was totally opposed to a new nuclear plant even though 70% of its electricity is generated by State-owned companies like Electricite de France. Whenever a new plant was proposed, governments saw a great upheaval. In Finland, for instance, Ms. Satu Hassi, now a member of the European Parliament, resigned her job as the Environment minister, to protest against an upcoming nuclear plant.

Street protests, whenever there was transportation of nuclear waste, were a regular feature in many European cities. The US, which again was a strong proponent of nuclear power, has not put up a new nuclear plant for almost three decades now. Chernobyl, which was the symbol for nuclear disaster, was touted as a failure of a state like the USSR to maintain a high-technology asset, resulting in such avoidable accidents. Japan, for all its known sensitivity to nuclear as well as obsession for a high level of sophisticated living and quest for better living standards was always insistent on very high safety and security standards for their nuclear plants. Japan has over a period of time, developed awesome capabilities of weather forecasting, disaster management and capabilities to deal with any natural calamity.

However the failure of the various agencies in Japan, despite the best possible assistance coming from all parts of the world to control and limit the damage to the nuclear assets, has posed several new questions about the future of nuclear energy. It was always thought that Chernobyl was a freak and happened due to weak responses and capabilities of a not so advanced state. Japan can never be compared to any other state which lacks technological ability, political will or a commitment to look at the welfare of her citizens. And therefore post-Japan, nuclear power will have to answer a lot of new questions.

Here are some of the apprehensions raging in the minds of people.

1. Nuclear power is certainly clean but with such grave inherent risk factors. Could the world not look at other, cleaner options which do not have such inborn risk associated with it? Perhaps the so called nuclear renaissance could be for another clean power technology like solar power.
2. A country like India would add only 8% of its total energy mix from nuclear and thus has to depend upon more than 90% of its requirement from other energy sources. So why risk taking nuclear into its energy basket?
3. Natural disasters can occur any time and cannot be very scientifically predicted - as proved in this and earlier tsunamis. Also, the tsunami which follows an earthquake can hit the shores of countries beyond the site of the earthquake. It is then not possible to look only at seismic activities in and around the location of a nuclear plant, and not factor in accidents occurring in a place far away from the site of a nuclear installation.

4. Climate change which is caused primarily by the burning of fossil fuel, was one of the reasons that kept nuclear in favour nuclear, a non-green-house gas-emitting source of electricity. However the very reason for climate change is the possibility of so many new natural disasters taking place as predicted by IPCC and other global scientists. If the frequency of natural disasters rise and their unpredictability is proven, how can countries risk nuclear power installations which could cause even further damage, going beyond natural disasters?

5. The commercial cost of nuclear power: the demand for nuclear power has pushed up prices for reactors and equipment. Indeed the hype surrounding the so-called nuclear power has increased the demand for uranium which again has pushed up the cost of nuclear energy even before the Japan accident occurred. Now with the type of damages likely to be claimed by citizens and others from the nuclear plant operator, it will be even more expensive to put up a new nuclear plant. There is no insurance company that will provide an open-ended cover to the unknown risks that could happen due to an accident of this nature. That again will increase the cost of nuclear power beyond anyone's reach. Globally the nuclear power companies have been partially successful in convincing national governments to underwrite some of the risks by asking them to legislate on nuclear liability law.

Now with their eyes wide open and clear about the reality of nuclear power that has dawned on them after Japan, it seems unlikely that any sovereign government will take on their books an open energy liability – one which any tax payer would cheerfully end.

All these put together will increase nuclear costs. Add to this the new possible laws that will come into play for ever more stringent safety and compensation regulation, bowing to public demand and seeking protection, thereby driving costs higher.

Any new nuclear plant that will have to come up will have to be located in a place which any other neighbourhood or communities living in the direct proximity of such a location will not object. It's inconceivable that those who have seen radiation levels reach the US, China and across Japan, will agree to play host to a new nuclear facility. People have experience with radiation going into water, agricultural products, air, land, not necessarily in the direct radius of activities of the nuclear plant but far, far beyond. So people will really ask the questions: how will a new nuclear plant coming up benefit their national interest of energy security, or why should a community or city or town who are directly in contact with radiation from accident, agree to this catastrophe. So public resistance and outcry is what the future of nuclear power will have to address.

Accidents do take place in any situation and any circumstances to any asset and to any installation generating electricity. But the uniqueness of nuclear accidents is that affected people suffer not only in this generation, but also for posterity. So power generated to improve the life of today's citizens but pass on the risk to posterity, is an inter-generational issue that needs to be addressed.

Meeting: "Japan After the Crisis: the Future of Nuclear Power"  
April 1, 2011  
Aftab Seth, former Indian Ambassador to Japan and Suresh Prabhu, former Union Minister of Power in conversation with Tamon Mochida, Consul General of Japan in Mumbai.



# NEW TRENDS IN THE MANAGEMENT OF UPHEAVAL

12 April 2011

*A new United Nations doctrine is revolutionising the manner in which Western powers achieve regime change. Under the pretext of “Responsibility to Protect” –as the doctrine is named –armed intervention does not depend on the aspirations of a populace but the facilitation of existing power equations writes Neelam Deo, Gateway House Director.*

The romantic glow from the upheavals in the Arab world has begun to dim. The Egyptian army, which had been hailed as a saviour and partner in the protest movement, is now the focus of protests in Tahrir Square as the young protesters realize that ousting Hosni Mubarak was not enough to attain the fundamental economic and political changes necessary if the country is not to fall back into stagnation. The same scenario is playing out in Tunisia.

In Libya, Muammar Gaddafi's forces have made a surprisingly strong comeback, even as the rebels begin to display resentment at NATO's bombing of a rebel column of tanks instead of taking them to a quick victory. In Yemen, where casualties run into the hundreds, President Saleh is resisting American efforts to force him to step down. Syria is rocked by daily demonstrations and more deaths at the hands of government forces firing on funeral processions. Meanwhile, the Western silence on Bahrain is deafening as the majority Shia chafe under emergency rule enforced by Saudi troops and, it is rumoured, increasing numbers of fresh Pakistani recruits.

It would have been surprising if decades of suppression by regimes aligned to protect and promote Western interests (including Israel), partly through cynical religious manipulation and partly through the creation of ever larger security apparatuses, could be shrugged off quickly and painlessly. These oppressive regimes are reinforced by continued military and other interventions as the West tries to retain its former control of oil and dominance in the region. Western powers appear to have divided the region, more or less, into stable monarchies and precarious, or “pretend” (our term) democracies. Since the monarchies are concentrated in the oil-rich Gulf, they are receiving unequivocal support, while regime change is encouraged in North Africa and those Arab regimes that don't possess much oil, such as Syria, Yemen, Egypt and Tunisia.

Libya is a unique case, once shunned by the West because of its nuclear weapons (since given up) but now wooed by the West as a significant supplier of crude to Europe. However since a Jasmine Uprising in the eastern city of Benghazi, a combination of United Nations authorization and NATO force is being used to

Photo: U.N.'s Global Peacekeeping Operation Initiative  
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try out a new strategy. It's called the doctrine of "Responsibility to Protect" (R2P) using overwhelming air power to achieve regime change antiseptically from 30,000 feet in the air and no boots on the ground.

The UN is no longer paralysed by Cold War rivalries. Now the Western powers in the UN Security Council are reshaping its mode of functioning to favour armed intervention justified by the R2P, born out of the anguish of standing aside as the massacre in Rwanda took place. According to the original UN charter, only a threat to international peace and security (code words for world wars or regional instability) justified armed interventions. This is clearly not the case in the civil war in Libya. Equally dangerous for the credibility of the UN, is that in the rare case of justified intervention on humanitarian grounds, it will become more difficult to gain international acceptance because of the exposures of less noble motives, as happened repeatedly in Iraq.

Increasingly, contested elections in emerging democracies are followed by varying amounts of violence, as seen in the case of the Ivory Coast. There are

*In terms of doctrine then, it reveals that armed intervention by the West, under the UN umbrella, does not depend on local factors such as the wishes of the people, but favours the existing great power equations.*

20 elections coming up in Africa in the next 18 months. While some will surely be peaceful and incumbents will hand over power, recent history in countries like Kenya, Zimbabwe, and the Ivory Coast is not comforting. This weekend's parliamentary elections in Nigeria were relatively peaceful, despite a postponement, but there are no guarantees that violence will not break out when the results are announced. Will the UN authorize armed intervention in every country where violence breaks out? How much violence is tolerable?

As for Libya, NATO's "no-fly" campaign belies the failure of the massive bombings in the Second World War, the Vietnam War and, more recently, the ten-year-long no-fly zone over Iraq to gain military victory without the commitment of ground troops. Nevertheless, the West's unwillingness to absorb casualties of its own, even while inflicting thousands in the target country, is propelling renewed efforts by NATO to turn war into a video game. By its ability to shock and awe, air power can create the illusion of quick victory, often through the fall of a dictator. But for real democratization, regime change must be followed by nation-building - for which there is no appetite. Nor is it clear that the tens of billions of dollars and a decade spent in nation-building in Iraq and Afghanistan will result in lasting change, including in laws and cultural practices related to gender, religion and ethnicity.

At almost the same time as Western aircraft began to bomb Libyan forces, French jets, joined by UN helicopters,

intervened in the conflict in the Ivory Coast. On March 31, an editorial in the Washington Post, known to reflect the views of the U.S. government, highlighted the differences between the two countries, explaining that American intervention was not called for in Ivory Coast because of 'the strength of the opposition forces.' The challenger, Alassane Ouattara, had won the UN-monitored election in the Ivory Coast, and the African Union as well as the regional body, the Economic Cooperation Organization of West African States, had called on the loser, President Laurent Gbagbo, to stand down. In Libya, on the other hand, there was no way to assess the strength of the opposition: Gaddafi—in power for 42 years—is the only ruler that the vast majority of Libyans have ever known. The tribal allegiances remain powerful and the army has stayed loyal.

In terms of doctrine then, it reveals that armed intervention by the West, under the UN umbrella, does not depend on local factors such as the wishes of the people, but favours the existing great power equations. Although Western-backed ceasefire and peace talks with Gaddafi have been rejected by the rebels, the military stalemate is becoming less and less acceptable to the NATO forces because of their draining commitments in Iraq and Afghanistan.

It is ominous because the most likely outcome will be a divided Libya with a shattered economy, as well as the dislocation of tens of thousands of expatriate labourers, including 19,000 Indians.

Countries such as India that aspire to permanent membership in the UN Security Council must help to change course. They must act independently and on the merits of each case, not allow themselves to be hustled into quick votes without adequate prior consultation. This was done in the case of Resolution No. 1975, authorising armed intervention in the Ivory Coast; it passed in just two days, despite the disquiet expressed by India's Permanent Representative to the UN. This is not an argument for consistency but for the creation of a framework within which emerging problems can be dealt with. The abstention of the BRIC countries could be the starting point for an influential group of countries taking independent positions in the Security Council.

An issue that will be faced in the coming months and days will flow out of the much-anticipated elections in the Arab countries newly rid of their dictators: the strength of religion as a political and social factor and what that will mean for religious minorities. Already, Coptic churches in Egypt have been attacked. Will the northern Muslims and tribes in the Ivory Coast who support Ouattara undertake organized revenge attacks against the Christian supporters of Gbagbo in the mixed neighbourhoods of Abidjan? Will the eastern and western tribes in Libya live together amicably?

We are entering interesting times, and it will be very important to minimize outside interference, especially of the armed variety. The UN must not only be impartial; it must, like Caesar's wife, be seen to be so.

As the newest entrant of the BRICS group, South Africa's unpredictability in upholding the human rights dimension of its foreign policy agenda by its stance to impose a 'no fly zone' over Libya, has brought about an incoherency between the BRIC countries and South Africa writes Sanusha Naidu, Senior Researcher, Human Sciences Research Council, South Africa.

14 April 2011

Resolution 1973 has raised a set of sensitivities and ambivalence. This is not only evident amongst the Security Council members but it has revealed an incoherency between the BRIC countries and South Africa, with Pretoria throwing its support behind the US, UK and France by voting in favour of the Resolution.

As much as the Zuma Presidency perhaps wanted to demonstrate an independent foreign policy voice and

## South Africa's Human Rights Dilemma in

## BRICS

On the 14th April 2011, China will host the third Summit of the BRICS group. This Summit will be held in Sanya, located in the south of the tropical province of Hainan. The Summit will be significant for a variety of reasons. Not only will the Summit welcome its fifth member South Africa into its ranks, but it will also try and garner confidence that BRICS is more than just a club of the South's prima donnas.

It is interesting to see how South Africa's admission into BRIC will actually transform South Africa or vice versa. Already Pretoria's entry into the Forum comes on the back of some sensitivity regarding the human rights dimension of South Africa's foreign policy agenda.

That South Africa's admission into BRIC entails a complete abandonment of Pretoria's human rights dimension in its foreign policy agenda since China

and Russia are viewed less favourably in this regard needs to be examined in the context of recent events. The case in point is the UN resolution 1973, which imposed a 'no fly zone' over Libya, called for an immediate cease-fire and enforced a freeze on funds, and other financial and economic assets controlled and/or owned by Libyan authorities, including those of the Gaddafi family.

The authorization of Resolution 1973 illustrates a significant set of issues for South Africa's position in BRIC as it relates to how common geo-strategic interests intersect amongst the BRIC members. Alongside Germany, Brazil, Russia, China and India abstained from voting for Resolution 1973. While all members of the Security Council have condemned the actions of the Gaddafi regime against its own people who are demanding peaceful change and political reform, the interpretation and implementation of



probably assert that it has not lost its moral responsibility, the military intervention under Resolution 1973 has definitely posed a dilemma for Pretoria with its BRIC partners.

Already the other BRIC members have criticized the military intervention as an act of aggression against the people of Libya even though it falls within the ambit of the UN's 'responsibility to protect' doctrine especially where citizens are at political risk and threat by the

Photo Navanethem Pillay, High Commissioner for Human Rights  
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government in power. This was because the actual operation was not only disproportionate but more civilian lives became precarious through the air strikes.

Moreover, there was an underlying reproach and suspicion that the UN mandate was being manipulated by the allied force, which had less to do with a humanitarian intervention and more about a pending regime change in Libya that is suitable to Western powers interests.

And then, of course, there was the oil factor, especially the price volatility that this posed to the forward oil market index; notwithstanding the detrimental impact on the global supply and demand chains, production outputs, and the profits of International Oil companies. All of which must have informed the deliberations around the military intervention.

What the Libyan crisis represents is perhaps the first real test of whether BRICS can, indeed, speak with one voice over issues affecting the global governance architecture. Even more compelling is whether Pretoria and the Zuma Presidency had committed a diplomatic faux pas by voting with the Western powers without measuring the costs and the recourse to force that the military intervention actually entailed.

*By throwing its lot in with France, UK and the USA, South Africa has sent mixed messages about the human rights agenda that the Zuma Presidency wants to uphold.*

It seems less clear what motivated the Zuma Administration to align itself with the allied intervention. But it does seem like an ordinary but controversial decision to announce to the world that South Africa's human rights agenda remains a cornerstone of Pretoria's foreign policy decisions. Not to mention the negative PR for South Africa's global image, confusing stance on human rights and being out of sync with the AU's position against the 'no fly zone'.

Furthermore, the impact of the decision actually highlights the wavering nature of the debate on the human rights issue within BRICS. While China and Russia are seen as antithetical to the human rights debate, Brazil, India and South Africa, on the other hand, are suppose to represent the strengthened democracy bloc that upholds the principles of the global democratic order and should ideally promote the human rights agenda within the club. Yet, the decision taken by South Africa on Libya poses a complex set of questions, which curiously draws attention to the ambiguity of Pretoria's human rights dilemma.

By throwing its lot in with France, UK and the USA, South Africa has sent mixed messages about the human rights agenda that the Zuma Presidency wants to uphold. This demonstrates that while Pretoria may have been influenced by the 'responsibility to protect' argument where a dictatorship is committing human rights abuses against its own citizens, it does not offset the reality that the military intervention has its own human right

consequences, which ordinary Libyan people bear the brunt of.

Essentially, President Zuma's subsequent U-turn in condemning the military intervention marks the predicament that confronts South Africa's diplomacy and foreign policy agenda. In short what is the nature of this foreign policy agenda? And, more importantly how is it defined through the mechanisms of BRIC, G20, IBSA, and the UNSC? And how does this reconcile with Pretoria's Africa policy, which incidentally is highlighted as the underlying thrust of its current UNSC membership? Hence the uncertainty associated with whether South Africa's human rights agenda has finally slipped off the radar as a result of its formal admission into BRIC because Pretoria has got into bed with Russia and China whose governments are seen as undemocratic is a parochial interpretation and one that must be viewed with caution.

What must be recognized is that South Africa has shown that it is unpredictable when it comes to consistency in upholding the human rights dimension of its foreign policy agenda. This is evident by a set of contradictory positions that the Zuma Administration has demonstrated since taking office in 2009. On the one hand, President Zuma seeks to maintain the principles of national sovereignty and non-interference, but, on the other hand, he tends to advocate that his presidency is committed to the 'primary objectives' of ensuring that the ideals of democracy, human rights, and justice are upheld.

This has led to a mixed bag of foreign policy responses. While President Zuma aligned with the international community calling for the resignation of President Hosni Mubarak in Egypt, in the face of the post electoral crisis in the Ivory Coast, the Zuma Presidency sat on the fence and pushed for a government of unity to resolve the stalemate, thereby indicating that it did not recognize that Alassane Ouattara's legitimate victory in the November 2010 elections. And only changed its position in early March 2011 when it endorsed a call of the peace and security committee of the AU that requested for the defeated incumbent, Laurent Gbagbo to step down.

Similarly, while The Zuma Presidency had condemn the rigged elections in Myanmar, November 2010 and supported the international call for the release of the opposition leader Aung San Suu Kyi, Pretoria remains silent in reply to the suppression by the state security forces of the pro-democracy movements demands for change and political reform by pro democracy movements in Swaziland, which still remains under control of an absolute monarchy.

Therefore by joining BRIC this does not mean that Pretoria has finally renounced the human rights dimension of its foreign policy. In fact indications are that South Africa's foreign policy remains ambiguous when it comes to taking a consistent position on the human rights agenda.

# How Powerful Are The World's Bankers?



## very.

Followers of the American economist Hyman P. Minsky hold a conference in New York City each year to see how much progress has been made in controlling the world financial system. Minsky, not a mainstream economist, maintained that financial markets are inherently unstable and if left unregulated will go haywire and implode doing large scale damage.

Minsky's theory was never more popular than after America's financial meltdown of 2008. The surprise crash rocked the world, destroyed \$13 trillion in wealth in the U.S and according to Asian economist Andrew Sheng, wiped out some \$48 trillion in global wealth holdings.

