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INDIAN COUNCIL ON GLOBAL RELATIONS

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Gateway House
Indian Council on Global Relations

Quarterly Review
October - December 2011



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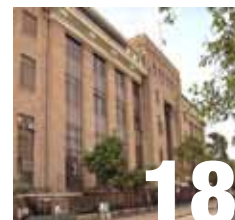
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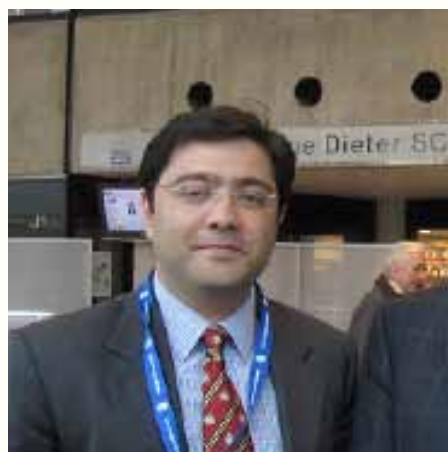
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Akshay Mathur
Head Of Research

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Letter from the Head of Research

In the last quarter, two anti-establishment movements at opposite ends of the globe peaked in popularity – the Anti-Corruption Movement in India and Occupy Wall Street in the United States. Both are social network movements rising against growing inequality--captured by the slogan--"we are the 99%". Looking at Lokpal's Fine Print and Occupy Wall Street give a snapshot of the national sentiment at the time. While these causes have gone dormant, they are weather vanes of public sentiment. If they flare up in the next few months we'll know public ire against big government and big business is embedded in voters's minds around the world.

Gateway House scholars also contributed to the debate for reinstating economic integrity with several essays and articles published at home and abroad: India: Financial Regulatory Exporter; Rajat Gupta: Arresting the rise of Indian CEOs; Resetting Economic Governance at G-20 provide ideas on improving global economic governance.

Our outside contributors from Pakistan to New Delhi cast an insider's light on events in our western neighbourhood and in West Asia. The analysis in Rescuing NATO in Afghanistan, NATO vs Shias: A geopolitical Miscalculation, Reconsidering R2P: Post-Libya, and Imran Khan: Yet another messiah, is spot-on, and reflects the reality of these tumultuous times.

Gateway House published a number of original research papers in the last quarter which looked at the long-term implications of our bilateral and multilateral relationships within SAARC, the BRICS region and with old friend Russia. The full papers are exclusively available to our members.

Finally, no year can close without a summary of our top moments. Enjoy our team's 2011 Top Foreign Policy Cheers and Jeers in the end.

Our much-loved Gateway of India reflects our mission to promote tolerance and understanding. The 100 year old monument, built to welcome King George V, is a well regarded symbol of India today. Our opening essay, 'The Gateway of India, Redefined' explains why this structure of colonial conquest was not torn down, but is instead accepted and respected by Indians.

Venkat Bharatan



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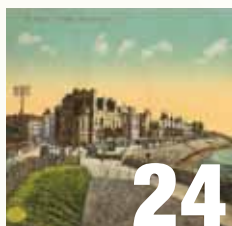
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Gateway House Meetings: October to December

"Eclipse: Living in the Shadow of China's Economic Dominance"

October 7, 2011

Arvind Subramanian, Senior Fellow, Peterson Institute for International Economics (PIIE), Senior Fellow, Center for Global Development (CGD) in conversation with Subir Gokarn, Deputy Governor, Reserve Bank of India

"The Confluence of Business & Foreign Policy"

October 20, 2011

Ambassador Kishan Rana, Former Indian Ambassador to Algeria, Czechoslovakia, Kenya, Mauritius and Germany

"India-Canada Relations: Catalyst in a Global Crisis?"

November 12, 2011

Christy Clark, Premier of British Columbia, Santrupt Misra, CEO, Carbon Black Business & Director, Group H.R, Ambassador Neelam Deo, Director, Gateway House, Stewart Beck, Canadian High Commissioner in India

"The Future of Brazilian Growth"

November 15, 2011

Renato Galvão Flôres, Professor, Escola de Pós-Graduação em Economia (EPGE); Fundação Getúlio Vargas (FGV), Ajit Ranade, Chief Economist, Aditya Birla Group

"India-Brazil Relations"

November 16, 2011

Pedro Freitas, Honorary Consul General of India in Rio de Janeiro

"Roundtable Discussion"

November 18, 2011

Lord Peter Mandelson, Will Straw, Director, Strategic Development, IPPR, (Institute for Public Policy Research) and Nick Pierce, Director, IPPR



“The Role of India’s Corporate Sector in Civic Affairs”

November 19, 2011

Sonal Shah, Director, Office of Social Innovation & Civic Participation, White House,
Shailesh Haribhakti, Chairman, BDO Consulting Pvt. Ltd.

“Basel III – Implications for India”

November 22, 2011

Usha Thorat, Director, Centre for Advanced Financial Research and Learning; former Deputy Governor, Reserve Bank of India, Nilesh Shah, President, Corporate Banking, Axis Bank: K.N. Vaidyanathan, former Executive Director, SEBI and Gateway House’s Senior Geo-economics Fellow

“China: Collapse, Democratisation or Resilient Authoritarianism?”

December 2nd, 2011

Andy Nathan, Professor, Political Science, Columbia University, Ranjit Gupta, Distinguished Fellow, Institute of Peace & Conflict Studies; Niu Qingbao, Consul General in Mumbai, People’s Republic of China; Vijay Crishna, Godrej Industries

“How to Run the World: Charting a Course to the Next Renaissance”

December 14th, 2011

Parag Khanna, Senior Research Fellow, New America Foundation; Fellow, European Council on Foreign Relations

“Re- Energizing the India – Russia Relationship”

December 20th, 2011

Ambassador Ronen Sen, Former Indian Ambassador to USA, Russia, Germany, Mexico, Katherine Foshko, Russia Studies Fellow, Gateway House

“Space: The Game-Changer for India”

December 22nd, 2011

Dinshaw Mistry, Fellow, Woodrow Wilson Center, Associate Professor of Political Science and Asian Studies, University of Cincinnati





India:

Looking at the Lokpal's fine print

4 October 2011
by Devika Jain

Development Economist, Activist and Gandhian

Image: Nizardp/WikimediaCommons

Now that the hurly burly of the anti-corruption movement in Pragati Maidan is behind us, and the battle is both lost and won, let us turn our attention to the issues that need to be discussed, and mobilize opinion. The first learning that has emerged is that “people” – that wonderful cross-section that the Economic Times captured on 28th August through its on-the-spot survey of the “crowd” at Ram Lila – are keen to design structures and laws that have a direct impact on their citizenship. The professionally-done survey illustrated that the largest group were youth, followed by shop-keepers, professionals, with rural participation coming in last. The survey also indicated that

change is no longer to be left only to election manifestos and parties, but to active participation by the citizens.

Many political scientists have commented on how political “ordinary” people are. These citizens aren’t rich or highly educated. They include the young and the old, men and women, from rural and urban India. They believe in universal adult franchise, and that regular elections have guided their political activism. Economist Amartya Sen illuminates this phenomenon in his book, *The Argumentative Indian* by giving several examples of Tarka Sastra as an old study of logic and argument.

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The kind of voices heard from protest sites across India, thanks to the television channels, revealed the people’s zest.

The kind of voices heard from protest sites across India, thanks to the television channels, revealed

the people's zest. From the scenes broadcast from the Ram Lila grounds, and from the responses to the activist leaders at the dais, it appeared that the "crowd" was in sync with the messages.

Much of the angst of political commentators on television came through the media outlets performing the post-mortem of the movement. But some suggestions from the main characters in the drama offer an opportunity for the media and the cognoscenti to take it forward. In fact, for those who found the whole media coverage atrocious, the fine print may offer them the opportunity to "do" and to "be." In other words, there are some actions to be taken, and there are some actions that require us to be part of that doing. As the support of the masses has indicated, people are willing to obey their messiah from the Ram Lila Grounds to get started on their next mission. That mission is electoral reform. The importance of electoral reform – including inner party democracy, and the right to refuse to vote – has been on the Indian agenda for some time. This is the time for a follow-up discussion and some forward-looking strategies to be created, with those who have been the bridge between civil society and the election commission such as the Election Commissioner S.Y. Quraishi and groups such as Association for Democratic Reforms.

The media should bring this debate into the public domain with a discussion on the progress made so far to avoid a Gandhi versus S.Y. Quraishi-style debate. Confrontational debates on television have become the mode, almost like encouraging cockfights which the audience enjoys. The goal must be to have an informed and inclusive discussion, followed by the law-drafting process that ends with legislation. The absence of such a process could reignite similar angst from civil society – as was the case with the Lokpal Bill-drafting process. This is the moment to build that process. It will also help in moving the debate from being solely internal discussions to larger, transparent public

processes, where people understand both the impediments to, and benefits of, the issue.

To that end, the call by Arvind Kejriwal – who has been controversial – on Sunday, August 21 had some value.

One of his actions was to initiate a pledge asking each person present at the protests to vow against taking or giving a bribe. For many of us "ordinary" people, this is more useful than the bill. It is action. It is a constructive approach, as Gandhi would have it – following the Satyagraha.

The second was his call to stimulate the elected councils at the grassroots. He requested publicly: "Please enable meetings and raise the issues we have learnt, get people's opinions and let them also engage with this cleansing and democratising of the political and economic space." Interestingly, immediately after, on August 29th, Omar Abdullah, Chief Minister of Jammu and Kashmir, pledged to strengthen these local-level bodies in the development process. After all, these local bodies in Jammu and Kashmir should also have a healthy discussion on the same issues raised at Ram Lila Grounds. This is a better way to deepen democracy and strengthen vigilance rather than rely on the top-down approach of the Central Vigilance Commission.

The third suggestion was regarding the discussion on the Lokpal system itself. For instance, the media can call a panel of the existing Lokayukta members and discuss the challenges and the differences. This will answer key questions: What will be the circle of governance and quality of the state Lokayuktas? How does the inclusion or exclusion, in the Central Lokpal Bill affect the Lokayuktas? This can be extended to the selection of the Lokpal itself, and the kind of panel that it would finally include. These issues have been debated in the various consultations by civil society groups but not by the larger public.

The most refreshing and inclusive idea on the Lokpal's formation



These issues have been debated in the various consultations by civil society groups but not by the larger public.

was to set up a search committee formed by eminent knowledgeable people, scholars, and social leaders. Then the candidates can be presented to a selection committee, which includes people outside of government, before it goes to a final high-level committee including the Prime Minister.