This year the forum focused on whether international regulators could act together to curb the mega banks. The answers were not optimistic, especially because most speakers felt the U.S hasn't even cleaned up its own mess. If there's a global lesson, says Galbraith, "it's that it's ludicrous for the U.S. to tell China and other counties how to run their financial systems. China and Asian governments are drawing lessons from the causes and how the U.S. managed the aftermath, noted Sheng, whose book "From Asian to global financial crisis" compared Asia's 1997 crash to the 2008

21 April 2011

The 2008 financial collapse has economists pondering over the stability of global economies and the ability of those with financial power to maintain their wealth. Bob Dowling, Editorial Advisor, Caixin Media Group, explores who would be held accountable if such a situation were to recur.

global one. China's leaders are engineers. They are deliberative and move cautiously. They see that national governments may be able to deal with national banks but not with "too big to fail-- too big to jail" global ones, Sheng noted.

Bank bailouts are over in the U.S. and with the Federal Reserve printing money to drive investors into stocks, the 2008 collapse seems like a fading memory. That's why U.S. banking regulator Shelia Blair got attention when she told the conference a similar meltdown could happen again.

"I am not going to stand before you and claim that the inherent instability of financial markets can be regulated out of existence," said Bair, who runs the Federal Deposit Insurance Fund which protects U.S. savers from bank deposit losses up to \$250,000. Blair then went on to say that Dodd-Frank financial reform legislation could be used to mitigate the worst effects of another financial shock.

Two other U.S. officials tended to take a more hands-off position. Charles L. Evans, president of the Federal Reserve Bank of Chicago called the crash a "once in a lifetime crisis" caused by a "myopic focus" on

Photo: ©Marya from San Luis Obispo, USA /Creative Commons



compensation from short term profits, which he suggested wouldn't happen again. Charles I. Plosser, president of the Federal Reserve Bank of Philadelphia talked about the importance of having the central bank set an inflation target, ignoring the Fed's central role in fostering the crisis. Both officials took the position that no one could have detected the hidden and corrupt financial arrangements that turned billions of dollars of U.S housing loans into toxic securities.

*This was a massive intellectual failure by economists. You go to a conference and it is never on the agenda. You ask, 'how could they have screwed up so badly?' No one wants to talk about it.*

But U.S. economist James K. Galbraith, a former chief staffer of Congress's Joint Economic Committee and a long time government watcher read from testimony of Financial Crisis Inquiry Commission that noted Fed Chairman Ben Bernanke was warned in detail by housing lenders in 2005 how corrupt housing lending had become and how in their view it would precipitate a severe collapse. "The Fed should at least have the courage to admit it knew but didn't act. If government had followed the military's rule all officials involved should have been removed from their positions and an official inquiry started to see what they knew and when they knew it", he declared.

Gary B. Gorton, a Yale professor who at been at AIG Financial Products, the small brain trust that wrecked the giant insurance company by writing \$480 billion of policies on dubious housing bonds, said the economics profession had lost all credibility by pretending to act like it foresaw the crash when "no one had".

"This was a massive intellectual failure by economists. You go to a conference and it is never on the agenda. You ask, how could they have screwed up so badly? No one

wants to talk about it."

Phil Angelides the chairman of the Financial Crisis Commission was even more pessimistic about the future. Wherever I go the question I get from the public is, why is no one held accountable? The concentration of financial assets among the 10 largest banks is greater now than before the crisis when the Washington bailed out the big banks. "Of course it can happen again".

He said Americans are deeply cynical about the failure to prosecute bankers. They ask me: "Is the government just an insurance company for those with financial power. What we are grappling with now is far greater than the financial crisis. Its the eradication of trust".

On Wall Street, where big bonuses are back and the U.S. economy seems to be slowly recovering, well off Americans sharing in a stock market rally. Bankers are betting that like the regulators, the general U.S. public also sees the crisis fading into history.

Washington officials like Blair say it is not yet too late to bring charges against the bankers involved. "Justice moves slowly" she told the audience. But few others from the President on down talk that way. Midway through the meeting, the New York Times did a package of stories about how funds that law enforcement agencies wanted for Wall Street prosecutions were blocked by officials of the Obama Administration. After America's other big banking crash in the 1980's more than 1,000 housing financiers were charged and convicted, it noted. The impression that Obama is the protector of the bankers is hard to ignore. His opponents want even less government action. If a change is to come, it may be up to independent U.S. voters to bring the fight to Wall Street.



# GERMANY

## charting its own course at last

22 April 2011

Germany's abstention on the UN Resolution on Libya heralds the mellowing of a nation blamed for last century's most catastrophic wars. Gateway House Director, Neelam Deo writes on how this time, Berlin may determine the history of Europe by choosing to pursue its national interests peacefully rather than subjugating an entire populace.

While NATO attacks on Libyan forces continue intermittently another debate rages alongside. That concerns why Germany abstained on Resolution 1973 - which authorizes the use of all necessary measures "...to protect civilians" - alongside China, Russia, India, and Brazil instead of with its NATO partners who had moved the Resolution. The West, led by France, and UK with a more reluctant US introduced the UN Resolution on March 17, 2011, began the bombing of Libya in just two days and passed the baton on to NATO which continues the military action.

The leaders of the NATO countries say that they are acting to prevent a humanitarian disaster and there have been several hundred casualties after almost two

months of clashes between Gaddafi's troops and the rebels centered around Benghazi and Misrata. NATO air attacks have tilted the military balance in favour of the rebels, though not decisively, and efforts to arrange a ceasefire and identify a country willing to give safe haven to Gaddafi are underway. However President Obama has made it clear that regime change in Libya is imperative. But no one really knows who the rebels are and what they stand for. So although there is no time-frame for regime change, the outcome can only be either an East-West division of the country or a unified country making a prolonged and messy transition in which modernist forces will be ranged against deeply religious and possibly Al Qaeda-aligned movements.

Photo: Sandweiler German War Cemetery, Luxembourg  
©TCY / Creative Commons



The question of why Germany, a faithful member of NATO and an enthusiastic Europeanist, dealt what the Frankfurter Allgemeine Zeitung says is a “a blow to trans-Atlantic and European unity and security cooperation,” is preoccupying everyone. American analysts have been sharply critical suggesting as Roger Cohen of the New York Times did that the US stands at a “nadir” in post war diplomacy with Germany. In an interview to Der Spiegel, the French author Bernard Henri-Levy, known for his pro-American views, said that “we lost a great deal of time because of the Germans, which is a disaster, mainly for the Libyans, but also for the Germans who will pay bitterly for abstaining.” The more respected Briton, Timothy Garton Ash accused the Germans of having given a “stab in the back to its principal European partners, the US and the Arab League.”

Some German analysts have been even sharper in their criticism. Former German Foreign Minister and erstwhile Green, Joschka Fischer, who while in office did the most amazing transformation to become pro-American over the Bosnian crisis, has argued in the *Süddeutsche Zeitung* that Germany’s ambition to be a permanent member of the UN Security Council had possibly been “kicked into the can once and for all.” Freelance journalist, Ullrich Fichtner writing for *Der Spiegel* accused Germany of having read the future wrong and also of being on the “wrong side of history.” He and many others blame the German Foreign Minister, Guido Westerwelle for having acted for domestic political reasons, keeping an eye on elections in Bad Württemberg (which Chancellor Merkel’s coalition lost anyway)

While Foreign Minister Westerwelle is “blamed” for Germany’s abstention, much more important is for us to understand whether this vote was a one-off or a trend. Since its unification in 1990, Germany has struggled to overcome its post-Second World War pacifism. A Resolution was passed in 1991 after heated debate, under the stewardship of then Foreign Minister Joschka Fischer to interpret the Basic Law which governs Germany’s post war defence posture in such a way as to enable German forces to participate in UN peacekeeping operations in Cambodia, followed by the first invasion of Iraq in 1991 and incrementally in NATO out-of-area missions, including Iraq and Afghanistan.

Since the end of the Second World War, Germany and France have been the most enthusiastic participants of the European project to deepen and widen the European Union for the same reason – Germany, to restrain itself following the deep shame of the

Holocaust, and France to tie down Germany which it fears. Despite the deeply felt and expressed reservations of the German people over relinquishing the Deutschmark and the cost of German unification, Germany has prospered and became the largest manufacturing nation in Europe.

With each European economy that it has been forced to rescue from its own profligacy –Greece, Ireland, Portugal, and so forth – the German people and even the government, have become more and more uneasy and begun to enunciate the unthinkable –to expel countries from the Euro zone or to take itself out.

Although the United States played a major role in the allied victory in World War I, it lapsed back into isolationism and did not make the intellectual transition of seeing itself as anything other than an appendage of Great Britain till after the Second World War. The Holocaust became the central motif of the Second World War and ended with the division of Germany and the loss of its colonies in Africa. Asia and Africa were entangled in the battles and politics of the world wars because of their colonial status.

However, more than sixty years have passed since the end of the Second World War and Germany has paid billions of dollars in blood money to Israel. Even more to its credit, it has acknowledged guilt and carried out a huge education campaign for decades. While it can never do enough for some countries and Israel’s supporters, subsequent generations of Germans now chafe at the continual accusations and attempts to, as the first Secretary General of NATO Lord Hastings Ismay put it as the purpose of NATO, “to keep the Russians out, the Americans in and the Germans down.”

Perhaps, Germany has come of age. This time it may determine the history of Europe, separate from a relatively diminished US, as it acts like a normal country, in pursuit of its own national interests. Meanwhile, former colonies like India, China and Brazil have grown up enough to chart their own histories and therefore, the history of the world. By abstaining from a doubtful military adventure, alongside the four BRIC countries, Germany may actually be ahead of the curve in its reading of future power balances and how its interests will best be served.

It took two world wars in the 20th century for Europe to address the question of a powerful, unified Germany. The 21st century may well be confronting the same issue.

# India-Kazakhstan Looking Beyond Energy

28 April 2011

*Indian Prime Minister Manmohan Singh met with Kazakh President Nazarbayev to strengthen ties and announced a Joint Action plan for 2011-14. Should the countries enhance their “arms-length transactional” relationship, Gateway House’s Russia Studies Research Fellow, Katherine Foshko thinks a deeper alliance can be forged to include untapped sectors with immense potential*

On April 15-16, 2011, Prime Minister Manmohan Singh made his first official visit to Kazakhstan to meet with President Nursultan Nazarbayev. Though this fact was noted by few observers, this was the first visit to Kazakhstan by a world leader since Nazarbayev’s re-election in early April 2011. Mirroring the symbolism of Nazarbayev’s 2009 visit to India as a guest of honor for the 60th Republic Day celebration, the timing of the recent meeting demonstrates the increased prominence of Kazakhstan on India’s foreign policy agenda.

The two leaders signed seven bilateral agreements. These included a nuclear energy pact that covers joint exploration and research of uranium, collaboration on the construction and operation of nuclear power plans, and a commitment by Kazakhstan to supply India with over 2,000 tons of uranium by 2014. The two sides also concluded a long-negotiated Rs. 1,800 crore deal that

attention of policymakers and India Inc. from the bulk of the long-term opportunity—the still vast, untapped potential of deeper ties with Kazakhstan across the full spectrum of common interests including cooperation in the IT, alternative energy, and space sectors; increased bilateral trade and investment in areas such as pharmaceuticals, agriculture, textiles, infrastructure, mining, and tourism; and, critically, geopolitical considerations including India’s abiding interest in a stable, independent, and economically prosperous Central Asia.

An earlier Gateway House policy note highlighted the dangers of framing the relationship solely in energy terms and encouraged the adoption of a broader strategic framework. Positive steps have been taken during the April 16 meeting in this direction—beyond energy deals, the Prime Minister and President Nazarbayev announced a Joint Action plan for 2011-14 that details specific milestones in a range of bilateral cooperation areas including hydrocarbons and nuclear energy, but also the promotion of common security interests (e.g., agreements on cyber security, mutual legal assistance, and fighting narco-trafficking) and technological linkages (e.g., the establishment of a joint IT center at the University of Astana).

The relationship still calls for a more coherent articulation of these various initiatives to Indian stakeholders outside the policy establishment, practical steps to ensure deeper economic cooperation (for instance, announcements of joint projects and/or special economic zones and privileged tax treatment for India-Kazakhstan joint ventures), more visible coordination on

*The opportunities extend to energy access, increased trade and technology exchanges and greater geopolitical and security partnerships.*

gave India’s ONGC Videsh Ltd. a 25% stake in the Satpayev oil field on the Caspian Sea. Press reports on the visit have focused primarily on these two facets of India’s strategic interest in Kazakhstan: securing a reliable source of uranium and expanding hydrocarbon resource ownership to feed India’s rapidly growing demand for energy.

While energy linkages are vital, excessive rhetorical focus on nuclear energy and hydrocarbons distracts the



shared security concerns, and credible investments in “soft” ties including increased cultural and educational exchanges from the very low base of Indo-Kazakh people-to-people contacts today.

By framing the relationship in broader, more balanced terms in the coming years, India has the opportunity to build on the existing symbolism and cement the emergence of India as a “fourth leg” in Kazakhstan’s traditional tri-vector policy of balancing its relations with Russia, China, and the West.

The opportunities extend to energy access, increased trade and technology exchanges and greater geopolitical and security partnerships.

#### a) Energy Access

At the heart of the discussion of the India-Kazakhstan relationship—and evident in all press coverage of the Prime Minister’s Kazakhstan visit—is India’s growing demand for energy. In the field of civilian nuclear energy, India has been planning to dramatically increase its nuclear power capacity from 4.7 GW today to 20 GW by 2020, with annual nuclear fuel consumption projected to increase tenfold to 8000 tons.[2] Though some slowdown in nuclear industry development appears to be increasingly likely in the wake of Japan’s Fukushima disaster, long-term plans appear to be unchanged and India’s demand for nuclear fuel in the near to medium-term will still be substantial. Much of this demand will need to be met by growing uranium imports while India develops its domestic uranium deposits. India’s hydrocarbon consumption is also projected to increase at a very rapid pace, with IEA estimating growth of demand from 3-3.5 million barrels per day in 2011 to over 5 million per day in 2020.

Kazakhstan can help India address these needs. It is the second largest source of recoverable uranium after Australia with an estimated 15-19% of the world’s total reserves. Extrapolating from current trends, the Central Asian nation is poised to emerge as the number one global supplier of uranium in the next five years with a presence across the uranium extraction, enrichment, and fuel fabrication markets. Kazakhstan’s extractable resources of oil are estimated to be 7.8 billion tons, and those of natural gas 100 trillion cubic feet[5]—large resources by any measure and doubly important insofar as Middle Eastern and Western hydrocarbon resources are largely closed to Indian investment.

The nuclear cooperation agreement and ONGC’s hydrocarbon investment announcements made last week are therefore highly positive steps. However, to put things into perspective, the Satpayev field is relatively small—it is estimated to hold in place reserves of 253 million tons of recoverable deposits (or 1.85 billion barrels)[6], amounting to 3% of known Kazakhstan reserves and providing sufficient oil to meet India’s needs for only 1.5 years. The value lies more in the diversification of India’s strategic oil sources and the potential for larger future deals if the current transaction proves to be a success.

More important, the transport of hydrocarbons from Central Asia to India is problematic given the absence of

stable, reliable land routes. In the case of the Satpayev field, for instance, this means that the oil will not enter the Indian market directly, but will be sold within the region with compensating oil purchases from India’s traditional oil market counterparts.

For nuclear fuel, the short-term need is more substantial and challenges to trade fewer, but the current opportunity is smaller – India’s three-year uranium purchase commitment constitutes less than 4% of Kazakhstan’s likely uranium production volumes over the same period. These observations do not discount the value of increased India-Kazakhstan energy cooperation, but do highlight the broader point that immediate energy deals should not be the be-all and end-all of the India-Kazakhstan ties – India’s long-term energy security calls for a longer planning horizon and a broader view of the relationship.

#### b) Trade and Technology

The trade volume between the two nations has experienced rapid growth, rising from roughly \$ 80 million in 2004 to \$ 253 million in 2009 and \$ 314 million in 2010. Major export commodities from India to Kazakhstan are tea, pharmaceuticals, medical equipment, machinery, tobacco, and consumer items. Major items of import for India beyond the energy field are asbestos, wheat, steel, aluminium, wool, and raw hides.

These numbers are dwarfed by the volume of India’s trade with top partners like China (\$ 61.7 billion in 2010), but nonetheless suggest that the relationship with Kazakhstan is at an incipient stage and holds promise. For instance, almost all major Indian pharmaceutical companies have a presence in Kazakhstan and have increased their share of the \$ 500 million market. The two countries’ business interests received a great boost when Kazakhstan’s Arcelor, now the second largest steel producer in the world, became a jewel in the crown of the Mittal empire. Furthermore, opportunities abound in underexplored sectors like agriculture, tourism, construction, and rare metal mining. The National Economic Chamber of Kazakhstan’s and the Confederation of Indian Industry (CII)’s agreement to develop bilateral business cooperation, according to which several networking events for industry representatives will be held this year, is a step in the right direction.

Technology is another area of opportunity. The establishment of a joint IT center at the University of Astana is a beginning, but there are more opportunities for higher levels of collaboration here, such as a reinvigorated set of cooperation initiatives between the Indian IT sector and the IT innovation city in Kazakhstan’s Alatau (PIT Alatau), which was established in the wake of a 2002 agreement[9] but has not yet captured its full potential. The two states could also strengthen their cooperation in high technological fields, particularly bio- and nano-technology, and join forces in promoting clean energy.

#### c) Geopolitics, Security, and Beyond

Because of their geographic locations, both states have an interest in maintaining a peaceful and stable Central Asia, most notably in Afghanistan, the locus of regional

instability as well as illegal drug routes that extend through the region.

During the April summit, both India and Kazakhstan pledged their support for a speedy resolution of the Afghan conflict and cooperation in the future reconstruction of the state. Furthermore, India is a member-state of CICA (Conference on Cooperation and Confidence-Building Measures in Asia), an OSCE-type organization founded by Kazakhstan, and Kazakhstan has been a major supporter of India’s UN Security Council bid. Both governments have stated their commitment to strengthening their collaboration in those forums, as well as the Asia Cooperation Dialogue (ACD) and the Shanghai Cooperation Organization (SCO), where Kazakhstan is again a major supporter of an expanded role for India. Beyond the diplomatic plane, security cooperation can be strengthened by joint training and military exchanges focused on common issues of concern like terrorism and drug trafficking.

Cultural linkages between the two countries are so far at a nascent stage. India has been active in the interfaith conferences held in the Central Asian state. In the sphere of educational exchange, the Kazakh embassy reports that there are now nearly 1,000 Indian students in Kazakhstan, mostly in the medical field. India has trained more than 700 specialists and scholars from Kazakhstan in various fields under the ITEC (Indian Technical and Economic Cooperation) program sponsored by the Ministry of External Affairs since 1992, at an average of less than thirty per year. Over the years, a hundred Kazakh students have also come to India under the ICCR (Indian Council for Cultural Relations) scholarship programs for international students. Such people-to-people contacts, in the form of cultural exchanges, programs, and overall awareness, can be significantly expanded in both directions.

However, even in the context of Kazakhstan’s small population—somewhat larger than New Delhi at 16 million—these exchanges seem limited, especially compared with the robust exchanges that India has with its smaller neighbours in South Asia such as Bhutan, Sri Lanka, or Nepal. But they are more significant than, for instance, with any other Central Asian nations, and in that sense, have greater potential to spread Indian goodwill and influence in the region along with cementing abiding, multi-generational links with Kazakhstan that will stand India in good stead.

With the opportunities inherent in a stronger Indo-Kazakhstan relationship come risks which need to be appreciated if the ties between the two states are to develop appropriately in the coming decades.

The chief among these is managing the potential risks of close collaboration with the regime of Nursultan Nazarbayev who in an April 3 vote gained what BBC News termed a “crushing” victory, officially winning over 95.5 % of the electorate. The election, criticized by some observers, extended Nazarbayev’s rule, already in place for over 20 years, for another 5-year term. The monopolization of power by Nazarbayev and his family has faced criticism, though often muted, over the years from the West; international monitors say that police routinely torture suspects; and Kazakhstan languishes at No. 162 on

the Reporters Without Borders’ Press Freedom Index. Immediate prospects for instability appear to be very limited and the analyst consensus is that the regime is genuinely popular with the growing middle class—an unsurprising development given the astonishing rise in incomes from \$ 1000 to \$ 12,000 over the past two decades. In the longer term, however, the potential for instability during any future transition of power from Nazarbayev remains due to the centralized nature of the regime, the lack of alternative political figures outside of the Nazarbayev circle, and the relatively high levels of corruption, with Kazakhstan being rated 2.9 (out of 10) by Transparency International.

These potential risks should not be made a bone of contention in India’s ties with Kazakhstan. First, from a purely realpolitik standpoint there is a broad alignment of strategic interests between Kazakhstan and India—there are enough common concerns between the two Asian states to secure a successful and multi-valent partnership. Second, any objections by the West to India’s closer alignment with Kazakhstan are unlikely and, in any case, would be hypocritical given the United States’ and Europe’s deep relations with the Nazarbayev regime (as witnessed in Kazakhstan’s 2010 presidency of the OSCE). At the same time, India should pursue tactical measures to minimize the risks of the relationship—this will mean calibrating messages of support for the regime carefully as has already been done during the Prime Minister’s visit, engaging multiple sectors of Kazakhstan’s society beyond more personal relations with Nazarbayev’s circle, and carefully scrutinizing trade agreements and joint projects to minimize the potential for corruption and corresponding reputational blowback for India. In conclusion, this note argues that further conversations between Delhi and Astana should continue to go beyond the immediate energy concerns. The two countries should continue reconfiguring what is still often seen as an arm’s-length transactional relationship that hinges on relatively narrow natural resource considerations into a broad strategic alliance. The Indian policy establishment should more openly herald the importance of this strategic partnership, visibly promote opportunities in areas like trade, industry, and information technology, involve the private sector in further strengthening business and investment linkages, and, at the same time, make real investments in inter-governmental links in “soft” diplomacy areas including cultural and educational exchanges.

#### Key Agreements from the April 16 meeting

The Seven Agreements between India and Kazakhstan are as following:

1. Agreement between ONGC Videsh Ltd. of India and National Company Kazmunaigas of Kazakhstan on Satpayev Exploration Block:
  - (i) Participating Share Assignment Agreement
  - (ii) Carry Agreement
  - (iii) Joint Operating Agreement

2. Agreement between India and Kazakhstan for Cooperation in the Peaceful Uses of Atomic Energy

The Agreement envisages a legal framework for mutually



beneficial cooperation between the two sides in the peaceful uses of nuclear energy including fuel supply, nuclear medicine, use of radiation technologies for healthcare including isotopes, reactor safety mechanisms, exchange of scientific & research information, exploration and joint mining of uranium, design, construction and operation of nuclear power plants etc.

3. Joint Action Plan for furthering the Strategic Partnership between India and Kazakhstan (Road Map) for the period of 2011-2014

The Roadmap outlines the joint action plan for implementation of projects to be undertaken by both sides during the period 2011-14 for the implementation of Inter-Governmental Agreements. The Roadmap details specific milestones in a range of areas of bilateral cooperation including hydrocarbons, civilian nuclear energy, space, information technology & cyber security; high-tech and innovative technology, pharmaceuticals, healthcare, agriculture and cultural exchanges.

4. MoU between Indian Computer Emergency Response Team (CERT-In), Dept of Information Technology of India and Kazakhstan Computer Emergency Response

Team (Kz-CERT), Republic of Kazakhstan

The MoU envisages development of cooperation in the area of Information Security and covers the scope of mutual response to cyber security incidents, exchange of information on spam and other cyber-attacks, exchange of information on prevalent cyber security policies and exchange of human resources.

5. Treaty between India and Kazakhstan on Mutual Legal Assistance in Civil Matters

6. Agreement between the Ministry of Agriculture of India and the Ministry of the Agriculture of the Kazakhstan in the field of agriculture and allied sectors

The document envisages cooperation between the two Ministries in the field of agricultural research and technologies, food and agricultural production. It also envisages cooperation in the spheres of agricultural science, food processing, crop production, plant protection and agricultural trade.

7. Agreement between the Ministry of Health of India and the Ministry of Health of the Republic of Kazakhstan on cooperation in the field of healthcare

# Bubbling Up Versus Trickling Down



28 April 2011

We need to deconstruct power and thus reconstruct India from the lower rungs of economy, of administration and of capability. Devaki Jain, Development Economist, Activist and Gandhian, writes that it will heal the fissures of inequality and mitigate the evils of centralized power.

There is palpable tension everywhere in India at the inequalities and the idea that the middle class is driving the economy. Bribery and corruption, robbery and social violence apart from suicides are increasing.

Egypt is warning us that gross inequalities, as well as the clearly visible accumulation of wealth and privilege by a few, and that too supported by the state, does anger and disturb civic order. When this question of comparison was posed to our Prime Minister in his audience to the TV channels on 16th February, he said our democracy offers enough valves to express dissatisfaction, so there is no fear of such strong anti-state uprisings.

But all analysis shows that the violent and armed conflicts in tribal areas, the anarchy in many places is due to tangible injustice, the abrogation of the rule of law, the denial of the rights guaranteed by the Constitution and to the unequal fruits of resource utilization. As some critics say, a dysfunctional democracy.

Growth and surplus, it is being argued, is the necessary condition for removal of inequality and poverty. But as Amartya Sen has said in his recent article 'Growth and other concerns', "there are so many elements of arbitrariness in any growth estimate (the choice of prices for weighing is only one of the problems), but also because the lives that people are able to lead — what ultimately interest people most — are only indirectly and partially influenced by the rates of overall economic growth"

Further how the GDP figures are generated, as well as its composition, from what economic areas and how, is in itself an issue raised by respected economists the world over.

Can distributive justice be built into the growth path of India? Though not impossible, it certainly would require abandonment of the current over-the-top belief in corporate and FDI-led growth.

The Bubbling-Up theory, constructed by Gandhi as a counter theory to the 'trickle-down' approach to growth, argues that the process of removal of poverty can itself be an engine of growth, that the incomes and capabilities of those who are currently poor has the potential to generate demand which in turn will be the engine of production, but of goods that are immediately needed by the poor which are currently peripheral in production. The oiling, then, of this engine will bubble up and fire the economy, in a much more broad-based manner. Unlike export-led growth, it will not skew production and trade into the elite trap, which is accentuating disparities and creating discontent. Social and other networks are also creating that centrality of not only communication but also the proximity of production and consumption, as efficient economics. The commons are coming to legitimacy as efficient through the work of Nobel Laureate Elinor Ostrom.

Gandhi suggested that production and consumption should be proximate and based as far as possible on local resources, "the first concern of every village republic will be to grow its own food crops and cloth". To provide dynamic institutional underpinning to operationalise these ideas on the ground, Gandhi held that a unified political and economic strategy was



Photo: Burkhat pass, border of Sarymsakty and Tarbagatay mountains ranges, East Kazakhstan  
© Dmitry A. Mottl



required. This entailed the creation of an institution in the political realm, “village republics,” to ensure that every adult had an equal share of political power as well as the duty to be an active custodian of political freedom. Swaraj - self-rule, was applied at all levels: Hind Swaraj - self-rule for India; Gram Swaraj - self-rule for the village; and Swadharma - self-rule for the individual. One could suggest that this was similar to or the same as affirming individual rights.

Gandhi argued that Indian ideas in Indian conditions were necessary to relieve the masses from the burden of economic oppression in the shortest time, with tools and techniques that were labour-absorbing and used minimum capital and energy. He was also, perhaps, one of the first to understand the nature of roving capital, and how it cannot only exploit for self-advantage the resources of the colonies, but also subordinate the mind of the colonised and gain partners among them.

In the present era, though the Gandhian ideas are relevant, it is not possible to simply adapt the concept of Gram Swaraj in its purist form for the reason that the institutional framework within which it operated then is obsolete for the world of today. What does make sense is to re-invoke and question the overall adoption of something called modernity, socialist or capitalist, based on ideas that enabled colonialism such as central systems, or global markets and roving capital.

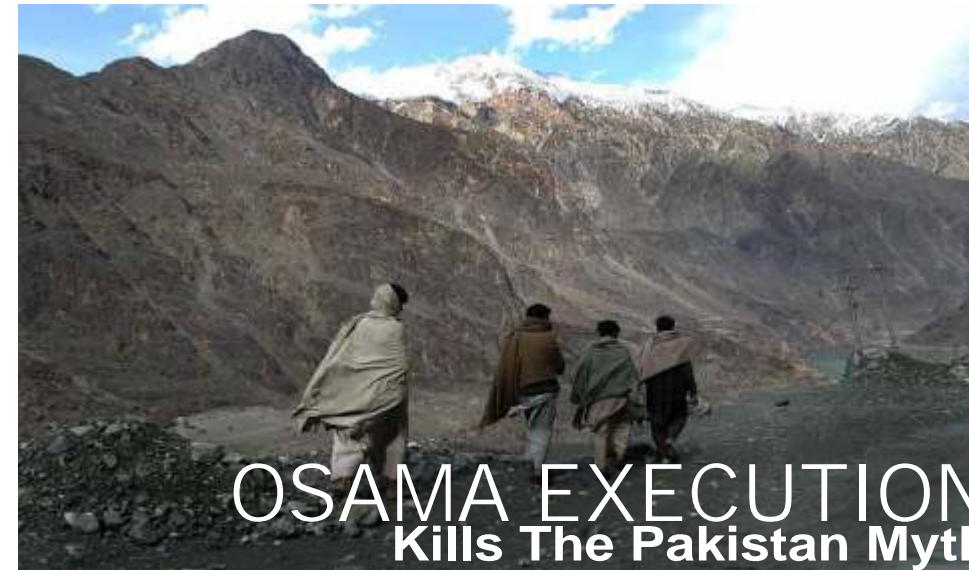
An arrangement for deepening democracy and deconstructing economic and administrative power was put into place by the 73rd Amendment to the Constitution. Generated from the ideas of Mahatma Gandhi, and taken forward by Rajiv Gandhi. It had evolved after much reflection and understanding of the

current world. It could in fact be the tool with which India could re build itself into a people-led economy.

These institutions make possible progress through inclusion. Given that much of India's industrial output comes from the informal economy, from the home-based work with no security either; amendments in the legal framework in the form of labour laws, or a strong revival of the hand product industries, a revival of the small farm and its production of food grains, where possible to be locally consumed, - could provide food security as well as ensure GDP with justice. Such a thrust would require complex undoing of not only the tax and credit policies but also the public investment and trade policies and approaches to infrastructural development.

A clear definition of inclusive growth needs to be restated as the inclusion of poor as the starting point. A village plan starting with the poor showing existing livelihoods through products which are unique to the local areas and enable the circulation through the local market places, could mean starting at the bottom. A strong push with backward-forward linkages to the industrial goods that the poor is producing in India could be another approach to growth with employment.

Decentralisation is a negative term. The need of the hour today is to replace it with the idea of deconstructing power and thus reconstructing India from the lower rungs of economy, of administration, of capability. This is a possibility and would heal the fissures and also mitigate the evils of centralized power, which in turn invites scams and deviations, as accumulation does tempt.



2 May 2011

The circumstances involved in the execution of Osama bin Laden make clear the connections between the Pakistan military and the Taliban-Al Qaeda. M.D. Nalapat, Director, Department of Geopolitics, Manipal University, explores whether it finally slow the U.S. descent down the Wahabi-friendly trail.

**A**t 11:30pm on Sunday, May 1, U.S. President Obama announced that U.S. Special Forces had killed Osama Bin Laden. Bin Laden was in a walled compound of a mansion in Abbotabad, in the heart of Pakistani military's main training school.

The irony of Bin Laden's hideout was not lost to the world – especially to those of us in India. The western media keeps the Pakistan question at bay; but everyone knows now the connection between Bin Laden and his protectors, the Pakistani military, and especially with its Chief of Army Staff, Pervez Ashfaq Kayani.

Kayani comes from a family dominated by a Wahabbi view of the world, something apparent in the dress and demeanour of his close relatives. From the 1980s, Kayani has been close to the Taliban leadership, and those who do not fall prey to the fallacy of separating this Wahabbi outfit from Al Qaeda understand that he is committed to the jihadist dream of a world united under the religion founded three centuries ago, and which since then has sought -with regrettable success - to replace one of the noblest of faiths, Islam.

The Wahabbis came in handy to the British Empire more than a century ago, when they succeeded in convincing several Bedouin from the Arabian Peninsula that the Sufi variant of Islam favoured by the Turkish Caliph was a perversion of that faith. It subsequently enabled access to oil for the West, which built oil empires and infrastructure from Saudi Arabia.

Again from the 1950s to the 1970s, Wahabbism was used against Arab nationalism of the sort represented by Gamal Abdel Nasser of Egypt and Ahmed Ben Bella of Algeria. During the 1980s it was used against an already moribund USSR in the (then) insignificant theatre of Afghanistan. When the Brezezinski-Casey strategy of giving deadly weapons and training to the militarised core of the Wahabbi faith fused with the Al Saud determination to enable this new faith to replace Islam across the globe, what followed was a tragedy for the world. Although he despised the US and the Al Sauds, Osama bin Laden was himself their creation.

Pakistan, again a creation of British strategists led by Winston Churchill, also became a key player in this game. Since the days of General Zia-ul-Haq, the Al Sauds have had a close relationship with the Pakistan army - which even today provides the security services to the Al Sauds and which in turn has umbilical links to the Taliban. Given this, it is incomprehensible why

Former U.S. President George W. Bush and his Vice President Dick Cheney so endangered the security of both their country as well as the rest of the world by appointing the arsonist - Pakistan - as the Deputy Sheriff in the race to capture Wahabbi terrorists.

The tragedy of Afghanistan has flowed from that single decision, the malefic effects of which were accentuated by NATO's irrational zeal in removing the Northern Alliance from the ruling structures in Afghanistan, and replacing them with Pashtuns vetted by the Pakistan army. Several of these - including Hamid Karzai - turned hostile to Islamabad once it became clear that the intention of the Pakistan army was to reduce their country to the status of an East Pakistan. Such disillusioned Pashtuns earned the hostility of NATO, which persisted in seeing the Pakistan army as their best partner in the region's War on Terror.

It ought not to be forgotten that it was during Bill Clinton's watch that "Al Qaeda" morphed into a formidable force, or that he several times refused permission to the CIA to take out Osama bin Laden. He was, of course, not the only US policymaker to have got his policy prescriptions wrong. Who can forget that Robert Gates, as deputy to the CIA Director, consistently regarded Soviet President Mikhail Gorbachev as a Leonid Brezhnev with PR skills? Both Gates and Secretary of State Hillary Clinton sought to constrain President Obama in his appreciation that the Pakistan army was unlikely to be of any help in the war against terrorism. Had it not been for the cautionary notes injected by Gates and Clinton, (both of whom, incidentally, have scuppered the possibility of a military alliance with India by placing this country in the same bracket as Belize as far as conditionalities for defense purchases are concerned), it is likely that Obama would have waged a far more vigorous drone campaign than he has so far.

The circumstances involved in the execution of Osama bin Laden make clear the connections between the Pakistan military and the Taliban-Al Qaeda. Hopefully, this will convince new Secretary of Defense Leon Panetta and Clinton to cease their descent down the Bush-Cheney Wahabbi-friendly trail.

The army in Pakistan has to be isolated and the Taliban eliminated. Else a new Osama will rise from the death of the Yemeni mastermind.

Photo: Northern Pakistan  
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4 May 2011

Osama Bin Laden's death may not have an immediate effect on Al Qaeda's ability to conduct operations nor may it deter the 'democratic' protests of the Arab Spring. Pakistan though, will now have to answer to global questioning and may reshuffle its stance with the Taliban and other terrorist groups writes Neelam Deo, Director, Gateway House.

## OBAMA gets OSAMA

The sudden killing of Osama Bin Laden by US special forces is being celebrated all over the world, but especially in Afghanistan and Iraq which became, wrongly, the victims of American wrath following 9/11. The Afghans especially from President Karzai downwards are emphasizing their frequent past assertions that the source of global terrorist activities was Pakistan, not Afghanistan. The question now is: what does Osama's death mean for the threat of terrorism worldwide? The consensus seems to be that there is no single figure that can replace him, not with his reputation for the audacity of 9/11 and of having survived worldwide efforts at capture for ten years. However, since Osama has not actively led Al Qaeda operations for years, his death is unlikely to have any immediate effect on the organization's ability to plan and conduct operations. In the long run terrorism will continue as a more decentralized activity unless the international community cooperates much more in intelligence sharing and joint operations. In the immediate aftermath however, all western countries have heightened security-apprehending revenge attacks in the name of Osama especially by local sleeper cells.

For India, what matters is that Al Qaeda is not the only terrorist organization based in Pakistan. The Lashkar-e-toiba and the Jamat-ud-Dawa, for instance, remain active with continued support from sections of the Pakistan establishment. We can only hope that so massive an exposure of Pakistani complicity with terrorism, and the brazenness with which they provided safe haven to Osama Bin Laden, will force the international community to acknowledge India's predicament in dealing with such a neighbour. Many are wondering whether the death of Osama will have an impact on the 'democratic' upsurge currently spreading across Arab countries. This is unlikely because the demands of the protests have been against corruption which shrinks economic opportunity and the assault on individual dignity by security states. In Yemen, US efforts - in the guise of a Gulf Cooperation Council plan - to broker a relatively orderly transition of power from President Saleh to his deputy were made because of the cooperation he had extended to anti "Al Qaeda-in-the Arabian Peninsula" operations. Saudi Arabia will make sure that this will continue given its serious concerns regarding spill over their long common border. In Libya, fears about the possibility of Al Qaeda fighters being part of the "rebel" forces did not prevent the US from attacking Gaddafi. However that war has now become so intensely local that the death of Osama is unlikely to change its tortuous course.

Mostly, however, it seems that fears of Al Qaeda are overshadowed by more local concerns. For instance in Egypt

and Tunisia, anxiety about the success or otherwise of the Islamic brotherhood in forthcoming elections, is the primary concern. In the Gulf Sheikdoms, the Shia-Sunni rivalry probably takes higher priority than does Al Qaeda's ideology at this time. The great unknown is what impact the end of Osama may have in his home country, Saudi Arabia, which actually has a significant number of Al Qaeda supporters. Some have gone through re-education campaigns with uncertain outcomes. But worrisome is the fact in Riyadh, that there is widespread sympathy for the beliefs and objectives of Al Qaeda and even some perverse pride in Osama's prolonged defiance of the US.