Finally, it was also suggested that the committees and panels, especially the national Lokpal, should have representatives from women, minority groups and the Scheduled Castes and Other Backward Caste categories. These are important topics to debate publicly, especially after the Anna Hazare campaign has taught us how much media and social networking can enable information-sharing. For the majority who will not be "online," television, especially the regional-language channels, is a very important medium. I preferred watching Aaj Tak and other Hindi channels, even though I didn't always understand them, as I found the English channels more involved in panel discussions than listening to the people at the Ram Lila Grounds. Now the discussion can go to the Gram Sabhas via regional media channels and print as well.

So let us have a look at the small print, and without inhibition recollect the best of the "calls" from the Ram Lila podium. The public is already familiar with these topics. All we have to do is enable a deeper discussion, and create an example of a good healthy democratic process of citizen participation in governance and policy making.

Occupy Wall Street

4 October 2011
by Bob Dowling
Advisor Gateway House



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The Tea Partiers and the Occupy Wall Streeters are as far apart on the social spectrum as you can get. But in their antipathy to Big Business and Big Government, they suddenly seemed remarkably alike.

ing defeat last November, started the same way. Even their red, white and blue hats looked like the garb on the Wall Street protestors.

The Tea Partiers and the Occupy Wall Streeters are as far apart on the social spectrum as you can get. But in their antipathy to Big Business and Big Government, they suddenly seemed remarkably alike. Right meets Left.

You wonder: what if they joined up?

Three feet from Jack Juzeus of Brooklyn, New York, is a map of the United States with 63 blue stars on it. The stars target cities where “Occupy Wall Street” expects to stage public rallies over the next few weeks. A number are already underway. The stars cover all major U.S. cities.

“Mr. Politician. Bring Back Our Jobs From China....Tax Wall Street.” He tells me he’s in favor of a 65% tax on any loan that goes to finance jobs in China because there are thousands of Americans who will do those jobs right here.

Juzeus was standing in Zucotti Park – just a few blocks from the Twin Towers memorial where President Obama and hundreds of national leaders flew in to honor the dead from the 9/11 attacks three weeks ago.

Day 1: Wall Street – 2 p.m. Oct 4, 2011. The elite media has thus far seen the marchers as young leftist kooks, at most naively backing President Barack Obama in his new campaign to tax the rich. Gregg Smith, an anchor on the conservative network Fox News, suggested this morning that they must be un-American and against capitalism.

But through the afternoon, the protests seem to be much more

than just this. It is a gathering of middle aged voters and seniors, campers who plan to sleep in a local park for weeks, people against bailouts, bonuses, Washington, the Federal Reserve, free trade and what 31-year-old Mary Hitchcock called the “business and government system of legalized corruption.” To a person they said, it is just starting.

America’s right-wing Tea Party, which helped rally independent voters enough to hand president President Obama’s party a sting-

Now, there are almost as many police as protestors flanked around the park where a quiet calm envelops strange looking people with bed rolls and makeshift food tables holding signs with demands to fix the nation and rein in the financial elite.

Because the people look funny and the demands are woefully general, the press has resorted to ridicule, as it did with the Tea Party looks a year ago.

To introduce a collection of protesters who float out into the streets like jelly fish in the deal-making epicenter of the world – around the corner from the New York Stock Exchange – is beyond comprehension for politicians and the money guys who fund them.

And that may be the genius of this nascent movement. If a month from now you hear the occupation called Wall Street Winter, it will be a peaceful version of the violent people's movements of 2011 that rearranged the world, from the anti-corruption protests in India to the Arab Spring across the Middle East. "This is a movement born out of extreme frustration with our leaders and their almost total dependence on Wall Street to support them" says Terry Bishop, 52, of Red Bank New Jersey, who came in with 56-year-old Tom Nystrom, a neighbour and postal worker. "They don't work for us and we know it."

Next to Bishop, Miriam Siegman, 70, from New York City holds a sign that reads:

"Congress, Bag men for Wall Street.

Dept of Justice – No meaningful prosecutions.

Courts, 'OK' to go after Wall St victims – leave 'perps' alone – to enjoy spoils"

Johnny Rabuse, a 50-year-old steel worker holds a sign that says: "End the Wars and End the Fed."

Sloganeering, bed rolls and conviction by themselves do not make a movement. But they set the stage for one. Two trade unions are now backing the protests and sending money. Leftist causes



such as George Soros's MoveOn.org are said to have stumped up cash. There's an effort to get other unions and workers involved.

The Tea Party's economic base is small business suffering from lack of credit. The big money aiding the party is said to come from conservative givers. The goals of both are to take on Washington and Big Business by enlisting the key to winning elections – America's independent voters. The Wall Street protestors are planning large marches in New York through the week. They vow to stay, but who knows.

The only thing certain is that something has shifted in the North American political strata toward popular control. It is coming from the right and the left, and is aimed

at a political, financial, business and academic elite, who organizers believe have fundamentally failed. There is no third party political candidate in sight who excites them. But you sense in their restlessness and frustration that if one emerges, there will be committed backing.

Day 2: Zucotti Park, Lower New York City, October 5, 2011: The union professionals arrived today, pumping up the ranks of the Occupy Wall Street movement by as much as 10,000, but risking losing its grassroots, everyman appeal. Labor leaders in red and green T-shirts with bullhorns and walkie-talkies jacked into their ears marched their workers six-abreast up Broadway to City Hall chanting: "Banks Got Bailed Out, We Got Sold Out"

Their cookie-cutter red-and-white printed signs were slickly professional against the ripped, hand-lettered cardboard placards carried yesterday and earlier by students, suburbanites and seniors, making the union marchers look like they'd been painted with a giant corporate brush. They march to save their jobs while politicians across the nation are cutting public workers. But they have limited public support. Voters know government bus drivers, teachers and nurses often have better salaries and benefits than they do.

The risk is that if Occupy looks like a labor campaign, Wall Street is home free. The organizers so far have spotlighted the banks as the nation's villains while leaving their reform plans vague. The banks stumbled right into it. Bank of America said it will impose \$60 annually in fees for payment cards while a new and massive \$2 billion trading loss at UBS was a reminder that casino banks are still out there. Voters, who want a broad reform of politics and finance, are the supporters Occupy wants and needs.

So I asked Jessica Mitchell, an activist from Washington who has been planning the Occupy Campaign for two months, whether the arrival of public unions might undercut her grassroots appeal. "We welcome anyone who wants to help us, but we're here to represent the 99% of the country, not the unions. Everyone has been hurt by the banks. This is a horizontal movement run by social networks that can't be captured," she said.

Time will tell. What's obvious is that the campaign is bulking up and bringing in more causes—Greens, corporate critics and organizers who want a fundamental reform of the U.S. political system, these are all showing up.

So are bankers.

Marc Armstrong, who runs the Public Banking Institute, a group that wants at least one taxpayer-funded bank in each State, called the movement "my horse to ride." He'd been searching for a way to start a national debate on public banks—using as a model the large and successful public bank in



his home state of South Dakota. Based on North Dakota banks' history, the record shows these public banks are far safer than private lenders. He's now got his chance.

Two Democratic Congressmen endorsed the campaign on Wednesday and several other Washington politicians said they were close to doing so. Representative Bernie Sanders of Vermont, who had forced the Federal Reserve to disclose that it had lent \$3 trillion in short term loans to banks around the world during the crisis, was the first Washington backer.

The mainstream media, which had earlier downplayed the movement, — a National Public Radio host called it "ragtag" — have expanded ranks with a heavy cast of international press now present. A Chinese TV reporter was having trouble with a sign that said Wall Street needed an "enema," or flushing out. "What is enema," he kept asking Michael Stasky, now living in New York after an Afghan military tour. Stasky whipped out a phone with a Chinese dictionary and read him the word.

After 700 arrests last weekend, the movement now has a le-

gal desk and a small emergency medical team. Comics, and even a few reviled Wall Streeters, are showing up. Artist David Case and three friends arrived dressed as the 1% of America's richest billionaires flashing a sign that said: "It's a class war and we're winning." Wall Streeters Chris Downey and Marc Goldwasser promoted drilling for oil with the crowd for half an hour, telling a radio reporter, "If you want American jobs, drill baby drill and lay off Exxon." They were serious.

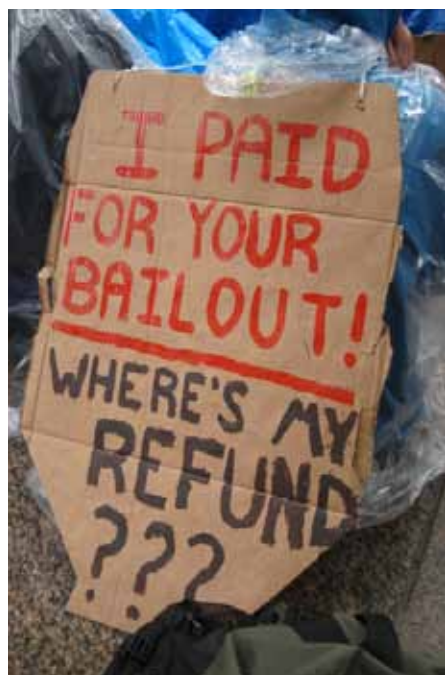
Sit-in protests are now underway in Boston and Chicago, with a large demonstration planned for Washington, D.C. this weekend. Occupy has raised the number of target cities to 147 from the previous 63 — meaning full coverage of the U.S. in the days ahead.

Day 3: Zucotti Park, Near Wall Street, New York City, October 6: I got back from the Occupy Wall Street demonstration at Zucotti Park in lower New New York City after 11 p.m. last night to find that Steve Job had died. When he resigned from Apple on August 24, the handwriting was ominous. Jobs seemed to be capitulating to his cancer. His

liver transplant in 2009 would have mandated the use of powerful anti-rejection drugs to suppress his immune system. His body would have had little ability to survive a new regimen of toxic chemo treatment. He was out of bullets.

This morning, everyone wants a piece of Jobs. His products are ubiquitous, his wan, grey bearded face, jeans and black pullover exclaim billionaire rebel. He fought the system and won. Mainstream media gets that. But they're deeply confused about Wall Street protesters who use Job's iPhones and Macs while they sleep under blue tarps and espouse vague goals for reform while smoking a joint. Jobs, a hippie who launched his career in high school with a device to make free calls by hacking the phone system, might be amused. He once said using LSD was one of the best experiences of his life.