Finally, it remains to be seen what impact this success of American persistence and disregard of Pakistani sensitivities, will have on the Taliban in Afghanistan - and at one remove, in Pakistan itself. There are already calls by Afghan Taliban spokespersons and ordinary Afghans for the US to now leave Afghanistan as their original mission to eliminate Osama bin Laden has been accomplished. Opponents of the engagement in Afghanistan will echo these calls in the US. But Osama's exit is unlikely to have any effect on the Pakistani Taliban, which has now a momentum in its fight against the Pakistani state - not entirely unrelated to US activities in Afghanistan, including drone attacks in Pakistan. A new delicate dance has already begun as Pakistan and the US try to salvage what is left of their tattered special relationship in the fight against terror, impelled by their shameful mutual dependency, mostly at the expense of India and Afghanistan. The US needs Pakistan to conduct and even wind down its war in Afghanistan. Pakistan, and in particular the army, wants American indulgence of its inexplicable but implacable enmity against India and continued aid, now more than \$ 3 billion annually, to continually upgrade its armaments.

Economically, the end of Osama has brought good cheer, causing stock markets around the world to move up and the price of oil to decline by over a dollar. Even the price of gold and silver has fallen. Since most of the problems of the global economy are structural, don't expect wonders: this spurt in stock values is likely to be short lived.

For India, there is once again an urgent need to heighten security against any violent reactions to Osama's death inspired from across the border. Now is the moment, an unprecedented opportunity for India to highlight Pakistani complicity in global terror. Meanwhile, we should rapidly strengthen our own anti-terrorism forces and take a cue from American persistence in trying to resolve the many unsolved cases of terrorism sent in from across the border.



# US-PAKISTAN allies or enemies?

5 May 2011

Even ardent supporters of Pakistan are unable to explain to Washington, and indeed the rest of the world, how Osama Bin Laden lived in a mansion with the Pakistani military and ISI as his neighbours. Seema Sirohi, Journalist and Analyst, writes that the implications on US-Pak relations are likely to be heavy.

The attempt to maintain a veneer of civility in public on US-Pakistan relations is indeed brave but the gulf of mistrust between the two allies-enemies has widened even more dangerously in the aftermath of the US raid that killed Osama bin Laden inside Pakistan. In the short term, relations are likely to worsen while demands to restrict US aid to Pakistan grow as the US political establishment absorbs the implications of finding the world's most wanted man living under the very noses of Pakistan's powerful military.

Washington's decision to keep Pakistan in the dark about the mission to kill bin Laden speaks volumes about the state of friendship or lack thereof between the two countries, which over the years have indulged in extreme semantic jugglery to hide their warts.

In fact, a new term is being used to describe their fraught relations - frenemies - or allies who double cross, double deal and play double games while pretending to be "friends." It takes mountains of skill and oceans of patience to sustain such a relationship but currently the

levels on both are low.

The discovery that bin Laden was living comfortably in a palatial house built in 2005 in the armpit of Pakistan's elite military academy and close to the homes of many retired military officers in Abbottabad, a resort town north of the capital, has raised serious questions about whether he had ISI protection. Even staunch defenders of Pakistan can't explain how bin Laden was able to hide in plain sight for so long without arousing suspicion.

Shuja Nawaz, director of the Atlantic Council's South Asia Center and a Pakistani American, said that while "proximity does not establish a direct association" but if evidence surfaces that Pakistani authorities were "complicit in creating the hideout, then all bets are off." Senior US officials have openly declared Pakistan's military and intelligence agencies dangerously complicit or frighteningly incompetent. The anger in Washington after years of studied tolerance is erupting on television and official briefings. John O. Brennan, President Barack Obama's top counterterrorism adviser, said it was "inconceivable that bin Laden did not

Photo: Pakistani soldiers unload relief supplies from a U.S. Navy helicopter in Northern Pakistan as part of a multinational humanitarian assistance and support effort led by the Pakistani Government to bring aid to victims of the devastating earthquake that struck the region in 2005. Source: Timothy Smith / Creative Commons

Photo: U.S. President Barack Obama  
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have a support system in the country that allowed him to remain there for an extended period of time.”

*The mistrust has grown steadily over the years, prompting Washington to develop its own intelligence assets inside Pakistan, delicacies around sovereignty be damned*

US officials have long suspected Pakistan’s military of harboring militants and have periodically increased pressure through selective leaks and threats to cut off aid. Pakistan has responded by periodically producing a terrorist or two to placate Washington and reclaim its place as ally-in-chief in the war on terror. The growing mistrust has resulted in Washington pursuing an intermittently independent policy, while publicly urging Pakistan to shut down sanctuaries for terrorists who walk over to Afghanistan, kill US troops and come back to rest.

Leon Panetta, director of the Central Intelligence Agency, said he decided early on to exclude Pakistan from Operation Osama because it was felt that “any effort to work with the Pakistanis could jeopardize the mission” and that “they might alert the targets.” He couldn’t have been blunter but what he said in public has been conventional wisdom in private for some time. The US stopped informing Pakistan of impending drone attacks after discovering that targets would disappear into the wild.

The mistrust has grown steadily over the years, prompting Washington to develop its own intelligence assets inside Pakistan, delicacies around sovereignty be damned. The ISI, angered by the increasing numbers of US intelligence operatives, embarrassed the CIA last December by naming its station chief and forcing his departure. Then came the ferocious diplomatic row over Raymond Davis, a US intelligence officer who was imprisoned in Pakistan for killing two local men. The furious attempts to rescue Davis from Pakistan earlier this year showed the US determination to protect its independent intelligence networks.

No surprise then that the noise on Capitol Hill is growing louder for an explanation from Pakistan. Did Pakistan intentionally harbour bin Laden in the hopes of using him as the ultimate card at a later stage?

Senator Joe Lieberman, chairman of the Homeland Security Committee, asked that Pakistan “prove to us that they didn’t know

bin Laden was there.” Others are demanding that Pakistan share information about terrorist leaders such as Taliban’s Mullah Omar and Al Qaeda’s No. 2 man, Ayman al-Zawahiri, who are still at large.

Senator Susan Collins, a senior Republican, has suggested that the billions of dollars in US aid to Pakistan must have “more strings attached” while a Congressman from Texas, Ted Poe, has already introduced a bill to freeze all aid.

Pakistan is slated to receive \$3 billion this financial year and has collected a total of \$18 billion in US largesse since the 9/11 attacks in 2001 when it became a US ally, according to some estimates. It is possible the Obama Administration might slash military aid even if it continues to bolster President Asif Ali Zardari’s government with economic aid.

As Senator Lindsey Graham, a powerful Republican on the Senate Appropriations Committee, which oversees foreign aid, said: “Pakistan can’t be trusted, nor can it be abandoned.”

While US aid may be curtailed or conditioned, Washington is unlikely to take any precipitate action to cause a permanent rupture. The Obama Administration has invested far too much in developing a relationship that goes beyond the Pakistani military and the ISI. It has a wide-ranging strategic dialogue with the civilian government even if nascent and indeterminate. Besides, the spectre of a nuclear-armed Muslim country cut adrift scares even the strongest critics of Pakistan. Ever more, the US will maintain a presence, covert or overt, in Pakistan to prevent a case of “loose nukes” and to monitor the rise in fundamentalism.

Then there is Afghanistan where peace among various warring groups is likely only with Pakistani help because Islamabad controls key players. Obama has committed to begin drawing down US troops from Afghanistan this summer; a decision whose successful execution will play a key role in his own re-election bid. A semblance of a deal in Kabul is important for Washington as is Islamabad’s cooperation.

But how Washington leverages the current opportunity opened by the discovery and death of bin Laden while the Pakistani military and ISI are chagrined and on the defensive to force real cooperation in the future remains to be seen.



# Emerging India And Its Extended Neighbourhood

6 May 2011

Former Union Minister Mani Shankar Aiyar addressed the Elliott School of International Affairs, George Washington University with a lecture on "Emerging India and Its Extended Neighbourhood". Aiyar remains one of the few who are thrusting Gandhian ideals into India’s foreign policy.

The self-image and aspirations of contemporary India are best exemplified in the Annual Review for 2010 published last month by the Indian Foundation for National Security Research, tenth in the series, which ranks India as “the fifth most powerful nation in a hierarchy of fifty top nations in the world”. This is an independent Report, supported, however, by the National Security Council,

The Annual Review’s National Security Index parallels the joint report of the US National Intelligence Council and the European Union’s Institute of Security Studies (September 2010) which assesses India’s share of global power at 8% rising to 10% by 2025, placing India fourth in the global league by 2025, immediately behind the US, China and the EU.[3] These findings would appear to reinforce and endorse President Barack Obama’s certification in the Central Hall of the Indian Parliament last November that India is no longer “emerging” but has, in fact, “emerged”.

Through most of world history, the immediate consequence of an emerging power is that it seeks to

join the Quest for Dominance that has characterized international relations since time immemorial. However, the burden of such a Quest, in terms of the human cost of war, hegemony, Imperial rule or even domination, has largely been borne by those sections of the emerging nation who have least benefitted from such emergence, the Quest for Dominance being largely driven by the ambitions of the political, social and economic elite who are, quite disproportionately, the biggest beneficiaries of the processes of emergence.

Hence, the text of my lecture is derived in substantial measure from Prof. A.J.P. Taylor’s Foreword to the Penguin edition of his Origins of the Second World War where he says: “As a private citizen, I think that all this striving after greatness and domination is idiotic; and I would like my country not to take part in it. As a historian, I have to accept that Powers will be Powers.” Will emerging India clone this striving after “greatness and domination” or will her foreign and military policies be driven by factors other than the traditional Quest for Dominance? For, to quote the opening sentence of India’s National Security Annual Review,



2010: “India is emerging as a ranking power but is at a loss as to how to exercise that power.”

The origins of that conundrum lie, I believe, in the millennial history of India, during which each aspiring monarch has sought to extend his (and, occasionally, her) territory within the landmass of the sub-continent but has rarely tried or even desired to range across the seas as a naval power. Contrariwise, the civilizational influence of the country – soft power, as we have come to call it - has extended eastwards right across Burma, Thailand and the Indo-Chinese countries to the Malaysian peninsula and the Indonesian archipelago; northwards through Buddhism to China, Mongolia, the Korean peninsula and Japan; and westwards to the east coast of Africa, Persia, the Arab world, and through the Arab world to Europe. Reciprocally, the influence of all these countries, cultures and civilizations, and in particular that of the Turkic centres of Central Asia, on the evolution of India’s civilization has been considerable, as has that of the West in the last three hundred years or so, leading to a civilizational character of exceptional, perhaps even unique, diversity in religious, linguistic and cultural terms. For such an India to play the role of a Great Power in the Indian Ocean basin and beyond is, in a significant sense, a first-time challenge for a country so steeped in an ancient and enduring past that has not included overseas expansion.

Second is the ethos and character of our Freedom Movement, whose principal strategy was to base action and reaction on asymmetry. Recognizing that taking on the British Empire in fields where the Empire held clear superiority – state power, economic strength, military clout – the Freedom Movement, particularly after Mahatma Gandhi took charge of it, abjured both the conventional instruments of power and even the goals and ambitions of the colonial government. Everything they stood for was rejected; goals they would not dream of were advocated. At the height of the prevalence of the Whig view of history, with the West basking in the warm glow of the Edwardian twilight, Gandhi penned his *Hind Swaraj* (1908), a tract that rejected virtually every “achievement” of Western civilization and posited an alternative, even eccentric, trajectory of personal and national goals that suddenly acquired salience in The Waste Land left by the First World War. It also led to an impish Gandhi remarking when asked what he thought of Western Civilization that it might be a “good idea”. Asymmetrically postulating alternative goals was essential to successfully projecting alternative asymmetric means for achieving those goals, principally the overthrow of the most powerful Empire the world had known till then.

Thus, nonviolence became the battle cry, non-cooperation and passive resistance the methodology, wearing homespun and boycotting British goods the personal practice, the hand-operated spinning wheel or *charkha* the repudiation of soulless industrialization, and mass mobilization the challenge to a numerically inferior but very much stronger Imperial authority on all conventional parameters of power. As the leader of the Movement, Gandhi set a

personal example that resonated in the hearts and minds of all Indians. His choosing over other symbols the tax on salt as a prime example of Imperial oppression was an instance of asymmetry that reverberated around the world. Another was his argument when arraigned before a sessions court after his first mass *satyagraha*. Gandhi told the judge: “I am satisfied that many Englishmen and Indian officials honestly believe that they are administering one of the best systems devised in the world, and that India is making steady, though slow, progress. They do not know that a subtle but effective system of terrorism and an organised display of force, on the one hand, and the deprivation of all powers of retaliation or self-defence, on the other, has emasculated the people and induced in them the habit of simulation...In my humble opinion, non-cooperation with evil is as much a duty as is cooperation with good...Nonviolence implies voluntary submission to the penalty for non-cooperation with evil. I am here, therefore, to invite and cheerfully submit to the highest penalty that can be inflicted upon me for what in law is a deliberate crime, and what appears to me to be the highest duty of a citizen.” Dressed in a loincloth and a shawl, he went to meet the King-Emperor in Buckingham Palace, casually remarking to a shocked journalist that “the King-Emperor had on enough for both of us.”

Earlier, Gandhi had driven Churchill to paroxysms of fury by keeping to his asymmetric dress code when calling on Lord Irwin, the Viceroy: “It is alarming and also nauseous to see Mr. Gandhi, a seditious Middle Temple lawyer, now posing as a fakir of a type well-known in the East, striding half-naked up the steps of the Vice-regal palace”

In idiom, symbolism, propagation, technique, strategy, and the articulation of the relationship between ends and means, both as high philosophy and as an easily comprehensible message for the masses, Gandhi emerged as the Master of Asymmetry, converting a personal ethic most associated with Jesus Christ into a political practice that had the great merit of actually achieving its goal of Independence in the face of what initially appeared to be insuperable hurdles. It could well be argued, and is, that many factors other than Gandhi went into the transition from Empire to Freedom, but the other arguments are for historians to ponder; contemporary India saw, and continues to see, the liberation of the country from foreign rule as the triumph of asymmetry.

Third, the success of the strategy of asymmetry deeply influenced the foreign policy of independent India, the approach that came to be known as Nonalignment. I stress that it “came to be known as Nonalignment” because, in the initial years of Independence, the Cold War had not quite congealed and, therefore, it was less a matter of refusing to be allied to either side than an insistence on treating foreign policy as the external expression of India’s newly won independence. Thus, for instance, despite strong community ties to South Africa on account of the large number of indentured Indian labour that had been transported to that country and strong commercial links, and also notwithstanding South Africa being in the British Commonwealth,

almost the first action taken by India on acquiring control over external affairs was to break diplomatic relations in protest against South African racism and apartheid. Invited to participate in the two UN Committees that considered the future of Palestine, India remained rock solid in opposing partition and was the only non-Muslim country to vote against partition on 29 November 1947. We were also the second country to recognize the People’s Republic of China, after graciously letting Burma be the first. None of this pleased either of the principals, but it did lead to India, within the very first decade of its Independence, acquiring an unique place in international relations, with an influence way out of proportion to its strength in political, economic and military terms – an influence partly founded in the moral legacy left by Mahatma Gandhi but mostly the consequence of offering the emerging Third World an option other than that of belonging to either of the confronting camps of the Cold War.

In practical terms too, an independent Indian foreign policy enabled India to not only preach a relatively credible alternative doctrine – that of peaceful coexistence – to a world apprehensive of the second half of the twentieth century proving as bloody as the first, but apprehensive too that a third world war with nuclear weapons would mean the end of existence as humankind had known it since the dawn of civilization; it also resulted in India becoming acceptable to both sides as a non-partisan umpire to bring conflict to an end. Thus, India was invited in 1953 to chair the Neutral Nations Repatriation Commission that froze the armed conflict in the Korean Peninsula at the 17th parallel. The following year, India was invited to chair the International Commissions for Supervision and Control to monitor the 1954 Geneva agreements in the three countries of former Indo-China – Laos, Cambodia and Vietnam.

These palpable successes of asymmetrically remaining out of the two camps of the Cold War persuaded the newly liberated countries of Asia and Africa to come together in 1955 at Bandung – the first international outing, as it were, for the People’s Republic of China, then being treated as a pariah by the Western world -to carve out a third way for those coming into bloom after centuries of foreign rule or domination.

The following year, 1956, marked the beginning of the End of Empire. President Gamal Abdel Nasser nationalized the Suez Canal, leading to the Anglo-French-Israeli invasion of Egypt. So, although it was the same year in which John Foster Dulles had termed “neutrality” as “immoral”, it was to immoral India that the international community turned to lead the UN Peacekeeping Force in Gaza.

The alleged immorality lay in countries like India refusing to line up in military pacts. Asia effectively was being divided between those who chose and those who refused to be incorporated into someone else’s world order. It so happened that in Asia it was principally those who belonged to the ancient regime who chose to join the pacts (ironically leading to Baghdad being the first to repudiate the Baghdad Pact!); the new wave, as

much in Africa and Latin America as in Asia, preferred the third way.

It was in these circumstances that Nonalignment came to be the adopted name of the foreign policies of those who preferred the asymmetrical response. Five of them met at Brioni in Yugoslavia and laid the foundations of the first summit in 1961 of the Movement of Nonaligned Countries, a Movement which, at its apogee – the Seventh Nonaligned Summit in New Delhi in March 1983 – numbered more than two-thirds of the member-States of the United Nations and over half of humanity. From a beginning of one – India – asymmetry had proved to be the most vital and enduring influence of the post-colonial world.

It also enabled India to become something of a torch-bearer of several causes – disarmament, development, decolonization – that had more adherents outside the camps of the Cold War than within, thereby making India continue to matter even after the enormous setback of the India-China war of 1962.

India has, therefore, not had to wait for the twenty-first century to play a role of influence in world affairs. Begging President Obama’s pardon, we were neither submerged then nor are we emerging only today. What has changed between then and now is that at that stage – the Cold War stage - it was asymmetry that characterized Indian foreign policy and gave it influence; now it is growing symmetry with the principal international trends that is beginning to characterize Indian foreign policy two decades after the collapse of the Soviet Union rendered obsolete the very word “Nonalignment” and the Cold War retreated into history. It is also these very two decades that have coincided with high rates of GDP growth associated with the liberalization and globalization of the country’s economic policies, now more than earlier ideologically in keeping with the dominant power’s philosophy. This is also associated with an acceptance of, and acquiescence in, the reality of a third power besides India and China in the Asia of the Twenty-First Century – America in Asia. Indeed the Indian National Security Annual Review 2010, quoted earlier, commenting on the strengthening of the India-US relationship “over the last five years”, says the “not-so-hidden objective of the two countries (is) to countervail China’s increasing power and its unpredictable intentions”.

So, does the emergence of an India given over to a conformist symmetry rather than its earlier nonconformist asymmetry signal the beginning of the kind of Great Power rivalries that characterized Europe in the 19th and early 20th centuries? Or does it instead signal the possibility of realizing the vision which animated India’s first-ever debut on the international stage, the Asian Relations Conference of March 1947, held months before Freedom came at Midnight?