Would Jobs have endorsed the Occupy Wall Streeters, now spreading their sit-in movement to Boston, Chicago and many other cities like some mainstream U.S. politicians are doing? Hard to say. Apple, with \$78 billion in cash stashed in a small town in Nevada to avoid California taxes, is larger than most American banks. By share price, it is the nation's second most valuable corporation. Jobs's personal worth is \$8.3 billion, made as much by gambling on Pixar, the film animation company no one else wanted, as by building Apple. Never let someone



else determine your life, he told Stanford students in 2005, a year after his cancer become known.

The protesters have no product and vague goals about reforming government, the economy and the banks. But as Jobs did with his challenge to Microsoft, they are stirring up broad interest. "My son called me from Vermont, he urged me to set up a Wall Street rally in Stuart, Florida," Louise Cohn, a Democratic organizer told me today. Office-bound bloggers are urging the protesters to send out marchers in casual work clothes to appeal to middle class folks like themselves.

Will the sit-ins capture America? The protesters have drawn a bead on the twisted logic behind America's political and economic system in a way no established commentator has been able to do in four years. They've exposed the Obama Administration as being as hollow as its opposition. J.P Morgan Chase's top bank lobbyist, William Daley, is now Obama's chief of staff, his business economic adviser is Jeffrey Immelt of G.E., a company that paid no U.S. taxes in 2010. "How more inside our government can they get?" exclaimed protestor Cynthia Winthrop.

"I thought Wall Street guys were smart," says Johnny Rabuse, a steelworker who's been at the protest for 12 days. "I didn't go to college but I know if I was called one of the top 1% richest guys while everyone is losing jobs, I'd be trying to hide in the top 5% or 10% as fast as I could".

Steve Jobs, college dropout, might be smiling.

Day 4: October 12, 2011 – Zuccotti Park, New York City. America's Eastern Establishment developed its first significant crack today over the staying power and importance of the spreading protests against Wall Street, even as the movement itself seems to be devolving into a counter-culture forum rather than a focused campaign against out-sized financial power.

In an article in Foreign Affairs, the publication of the influential Council of Foreign Relations, George Packer, a well known U.S. jour-



Would Jobs have endorsed the Occupy Wall Streeters, Apple, with \$78 billion in cash stashed in a small town in Nevada to avoid California taxes, is larger than most American banks.

nalist, said the confrontation over the financial and economic wealth of America's elites is the outcome of decades of neglect. Now "Perhaps, out of a well-founded fear that the country is coming apart at the seams, the wealthy and their political allies will finally have to rein themselves in," he suggests, starting with paying more taxes and perhaps seeking to act above their self interest.

While Packer's article did not mention the Occupy Wall Street movement by name, the press release with his story said the piece exposes the forces behind the Occupy Wall Street movement. Because the Council is heavily funded by Wall Streeters, the article appeared to be recognizing Occupy Wall Street as a permanent campaign – akin to Vietnam protests – that could trigger a debate about U.S. wealth concentration and the very value of Wall Street itself.

MULTI-CITY ROLLOUT

The campaign is now on in some 20 cities. Patrick Bruner, a sometimes spokesman for the group, said some 150 places are targeted, with rollouts in smaller cities like New Haven, Connecticut, home of Yale University, and New London, Connecticut, where the U.S. submarine base is located.

On a drizzly day in Zuccotti Park, where the protesters are camped a block from the New York Stock Exchange, the mood remained upbeat, though more diverse interests, from Indian rights advo-



cates to a protestor targeting Israel and global Jewish financial power were prominent.

But newcomers to the park were impressed and welcomed the Foreign Affairs story. “This is big news,” said Dr. Stephen A. Tarek, who had just arrived at the park from Hawaii. “They’re talking about hosting one of these in Honolulu. Having an established voice underscoring the value of this protest will make it easier to appeal to middle class voters.”

“There are protests underway in Lexington, Massachusetts, and a permanent one in Boston,” notes Rosina Grignitte, a 52-year-old health aid from Lexington. “It reminds me of the Vietnam protests my parents took me to when I was young,” she said, sheltering her face from a wet wind blowing off the Hudson River and over the blue tarps and the hippie blankets of some veterans who have been huddled in the park for three weeks now. The New York protest is into its 26th day.

The Foreign Affairs piece argued that America’s once powerful elites lost their nerve after the Vietnam War and presided over the “atomization” of their authority into warring self-interested blocks. The upheaval came during the end of the President Carter era and reached force with Ronald Reagan’s anti government campaign. Television became the great communicator for politicians, and because TV ads cost a lot of money, there was an open door for lobbyists to gain power through corporate and financial campaign donations. While the analysis is hardly

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America’s once powerful elites lost their nerve after the Vietnam War and presided over the “atomization” of their authority into warring self-interested blocks.

new, its timing coincides with the anti-Wall Street backlash and enormous fund-raising goals for next year’s Presidential campaign. President Obama and his yet-to-be nominated Republican opponent are each expected to spend \$1 billion on their campaigns. As the protest techs up, more graphs and charts are showing up in the park. One says Americans think the richest top 20% control 80% of the nation’s wealth. Another says if you make less than \$1,137,684 a year, you are part of the U.S. 99% of earners, while the remaining 1% make that much or more.

AMORPHOUS AND HORIZONTAL

Because they generate excitement on the political left, unions, Democratic lawmakers and Obama aides would like to brand the protest as partially theirs. But the social networked organizers have staved off being locked into a union or a political party and have no laundry-list of demands. This amorphous horizontal campaign thoroughly confuses the

mainstream media, which has presented the movement as one dominated by 20-something college-educated white kids. But here there are many 50-70 year olds visiting the park – often saying they’ll transfer the campaign tactics to their own cities. “We have this started in Oakland (California) but now see how to give it longevity by not taking a hard negotiating stance,” says Anaya Rose, a 53-year-old therapist. Others could be Tea Party activists.

David Walker, a 53-year-old black protestor from Troy, New York, holds a sign on the prominent north east corner of the park that reads: “Google: Zionists Control Wall Street.”

“Obama is our first black Jewish president,” he tells a group. “His Jewish advisers made sure no one went to jail. I want the International Court in the Hague to issue arrest warrants for the heads of Goldman Sachs, Lehman Brothers, Bear Stearns, AIG, and Citibank. The charge is white collar crimes against the world.”

At the back of the park, someone is leading a pro-Israel rally. “I love this,” says Darren Baker, 50, a painter. “You got a Zion-baiter here, the Israelis on the other end, an Indian rights guy in the center, a big crowd of Buddhists chanting behind me. It feels like the 60’s.”

Off to the left, a digital sign is flashing 566,346 – the number of people around the world who have signed a pledge to support the protesters over a network hosted by AVAAZ.org. A laptop next to the sign is linked up globally to send through its camera, messages from individuals on the scene.

“This is why the mainstream media isn’t so important,” says Mark Bray. “We have a global audience without them.”

Day 5: Zuccotti Park, New York City, Oct 14, 2011: Today was the morning New York police were set to clear the Occupy Wall Street protestors out of this small granite-walled encampment where they have been lodged since September 17. Police lined up at 6 am for a con-

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Occupy Together, a website that tracks Occupy protests around the world, said more than 1,568 protests were underway

frontation that never happened. Watching were 4,000 supporters and numerous TV crews, plus a global audience hooked up live. "You could tell this was serious because they had the white-shirted commanders up front and the guys with riot gear just behind them," said John Collins, a Columbia University philosophy professor. "Somebody must have made a phone call, maybe even Obama, to call this off," he speculated.

As the police line ebbed by 6.30 am, newly-summoned supporters flooded into the park. They'd been alerted by Facebook and other social networking links about the eviction. As the day progressed, these new faces packed the park tighter than it had been in weeks.

While there were muted cries of victory, those on the line for several weeks said they expected New York's Mayor Michael Bloomberg to try an unannounced eviction later. "He's said this place is dirty and that we're here to destroy jobs for New Yorkers. Do you see any dirt?" asked Alfonso Pastor, a 53-year-old from Brooklyn who was sweeping the granite with a broom and long-handled dust pan. In fact there hasn't been any visible dirt for weeks, but commentators not on the scene have cited grimy, unsanitary conditions for days as what seems political spin against the movement.

Evicted or not, the protestors, starting with just a handful last month have gained a following around the world. Reuters published a poll showing that some 82% of Americans were aware of the protest and its dominant slogan "We are the 99%" – meaning



the number of Americans under the richest 1% of the nation. The protesters claim that 1% control both political parties and Washington policies through their lobbyists and campaign donations. Occupy Together, a website that tracks Occupy protests around the world, said more than 1,568 protests were underway or planned. They have spread from larger cities and university towns to much smaller venues in the U.S., and are moving around the world. "There's an Occupy march here right now in Steamboat (Colorado)," said Peter Kenney, speaking from the Rocky Mountain ski resort where a number of millionaires have vacation homes. Besides prominent U.S. cities like Boston, Chicago, Seattle and Oakland, Occupy To-

day said protests are underway in Sydney, Paris and Buenos Aires. A march on the London Stock Exchange took place Friday.

Because there are no hard demands for negotiating with the protestors, observers say the movement is still in a public awareness stage. They seek to show that the majority of the nation has been sold out to financial interests and prominent bankers like Jamie Dimon of J P Morgan Chase, a leading opponent of banking reform regulations, and Bank of America, which is imposing a \$5 monthly fee on debit cards to offset a 21% cap on charges to merchants.

The New York protestors marched on Dimon's mid-town headquar-

ters this week and have scheduled their largest rally yet for Saturday Oct. 15, calling for "Flash" protests against Wall Street banks, then moving to Times Square for a mass "Resistance Against Banks" rally at 5 p.m. They are also calling for a "run" on Bank of America for imposing the card fee, which they regard as the bank's retaliation for government efforts to reform hidden bank charges.

The protest is beginning to divide Wall Street itself. Some leading U.S. financial names have begun sympathizing with the protestors without openly endorsing their campaign. Citibank CEO Vikram Pandit said on Wednesday the protests were "completely understandable.... trust has been broken, it's Wall Street's job to reach out to Main Street and rebuild that trust," he told *Fortune* magazine. Others expressing support are Bill Gross, head of PIMCO, the world's largest bond fund, and financier George Soros, who is said to help fund the cause.

The mainstream media has highlighted the college age group staging a sit-in with bedrolls and blue tarps in the park. They are the first protestors, but their number is now outweighed by seniors and middle-aged sympathizers hosting signs and marching during the day. "This is my first time at a demonstration," says Gabe Radeko, a 40-year-old teacher from Traverse City, Michigan, displaying a satirical banner that says: "Amnesty for Mortgage Pushers: The World Needs More Homeless Children and Organized Crime."

Next to her, 62-year old Michael Ansel of Denver, Colorado is with a "Stop Goldman Sachs Before They Steal Everything" sign.

Mark Blatterfein, a 29-year-old economist from Somerset, New Jersey, is advocating a gold-backed dollar. He thinks the Federal Reserve is a "private capital monopoly, it prints all the money it wants, the banks get bailed out, the value of our dollar erodes.

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Because the protestors don't follow any particular playbook, mainstream media is thoroughly confused.

Keynesism has failed. We need a hard asset currency."

"You sound like a Ron Paul supporter" says a listener, referring to the gold-backed dollar Presidential candidate from Texas.

"I am," says Blatterfein. "I went from Obama to conservative principles after I saw the failure of his policies."

Christia Ortiz, 34, a lawyer from Hoboken, New Jersey, is protesting against lawyers who "rig the rules for the banks. They and the accountants" should be viewed as equally culpable by Occupy, she says.

Jacob Josefs of New York wants to separate banks and investment banks. "Bill Clinton, Why Did You Remove the Glass-Steagall Act of 1933?" says his sign, referring to the Depression-era rule that Clinton's Treasury Secretary Robert Rubin eliminated before he became an executive of Citibank.

"There's a lot of impressive street knowledge here," says Collins, the Columbia professor. "These people are not shock-troops for the left like the Democrats expect. The press, sent down to find the radical hippie kook, enforces that image. I came because I feared violence this morning and because I once believed Obama was the last hope for people making changes in a normal political way. He caved to the bankers and I feel abandoned. Now we are at an extreme degree."

Day 6: Zucotti Park, New York City, October 18: I only visited the Occupy Wall Street's Zuccotti Park six times,





so maybe I missed something. I didn't see the dirt or sex, or the protestor defecating on the police car that talk radio pushed around the nation. I didn't hear anarchists yell "Hate America," or "Destroy Capitalism." I met a lot of 40 to 70-year-olds ringing the park with signs ranging from "End the Fed" to "Stop Goldman Sachs Before They Steal Again." Steal? I asked 62-year-old Michael Ansel from Denver. "Nobody was charged. Goldman created securities to blow up in investors' faces so they could collect on default insurance. Call it what you want," he told me.

The people I met from the New York suburbs and places like Harrisburg (Pennsylvania), Seattle, Oakland and Honolulu, were well-informed. They wanted a national conversation about Wall Street values. "If they can justify their pay and what they do, fine" said Morris Egert. "Right now they're sacrificing my grandchildren."

You see what you want to see at the park, I guess. Andy Haraldson, a trucker, wrote to a Florida newspaper about a comfortable student he heard on a conservative radio station lying about his parents losing their house. There surely are phonies in the movement, and talk radio is out to find them.

But there are also dozens of middle-aged folks carrying lemon-colored signs that proclaim: "We are the 99%" and call the economy unfair. Their message argues that

1% of the rich control the world's wealth. Its value is that it can fit on a bumper sticker, observes Jessica Mitchell, a volunteer.

Occupy, with some 1,534 demonstrations underway globally, is only a month old. It came out of nowhere on September 17 when a handful of protestors pitched tents at the closest place to Wall Street, a block away. It's America's first encounter with an amorphous social network that ebbs and flows like a full moon tide and squishes like silly putty.

At one moment there are guys sweeping the polished granite Park trying to deflect charges that the place is dirty – it's far cleaner than your kids' room. The next they're joining a 5 PM Occupy meeting that will use Facebook to create a "Flash Mob" the next day. "Locusts swarm" a sign reminds. Union workers chanting "They Got Bailed Out, We Got Sold Out" add volume, but no one calls them brothers. While President Obama winks at the protestors, "Obama, Stop Coddling the Banks" is their reply. They know Washington helped cause the economic collapse. The Government is not their friend.

Because the protestors don't follow any particular playbook, mainstream media is thoroughly confused. "Molding stuff is everywhere" sniffed New York Times columnist Gail Collins, after viewing protestors lolling in fatigue jackets and laced-up boots on

sea-of-blue tarps, missing the dozens of sign-carrying older folks who ring the park each day. "Warmed-over anarchism" offered New York Times writer Bill Keller. If the tools of today's anarchists are Mac laptops, smart phones and orderly kiosks for legal and medical schedules and a library, maybe Keller's right. One afternoon Ben and Jerry, the ice cream guys from Vermont, planted a blue umbrella and handed out free cones till the tub was bare. Ice cream revolutionaries, anyone?

America's right wing is simply foaming. Their effort to tar the protestors as Marxists isn't sticking either. The more suburbanites that join in, the more the right looks foolish and robotic. It started when Gregg Kelly, the Fox New York morning anchor, called the protestors "anti-capitalist and anti-American" on October 5. His dad, New York Police Chief Ray Kelly, did it the next day, then Herman Cain, a leading Republican Presidential contender mouthed the same words. New York Mayor Michael Bloomberg said he'd clear the park, and then he didn't.

The main stream press isn't so important now because we work by the social network, says Mitchell. Even so, establishment voices are divided over Occupy's meaning. Larry Fink, Chairman of Blackrock, Vikrim Pandit, CEO of Citibank, Bill Gross, Chairman of the giant bond fund PIMCO and investor Warren Buffett say the protests are legitimate. "These are not lazy people. We have people losing hope," says Fink.

The public is watching. Polls show that 82% of Americans know about Occupy. An October 18 poll says 67% blame the government while 30% blame the banks for their economic woes. Two weeks ago the Mayor of New York said cold weather would drive out the protestors. But as money and support come in, so does the will to stick it out. "Haven't they heard of winter tents and sleeping bags?" asks Gabe Rodeko of Northern Michigan.

The Mayor might have to reconsider.

Rescuing NATO in Afghanistan

6 October 2011

by M.D. Nalapat

Director, Department of Geopolitics, Manipal University



Image: US Army/ Flickr

After Mikhail Gorbachev succeeded in bringing about the collapse of the Soviet Union in 1992, the bureaucracy that oversaw NATO faced an existential crisis. The alliance had been set up to counter the menace of the Red Army, and that force had melted away. Was it possible that the careers of the Cold War specialists were over? Would NATO be downsized or disbanded, to be replaced with other security mechanisms that were of greater relevance in an evolving situation? Nothing of the kind happened. NATO simply broadened its sphere of operations to include the entire globe. Given

that, it was obvious that its strength had to be enhanced - even as its Soviet-focussed analytical and military leadership searched for another enemy to confront. China was too big and too much a part of the economic DNA of the US and the EU to take the place of the USSR.

Osama bin Laden solved that problem for NATO by bringing down the WTC Twin Towers in New York. From then onwards, the alliance had its foe: the jihad against "unbelievers" and "crusaders" conducted by the more militarised segments of the Wahhabi International. NATO planners are known to have the

same degree of depth as French military planners in the 1930s, who passed up three chances to launch a pre-emptive strike against Hitler-run Germany (once when he occupied the Rhineland in 1936; and in 1938, when Germany threatened Czechoslovakia; and finally in 1939, when the Wehrmacht's invasion of Poland left it almost defenseless against strong French and other forces on the western front.) All three opportunities were passed aside even as vast amounts of money got spent on static defenses, rather than on the mobile armoured forces suggested by Brigadier DeGaulle. Hitler acted upon these suggestions in the creation of his Panzer (Tank) Corps.

Battling groups of jihadis is very different from fighting a conventional force; as the USSR discovered in Afghanistan and the US in Vietnam where it was defeated by lightly-armed guerrillas. Fighting a terrorist force united by religious fanaticism calls for a concentration of attention on mind war, and on ensuring that local populations do not fall victim to the siren call of the extremists. This cannot be achieved by conventional military forces. It requires resorting to the setting up of schools and camps where curricula is taught that show the young to become productive citizens in the international marketplace and the fatal effects of future lives as Jihadists. However, schoolteachers are in short supply within NATO while ordinary troops are not. Hence, the tactics adopted were designed so as to fit the mix of assets already available within NATO, rather than on the re-configuring of priorities that is essential if a military is to win an unconventional war. It is no accident that the very Israel Defense Forces that made such short work of multiple Arab armies in 1948, 1967 and finally even in 1973 are still struggling to overpower insurgencies in Gaza and the West Bank, after having withdrawn in defeat from Lebanon in 2000. Indeed, the

very instruments of conventional war - tanks, heavy artillery, aircraft – become counter-productive in a context in which the strategic objective has to be not the subduing by force of a population, but winning it over.

About the only military that has understood this lesson is India's, which has avoided the use of air power, heavy artillery or tanks to fight the Pakistan-fuelled insurgency in Kashmir. When 9/11 made the War on Terror the central theatre of operations for NATO, the alliance needed to acquire the skills and mindsets needed to battle such an elusive foe. Instead its commanders soldiered on in the way that they had been taught at military school - thereby once again proving that its generals are best at fighting the last war while helpless in the present. After a decade fighting the Taliban, and at an expenditure of more than \$1 trillion, that ragtag force has regained effective control of at least 48% of the land area of Afghanistan, and has brought NATO to silent hysteria that is manifested in repeated efforts to locate "good" or "moderate" Taliban from within the ranks of Mullah Omar's followers. If such is the expenditure of time and effort spent on fighting a numerically small force in a mid-sized country, it would be difficult to underestimate the problems that NATO would face were the GCC Sheikdoms to get convulsed by the same unrest that the alliance has stoked in Libya and Syria. Now that NATO has shown the way, it is a realistic prediction that Syria, Lebanon and Iran will decide that attack is the best form of defense and stoke tensions and turmoil in Saudi Arabia, Bahrain, Qatar and Kuwait in order to divert NATO's attention away from themselves.

Qatar and other regional players who have sown the wind by facilitating insurgencies in Libya and Syria could soon be reaping an Iran-Syria-Lebanon whirlwind within their territories - in the shape of the latter countries backing the significant opposition groups within the GCC US allies.