The Asian Relations Conference was born of the conviction that even as the anti-colonial movements in Asia were animated by an Asian Renaissance, so must the transition to the post-Imperial era lead to an Asian Resurgence, founded on unity among Asian powers and



aimed at the restoration of Asia to the historical position it had held through all but the last few centuries in the vanguard of the advancement of human civilization.

The Asian Resurgence is now happening, and India is very much part of the Resurgence. But the Resurgence is largely in economic and military terms, and to some extent cultural terms, rather than in ethical or civilizational terms. It, therefore, runs the risk of evolving in a confrontational manner rather than cohesively promoting an Asian identity, let alone Asian unity, and the building of extra-territorial alliances to maintain peace through a balance of power.

Will India work towards cooperative relations with her Asian neighbours or seek to secure parity with China by drawing towards itself those who might feel threatened by the rise of China, even as China draws towards itself those who are uncomfortable with the rise of India? Or is it more likely that even while India builds its military capacity to resist Chinese pressure at home (in Arunachal Pradesh and elsewhere) and to intervene outside where Chinese intentions or actions appear mala fide, its foreign policy posture will be based on the pursuit of a bilateral relationship founded on the Five Principles of Peaceful Co-existence set out in the 1954 India-China agreement on Tibet?

*Were India and China to come together in pursuit of a larger ideal of Asian unity, it is just possible that their potential rivalry could substantially be subsumed in a larger cooperative framework.*

Indications are that since at least 1988, when Rajiv Gandhi broke the ice with his historic visit to China, the first by an Indian Prime Minister after the 1962 debacle, and Deng Xiao Ping reciprocated by shaking the Indian Prime Minister's hand in the Great Hall of the People for all of 8 ½ minutes so that the world's TV cameras could record the breakthrough moment beyond reasonable doubt, both Governments have engaged with each other even if they remain far from resolving the core issues that divide them. The important point to note is that the very fact of deep and sustained engagement has enabled them to maintain peace and tranquility on the borders, defuse tensions and resolve minor disputes without abandoning stated positions on key matters of national integrity and security. On the other hand, Robert Kaplan in his celebrated work *Monsoon* published last year claims that the Indian Ocean "together with the contiguous Near East and Central Asia...constitutes the new Great Game in geopolitics." God forbid! He quotes the US Navy as having "suggested that it will no longer be forward deployed permanently in the Atlantic, but instead will concentrate in the coming years and decades on the Indian Ocean and the Western Pacific." He also cites Zhao Nanqi, director of the general staff logistics

department in the Chinese navy, as having proclaimed: "We can no longer accept the Indian Ocean as an ocean only of the Indians" – a claim which, as far as I know, has never been made by India. What we sought was an Indian Ocean as a Zone of Peace. What we are getting, unless we are very careful, is, the Indian Ocean as the crucible of the next Great War.

Three scenarios are projected. One is the view espoused by a Chinese analyst, Zhang Ming, cited by Robert Kaplan that "India is perhaps China's most realistic strategic adversary", the argument being that "once India commands the Indian Ocean, it will not be satisfied with its position and will continuously seek to expand its influence, and its eastwards strategy will have a particular impact on China." This view reinforces the perspective of the Indian National Security Review, 2010, quoted earlier, of "the not-so-hidden objective" of India and the US countervailing China's "increased power and unpredictable intentions". An alternative scenario might be the possibility foretold by Kaplan of "India's and China's mutual dependence on the same sea lanes" leading "to an alliance between them that, in some circumstances, might be implicitly hostile to the United States". And a third alternative, again in Kaplan's words, might be "a peaceful transition away from American unipolarity at sea towards an American-Indian-Chinese condominium of sorts".

Is then the 19th century, not the 21st century, dawning over the Indian Ocean? Is rivalry between the three

Great Powers of the Indian Ocean maneuvering to ally with one or the other to keep at bay the third much like the games played after the 1815 Congress of Vienna which maintained an illusory peace based on the doctrine of the balance-of-power for all of 99 years only to break down quite unforeseen but definitively when one of the Powers persuaded itself that from being a congeries of warring principalities in 1815 it had emerged as a strong Bismarckian state, the greatest Power on the European continent but denied its role as such? Or, in the light of the futility of war and its overwhelming dangers in an era of nuclear weapons, can the moment be seized to transform potential Great Power rivalry in the Indian Ocean and Asia generally into a historic opportunity to promote pan-Asian harmony, cooperation and continental unity?

At the moment, growing interdependence makes emerging Asia somewhat like the pre-War Europe of Norman Angell's *The Great Illusion*: self-evidently, military confrontation is in no one's interest, cooperation is in the interest of everyone – as Jawaharlal Nehru foretold through convening the Asian Relations Conference at the very commencement of the post-colonial world order for Asia. Tragically, however, six decades later, Asia remains the most divided continent in the world, and, therefore, open to internal rivalry and external intervention, not a Zone of Peace but the most potential theatre of nuclear annihilation.

Where the Europeans after centuries of fraternal bloodletting have at long last come to the European Union, and the Africans too have moved from the

Organization of African Unity to the African Union, even as the Monroe Doctrine has acquired the more contemporary garb of the Organization of American States, Asia alone is fractured. Were India and China to come together in pursuit of a larger ideal of Asian unity, it is just possible that their potential rivalry could substantially be subsumed in a larger cooperative framework.

Recalling that the European Union began as the European Coal and Steel Community, the kick-off point for an eventual Asian Union could be the prospect of an Asian Oil and Gas Community. Asia is the world's largest repository of hydrocarbons; it is also the fastest growth point in the demand for hydrocarbons. I talk here not of the narrow Asia of the common American lexicon which draws Asia as extending from the western Pacific to the Mekong and fine-chopped into the Asia-Pacific, South Asia, and the Middle East as separate geopolitical entities. I mean instead the Asia of geography and history, stretching from the eastern Mediterranean and the Red Sea to the western Pacific, and extending north-south from Siberia and Sakhalin through Central and South Asia to the islands of the Indian Ocean and out to Indonesia and the Philippines.

For this Greater Asia, there is no greater requirement than energy for sustaining and accelerating economic growth. That China and India are among the fastest growing hydrocarbons consumers is well-known. What is only now emerging is that the principal Asian suppliers of oil and gas are challenged by dramatic changes taking place in the global energy economy. In place of the sellers' market that Asia has experienced through the last six decades and more, particularly after the oil priceshokku of 1973, there is now emerging if not yet a buyers' market, certainly a more equitable market. The notorious Asian premium charged by Saudi Arabia till the other day has, from time to time, transmogrified into an Asian discount to offset declining Western purchases of high-priced oil. This is principally because steep oil prices have rendered economically attractive the exploitation of oil and gas shales, of which North America and potentially east Europe have abundant reserves. Indeed, for the first time ever, prices of natural gas, piped or shipped as Liquid Natural Gas (LNG), have been delinked from oil prices and we see the wholly unprecedented spectacle of LNG vessels roaming the Atlantic in search of spot buyers. Shale gas in east Europe is even affecting the medium-to-long term prospects of Russian gas piped to west Europe and Central Asian gas transported from Turkey to Europe via Austria through the Nabucco pipeline. The hydrocarbons producers of West Asia, Iran, Central Asia and north Asia (that is, Russia east of the Urals, which is increasingly replacing the European part of the Russian Federation as the main source of Russian oil and gas) as also those of south-east Asia, from Myanmar to Papua-New Guinea, plus Australia (which might also perhaps be incorporated in the Asian Oil and Gas Community of my imagination) – who collectively comprise the treasure trove of the world's remaining conventional hydrocarbons – need a restructuring of global hydrocarbons markets quite as much as Asian consumers from Japan and Korea in the North-east through China in east Asia to India and Pakistan in the

south need more assured and equitable access to the hydrocarbons available in their immediate and proximate Asian neighbourhoods.

An Asian Oil and Gas Community, possibly even an Asian Gas Grid, would give confidence to Asian consumers that they will get the energy they need to achieve and sustain the high rates of GDP growth on which their national destinies and the Asian Resurgence depend; it will also orient Asian producers to the Asia of the future rather than remaining mired in the world of oil and diplomacy that emerged in the aftermath of the Second World War.

I made a tentative beginning in this direction when I served briefly as India's Minister of Petroleum and Natural Gas. We succeeded in convening the major Asian consumers and producers in two conferences in January and November 2005 that institutionalized a pan-continental dialogue. Carrying forward that dialogue, building strong bilateral energy relations, establishing an Asian or Indian Ocean Index for oil and perhaps even gas, and covering the continent in a network of pipelines, would be to convert the danger of destructive intra-Asian rivalry into the harbinger of pan-Asian cooperation, heralding an Asian Resurgence that would take human civilization itself to a higher plane of thought and action.

Much depends, I believe, on whether India's relations with its more immediate neighbours are harmonious or not. The fraught relationship with Pakistan makes Pakistan an obvious party for the Chinese to cultivate to keep India in check. Recent reports of a Chinese military presence at the passes through the Karakoram in the high Himalayas that Pakistan has gifted to the Chinese have sounded an Indian alarm.

Similarly, caught between China and India, as it were, Nepal could become the Belgium of South Asia unless wiser counsel prevails.

To the east, Myanmar (Burma) is the bridge between North-East India and South-West China. This was where the Stillwell Road and the Ledo-Kunmin oil pipeline were laid to enable the liberation in the Second World War of China from the grip of Imperial Japan. Today, that land link is forbidden territory for fear of China being afforded a vantage military entry point into India in addition to the forbidding passes of the eastern Himalayas that the Chinese army poured through in 1962. The enormous economic potential of India's north-east region is thus locked out from its natural economic hinterland in south-west China and south-east Asia.

The region's economic future is also enmeshed in the troubled question of whether relations with China can be so improved as to make the North-East, in particular the state of Sikkim, the entrepot for overland trade between India and Tibet, and, now that infrastructure between Tibet and the rest of China has so dramatically improved, the entrepot even for land-based trade between all of India and China? Were that to happen, the economic fortunes of the North-East region would soar. The recent improvement in relations with Bangladesh is the one ray of hope for India's north-east region that, for most of the last half-century, ever since the 1965 war



with Pakistan, has been cut off from its transit routes to the rest of India through East Pakistan (now Bangladesh), except for the narrow 26-kilometre Chicken's Neck at Siliguri. In consequence, the region that in British times was the second-most prosperous in India, after Bombay Presidency, is lagging far behind the rest of the country on virtually every measure of growth.

Further south, the naval facilities the Chinese are building in the Cocos islands in the Andaman Sea reinforce the advantage they have acquired through never having had any inhibitions over dealing with the military regimes that have ruled Myanmar with an iron hand since 1962. The blue water strength of the Chinese navy and its expanding mercantile maritime interests in the Bay of Bengal and the Indian Ocean area, evidenced in the deep water harbours they are helping build at Hambantota, in the President's constituency in Sri Lanka, and at Gwadar on the Arabian Sea coast of Pakistan, have stoked Indian concerns to the point even of fearing encirclement.

For many, this calls for a robust Indian military response, preferably in concert with those who have the strength to be a credible deterrent (read the United States) rather than be caught up in romantic notions of the Asian Resurgence and Peaceful Co-Existence. In this view, there is no Asian Resurgence, only a Chinese Resurgence, and peace requires not co-existence but the military strength to forestall or resist the inevitable Chinese advance. There is thus no shortage of Indian Metternichs seeking a network of political and military alliances to maintain an Asian balance of power.

The symmetrical response would be to fall in with this realist view, accept that nations, particularly Great Powers, potential or kinetic, are fundamentally hostile to one another, and diplomacy, therefore, should be aimed at containment or even overthrow but not at accommodation and compromise, except when hard-headed military calculations show that the balance of power cannot be challenged except at great, and unacceptable, economic and military cost.

The asymmetrical response would be to ask whether positioning oneself on the brink is the only answer? Why not instead set right India's troubled relations with her immediate neighbours and build a vigorous one with her proximate neighbours, besides defusing disputes and tensions with China, so as to encourage China to be part of a new cooperative Asia rather than fight China over the dismembered corpse of a divided Asia?

To my mind, and based on three decades of frequent visits to Pakistan and repeated interaction with a wide spectrum of Pakistan public and political opinion, a harmonious relationship with Pakistan is not only desirable but eminently feasible. But this requires so structuring the India-Pakistan dialogue as to make it both uninterrupted and uninteruptible. There is no Indo-Pak issue so intractable as to not be capable of yielding to sustained discussion, as was demonstrated on the back channel during the Musharraf regime, an emergent agreement that dealt even with Kashmir let

alone lesser matters. It is disruption of dialogue that is the enemy of dispute resolution. Therefore, inuring the dialogue, insulating it, as it were, from the inevitable ups and down of a relationship as fraught as ours is, is of the essence for the dialogue to bear fruit. The topic is such as to warrant a lecture on its own, but let me offer you a quick resume of the three reasons on the Pakistani and Indians sides respectively which make me believe that things augur well for a new relationship between the two distant neighbours.

First, from an Indian perspective, for the domestic reason that a tension-free relationship with Pakistan would help us consolidate our nationhood, the bonding adhesive of which is secularism. Second, for the regional reason that regional terrorism can be effectively tackled only in cooperation with Pakistan and not in confrontation with it. Third, for the international reason that India will not be able to play its due role in international affairs so long as it is dragged down by its quarrels with Pakistan.

Equally, I believe it is in Pakistan's interest to seek accommodation with India for three counterpart reasons. First, the Indian bogey has harmed rather than helped consolidate the nationhood of Pakistan. Second, Pakistan is unable to become a full-fledged democracy and a sustained fast-growing economy owing to the disproportionate role assigned to alleged Indian hostility in the national affairs of the country. And, third, on the international stage, Pakistan is one of the biggest countries in the world and instead of being the front-line in someone else's war perhaps deserves to come into its own as a frontline state in the pursuit of its own interests.

Is the fact of Pakistan being the hub of world-wide terrorism an impossible obstacle to the normalization of relations? This was perhaps true at a time when the three types of terrorism prevalent in Pakistan – namely, terrorism against India, terrorism against the West, and terrorism targeted at Pakistan itself - could be distinguished one from the other. But the three breeds are getting increasingly merged and it is increasingly evident to the Pakistani establishment that Pakistan's own survival depends as much on ridding its soil off all types of terrorism as on ridding itself of terrorism that targets the home base but acquiescing in the export of terrorism, as it once thought possible.

Any accommodation between India and Pakistan would have a beneficial impact on Afghanistan. The increasingly despairing search for the Most-Wanted Osama bin Laden has gravely damaged Pakistan and its relations not only with neighbouring Afghanistan but even with its own people, who are being killed by the hundred in Waziristan and elsewhere in a war started by someone else. Afghanistan has been accepted a member of SAARC, the South Asian Association for Regional Cooperation. A dialogue between Afghanistan, Pakistan and India would complement the India-Pakistan dialogue and could, Inshallah, lead to an amicable rearrangement of relations in the north-west of the sub-continent. Indian, Pakistani and Afghan interests are complementary not confrontational if Afghanistan is to come into its own and not just function as a backwater providing Pakistan with strategic depth.

In Nepal, democracy is struggling to institutionalize itself. The transition from monarchy to a republican order has not been smooth but it certainly makes it more possible to move from monarchical whims to a mature relationship between two democracies that privileges Nepal's perceived national interests while accommodating China's interests without endangering India's security, thus enabling both countries to contribute in their respective ways to promoting the development of one of the poorest and least developed countries in the world.

Indeed, making Nepal a field of cooperation between India and China rather than a hotbed of rivalry might pave the way to bringing the Autonomous Region of Tibet into an arrangement with SAARC or even into SAARC itself. Far-fetched as this might sound at the present juncture, South Asia will acquire a comprehensive identity when it is expanded from the founding Seven, now Eight including Afghanistan, to Myanmar and Tibet.

To the south, the ending of the LTTE insurgency augurs well for restoring brotherhood and equality between all sections of the Sri Lankan nation, involving the devolution of powers not only to the provinces but, even more importantly, to democratically elected community representatives at the level of local self-government. The two smaller SAARC members, Bhutan and Maldives, constitute ideal examples of constructive cooperation with and within the region, friends with all and enemies with none.

Beyond the immediate neighbourhood, India's Look

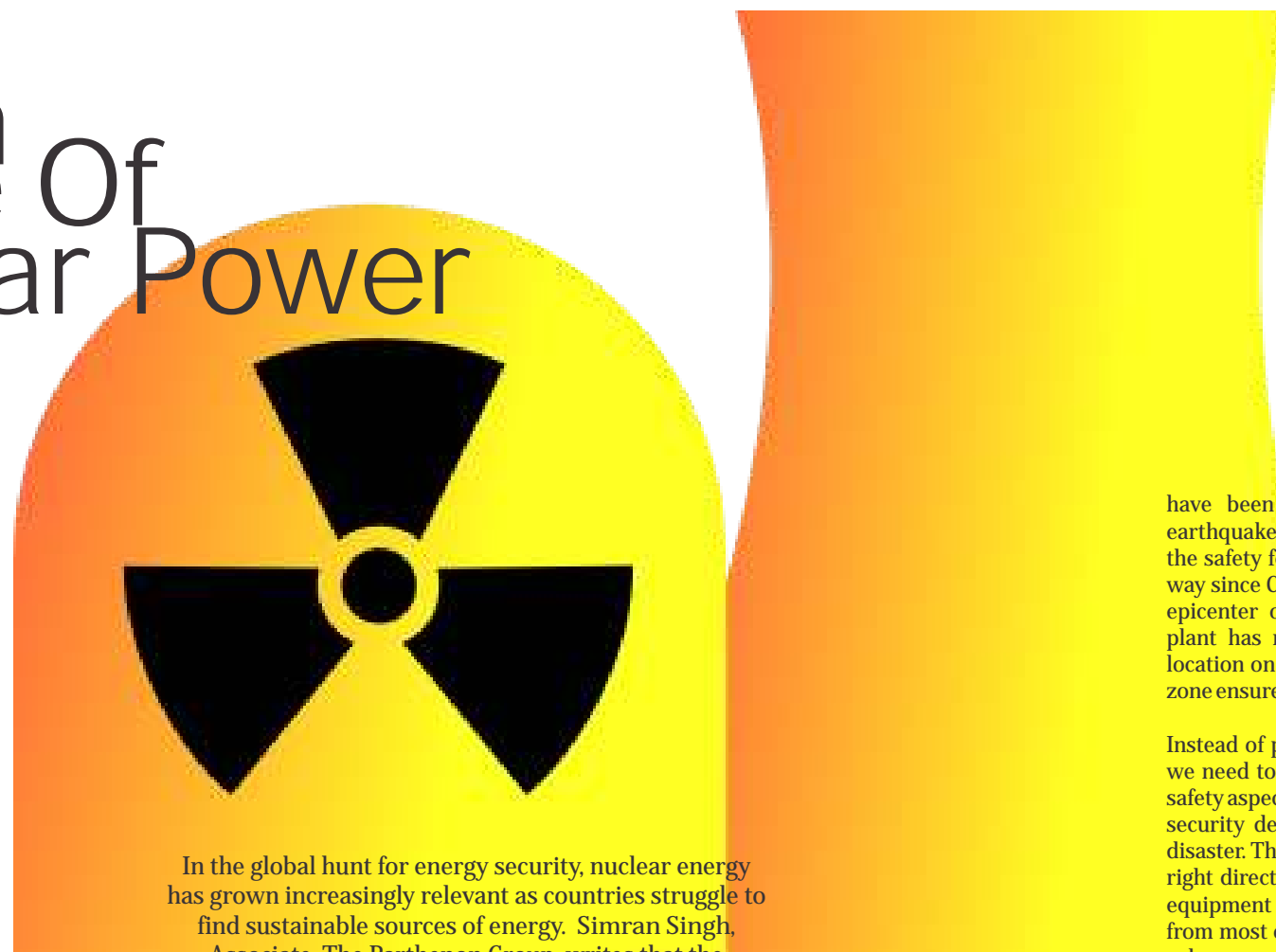
*The Gaston Sigur Memorial Lecture on "Emerging India and Its Extended Neighbourhood", delivered at the Elliott School of International Affairs, George Washington University, on 27 April 2011, has been republished by Gateway House with permission from Mani Shankar Aiyar.*

Meeting: "Emerging Nationalism and India's Role in the World"  
June 2, 2011  
Dr. Janaki Bakhle, Historian and Director, South Asia Studies, Columbia University and Dr. Sanjeev Kelkar, Author – 'Lost Years of the RSS', addressed issues concerning India's nationalism, past and present, moderated by Rajni Bakshi, Author and Gandhi Peace Fellow, Gateway House.