Initially, the US was content to operate from the skies, ensuring the softening up of Taliban defenses that led to the Northern Alliance victories of 2001-02. However,

quickly the pernicious effects of the Cheney-Powell policy of outsourcing much of the planning and operations in the Afghan theatre to the Pakistan army began to manifest themselves. The Northern Alliance was even warned from entering Kabul by the US. When its commanders nevertheless did so, there was consternation within the Powell-led State Department at the anguish felt by Islamabad over such a development. Soon afterwards, the ISI succeeded in ensuring that the US halted the Northern Alliance from entering South Afghanistan (from Kandahar and beyond), by informally warning them that such a forward thrust would be met with US bombing of their positions. Because of this disastrous policy, of refusing permission to the NA to clear out Taliban nests in the south, the Taliban were enabled to create a sanctuary in the region with the help of Cheney-Powell's regional ally of choice against the militia - the Pakistan army. Subsequently, the US funded numerous Pashtun warlords (identified by the ISI) who used the help provided to strengthen the Taliban.

A final blow in support of the Taliban was the 2003-5 NATO policy of winnowing out Northern Alliance commanders from positions of authority in Afghanistan, and replacing them with Pashtuns chosen by the ISI - almost all of whom were Taliban sympathisers. Several of the latter were also inducted into newly-created Afghan military units. Looking at the record of NATO in its pacification campaign, it is clear that this was doomed from the start by the alliance policy of seeing Pakistan as the arsonist who needed to be countered. The Taliban have once again become a potent force precisely because of the help given to their leading elements by NATO, the same military that allowed the ISI to exfiltrate more than three thousand Taliban commanders from Kunduz and other theatres during 2001-2. Had there been any real accountability within the US, both Dick Cheney and Colin Powell would have faced trial for the catastrophic mistakes that they were directly responsible for in the Afghan theatre. These errors were continued by their successors; Granted Admiral Muke Mullen has had his moment of enlightenment.

However, this has come after a delay that has been immensely painful to the Afghan people and very advantageous to the Taliban and their benefactors in Pakistan.

There is much chatter on BBC, CNN and other NATO media about the "corruption" of the Hamid Karzai administration. Given that less than 17% of the funds spent in Afghanistan are under the control of the Karzai administration, the rest being disbursed by NATO through its own channels, this is a ridiculous charge. The fact is that it is overwhelmingly the personnel from within NATO that are guilty of padding expenses and squandering money on protection and other charges for individuals whose only "contribution" has been to exacerbate the situation. The only way the Taliban can be fought is to (1) take steps to stanch the support given to it by the ISI (2) be ruthless in going after key elements in the militia (in the manner of the Sri Lankan army against the LTTE) (3) ensure that the Afghan uniformed services get cleansed of the Taliban elements that have been inducted into it courtesy of Pakistan and (4) arm and equip enough of the Afghan people to ensure the creation of a 350,000 - strong army that can take on the Taliban. Only Afghans can win this war, certainly not NATO.

After a decade of disasters, that seemed to be propelling Hamid Karzai towards the same fate as befell former president Najibullah in 1996, the Afghan administration is finally showing the independence needed to free itself from the clutches of the disastrous policies of NATO. It would be laughable - if it were not so painful - to watch Germans, Poles, Australians and sundry others attempt to fit the Afghans into the procrustean bed of their own experience and institutions. In contrast, India offers a framework far better suited to the country, as well as personnel who are culturally close to the Afghans and can be expected to deal with them without the condescension and cultural insensitivity shown by NATO personnel. Now that India has entered into the task of training the Afghan uniformed services, there appears to be hope that the errors caused by Cheney-Powell policies may yet prove to be less than terminal to a moderate and democratic Afghanistan.



India:

Image: Nichalp/Flickr

Financial Regulatory Exporter

6 October 2011

by K. N. Vaidyanathan

Senior Geo-Economics Fellow Gateway House

Europe is in a financial daze. Greece is under severe pressure. Even German banks, normally most stable, are reeling under losses of billions of dollars. Now voters in the U.S. fed up with joblessness and a deeper recession, are camped out in Wall Street, protesting and demanding reform of politics and finance. The West, once viewed as the dominant nation and institution-builder, especially by emerging markets and the under-developed world, is unable to follow its own prescriptions for growth and free-markets. Far from it: its economies carry systemic market risks and misplaced incentives which impact

societies. They are hardly models for the world to follow.

Then what is? Try India. India has long exported its 'soft' strengths. A thousand years ago, the Chettiars from South India travelled to South East Asia and helped establish banking and money-lending systems in these countries. The overlay of colonialism dissolved many of those systems. But in the last five years, India has once again begun building the financial and regulatory systems of other nations. Since 2006, Mumbai's Multi-Commodities Exchange (MCX) has set up exchanges in Singapore, Bahrain,

Mauritius, Botswana and Dubai. The National Stock Exchange (NSE) has set up the surveillance system for the Colombo Stock Exchange and runs the certification program in derivatives in both Colombo and Mauritius; the two national depositories, NSDL and CDSL, have agreements to share best practices with their counterparts in the US, Japan, Russia, Taiwan, Korea, Malaysia and Euroclear. This is one area where India leads China. Sure, in many emerging nations, China has taken the lead, readily helping them turn their back on the Western model of development by building their hard infrastructure and ex-

tractive industries. But now those same countries – many affected in some form by the wave of recent democracy movements - are looking with urgency at building ‘soft’ infrastructure like markets and regulatory and institutional frameworks. And they are turning their gaze upon India, a similarly developing nation with long experience of capital markets, democratic values and independent regulatory institutions built around affordable and robust structures. More relevant, India’s conservative and ‘inclusive’ financial regulatory system has insulated it from the global financial crisis, making it a compelling case study especially for emerging markets.

India’s financial export model is based on a system at home that has developed affordably and robustly, though cautiously, with Indian government and regulators working to ensure this emerging market does not run ahead of itself. Derivative products were introduced only after extensive consultations between the regulator Securities and Exchange Board of India (SEBI) and central banker Reserve Bank of India (RBI), exchanges, market participants and industry experts. Today, India has a thriving derivatives market in index and single stocks, currencies and interest rate futures.

The T+2 settlement system, supported by a daily margin regime that requires even institutional investors to comply, helped Indian stock markets avoid defaults and systemic collapses through the global financial crisis of 2008. The National Stock Exchange and the Bombay Stock Exchange (BSE) currently rank amongst the top five exchanges in the world in terms of trading volumes: From 500,000 trades a year in 1994-95, volumes have grown to over 2.1 billion trades in 2010-11. And India was the first country to glide ahead in retail investor protection – it abolished entry loads on mutual funds back in 2009, way ahead of the UK’s plans to do so in 2012.

India’s adaptable and affordable systems are replicable for similar emerging markets around the world – and there are a swelling

number of them, especially in Africa and the Middle East, which are looking beyond the once unassailable western systems. The financial evolution of these emerging markets is important: they are the global GDP contributors of the future.

For now, their systems are infant, and not independent. In Africa, for instance, currently more than 25 countries – up from 10 in 1990 - have stock exchanges, but only 11 have an independent market regulator. In Zimbabwe, Rwanda, Namibia, Mozambique, Ghana, Cameroon and Botswana, the stock exchanges double up as regulator - but are evaluating separation. In the Middle East, which has 14 stock exchanges – up from six just 20 years ago - countries like Lebanon and Kuwait are in the process of establishing independent market regulators. Eight of these markets have been created only in the last 15 years and are trying to evolve into major players by attracting both resident and foreign investors.

These markets share commonalities but are a stark contrast to the rest of the world. They are resource-rich, corrupt and war-torn; income and wealth distribution are skewed. Their experience with risk-taking has been limited to life, not money. In their saving and investing habits, they focus more on ‘return of principal’ than ‘return on principal’ i.e. their ability to take the risk of loss of principal is low.

Central banks often play the regulator’s role across all financial markets. The State is mostly the co-promoter of enterprises along with fledgling private sector entrepreneurs; it is also the dominant player in these economies and, most often, the provider of first and last resort to its people. In short, these countries are not internally ready or geared to adopt the more sophisticated western model of capital markets as ‘pass through’ structures based on caveat emptor where all risk is borne by the investor.

Migration to capitalism and free markets, therefore, needs to be carefully planned with a long term

perspective – calibrated to manage the downside risk of instability, while implementing plans to create a vibrant financial market. Because many of these countries are poor, the process has to be inclusive with a focus on the less privileged and more vulnerable. The regulatory framework has to strike a balance between market development and investor protection.

Indian regulators understand this. They remain conscious of the larger role that financial markets have to play and the influence it has over the economy. This alignment protects India from the excesses witnessed by other markets. In the \$2.5 billion scam of IT outsourcer Satyam, the Indian government and regulators came together to find a new buyer and protected the interests of stakeholders – investors, customers and employees. This approach to problem-solving, in stark contrast to the all-round loss caused by Enron, will find greater resonance in emerging markets.

Of course, Indian markets have some distance to travel in improving quality and frequency of corporate disclosures (it needs quarterly financial statements including cash flows), strengthening checks on promoters/majority shareholders and migrating to international accounting standards. And India needs to overcome a larger problem: If the Western institutions can be charged with ‘regulatory capture’ by dominant market participants resulting in excesses, their Indian counterparts are considered corrupt and prone to compromising their independence to government influence.

The challenge is to institutionalize islands of excellence and integrity through technology, transparency and stability in policy formulations. India’s globally-respected IT industry has already shown it can achieve these goals. New Delhi now must seriously tackle these issues soonest, or risk losing a new, stellar export: affordable, reliable, robust financial regulation for the emerging markets – and perhaps for the battered financial markets of the West.

The Airavat Incident: Much ado about nothing

11 October 2011
by Admiral Venkat Bharatan
Former Vice Admiral of the Indian Navy

Warships, whatever type they are, carry ammunition, along with testosterone, tension and, some macho behaviour. This is nothing new at all. It is inherent, needed in the military to keep things going. In the cold war it was not uncommon for the U.S. Navy and then the Soviet Navy to “shadow” each other virtually at a stone’s throw. There have been submarine and surface ship collisions, and hindering flying operations at close quarters.

Closer home, the Indian Navy overtly monitors Chinese warships visiting Pakistan. Pakistan and Indian navy ships have also had their fair share of muscling each other in ship maneuvers and movements. Pakistani Maritime aircrafts have over flown our warships and have even been fired at or kept at bay by our carrier borne aircraft. The recent Piracy rescue off Somalia involving both Indian and Pakistani navies is another example of the nature of military maritime business. There are also International rules of behaviour and recognized rules of business that are mostly paid heed to. Rites of passage, suzerainty in territo-

rial waters, contiguous zones, and Exclusive Economic Zones (EEZ) have evolved, and are evolving.