10 May 2011

# In Praise Of Nuclear Power



In the global hunt for energy security, nuclear energy has grown increasingly relevant as countries struggle to find sustainable sources of energy. Simran Singh, Associate, The Parthenon Group, writes that the ambitious plans to build the world's biggest nuclear plant in Jaitapur may prove to be the litmus test that defines the role of nuclear energy in India's future.

Before we start debating the pros and cons of nuclear power in India, let's just lay the numbers on the table. The nuclear power plant being built at Jaitapur, Maharashtra, once ready will be the biggest in the world, not in the region, not in Asia, but the biggest in the world. It will have an annual capacity of 9,900 MW which is three times more than the annual energy being consumed by our commercial capital, Mumbai in a whole year (and yes, that includes the electricity bill of Antila, the new mega residence of business tycoon Mukesh Ambani). Currently, only 3 % of India's energy demands are met with nuclear power. The government plan is to raise this number to 25 % by 2042.

The best-laid plans, however, go awry. The government had planned to set up 44 new nuclear plants to augment the 20 existing ones. Minimal resistance was expected, heralding a new era for the Indian energy sector. But the mere shifting of tectonic plates in Japan, which ultimately reverberated even through the jungles and cliffs of Jaitapur, has led to "Areva (French nuclear company) go back" marches. The government has been forced back to the drawing board.

What had started off as a "not in my backyard" protest against the planned nuclear power plants, has become cause d'être for a lot of activists. Horrid images predicting a repeat of Bhopal, Chernobyl, and Three Mile Island have been circulated among the villagers propounding their fears manifold. Fear mongers are running amok and even in this age of information, selective display of facts has created confusion in the masses.

Here is the naked, uncomfortable truth – India can't do without nuclear power. The earlier we accept this, the earlier we will be able to concentrate on the real issues. India currently imports 70 % of its oil and around half of its coal reserves for energy production. With volatile prices and currency fluctuations, this is clearly an unsustainable arrangement. A growing economic behemoth like India requires quality, uninterrupted and reliable power to sustain its growth. Coal and oil will soon need to be completely phased out.

The government has had the foresight to invest in alternate sources of energy with a well laid out road map. Nuclear power remains one of the few sources of emission-less clean energy. The safety issues might

have been highlighted recently after the Japanese earthquake but with advances in scientific technology, the safety features of a nuclear plant have come a long way since Chernobyl. Despite the close proximity to the epicenter of the earthquake, the Fukushima nuclear plant has not seen a complete meltdown. Jaitapur's location on top of a cliff and in a relatively seismic-free zone ensures relative safety against vagaries of nature.

Instead of protesting against the use of nuclear power, we need to encourage the government to focus on the safety aspects of a nuclear plant. We need to ensure that a security design flaw does not exacerbate any natural disaster. The government has already taken a step in the right direction by making the suppliers of the fuel and equipment liable in case of any disaster. This is different from most other countries where the operators are the sole responsibility and this clause has actually led to a lot of friction between supplier countries like US, but is the right step for our country. The government can also bank on the fact that all the existing 20 nuclear plants shut down safely after the earthquake and tsunami in 2004.

All is not gung-ho with the current establishment though. Both the Atomic Energy Regulatory Board (safety wing) and Nuclear Power Corporation of India (operational wing) are under direct control of Department of Atomic Energy. Safety and operation under one roof – do you know another place where such a system existed? Off-shore drilling in Gulf of Mexico (oil spill circa 2010). We must have an independent safety body, in charge of inspections of all nuclear plants. We must also develop a proper plan for disposal of nuclear waste in the long run.

Nuclear power might not be the cure for our import problems either. High-grade uranium required to run these plants will need to be imported. We need to develop the capability to produce energy from Thorium, of which we have the biggest reserves in the whole world.

While not taking its eyes off the push for nuclear power, India can improve in a few other areas too. Currently 30

% of our power is lost in transmission or is stolen. This is against global norms of 3-5 %. If we were to invest our energy (no pun intended) in this endeavor, it can go a long way in solving our energy woes. The government is also not putting all its eggs into one basket and has a comprehensive alternate source of energy policy including solar energy. Entrepreneurial sops have ensured setting up of companies like Husk Power Systems which supplies energy to 25000 homes using rice husks.

Nuclear energy is in big demand not just in India, but throughout the world. Having maintained an impeccable safety and operational record for its indigenously developed nuclear program for over 35 years, India surely has lessons for the world to learn. India should grasp this opportunity with both hands and assume the role of leadership in this field. Energy hungry countries are likely to barter economic and political sops in exchange for energy security and when the time arises, India should be on the right side of the table.

According to unofficial estimates, India needs to double its current energy capacity just to fulfill the current demand. Renewable sources of energy are unlikely to be able to fill this gap and conventional sources of energy like coal and oil are fast vanishing. Nuclear energy might be our only answer.

On a recent business trip to Mexico, I realized that nuclear energy know-how can be used as a lever in the diplomatic world. It was interesting to note that the locals have immense knowledge (and interest) about India's nuclear prowess. As Juan Sanchez, a political analyst who visited India in 2004, says, "India has long been declaring on the world stage that its nuclear program is aimed at peaceful purposes. Showcasing a breakthrough in technology for nuclear power is the easiest way to answer the critics and position itself as the pioneer in nuclear energy. This will eventually be bigger than having barrels of oil or the latest weaponry in 21st century."





# a winning strategy for the north-east

13 May 2011

The assembly elections in North East India, a highly fragile area bordering various neighbouring countries, have shown promising results for the future of the region. The bloc can now begin its economic transformation and make way for various investments in the "Seven Sisters Corridor" writes Akshay Mathur, Senior GeoEconomics Fellow, Gateway House.

The results for the Assam elections will be declared on May 13. Whoever wins – the Asom Gana Parishad or the Congress - will inherit, for the first time in three decades, an Assam at relative peace. This is a historic opportunity for New Delhi to launch a bold peacetime initiative in the north east. To succeed, it must provide an economic, diplomatic and security boost to India's eastern flank and create new international trade relationships to nurture our global ambitions of being a relevant Asian player and a competitive regional counter to the Chinese juggernaut.

The development of a "Seven Sisters Corridor" will emulate the model of the Rs. 400,000 crore Delhi-Mumbai Industrial Corridor, which is already dramatically changing the landscape of India's western hinterland. A similar mega project in the north east – estimated to cost Rs. 225,000 crores - will link the seven north east states to each other and to contiguous neighbors like Bangladesh, Burma and Bhutan, providing an alternative to the expensive "Chicken's Neck" route to India. Like the DMIC, this Corridor needs high-speed road connectivity, land for industry and

housing, uninterrupted power, access to ports, financing for start-ups and small businesses, broadband and telecom access, and security. Like the DMIC's exemplary foreign policy initiative with Japan as a 50% partner, the Corridor could partner with Thailand, a state with which India is in the process of signing a Free Trade Agreement. Thai companies like ITAL-Thai Development Company and the CP Group have the necessary expertise to develop infrastructure and small-scale industries such as food processing.

The plan will connect, by road, the six state capitals with each other and with border points with Bhutan, Bangladesh and Myanmar. The East-West National Highway Corridor, a National Highways Authority project that connects Porbunder in Gujarat to Silchar in Assam, can be extended to include the Golden Jubilee Rail link border point in Kokrajhar (Assam) to connect with Bhutan. Beyond Assam, it should fork out to Akhaura in Tripura to link the Ashuganj Port border point with Bangladesh, and Moreh in Manipur, Zowkhathar in Mizoram and Avakhung in Nagaland all with Myanmar.

The north east must first, however, be stabilized. While insurgencies in most of the states are winding down, Manipur is still troubled. Key to peace is repealing the despised Armed Forces Special Powers Act and introducing a system like Nagaland's which devolved power to community leaders to manage development. India must then draw its neighbours into a regional commitment. There is already a base to build on: The 2008 Kaladan Multi Modal Project between Myanmar and India is developing a sea route from Kolkata to Sittwe Port in Myanmar. From Sittwe an inland waterway is being built on the Kaladan River to Paletwa in Myanmar, ending at Lawngtlai in Mizoram. The project has prompted Bangladesh to open its Chittagong, Ashuganj and Mongla ports to India. This means adjoining Tripura can become the gateway for north east-bound trade from the subcontinent's eastern coasts and from Southeast Asia.

The corridor's success will depend on industrial activity being developed around it – not just big private players feeding off the region's lucrative natural resources, but small and medium value-added businesses. Food processing, for instance, remains untapped though the region produces large quantities of rice, sugar, ginger, potatoes, and millets. Building smaller food parks and processing units closer to Tier II or Tier III cities and to farms will help small entrepreneurs and marginal farmers and develop skilled labour. A 2009 report by temp agency Teamlease says despite a nearly 90% literacy rate in the North East, only 1.3% of youth have any formal training or jobs. So English-speaking talent is migrating across India, manning the front desks of hospitality businesses. This can be reversed.

The Corridor can also productively direct the vast subsidies allocated to the region by the Centre and the States. Even the Planning Commission admits, "The absence of a well-coordinated regional plan is being felt constantly." The Rs. 70,000 crores committed for the 11th Plan will certainly provide a better return if blended into the Corridor budget.

But banking on the government for financing is neither practical nor appropriate. The initiative needs stakeholders to invest for the long term. This means private Indian business, and a reliable foreign nation partner like Thailand, with its proximity to the north east and its standing as the largest south east Asian foreign direct investor in India. Thai investment can grow through partnerships with private Indian players like Future Group, Larsen & Toubro, Essar, etc.

To enable this, New Delhi must make policy changes.

i) Modify the charter of the North East Development and Finance Corporation, which currently promotes various small-scale industries, to finance entrepreneurs and small enterprises to partner with larger multinationals. Eg, Godrej Group can exchange technical know-how for local management.

ii) Set up a new corporate entity with the authority to manage the project, partnerships and funds, accountable to investors and the Ministry of Development of North Eastern Region.

iii) Modify the North East Industrial Policy, which provides industry-agnostic subsidies and incentives, to target enterprises that develop the Corridor.

iv) Expand the scope of the Central Industrial Security Force, which secures public institutions like airports and oil refineries, to protect enterprises in the corridor.

v) Make the corridor an integral part of the Look East Policy and vigorously engage with Thailand by prioritizing the completion of the Free Trade Agreement, the negotiation for which began in 2003.

For most Indians, the north east has remained largely on the fringes of their perception of India and its geography. But our rapid economic growth needs the resources of the north east, and protection from hostile neighbours like Pakistan and China. The Assam election results will show that the north east is not only a robust participant in India's democracy, but can lead an economic transformation from the East.





# India Needs A Maritime Governance Authority

Q: What does the Indian Navy see as its core mission within its theatre of operations and in the context of security interests of Pakistan and China? What are the major challenges at sea which you need to tackle in co-operation with the neighbouring navies?

The main maritime role of the Government of India is to ensure the security of the country in terms of trade, commerce and military so that the way of life of this country is not affected. The Indo-Chinese relationship has been insipient. We have common interests despite the geopolitical differences which are on two levels –geographic and national interest. The national interest of India is to ensure its own sovereignty. However, the creation of three nations from a single subcontinent called South Asia is an unworkable equity. The commonalities of South Asia are much more than its differences –a lack of governance, poor trade, and poor functioning of the SAARC.

Since Independence, we have kept security as a distinct component from national growth, management and

The Navy, Coast Guard, Police and maritime companies now encounter new threats, as piracy threatens the Indian seas and our trade routes. This calls for a united approach in combating threats and even more so, for a single governing body for maritime issues. Vice Admiral (Retired) Venkat Bharathan, presented his paper on 'Maritime Governance Authority' to a select group of naval officers, Mumbai police, Mumbai University and commercial shipping companies. He discusses the challenges the Indian navy faces in management and at sea with Gateway House's Samyukta Lakshman.

governance. The military entity that was created not ever integral to the rest of the components of national management.

The navy has embarked on a policy of Cooperative Security Engagement with all neighbouring navies, including Chinese navy, except that of Pakistan. We do exercises every year with Russia, UK, US and France. Bilaterally we do exercises with Indonesia, Malaysia, Sri Lanka, and Singapore. Every two years we conduct a Milan where all South East navies come to India. We do joint patrols against piracy in the Mallaca Strait. Cooperative engagement is to try and lessen tensions and improve greater understanding of non military issues like search and rescue, and even natural disasters like the tsunami. Today the concern is to keep the Sea Lines of Communication (SLOC) open. We undertake policing, flag showing and training. We also train 1100 officers of the Bangladesh, Sri Lanka, South Africa, Burmese navy.

Q: As far as India's defense budget is concerned, are you satisfied with the force development plan of the navy to be a balanced force?

Personally I think I'm satisfied. Where I'm not satisfied is the process which needs optimizing. We have come a long way and we are mastering the maintenance of an aging fleet, more importantly the induction of new ships. We created Defence Public Sector Undertakings –we have reached the turning point now. Just like there is a Directorate General of Civil Aviation, there should be a maritime governance authority or adviser to bring in all players together otherwise it will continue to be ineffective.

Q: Why is the number of personnel in the Indian Navy drastically lower than the other armed forces? Does the inauguration of the Naval Academy Ezhimala in Kerala reflect a policy of better quality academic education for naval officers?

We are a capital intensive service. All our ships are very expensive. Typically the way the Indian Navy has structured itself, is half civilian, half security personnel. Maintaining 100% of security would be too costly. Our naval academy is going to be the best and biggest naval academy in Asia very soon. We get 2 lakh applications each year and are going to train 2000 people including foreign officers every six months. The Indian navy is getting everyone to be a Bachelor in Technology to become better trained officers. We believe in a civilian combination with men in uniform. But where we need to improve is we must make civilians subject to military rule instead of civil labour laws; that's the struggle we are facing. We in turn have to concentrate on better career aspirations for naval officers. Because service guys are required to go to see and lay down their lives, the capitation maintenance of a serving officer is higher than a civilian, about 25 per cent more.

Q: How has the maritime diplomacy helped in expanding India's traditional diplomatic forays?

Every Indian ship is a microcosm of India. First of all, the navy recruitment policy has always been pan-India. Don't focus of one state and if you see the distribution it is equitable. When we visit Indonesia, our ships are virtually like the United Nations. There are Russian made ships with Indian equipment, Indian ships with Italian equipment. We are multilingual. It is fascinating.

We worship one god and don't distinguish between religions. We are a unique system we have tried to evolve a detached secular function in a confined surrounding. We are changing with the times. When an Indian ship goes abroad, we are the most popular. The military by and large is not socially intrusive.

Q: Indian Navy frigates and destroyers have operated extensively in the Arabian Sea in recent years, on anti-piracy patrols. How successful have these patrols been? What lessons have you learned from these deployments?

All successes are highly circumstantial. There are no statistics available because international maritime laws are complex. Piracy as defined by the United Nations is complex –who is a pirate and who is not a pirate, who is a hijacker? We are trying to create maritime domain awareness in Somalia to ensure that all Indian flag ships will keep us posted on their movement. It is a policing initiative. It is like dealing with terrorist, you cannot shoot them. The Indian navy cannot keep monitoring pirate movements because we don't have the bandwidth.

Q: What kind of support can the Indian corporate sector provide the navy in Maritime Governance?

The biggest challenge is the Indian Navy and the Government of India (GOI) itself. We have not created an instrument where both sides are comfortable dealing with each other. Everything military is taboo. We must get over this syndrome. The GOI must change and integrate corporate into maritime practices. We must adopt a lot of sensible corporate maritime practices. Our profit is in terms of security not hard money. How do you define security? The government is investing in us for profit in terms of security and safety of the nation. We are not able to deliver because the concept of all inclusiveness is not being created. We are a developing country. It will take time. The police must set up to monitor every station; you must have information and communication systems. You must know the sensitive areas which can cause danger. Everyone wants the navy to do this; but we are unable to do this. We don't have authority. Governance is a major challenge that is why a Maritime Governance Authority (MGA) is necessary.

Meeting: "Maritime Affairs Studies Programme"  
April 19, 2011

Venkat Bharathan, former Vice Admiral, Naval Staff (ret'd.) and Gateway House's Maritime Advisor coordinated the meeting to establish a maritime agenda for Mumbai with input from various stakeholders in India's maritime affairs including the Indian Navy, the Indian Coast Guard, the merchant shipping industry, the sea-farer's members, lawyers, financiers and strategists.



# India-Africa Project Partnership

## *Creating Possibilities, Delivering Values*

24 May 2011

The India-Africa Conclave and other such platforms of interaction have played a pivotal role in engaging Africa with India's growth story. Various Indian investments in agriculture and infrastructure, totaling over \$20 billion, are soon to boost Africa's economies writes Renu Modi, Gateway House Africa Fellow.

India-Africa trade has grown four fold in last six years, underscoring their perfect fit and growing relationship as trading partners. While Indian low cost technology can help create infrastructure in Africa and build its education system, Africa provides resources and markets for India's booming economy.

The 7th India Africa Conclave, organized by the Confederation of Indian Industry (CII) and EXIM Bank of India with support from the Ministry of Commerce and the Ministry of External Affairs, provided an opportunity to strengthen this relationship. The conclave was held between 27- 29th March 2011 and 204 projects worth more than US\$ 18 billion were discussed. In the last six editions of the conclave, 1084 projects worth US\$56.08 were discussed.

This year's conclave focused on reducing Africa's dependence on western technology, products and services and enabling India to step in with its Appropriate, Affordable and Adaptable technologies, known as Triple A technologies. Participants also talked about catalyzing large scale exports from the Indian Small and Medium Enterprise (SME) segment.