In the case of the INS Airavat - the Indian warship that was headed to the Hai Phong port in Vietnam for a goodwill call in July and was warned by the Chinese navy that it had strayed into Chinese waters - the fact that it continued on its course, and the absence of any proactive follow up after the Chinese radio transmission, clearly highlights that it is most likely a repeat of what has been stated above. Oftentimes the genesis of this originates from an excitable character well down the food chain and is often treated as such by the Navy and the political leadership.

An “America Conscious” world is now “China Phobic,” with a view of India and its future potential as the largest democracy. There is also a sense about India’s benign role in the comity of Nations. Given the current state of tension in the South China Sea, especially after the May 2010 sinking of a South Korean war ship allegedly by North Korea, with China’s tacit support, it is understandable for

the media as well as political strategists to whip up attention to any Chinese action.

So, should India be overly concerned about the Airavat incident in Vietnam? South Asia is centered on the Indo-Pak impasse. India is a miracle despite its many failings as a muddle-through but united democracy. Pakistan is bordering on becoming a failed state. Bangladesh is slowly coming round. In the context of security and sovereignty, we are involuntarily Pakistan-centric and Sino-deferential. Memories of the 1962 Sino-Indian conflict are indelibly seared in our psyche today. But there is also wisdom in our polity that understands India’s interests, needs and threats, no matter what the public lament. Right now, the country is focused on domestic livelihood issues. Understandably, but ironically, security and defense is far from the national debate.

The Border Peace & Tranquility Accord signed between India and China in 2008 has paid us good dividends, despite on-going border issues. Certainly there is awareness of China’s String of



Pearls strategy through collusion with Pakistan and influence in Bangladesh, Myanmar, Sri Lanka, Malaysia, Singapore and other South East Asian nations. But India is also realistic about itself and its overall strengths and limitations as a military power. So the country uses a combination of realism and diplomatic initiative that has successfully kept China away from aggravating it.

However, all Indians must realize what China is all about without being paranoid. China envisions a Navy that is both shallow and deep water-capable on a principle of 'offensive defense.' The People's Liberation Army Navy doctrine now speaks of a 'strike-first' policy as opposed to its previous approach of wearing down the enemy. Its agenda is as follows: Ensuring sea lanes for its commerce, resources and influences, denial of access to the U.S. Navy in the South China Sea, strengthening its String of Pearls strategy in the Indian ocean, using Iran to counter American influence in the

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***The Chinese
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Persian Gulf and increasing its circle of influence in the Middle East and Africa - these are integral to its short term, 40-year plans. The newly refurbished Shi Lang, China's first aircraft carrier now set to sail, is part of these ambitions.

Quietly and unobtrusively, both Indian and Chinese navies are trying to awaken to the possibility of following a common wake at sea. Exchange visits and goodwill port calls are slowly increasing. The South China Sea, the Bay of Bengal, and the Arabian Sea are frequented by both Navies. India's "Look East" views are welcomed

by the Far East. The Chinese may frown on the inside but for now are quiescent.

Oceans are the maritime common that makes distant nations neighbours. Equity of maritime understanding, without being at sea, is a key necessity. India must be aware without having any complexes about China now being a power it must reckon with. We can take a lesson in this from the Chinese.

“Be extremely subtle to the point of being formless. Be extremely mysterious, to the point of being soundless. Thereby you can be the director of the opponent's fate!” said Sun Tzu, the ancient Chinese military strategist and author of Art of War.

India must deal with China with deference without degradation, firmness without confrontation, and raise the threshold of its defense posture in physical and policy measures without upping the ante.



Image: US Navy/Flickr

Education:

The new Indo-U.S. alliance?

20 October 2011
by Seema Sirohi
Journalist and Analyst



Image: Phil Humnicky/ Georgetown University

Education is emerging as the next “big” idea in the Indo-U.S. strategic partnership after the Civil Nuclear Agreement of 2008. Unlike the nuclear deal which was cemented against great international opposition and greater domestic uproar in India, education as the new arena of cooperation is immune from international interference and pressures. The field is open and relatively problem-free, if India and the United States go about the business methodically.

Last week, on October 13, India’s Minister for Human Resource Development, Kapil Sibal, and U.S. Secretary of State Hillary Clinton, concluded the first Indo-U.S. Higher Education Summit in Washington. It was attended by more than 300 delegates from both countries. Academics, business lead-

ers, university presidents and the usual gang of opportunists and “consultants” mingled over three days and two receptions.

The premise of the deal is that the enormous demand in India can be met with ample supply from the United States. Over the past three decades, the educational traffic has largely been one-way – from India to the United States. Indian students come in huge numbers (100,000 in 2010) for higher education and researchers come looking for good labs. Americans haven’t gone to India in large numbers mainly because of New Delhi’s self-defeating visa policies. Every American academic was deemed an undercover CIA agent in the 70s and 80s and denied permission for field research. The deficit in “India expertise” in the

United States is a direct result of this short-sightedness.

But India is attempting to make up for lost time by making education a priority area of cooperation. Sibal pitched India as a destination for American universities and colleges for collaboration, faculty exchanges, training and research, exhorting and building a case in front of a sometimes skeptical audience. He aimed both at the Ivy League universities and small community colleges, covering the broad spectrum available in the U.S. Clinton called education a “driving force” of the strategic dialogue. A joint statement was issued with the promise to hold annual summits, calling cooperation in higher education “the new phase” in bilateral relations, which needed a boost given the current stall. The minis-

ter's main thrust was that interdependence and globalization had made it imperative for countries to work together to solve problems even if they didn't wish to. "Your problem is mine and my problem is yours," he said in his first speech at the Center for Strategic and International Studies, a major think tank in Washington. Nations will have to transcend boundaries in "thought and action" to find affordable solutions to global problems, be it food security, global warming or water scarcity. And who better to provide "affordable" solutions than qualified Indians?

Although grandiose in rendition and high on rhetoric, Sibal, nevertheless, presented his case forcefully. He came close to marketing India as a giant out-sourcing destination for education. He should be careful: that visual can easily become a political liability for American leaders faced with 9 percent unemployment at home.

But an education deal could be truly beneficial. India desperately needs an infusion of institutes of higher learning and education professionals. More than 100 million Indian youth are expected to join the work force by 2020, a number greater than the combined labour muscle of France, Britain, Italy and Spain. They represent a great potential for the world but only if they are "empowered with education and skills." India needs to build an additional 1,000 universities and 50,000 colleges to serve the aspiring millions, to say nothing of the thousands of new qualified faculty members. A recent study conducted by the Tata Institute of Social Sciences, Rutgers University and Pennsylvania State University revealed that India needed to recruit 1 million faculty members by 2020 to satisfy the burgeoning domestic education demand.

To sustain economic growth, In-



Since the current global economic focus is Asia, a young skilled Indian workforce can be the engine for world growth, especially when the west is faced with aging populations and recessionary trends.

dia requires a skilled workforce of about 500 million by 2022. Since the current global economic focus is Asia, a young skilled Indian workforce can be the engine for world growth, especially when the west is faced with aging populations and recessionary trends.

India took some good first steps at the education summit. Sibal indicated that India would initially sponsor 1,500 faculty and junior scholars from India to come to various U.S. universities and research institutions for training, and to broaden the interaction. He also wants to tap into the large numbers of Indian-Americans teachers and scholars in the U.S. who feel the tug of the mother country. The desire to "give back" could be a key factor in the "brain gain" if the government and the private sector can band together to channel this talent.

There are plenty of hurdles to be overcome before the grand ideas can be executed. Although India permits 100% foreign direct investment in education, it does not permit the institutions to set up their own campuses and award

degrees. So immediately, Sibal has to push the Foreign Education Providers Bill through the Indian Parliament, which will regulate the entry and operation of such institutes – a minimum statement of fact before universities and businesses here can take his intentions seriously. Although the minister said much could be done short of U.S. universities opening campuses in India, he failed to address some of the concerns about the bill. For instance, there are serious questions about the repatriation of profits and the requirement of a deposit of \$11 million while the university is in operation in India (mostly to guard against fly-by-night operators). For now the best option will be for U.S. universities to find an Indian partner who can build the infrastructure while the U.S. one would provide the expertise.

It was apparent that while U.S. representatives of universities were more interested in running quality institutions with the best faculty (read high fees-high profits) that can help them recover costs quickly, it will not serve the needs of the lower middle class Indians and small-town students who are desperate for a decent education. This mismatch in expectations clearly needs to be fixed. The India-Yale Higher Education Leadership Programme, which took 26 directors, deans and vice chancellors to the U.S. with Indian funding this year, can't be the template.

The business opportunity is clearly huge. India's education sector is a massive, raw new market estimated at \$25 billion – higher education is \$15 billion alone - waiting to be tapped. New Delhi plans to spend about 5% of GDP over the next five years on education. The key is in devising credible projects and going beyond administrators taking junkets abroad and beefing up their own resumes.

Kishan Rana:

A globalising India must have a larger vision.

21 October 2011
by Devasheesh Mathur
Researcher, Gateway House

Ambassador Kishan Rana, a former ambassador to Germany, Czechoslovakia, Kenya and various other countries, is a veteran diplomat and author of many books. Ambassador Rana was in Mumbai this week to talk to Indian business about the increasing confluence of business and foreign policy in India. Indian companies expanding overseas are leading India's economic diplomacy, and there is much that can be done by both government and business to leverage their goodwill and global presence. In his recently published book, 'The 21st Century Ambassador: Plenipotentiary to Chief Executive' Ambassador Rana talks of the need for ambassadors to transform into Chief Executives. He speaks to Gateway House Research Intern Devasheesh Mathur about how business and diplomacy can meet to India's benefit.

Q: Do you think that to initiate and facilitate the metamorphosis of our diplomats into executives, our Ministry of External Affairs has a system in place to select the right kinds of officers and an adequate in-service training programme?

This kind of a transformation is predicated by circumstances. The very nature of diplomacy today is heavy on economic diplomacy. This means that in almost all environments, except countries where the political relationship is overwhelmingly important, say in Islamabad, the political relationship is largely a given. The challenge is to flesh out the relationship into different dimensions but especially in economics. So the transition from a plenipotentiary to a manager of an enterprise, in this

case, with India, whether located in Israel, Ghana or Brazil, is a fairly natural one.

Yes, some continuous training is needed. We are doing a reasonable job but we can do a great deal better. Most trainees learn on the job. The strength of the service is grossly inadequate but it has not yet inhibited us from developing new connections, particularly economic ones. So the strength of numbers is important but not a crucial determinant in the final analysis.

Q: India is on a Free Trade Agreements (FTA) and Comprehensive Economic Partnership Agreement signing spree with emerging economies along with its maturing 'Look East Policy'. How has this impacted our foreign policy vis-à-vis ASEAN, EU, Japan, etc?

The FTAs are an option that India developed in 1999 when it signed its first FTA with Sri Lanka. Until then we were strong adherents of multilateral trading systems. But then we realized that the multilateral trading system negotiations are going nowhere and that there isn't any option but to cut deals with individual nations or groups of countries.

Now how does this connect with security issues? Indirectly, strong economic links provide a degree of surety in relationships and indirectly it provides for security. Take India and China. The two countries are significant trading partners—the trade is imbalanced, but I think efforts are running to rectify it. India is a growing investor in China, and China is a growing investor in India, particularly in the

infrastructure sector. All this is to the advantage of the relationship between the two countries and I would even venture to say that it acts as an indirect security platform.

Q: China is our largest trading partner but it is also an aggressor with frequent border incursions and territorial expansionist tendencies. How do we balance business with our political and security interests?

We have to manage our relationships. There are no hard evidences of border incursions. Let's not forget that much of the border is undefined on the ground. The two countries have not had a significant border clash for several years. There are all kinds of safety mechanisms. There are protocols and methods for resolving small issues and I think that system works quite well. So I wouldn't exaggerate security dimensions. But China is a major growing power. It is a competitor of India and in some ways, even a rival. In many other ways we'll collaborate too. Hence, the task of managing relationships is to juggle all the different dimensions and to use the relationships in the most constructive way possible.

Q: India has traditionally been strong in space technology and exploration. Should we redraw our strategy on it, considering diminishing US investments and pursue it as a business proposition with our strong launching capabilities?

I think we have pursued it as a business proposition. We should develop and extend our launch

capabilities further. Space exploration is a frontier and an opportunity in which India's early investments—thanks to the vision of Jawaharlal Nehru and others—have paid off. So it behoves us to use these investments and to get further value from it.

This will also help us with our bi-lateral relations with different countries and with different partners because India quite often offers a relatively low-cost option for satellite launches for space exploration or utilization of space opportunities.

Q: With such skewed opinions on nuclear energy, can we still manoeuvre it to our advantage—such as the buying of nuclear plants from Japan post Fukushima and linking it to the lifting of the Japanese ban on sale of reprocessed uranium to India?

I'm not an expert on nuclear issues but I would say that in the energy options available today to India, nuclear energy is an important one. Of course, renewable energy is important. We all say wonderful things about it, although India has done rather less on the ground in renewable energy than it has talked about. But that's another story. India has to pursue a multi-track approach here. We have to use hydro power as much as we can in a renewable way. We have to use the river flow without building up huge bodies of water and without grabbing land which is scarce and which leads to all kinds of re-settlement issues which you have seen at Narmada. At the same time, coal will remain an important option. We have to pursue clean coal energy technologies.

So these are two major tracks that we have to pursue. The third major track for us has to be nuclear energy. The questions that need to be answered are—who are we going to partner? Where are we going to get the nuclear energy from? Will it be France, US, Japan or other countries? Fukushima is a warning. But let's not get so overwhelmed by this very unique incident that has occurred in an old nuclear power plant where the safeguards for natural disasters like the earthquake and the tsunami were not provided. We cannot

afford to walk away from nuclear energy. We also have the Thorium cycle on which we did some work but which we later suspended work on. So we have to look at all the options available to us.

Q: There is a concern that India has not opened up its domestic markets even after signing FTAs along with a long negative list of items. Is this especially the problem in SAARC?

I agree with you that we have tended to be very rigid and perhaps we have over-negotiated some of these FTAs. In the very first FTA with Sri Lanka, we were concerned over imports of tea and garments from Sri Lanka. So we hedged this with so many conditions and non-tariff barriers of one kind or another that virtually no tea or no garments from Sri Lanka came into India. There is a fear that we have been doing something very similar vis-a-vis Bangladesh.

This doesn't make sense. I think we should have a larger, more liberal view about opening up our market. We have finally done that under the unilateral concessions that we gave to the Lesser Developed Countries in SAARC. We frequently blame Pakistan for not agreeing to give the Most Favoured Nation treatment to India, but we ourselves impose a series of barriers and obstacles to imports from Pakistan at the same time. So it is not as if we are saints in these kinds of transactions. And I agree with your basic thrust that our negative lists should be realistic and progressive and not predicated on the old notion that we protect everything and only give few minor concessions to our partners. This is not the way, either to have successful FTAs or to build deeper partnerships with our neighbours who are going to be our friends. A globalizing India must have a larger vision.

Q: For this, we would want the Doha round to be concluded quite soon, wouldn't we?

But the Doha round depends on so many elements today, I'm not an expert on WTO issues, and I don't know where the blame lies. But there was a time, maybe three years ago or so, when India is known to have played not very

constructive role and there was a feeling that if India made concessions before elections it would hurt the government politically. I think this was a false argument. I don't think these kinds of issues figure very much in national elections. Yes, opposition parties will always try and make an issue out of it. But the business of government is to govern and not be too scared or too worried on the account of these kinds of narrow political calculations.

Q: If arms trade is considered business, how difficult will it be for India to take a balanced stance on human rights violations like the ones in the Israel-Palestine rift?

This is not an easy issue to tackle. If it is supply of lethal arms, that is guns, ammunitions or rockets, there are problems. At the same time we have to be pragmatic and partner with countries that have a capacity to work with us, that have a willingness to work with us, and of course have the wherewithal to work with us. So we have to steer a careful course between the political imperatives and our requirements—of defence technology, of our own defence equipments production and manufacturing but not so much about the export market. I don't think India will ever be a significant exporter of arms, but we can be a significant exporter of platforms like sea-going vessels, ruggedized vehicles of the kind that are now being manufactured in India. I think India has a huge potential in that area. I think it's better to focus on that rather than on lethal arms.

Q: But since Israel is that largest supplier of arms to India, we haven't taken a strong stance on Palestinian Issue.

Look, the Palestinian issue at the end of the day is a huge issue in which our capacity to influence the events is finite. For years and years, we were hostile to Israel, being totally aligned to Arab perspective; I don't think it falls anywhere in particular. I think we have to steer a middle course and, perhaps, use a little bit of our growing capacity to dialogue with Israel, with western countries and others to also urge a more reasonable, more realistic view over there. That's not a bad thing to do.

India-Brazil:

An African collaboration

21 October 2011
by Estefania Marchan
Researcher Gateway House



Image: dilmarousseff

Plenty of buzz surrounds BRIC (Brazil, Russia, India, China) investment in Africa. Rightly so: they are spurring the region's integration into the global economy as never before. Much has been heard about China's infrastructure-building in Africa and its competitive edge in the race for natural resources. But what are the two democracies within the grouping contributing to the Continent?

Unable to compete with China's hefty contributions, India and Brazil see agriculture – on which two-thirds of Africa depends for its livelihood – as their comparative advantage. Both countries have had their own agricultural revolutions and are among the world's top food producers. After South America, Africa possesses the largest share of uncultivated cropland in the world – a land ready for transformation. Here, India and Brazil are providing important

input in the form of affordable services and badly-needed technical expertise. Together, their venture into Africa's agriculture sector can reignite a primary engine for growth and prove vital to the region's food security.

Individually, India and Brazil have leveraged their strengths in affordable low-tech and scientific research to boost Africa's agricultural productivity. India provides what it calls Triple A – adaptable, appropriate and affordable – technologies and Brazil has launched research and food security initiatives throughout Africa. The Indian government's increasing lines of credit – up to US\$5 billion now – are driving investment, such as a US\$15 million loan to develop commercial agriculture in Sierra Leone. Through Embrapa, its pioneering research institute, Brazil shares with several African countries the skills that transformed

its own dry savannah into one of South America's most fertile regions.

Combined, it seems to be just what Africa needs. In Senegal, says Renu Modi, professor of Africa Studies at the University of Mumbai, low-cost irrigation pumps provided by the Indian firm Kirloskar Brothers have boosted rice production and allowed the largely agricultural nation to meet twice as much of its domestic demand. Simultaneously, Embrapa has partnered with Senegal, investing in technical training and experimenting with rice varieties. This kind of interlocking investment by India and Brazil could be the new investment model for Africa. And these investments by India and Brazil could not have come at a better time. Agricultural productivity in Africa has been declining just as traditional sources of aid have shrunk. According to

Robert Paarlber, professor at Harvard Kennedy School, the share of World Bank loans that went to agricultural development in Africa fell from 30% to 8% between 1978-2006, and U.S. agricultural assistance shifted away from capacity-building to food aid. By 2006, the U.S. was spending twice as much providing free food to the region as it was on helping Africans feed themselves. Such aid has done little to encourage Africa's development or to mitigate widespread malnutrition. The Food and Agriculture Organization reports that 30% of Africans remain malnourished. The global economic slowdown will also likely impact food aid.

India and Brazil can fill the investment void. To maximize the impact, what is needed now is a formalized India-Brazil Partnership for Africa's food security. Memorandums of Understanding can be explored jointly with the Comprehensive African Agriculture Development Programme, the African-led programme for improving food security and agriculture, or regional bodies like the Southern African Development Community, for cooperation appropriate to specific economic or agricultural climates. This will enhance India-Brazil rela-

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If the partnership works, then India and Brazil can extend knowledge-sharing on agriculture and food-security programmes to other developing countries.

tions without hindering their individual efforts in Africa. While Brazil's topography and climate more closely resemble Africa's, India's agricultural ecosystem has many lessons to offer. The average Indian farm is smaller than its Brazilian counterpart (1.3 ha versus 68 ha), and the sector employs more people in India than it does in Brazil. India's expertise in small farm mechanization and its experience of empowering women through microfinance and cooperative enterprises is highly relevant to Africa as it develops its industry. African institutions will benefit from hosting Indian scientists as well as private and social sector leaders to share their know-how.

Institutional and people-to-people interactions also present an opportunity for India and Brazil to build mutual confidence at a time when their bilateral and global interactions are increasing. International organizations, USAID and others already collaborate in Brazilian-led agricultural projects throughout Africa. The Indian Council of Agricultural Research or the forthcoming Indian Agency for Partnership in Development can step in.

If the partnership works, then India and Brazil can extend knowledge-sharing on agriculture and food-security programmes to other developing countries. The India-Brazil-South Africa trilateral forum, IBSA, which wrapped up on Oct 18, can serve as a springboard for greater cooperation.