Trade between India and Africa has grown as EXIM bank extended Lines of Credit (LOCs) on behalf of the Government of India for Indian businesses to grow in Africa. The Indian presence has been largely in agriculture, food processing, irrigation, education, infrastructure, health and pharmaceuticals. A sector wise analysis of India's engagement in the key sectors stated above and the value of trade in these priority sectors since 2009 are detailed at the end of the article.

**Agriculture, Food Processing and Irrigation:** Agriculture has been a priority sector in India-Africa co-operation because while Africa has about 27% of the global arable land, low productivity has meant that it is wracked by food insecurity. The Indian presence is aimed at creating a 'sustainable solution to hunger and poverty in Africa' and to be an 'engine of growth', according to New Partnership for Africa's Development

(NEPAD) and Comprehensive Africa Agriculture Development Programme (CAADP).

Over 80 companies have already invested up to US\$2.3 billion in commercial farming initiatives at the invite of African countries offering land on long term lease. Indian companies, including Kirloskar Brothers Ltd (KBL) and Jain Irrigation, have brought in their cost effective irrigation technologies, which have helped raise crop yields through an increase in the acreage under cultivation. WAPCOS, a public sector undertaking that tailors solutions in the water resources, power and infrastructure sectors in several developing countries including Africa, offered to share its expertise with their African counterparts, at the conclave.

Such indigenous technologies in the SME sector, such as food processing, are triple 'A' technologies and suitable to the African context.

**Education, Human Resource Development and Capacity Building:** India has been a preferred destination for African students because of its reputed institutions, cost effective fee structure and affordable cost of living. At the conclave, participants talked of extending the presence of Indian educational institutions in Africa and giving out more scholarships to African students to study at Indian educational institutions. Several countries, including Mozambique and Somalia, urged India to impart quality education and skills and share their expertise and promote innovation.

India has announced 300 new scholarships for African students, especially in agricultural sciences, through the African Union Commission to be implemented by Department of Agriculture Research and Education (DARE) and the Indian Council of Agricultural Research (ICAR) at 75 a year for four years since March 2010. Through this program 45 scholars are already in place.

The benefits of Indira Gandhi National Open University

(IGNOU), the largest of its kind in the world, have been extended to more than 13 countries in Africa, through the novel Pan African e- network.

NIIT, a technology education provider, has tied up with various companies for providing training and skills through e-learning and has been developing Information and Communication Technology (ICT) manpower through its state-of-the-art training centres in Africa, for over a decade.

DARE and the ICAR will also provide 2-4 week long customized training in water conservation and utilization; production of seed, sapling and planting material, livestock production, fisheries production, farm mechanization, post-harvest processing & value addition.

In addition to this, India is also in the process of setting up 21 educational institutions in Africa to help Africans develop skills in sectors like coal and diamond mining, ICT, foreign trade and to provide other kinds of vocational training.

**Investments in Africa's Infrastructure- for Value Addition and Increasing Connectivity:** Africa's recent growth has accentuated the need to strengthen its poor infrastructure. Increasingly, growth is held back by the lack of infrastructure. While African governments continue to be the largest investors in infrastructure, with a share of over 40% of investments, there is a still a huge need for investment for which Africa turns to the private sector and funding from abroad.

About half the operational LOCs extended by EXIM Bank have a direct infrastructure focus. With the help of these LOC's Indian companies have invested in infrastructure projects and provided water, power, roads, and plants for assembly of agricultural equipments, housing, rural electrification, IT parks and hydro electric projects.

The Indian railways has shared its low cost model and supplied locomotives to Mozambique, Tanzania, Mali and Senegal and coaches to Angola

At the 7th CII Conclave the value of infrastructure projects discussed was well above any other sector and has increased almost six fold since 2009 ( See table 1). Speaking about the upcoming India-Africa Forum Summit of 2011, the Ethiopian Prime Minister Meles Zenawi said, "The key area of interest is going to be the Indian investment in infrastructure."

**Health and Pharmaceutical Sector-** the Indian Comparative Advantage: With the tagline 'First world health care at third world costs', India has the fastest growing health and pharmaceutical sector. By providing access to life saving medicines inexpensive generic anti retroviral (ARV) drugs at affordable costs by Indian pharmaceutical companies such as Ranbaxy, Aurobindo Pharma and others have won global acclaim.

A large number of African people have benefited from

affordable anti-AIDS drugs from India which reduced the cost of treatment from \$11,000 per patient to \$400. At the Conclave, delegates from Malawi, South Africa and Zimbabwe lauded India companies for providing cost effective ARV's and requested them to build capacity through sharing of knowledge and manpower and developing innovative ways to increase access to healthcare.

Apollo Hospitals, the Indian hospital chain, has set up a multi-specialty hospital in Mauritius and is exploring the possibility of other joint ventures in Africa, through a private public partnership (PPP) model. The novel Pan- African e-network project that offers telemedicine consultations is operational in several countries

The government of India has extended an LOC of US\$ 5 million to Government of Senegal for financing supply of medical equipments, furniture and other accessories to four hospitals in Senegal.

India's strengths in the above sectors have provided a basis for greater collaborations between the two partners wherein cost effective and innovative business models that are adaptable to the local conditions can be replicated in Africa.

**Lines of Credit and Bilateral Trade:** Speaking at the 7th CII conclave India's Commerce Minister, Anand Sharma said,

"While the current volume of India-Africa trade stands at \$45 billion, we have set a target of \$70 billion for 2015. I am confident we will achieve that." The government of India will facilitate this by extending LOCs, encouraging Public Sector Undertakings (PSUs) to enter Africa, giving grants and other such measures. So far, India has extended LOCs of more than US\$ 5 billion and grants worth US\$500 million to countries in Africa. Of the total of 138 operative LOC's by EXIM Bank globally, 98 are in Africa. (as of 15th April 2011). India's strengths in the above sectors have provided a basis for greater collaborations between the two partners wherein cost effective and innovative business models that are adaptable to the local conditions can be replicated in Africa.

**The Years Ahead:** Africa, as a region, shows great potential for growth with seven out of the top ten fastest growing economies for 2011 – 15 being from Africa, according to EXIM Bank, March 2011. China was the fastest growing economy followed by India. Going ahead, the focus areas for trade will be agriculture and infrastructure because the unfinished tasks in these sectors are of a great magnitude. With a population of over one billion people, the continent has tremendous business potential for government and private sector stakeholders, who wish to expand their trade and engagement in to the 'new frontier' through Foreign Direct Investment (FDI), capacity building and human resources development.

*\*This article is a summation of the India- Africa CII- EXIM Bank Conclave held in New Delhi, 27- 29 th March, 2011. It is based on the author's research and participation at the annual CII- EXIM Bank Conclave, 2011.*





# The IMF: Emerging Economies Aren't Ready For Prime Time

31 May 2011

With the post for the head of the International Monetary Fund is up for grabs post the Strauss-Kahn scandal, the emerging market countries are yet to unite and provide a suitable candidate who receives formidable support for his or her candidature writes Seema Sirohi, Journalist and Analyst. China, however, may boldly question the status quo and step ahead.

The race for a new managing director for the International Monetary Fund opened an opportunity for India and other emerging economies to take a vigorous stand on having a non-European candidate, demand change in the opaque selection process, and present a qualified candidate. But their slow response has all but ensured that Europe will once again get the job.

Why couldn't their collective economic might, acknowledged and celebrated by the West, be used to forge real change? Why did they fizzle instead of sizzle? And where was India's leadership?

The process showed once again that India comes up short when it comes to playing the high-stakes global game. Absence of a long-term strategic plan to strengthen India's position on the world stage becomes painfully apparent with each missed opportunity. The week after May 15, when Dominique Strauss-Khan was charged with sexual assault in New York and resigned as IMF managing director, a few trial balloons were floated about Montek Singh Ahluwalia, deputy chairman of India's Planning Commission, being a good choice. But he was quickly dismissed as he was over the age limit. India's Finance Minister Pranab Mukherjee, when asked, gave his business-as-usual answer: "We are watching the situation." A few days later, he offered: "We are trying to consolidate our position where we can take a view" with finance ministers of developing countries.

Sadly, India is not alone in this; the other emerging

economies also have the same malaise. There has been whining in various capitals but little effort at a united front to make the valid claim that the centre of economic gravity has shifted to the emerging markets, which must be reflected in the leadership of international institutions. A few noises came in favour of Arminio Farga, a former governor of Brazil's central bank and Trevor Manuel, a former finance minister of South Africa, from their capitals but they died soon after Latin America failed to line up behind Brazil. Mexico's Augustine Carstens filed his nomination but with little support from the region. It was a spectacle of disunity. What was needed was a solid campaign with a credible candidate proposed jointly by BRICS (Brazil, Russia, India, China and South Africa), an effort that would gone a long way to ensure an honest selection process for at least the next round. Instead, rivalries and dissonance were on display. Brazil didn't support Mexico while many South Americans were unenthusiastic about lining up behind Brazil.

Finally on May 24, the BRICS issued a statement at the IMF, calling for "a truly transparent, merit-based and competitive (selection) process," adding that the convention of choosing the managing director on the "basis of nationality undermines the legitimacy of the Fund." But the South, alas, is still all over the place "with as many candidates as there are countries," says Jorge Heine, a former Chilean ambassador to India and Fellow at the Centre of International Governance Innovation in Waterloo, Canada. This despite the Asians having a legitimate claim, having lived through the Asian crisis of the nineties and learned to insulate themselves in a

variety of ways from the dangers of being exposed to the strictures of the Fund, explains Heine.

But they were unable to make the play, leaving the field to a declining Europe and a barely-recovering United States who quickly jumped in with their candidates. Major and minor European countries lined up with remarkable alacrity behind Christine Lagarde, the French finance minister, as their candidate as soon the opportunity opened. German Chancellor Angela Merkel staked Europe's claim on the job mere hours after Strauss-Khan was charged. Merkel claimed there was a "good case" for a European to head the IMF because of the grave financial crisis in the euro zone. What she was ensuring was safety of German banks, which are vastly exposed in crisis-ridden Greece and need soft bailouts.

Lagarde, meanwhile, was off to the races. She lost no time in waging her campaign, starting with high-profile interviews to the US press and feelers to the Obama Administration – American support is a necessary condition – and continuing with a whirlwind tour of the very countries whose ambitions she will quash, if she wins. The suave lawyer-politician will rush through Brazil, some Arab countries and hopes to end up in China and India to make her case.

As Heine wrote in a column in Canada's Star: "When the financial difficulties were mostly in the global South, Europeans were appointed to run the IMF presumably because they knew how to manage economic affairs. Now that they have run their own economies into the ground, Europeans are once again supposed to get priority because they know Europe." By this logic "an Asian should have headed the IMF in 2000 to deal with the aftermath of the Asian crisis rather than a German."

And then there is China, which plays its own game. It may have signed the BRICS statement, but it clearly has other plans. China is rumoured to have already cut a deal for the number two position for its man, Zhu Min, in exchange for supporting Lagarde. Zhu, former deputy governor of the Chinese central bank, was special advisor to Strauss-Kahn. Zhu still needs US support because the deputy managing director's position has always been held by an American and current occupant John Lipsky will retire in August.

Whether the Americans will cede the position (unlikely, especially to the Chinese), Beijing by its nimble footwork and advance planning is in a good place. Zhu already enjoys a more-equal-than-others status within the IMF as special advisor and is treated as a deputy managing director for all practical purposes.

China has systematically increased its presence in various international institutions methodically and maneuvered to get key positions. The thousands of Indians working in the same organisations are rarely corralled as a force by Indian strategists. The Chinese executive directors at the Bank and Fund meet their

nationals regularly, presumably to keep each other informed. Even the Americans and British do the same. But no, not the India executive directors who see their appointments as a well-deserved rest after "toughing" it out as IAS officers. Observers have noted the increased profile of well-educated Chinese in the World Bank, the IMF and various United Nations organisations. They are entering at all levels – junior, mid- and senior – and slowly breaking the stronghold of the Americans and Europeans in the international bureaucracy. They boldly question the status quo at board meetings and make deals to wrest space for themselves.

India has generally ignored openings for senior positions at various UN agencies as unworthy of a bid because nothing less than the secretary-general's position is considered worth the effort. Heading the UN Food and Agricultural Organisation in Rome was a possibility a few years ago but New Delhi failed to offer a candidate even though it had US and European support. Jealousies and rivalries at home have prevented even easy pickings.

So it is once again with the opportunity at the IMF. The failure of India and others to rally together in time is even more glaring and ironic because there is a groundswell of support among opinion makers in the West for a transparent process. Many have argued against "fixing" the job while others have a problem with Lagarde being a lawyer and a politician. Raghuram Rajan, a former chief economist at the World Bank, agreed that "someone whose primary skill is political would be an unwise choice.... Perhaps the biggest risk of all is to have someone heading the Fund whose political ambitions are still alive. Here there is a real danger that decisions made by someone with substantial influence over nearly a trillion dollars of funding will be made with a view to establishing an electable record in his or her home country."

In addition, more than hundred global campaigners and groups for IMF reforms added their voice through a letter sent to the board, demanding transparency in the selection process. "We cannot afford to let traditional back-room deals install a candidate supported by only the richest countries," the letter said. Many have cited the G-20 commitment to end the old game. Even The Economist came out against Lagarde and pointed to names from emerging economies as good candidates.

This, if anything, was unusual and heartening. Jorge Heine is also somewhat optimistic: "I see no reason for the South to give up on leading international financial institutions – these are valuable international platforms that have been monopolized for far too long by representatives of the old order. We should put an end to this, but I'm afraid it won't happen any time soon." But by not coming together and making a forceful case, India and other emerging economies have only showed they are not ready for the great game.





# BRICS

## Convergence or Dissonance

6 June 2011

As Europe stands united in its support for France's Finance Minister Christine Lagarde as a candidate to head the International Monetary Fund, many have begun to question if BRICS is truly an effective and united bloc. Gateway House Director, Neelam Deo asks if they will be able to put forth a candidate all emerging countries can support.

The crude cavorting of former Managing Director of the IMF has set off numerous debates in different parts of the world, including those of global power equations and whether the victors of the Second World War have a birthright to continue to dominate the infrastructure of the world in the 21st Century.

The two most important and most interesting to us relate to gender equality and the BRICS countries. The Indian media has gone to town with the failure of developing countries to quickly agree on a candidate as the developed countries have with French foreign minister, Christine Lagarde – who arrives in India today, following a visit to Brazil, to get support for her candidature from the BRICS economies.

The question being asked with impatience, if not disgust, is whether at all BRICS members have what it takes to have a place at the global high table. All supranational groups, including the EU but especially the BRICS, have trouble acting collectively. The race for the IMF position has highlighted these challenges, as

well as the differing levels of cohesion between the long-united developed world and the developing world. It is certainly true that the West united behind Lagarde rapidly. She staked a claim to the post on the morning of 25th May, as soon as the disgraced Mr Strauss Kahn announced his resignation from a jail in New York. Fortuitously the G8 met in Deauville, France, under the leadership of President Sarkozy the same afternoon so it could consider the issue immediately. After the meeting, the foreign Minister of France announced that the G8 were in agreement in support of the candidature of Lagarde. In actual fact the United States, without whose 16.5% of the 45.1% of the G7 vote a European cannot be elected, has reserved its position till June 10th by when all the contenders must announce themselves. Japan has since contradicted the French claim by stating that the IMF was not discussed at all at Deauville. And ofcourse, Russia is a party to the joint statement issued by BRICS which objected to the convention of always having a European head the IMF and called for the most qualified candidate regardless of origin. The developing nations were slower. In that

camp, the head of the Mexican Central Bank, Agustin Carstens, announced his wish to head the world body. Apparently he is opposed by Brazil, possibly because its own Finance Minister could be a candidate. Other names such as Trevor Manuel, the highly respected former Finance Minister of South Africa, and candidates from Singapore, Thailand and Indonesia are being speculated. In India there was some grumbling that the vice-chairman of the Planning Commission and former IMF official Montek Singh Ahluwalia would be a good choice. Typical of our geriatric leadership, it took some days to discover that he had already passed the IMF retirement age of 65.

In criticizing developing countries, especially BRICS, we in India have overlooked some of the vested interests of the West. Even though stagnating, Europe has a greater interest than anyone else to hold on to what it has, because of its increasing irrelevance in the global order and therefore moved rapidly. But the consensus is hardly ever unanimous. In this instance the UK's Chancellor of the Exchequer let it be known that UK would support Lagarde even before she announced her candidature. Why? Because everyone understood that under no circumstances would the current Cameron government support the ambition of former Prime Minister Gordon Brown to head the IMF. This interplay of personal rivalry overtook another possible European consensus.

Given the circumstances of Strauss Kahn's departure over allegations of sexual harassment, Christine Lagarde has made a virtue of her gender. However it remains unclear why Lagarde is assumed to be a good candidate even though she has no economics in her background – a requirement that would make or break a candidate from a developing country. Having been the chief executive of a U.S. law firm, she speaks near-flawless English; so it is hoped that she will be acceptable to the US. But if so, it will be for more hard-headed reasons than her accent. European support will be needed if the US hopes to hold on to its own, always-assumed No. 2 position in the IMF and its No. 1 position in the World Bank when that becomes available again in a couple of years.

Is BRICS a united and effective grouping? Sure, as a group it is ambitious and 'emerging' strongly. The issue is not whether BRICS has what it takes to sit a high table but whether its economic weight in the global economy and its contribution to averting a breakdown following the U.S.-generated global financial crisis, merits its presence on that and other tables. After all, the logic of G-20 flowed out of the fact that the Indian economy, leave alone the Chinese, is larger than that of the U.K. and France.

There are many divisions within the BRICS. Despite the apparent equality of each nation within the alliance, the dominance of China creates serious dissonance. China is not only the largest economy, it is also the largest trading partner of all the others. This is analogous to the position of India within SAARC. While Russia resents its

dependence on China for selling energy, it also fears the creeping occupation of its resource-rich, vast and under-populated Eastern regions. Both Brazil and India resent their emergence as suppliers of raw materials to China even as they try to promote bilateral trade. China and India have major political problems including contested borders and the Pakistan-China collaboration in nuclear and missile technologies. South Africa, like other African countries, welcomes Chinese investment in infrastructure but resents its cornering of energy and minerals, and the negative impact of the flood of cheap Chinese consumer products. There is also a growing sentiment that China uses BRICS to cover its currency manipulation in the face of Western, especially U.S. criticism.

Stories are already floating around that although China is party to the Joint Statement of BRICS criticizing 'nationality' as a basis for selection and calling for representation of emerging economies in the top echelons of the IMF, China has actually done a deal in which it will support the European candidate in return for another top position for one of its officials at the IMF. This is no surprise considering that a whole series of maneuvers are underway by the beneficiaries of the current financial architecture to divide the developing countries. After all, for China, membership of the G20 and BRICS is only the consolation prize after its hopes of a condominium with the United States, a G2, in the early days of the Obama Presidency, failed to materialize.

Compared to the four years of the existence of BRICS, the European Union has been around for over 60 years. In those decades it has set up a powerful Secretariat, a European parliament, and drawn closer in numerous ways, most prominently with a common currency, the Euro, and a common space through visa-free movement in the Schengen region. However despite NATO membership, common to the significant Europeans like Germany and France, it has failed to present a common face on innumerable foreign policy issues globally. Perhaps the competing colonial practices of each of the major countries have been the obstacle. The failure of Norway to join the EU, the failure of the UK and Denmark to join the Euro and the ambivalence of the UK to wholeheartedly be part of the EU, the current quarrel between France and Italy over Arab refugee movements in the Schengen area are an index of how difficult it is to shed national identities and not pursue national interests single mindedly.

It is undeniable that BRICS has a lot of work and years ahead before it can be an effective bloc on all issues. While ambitious and unlike the EU which has near-100% geographical contiguity, the member countries have a vastly different history. With all its political differences, it may well evolve into a more coherent economic grouping before its political interests converge enough to take unified positions globally. In that, it would not be so different from the still-squabbling Europeans.



17 June 2011

# The Latin Road To Arab Democracy

As the Arab world remains engulfed in protests, there may be lessons to be learned from other recent democratic converts. Gateway House Researcher, Hari Seshasayee writes about how Latin America's growth story may provide the Arab world with some recommendations on how to address socio-economic issues in the post-revolution scenario.

The scenes that plagued Latin America through the 1980s bear a striking resemblance to those enveloping the Arab World since Mohamed Bouazizi set himself ablaze in Tunisia nearly 30 years later. In Latin America, street protests reflected the rising frustrations of the middle class, marketplaces were bombed by those angry at incumbent autocrats and citizens railed against police brutality.

Within a decade, Latin America's revolts had brought down 14 military dictators. Likewise, the Arab Spring's cries for democracy have resonated in the region, bringing about regime change in Tunisia and Egypt, while 13 other countries across the Middle East and North Africa continue to simmer with anger.

The two continents are geographies apart, but their political parallels run deep. In their pre-revolt period, both Latin American and the Arab nations had a youthful middle class population rising against authoritative regimes, fighting against human rights violations, mass unemployment and extreme poverty. The countries in each region were also united by language – Latin America with Spanish and Portuguese, the Arab world with Arabic and French. Significantly, neither revolt spread to a country that was not home to one of these languages.

*Despite its economic woes, Latin America pursued several policies that aided the region's relatively successful transition to democracy*

There are other recent examples of democratisation, such as the post-Communist Eastern European nations, almost all of which are now part of the European Union (EU). But unlike Latin America, Eastern Europe had only a fragmented identity. For example, while Argentina, Chile and Peru share Spanish as a language and Catholicism as the dominant religion, Poland, Hungary and Romania speak Polish, Hungarian and Romanian and have religious identities ranging from Roman Catholic, Eastern Orthodox and Protestantism. In addition, the Helsinki Accord, signed in 1975 by almost all European states primarily in an effort to reduce tension between the Soviet and Western blocs,

spearheaded by Western Europe, catalyzed the transition of the newly democratized European countries. It provided the kind of institutional framework that Latin America did not have during transition.

The fall of Latin American military dictators was followed by periods of hyperinflation as the region plummeted into la década perdida (the lost decade), when debt restructuring and sovereign default was the norm for almost every Latin American nation. That pattern is repeating itself in the Arab States. In Egypt, the economy has shrunk 7% and a large chunk of the population still remains unemployed after the ouster of Hosni Mubarak's regime. Now, in a familiar pattern, thousands of pro-reforms protesters have returned to Tahrir Square.

This is where the Latin American example can prove to be a useful guide. Despite its economic woes, Latin America pursued several policies that aided the region's relatively successful transition to democracy. There are two important strategies that Latin America can emulate:

First, Latin America increased education levels and reduced the gender gap. This was done largely through the use of social reforms such as 'conditional cash transfers', where citizens received funds from the government only if they participated in basic services. Nicaragua, for instance, achieved a 28.4% increase in primary education enrollment of children living in extreme poverty between 2002 and 2004.

To be fair, the Arab world has made an attempt at replicating such programs. In 2009, Morocco launched a pilot of its own conditional cash transfer program, Tayssir, financed with support from the World Bank. Egypt began a similar pilot in villages in 2009 with the state-funded Minhet El-Osra. Such programs may suit countries like Yemen and Libya, which have increasingly high birth rates and extremely low gross high school enrolment ratios, especially among girls. This is a warning sign for countries such as Yemen whose current gross high school enrolment ratio of 5% of the population of girls, which if left unchecked, could lead to an increasing mass of uneducated youth.

Second, Latin America also provided its citizens a platform for addressing social grievances. In several countries this took the form of Truth and Reconciliation

Commissions (TRC) to investigate human rights abuses and provide much-needed healing. Perú's TRC, for instance, presented the findings of its report on human rights violations to the public in 2003. A year later, the government led by Alejandro Toledo appointed special prosecutors to investigate crimes committed since the 1980's leading up to high rights violations of the impeached Fujimori government of 2000.

The monarchs of the Gulf nations will be reluctant to create similar investigative commissions but the successor governments in Tunisia and Egypt will see it as an opportunity to provide the transparency and justice that they have promised to their people. Libya's rebel leaders have already expressed their intention of setting up a TRC as soon as the opportunity presents itself.

There is much that countries in transition can learn from each other. Parallels between Latin American and the Arab world's current situation will stay as comparisons only, unless there is an active exchange of ideas. The Arab-South American Summit, brainchild of former Brazilian President LuizInácio Lula da Silva, will go some distance in facilitating that exchange. The first summit was held in 2005, and the second summit, in 2009, resulted in the adoption of an 11-point declaration on political affairs, the peace process in the Middle East, and economic cooperation. The third summit is still expected to take place later this year, despite being postponed from 15 Feb due to the Arab Spring protests.

Tunisia's election, scheduled for October 23rd, will be the litmus test for protesting Arab citizens. Its success - or failure - will determine whether the Arab Spring will wilt, or flower and follow the example of Latin America to become an impetus for lasting change.



Photo: Demonstrations for political change in Morocco  
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Photo: Map of Arab-Speaking Countries  
Source: Creative Commons



# The Schengen Spirit Of OPENNESS

23 June 2011

Despite their economic downturns, domestic tensions keep developed countries from embracing the revitalizing potential of foreign workers. Gateway House Director, Neelam Deo argues that India should continue to leverage its history of diversity and capitalize on a world more open to the free flow of goods and services.

In the arcane world of the World Trade Organization (WTO), the movement of people is referred to as the Movement of Natural Persons. It is an oddly neutral nomenclature for human beings, presumably adopted to differentiate them from other legal entities such as corporations, money, or commodities – the free movement of which is the goal of the WTO.

Pursuing the free movement of people across national borders is just as important a goal, though, because it can help address one of this century's most important phenomena: demographic change, with its vast economic and social implications. Unfortunately, despite the support by 40 members of the WTO, including India, to support more open borders, the U.S. has marginalized the issue as something to be discussed bilaterally. This represents a significant opportunity missed by both the stagnant West and the developing BRIC nations.

The populations of Western Europe, Japan and Russia

are ageing as birthrates fall, while those of developing countries grow rapidly and their populations become more youthful. In an ideal world, of course, people would move from countries with a skill surplus to those experiencing declining populations, high dependency ratios and shortages of skilled and semi-skilled workers. However, if such movement is inhibited by social factors or political policy, the economies of the potential 'destination' countries will suffer. Japan is a glaring example of how not to handle demographic change: it remains trapped in near-zero growth because, among other factors, it is closed to legal immigration and does not welcome highly-skilled foreign workers.

Western Europe's problem is sustaining its high standards of living and robust welfare systems with economic growth struggling to reach 3% a year. Although each of the BRIC countries are at different stages – China's population is graying and will soon begin to decline in real terms, for instance – India is in a

demographic boom and producing tens of thousands of engineers, doctors, software and banking professionals each year who could be employed in the West. Even amid rapid economic growth at home, many educated Indians would appreciate the opportunity to work overseas, but are being held back by barriers to the free movement of people.

Unfortunately, the cure to economic troubles in the US and Western Europe – a controlled inflow of foreign workers – has been conflated with mass immigration and turned into a hot political issue across the region. Electorates that have been hurt by job losses and the erosion of welfare programmes are shifting rightwards on the political spectrum, backing parties with an anti-immigration stance. Moreover, these countries are limiting the number of visas given to highly-qualified professionals who could contribute generously to their tax revenues and inject dynamism into the region's mature economies.

Developed countries are also failing to deal well with the diversity they have among their populations. David Cameron, the UK Prime Minister, said in March this year that the country had failed to integrate its immigrant population. While this should have been understood as a call for better policies it was immediately turned into an attack on immigrants. Subsequently, Chancellor Merkel made a similar argument for the failure of immigrants to assimilate in Germany. In recent years, France has legislated against the wearing of the veil in public and Switzerland against the building of minarets, both hot immigrant issues that don't address the problem of an aging society.

Everyone, even BRIC countries, grapple with diversity issues in different ways. After the

*India's turbulent history has made Indians both risk-takers and very adaptable to local sensitivities, demonstrated by the astounding success of the Indian Diaspora in the US, UK and Europe. .*

collapse of the Soviet Union, Russia has become a less diverse country and seen prolonged unrest in some of its enclaves. Rich in resources, Russia's highly educated population is shrinking, suggesting that it should change its policies to attract more foreign workers to develop those resources, especially in remote areas such as Siberia. It would also benefit from its business community being able to travel more freely in Europe to build necessary ties.

Brazil recognizes the class and economic dimensions of its racial diversity, and the healthy consensus achieved under former President Luiz Inacio Lula da Silva helped its economy grow rapidly. For its size it has a relatively small population which is absorbed in exploiting its own vast land and natural resources. The large Han majority in China make it almost as ethnically homogenous and intolerant of minorities as some European countries.

India, though, is the most diverse country in the world thanks to its range of religions, languages and ethnicities. It has a history of being invaded, with the diverse streams of people flowing in and the locals influencing each other, both adapting to survive. Of course India has had its share of conflict, but it has usually defused those situations without excessive state violence.

Its turbulent history has made Indians both risk-takers and very adaptable to local sensitivities, demonstrated by the astounding success of the Indian Diaspora in the U.S., UK and Europe. In the US, Indian-origin immigrants have an average household income of more than \$70,000 because three-quarters have graduate degrees and half have Masters' degrees. There are over a million people of Indian origin in Europe, half of whom are in the UK. Despite the fact that the Indians who originally migrated to the UK were unskilled workers, at present they are the least impoverished of any immigrant community. Indian communities also have no history of involvement in ethnic violence in their host countries.

In a back-to-the-future dynamic, globalization is forcing us to be more flexible about borders and nationality. The European Union, notwithstanding the present difficulties of the Euro, is the best example of defining down the power of the nation state. It has shown how ceding some sovereignty and opening borders can resolve historical hostilities. The number of bilateral and regional Free Trade Agreements concluded and under negotiation makes it clear that countries want to be "in" and not "out."

This Schengen spirit of openness applies equally to India in its neighbourhood. By making a success of the South Asian Association for Regional Cooperation and opening itself to textile and ready-made garment imports, India will gain a bigger market for its own higher-value manufactured goods. Economic integration can also begin to soften the remaining historical resentments of colonization and the brutal partition of the subcontinent.





# India-Pakistan

## the stabilising mantra

27 June 2011

Although the Indo-Pakistan foreign secretary talks did not grab all the headlines, bilateral relations have seen notable developments. Shastri Ramachandaran, a veteran journalist specializing in foreign affairs and geopolitics, writes about how the former single-minded approach to discuss terrorism was modified, in turn allowing both nations to progress in terms of friendly and nuclear confidence building measures.

The run-up to the talks was low key. Neither side raised hopes of headline-grabbing developments. The absence of drama or excitement surrounding the June 23-24 round of talks between Nirupama Rao and Salman Bashir, the foreign secretaries of India and Pakistan respectively, helped focus on the progress achieved by both sides in getting on with the agenda.

Consequently, the notable achievement of the meeting in Islamabad between Rao and Bashir was to stabilise confidence-building measures (CBMs) on all the three tracks – peace and security, Jammu and Kashmir, and friendly exchanges. Most particularly, they concentrated on measures to minimise the nuclear threat and reviewed the existing situation. This cleared the decks for expert-level groups of the two countries to consider further nuclear confidence-building measure before their foreign ministers meet in July.

Nuclear confidence-building measures appear to be remote achievements, and may not create the kind of buzz that people-to-people initiatives can give rise to. Yet, the importance of these cannot be overstated,

especially at a time when the danger of Pakistan's nuclear weapons falling into the wrong hands is more real than at any time before. Today, threat of a nuclear breakdown in Pakistan – a global disaster scenario intensified after the jihadi attack on Pakistani's naval facilities in Mehran – will affect India the most. It confirmed that the country's armed forces have been infiltrated by terrorists and their accomplices; that jihadis are embedded in sensitive establishments of the army; and, that the presence of U.S. and Chinese personnel does not intimidate the nexus between jihadis and their partners in uniform. Worse could yet come, such as the operationalisation of the Islamist terror network in the Pakistani armed forces that could lead to the breakdown of the command-and-control structure of a military facility in the hands of non-state actors.

Alongside this alarming scenario is the existence of short-range missiles used as artillery with conventional warheads under the charge of local battlefield commanders in both India and Pakistan. Such improvised artillery can undermine deterrence at lower levels. Unlike nuclear weapons systems, whose

use must be pre-authorised, the short-range missiles can be used as battlefield weapons under the orders of inexperienced field commanders, which carries the danger of accidental and inappropriate deployment. In the case of Pakistan, the jihadi links of officers have increased fears of a mischievous use of these missiles.

It is against this backdrop that the latest nuclear confidence-building measures have to be viewed as a stabilising force for enhanced security, and safety of nuclear facilities. Former Foreign Secretary Lalit Mansingh, who has been pushing for prioritising the nuclear dialogue, considers these measures to be the most purposeful result of the recent talks. "Nuclear confidence-building has been the centrepiece of India-Pakistan Track II processes, and are an issue on which both sides have progressed remarkably well," says Mansingh.

Even so, India had to be "extremely cautious" about pursuing these goals. Post-Abbottabad, it is not only anti-American sentiments that run deep in Pakistan: India is perceived, by many Pakistanis, to be a greater threat to Pakistan than Al Qaeda or the Taliban, clouding the atmosphere for the civilian government's talks with India. In the circumstances, Indian postures, language and tone assume greater importance than the content at issue.

On balance, the civilian government in Islamabad has acquitted itself extremely well and given New Delhi the satisfaction of plain-speaking, consolidating the gains since the February talks in Thimpu between the foreign secretaries, followed by the two prime ministers meeting at the cricket match in March and the home, commerce and defence secretaries meeting in end March, April and May respectively. India and Pakistan seem to be moving forward in areas which promise real

progress "without being held hostage to India's core issue of terrorism or Pakistan's core concern of Kashmir. This is no mean achievement," notes Mansingh. The talks were held in a pleasant atmosphere and went off well, a marked improvement for bilateral relations. Fresh ideas for further confidence-building measures were proposed such as the removal of "unacceptable visa restrictions" like single-entry, single-city-only permits, can go a long way in transforming people-to-people relations favourably.

In addition to the visa regime, the changes proposed over the weekend meeting include: the agreement to prevent 'situations' at sea such as the recent "brush" between the warships of India and Pakistan in the Gulf of Aden, more cross-Line Of Control exchanges, a greater frequency of Srinagar-Muzaffarabad bus services, a new Kargil-Skardu bus service, increasing trading days from two to four per week and trading posts – there are currently only two, Chakan-da-Bagh in the Poonch district of Jammu, and Salamabad in the Baramulla district of the Kashmir valley – and more points of people-to-people and institutional interactions, are all good signs.

Thankfully, Rao did not focus single-mindedly on terrorism – it would only have blocked progress on other tracks. This realisation, perhaps, restrained Bashir from also pressing Pakistan's predictable obstructive line on Kashmir.

If these talks signify a resolve not to let the problem of "core issues" preclude New Delhi and Islamabad from proceeding with achievable outcomes on other diplomatic tracks, then surely history will show that this June meeting may be the turning point in the Subcontinent's geopolitics.








## M&amp;A and Restructuring

<p>December 2010</p>  <p>Advisors to JSW Steel Ltd. for acquisition of 41.3% stake in Ispat Industries Ltd.</p>	<p>June 2010</p>  <p>Advisors to Mr. Kalanithi Maran &amp; Kal Airways Pvt Ltd for acquisition of majority stake in Spicejet for 7.4 Bn</p>	<p>April 2011</p>  <p>Exclusive advisor to Tata Steel Ltd on induction of Krosaki Harima Corporation, Japan as a strategic partner in Tata Refractories Ltd.</p>	<p>May 2011</p>  <p>Financial advisor to Coromandel for acquisition of 42.2% stake in Sabero Organics for INR ~2,840 mn</p>	<p>June 2011</p>  <p>Financial Advisor to the Sanmar Group for the sale of 100% stake in Eisenwerk Erla GmbH, Germany.</p>
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## IPOs

<p>October 2010</p>  <p>Coal India</p> <p>Rs. 151,995 Mn IPO</p>	<p>October 2010</p>  <p>Prestige Estates Projects</p> <p>Rs. 12,000 Mn IPO</p>	<p>October 2010</p>  <p>Oberoi Realty</p> <p>Rs. 10,290 Mn IPO</p>	<p>April 2011</p>  <p>Future Ventures India</p> <p>Rs. 7,500 Mn IPO</p>	<p>September 2010</p>  <p>VA Tech WABAG</p> <p>Rs. 4,720 Mn IPO</p>
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## QIPs and Equity Placement

<p>November 2010</p>  <p>Manappuram Gen. Fin. &amp; Leasing</p> <p>Rs. 10,000 Mn QIP</p>	<p>June 2011</p>  <p>ING Vysya Bank</p> <p>Rs. 9,690 Mn QIP + Pref. Issue</p>	<p>July 2011</p>  <p>Apollo Hospitals</p> <p>Rs. 3,300 Mn QIP</p>	<p>September 2010</p>  <p>Shoppers Stop</p> <p>Rs. 1,298 Mn QIP</p>	<p>October 2010</p>  <p>Cholamandaram DBS</p> <p>Rs. 1,500 Mn Equity Placement</p>
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## Bonds / NCDs

<p>Oct / Jan / March 2011</p>  <p>IDFC</p> <p>Lead Manager</p> <p>Rs. 102,000 Mn NCD</p>	<p>June 2010</p> <p>Kal Airways Pvt Ltd</p> <p>Rs 5,000 Mn Secured Bonds</p>	<p>July 2011</p>  <p>Cadila Healthcare Ltd</p> <p>Rs 1,750 Mn NCD</p>	<p>Jun- Aug 2011</p>  <p>Cholamandaram Investment &amp; Finance</p> <p>Rs 1,500 Mn Perpetual Debt Instruments</p>	<p>August 2010</p>  <p>Hindustan Organic Chemicals Limited</p> <p>Rs 1,000 Mn Lead Arranger</p>
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