India and Brazil's increasing engagement in Africa is a clear sign that both countries are embracing their new roles as global diplomats. For now, collaboration in Africa's agriculture is not a priority for either country, but should be seriously considered. Policy-makers and academics have historically called this type of collaboration 'South-South cooperation,' a term meant to distinguish the mutually beneficial interactions developing nations can have with one another versus the often unfavorable relationships they have with Western powers. South-South cooperation has long been a popular catchphrase within the Indian and Brazilian diplomatic lexicon, but is only now, with the emergence of these countries as economic powers, that the expression is beginning to carry any real promise. By joining forces to bolster Africa's food security, India and Brazil have the chance to break ground on a tangible South-South agenda that could have a far-reaching impact on a matter of urgent global concern.



Nicolas Krul: "There will be no derailment of the painful adjustment process in Europe..."

28 October 2011
by Hari Seshsayee
Researcher Gateway House



Image: apas/Flickr

It seems like austerity measures and bailout packages are being negotiated almost every day in the Eurozone countries. Surmounting debt has challenged the economic and political unity of the region. In the inter-connected web of financial markets, the U.S. and European crises are spilling over, infecting the rest of the world. American economists are virtually writing off the Europe's ability to withstand the crisis. Will the Euro-

zone countries be able to stabilize their economies and emerge from this crisis relatively intact?

Q Is this current crisis an extension of the 2008 financial crisis or is there a deeper structural problem? What is the difference between the origins of the 2008 crisis and this one?

The financial crisis of 2008 was an American speculative crisis. This

European one, in fact, has much deeper origins. It is a direct result of the 1971 dollar crisis and 1973 oil crisis. In the 70's, countries in northern Europe, such as Germany, Netherlands and the Nordic nations, immediately adjusted to the relative price structures after the dollar and the oil crises: they re-organized labour markets, reformed their public sector and followed a cautious monetary policy. Thus, relative to the private sector, the public sector sank severely.

France and other Mediterranean countries, caught in the core of this crisis, however, didn't undertake such measures. As a result, the public sector became the shock absorber of the financial crises.

But the European crisis is not only a debt-crisis of the profligate countries. Greece is an apt example. Its fraudulent entry into the Eurozone has contributed directly to its present state. While Italy and Spain may seem debt-ridden, the truth is that the financial markets of those countries exaggerate largely. But France, with its 35-hour work week and its exorbitant social security system, is in deeper trouble and, in a few years, is bound to come to the forefront of the instability surrounding the Eurozone.

Q Some global economists are ready to write the obituary of European unity. Are they justified?

There is a lot of misconception about what is truly happening in Europe. In part, this is due to the fact that the European unification process, and especially the monetary unification process, has no precedent. There is no model to follow. Therefore, everything Europe does is a question of trial



There is a lot of misconception about what is truly happening in Europe.

and error, and when that involves 27 countries, the problem is amplified. And this is true even in India – the press distorts what really happens.

There is also a total underestimation of the adjustments that are happening in Europe. Everyone is focusing on Greece, because they started to adjust late. They've now raised taxes, fired excess public workers, and their banks have increased capital. But this is a long-term process, and the results will only show later on. In my opinion, Greece will default around 50% of its debt, but it will be an orderly exit. But nothing dire will happen to Spain, Portugal, Ireland or Italy. That is simply a rumour spread by the adversaries of Europe's monetary unification, largely through the Anglo-Saxon press.

Q Is the crisis really as widespread as it's made out to be then?

Europe is a very rich continent, but since the taxes are so prohibitive, most of it is unseen. Take the Forbes Billionaires List for instance. There are around 20 Europeans on this year's list, but I presume the real number is closer to 80 – because their money is completely hidden. We have a culture of tax evasion, which has largely benefitted the world's tax haven, Switzerland. But now, other countries like Singapore and Dubai are taking over.

There will be no derailment of the adjustment process, but it will not be a straightforward path. It will be painful and long, and I doubt we will come out of the crisis before 2015. However the signs of change are already here: the relative price structure is changing rapidly in Europe, housing and equity are going down, the price of labour and the cost of capital is also decreasing, and there is substantial public sector reform. They

are not only raising taxes, but reducing expenditure too. It is essentially the financial sector that is adjusting in a formidable way, and it's impressive to see how capital and liquidity has been raised.

Q There has also been talk of the BRICS nations participating in the bailout process. Is that at all relevant?

The answer to the latter half of the question is no. It is not at all relevant.

Q In this adjustment process, is there a legitimate opportunity for emerging economies?

Definitely, this crisis is an extraordinary opportunity for the emerging economies. There is a whole rebalancing of the economy that is going on. The opportunities that came to the emerging economies earlier have always been rather controlled by the West. But now, the West is no longer able to control it. Globalization, for instance, is now a two-way process.

The West is heavily indebted, while there is hardly any debt in the emerging world. More than anything, this crisis provides the financial sector with an incredible opportunity. My view is that regulation is not very effective. You can raise capital requirements, liquidity ratios, set leverage ratios and so on. But in reality, there is always a way around. The only effective control is the market. Thus, the market must be substantially informed. The demand for information, coupled with the technology revolution in the supply for information, together with the central banks, will provoke the upsurge of information. It is the only real way to reach the correct pricing. It always has been, but people have forgotten that.



Image: [http:// www.presidencia.gov.ar](http://www.presidencia.gov.ar)

Resetting Economic Governance at G-20

4 November 2011
by Akshay Mathur
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On 27 October, European leaders announced an 'emergency three-pronged' deal to save the Eurozone from what seemed to be sure collapse from the burden of Italian and Greek debt. The prescription – a 50% write-off of

the Greek debt by private banks, boosting the bail-out fund European Financial Stability Facility (EFSF) from 440 billion to 1 trillion Euros, and a recapitalisation of banks through new fund-raising – sent a wave of relief through glob-

al markets, both developed and emerging.

Unfortunately, the foundation of the euro – currency unity without political or fiscal union – has already been shaken, and the most recent deal is just more proof that a high price is being paid for its preservation. As the G20 leaders meet this week to try and stave off Europe's projected financial annihilation, the key question will be:

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can they think creatively and strategically to establish a robust and fair economic governance framework?

Governance in any financial system is based on four main pillars: managing and mitigating systemic risk, setting an orderly dismantling when required, establishing prudential rules and regulations, and protecting and upholding stakeholders' interests.

So far, the European leaders have failed on all four counts. First, systemic risk has taken centre-stage, at the cost of the three other governance measures. For instance, the recent deal only has measures to avoid a systemic default

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This way gives capitalism a chance to work – both in boom and bust times.

of Greece. It is based on the erroneous premise that the collateral damage of the crisis – the default of multiple banks and countries – will not only prevent banks from functioning but will also catalyse the onset of an economic depression. The fear of this possibility, however remote, has made Eu-

ropean leaders consider only one solution: the 'rewind and replay' of bailouts.

Instead, good governance dictates that the risk be contained. That means ring-fencing and recapitalising banks instead of countries. Germany and France should have bailed out the banks and let the countries default. Governments and multilateral institutions should act as backstops, and not become lenders of first resort, as is the case with the EFSF bail-out fund. This way gives capitalism a chance to work – both in boom and bust times.

Second, none of the solutions so far have suggested the orderly dis-



Who really has a stake in saving Europe? And would the G20 and the IMF take the same measures if India was in crisis?

mantling of Greek debt as an option. Most visibly, the German and French banks are at stake. But under the mechanics of financial interdependence lies a craving for saving the European identity – the value of which cannot be measured in numbers. This is masking the more pragmatic solution: that the breakaway of Greece, or even Italy, from the euro may just allow these countries to bounce back with competitive devalued currencies quicker than if they are forced to pay off loans for years to come. Excess wages (from euro benchmarks of yore) would evaporate and productivity improvement would push further gains. This requires strong political leadership that can manage and transform the knee-jerk will of the people for long-term benefits.

Third, to rebuild confidence with the rest of the world, the standards for Prevention of Money Laundering Act and Know Your Customer must be uniform, and coupled with a framework that eliminates global arbitrage in tax and regulatory mechanisms. The current perception that emerging market regulations are inferior is an unfair assessment, given that these countries have held up well in the global financial crisis. Similarly, arbitrage opportunities distort investment and business transactions giving unfair advantage to multi-national, rich businesses most of whom are from western countries.

Finally, in the current discussion, stakeholder interests have included only European banks and nations; included nowhere was the emerging world, for which capital has dried up. The owners of capital, largely from western private equity and institutional sources, claim a rightful pull-back from emerging markets given the uncertainty and risk-aversion of investors. Capital is required not only for investing in much-needed infrastructure in emerging markets but is also equally important for western countries that channelise the high capital returns for funding innovation and hi-tech industries. So the pull-back is irrational, and an unfortunate result of the narrow definition of the stakeholders for this crisis. This brings us to the larger question of protecting the in-

terest of stakeholders – the rules of engagement in the financial world must be inclusive and equitable. Who really has a stake in saving Europe? And would the G20 and the IMF take the same measures if India was in crisis? Or China or Indonesia or Brazil? Lessons from the 1997 Asian financial crisis tell us otherwise. The IMF process forced many individuals in those nations to lose their wealth, many banks to accept write-downs, and many countries to devalue their currency. The prognosis stated that the excess was caused by the plough-back of savings and surpluses into their own economies, and the solution proposed was to keep capital offshore (read: the US government and banks). Ironically, the short-termism of this solution led to the funding of the excesses in the form of subprime mortgages in the west, eventually leading to the global financial crisis in 2008.

But 2011 is different from 1997. The developing world wields sizeable influence in global growth now. The \$40 billion Asian financial crisis seems insignificant compared to the trillion-dollar European crisis. The GDP of the US and Europe are expected to grow at less 1 per cent in the foreseeable future. The growth of the emerging world is essential for global GDP growth, and to pull the west out of recession. Thus, to make the framework equitable, new formulae for crisis-saving mechanisms must be introduced so that there is a certainty of how rules that apply to developed countries apply to the developing ones as well. The BRIC nations are more likely to actively participate in saving Europe if they know that they can avail of a similar bail-out.

Perhaps, the guiding formulae can be based on the capitalisation of banks instead of sovereigns. Or it can be based on trade, specifically a promise of imports, such as chemical products from Greece. Or it can be driven by investments into competitive sectors such as the tourism industry of Greece or the manufacturing industry in Italy, rather than investing into a currency. The long-termism in the solution is captured in the old adage – give a man a fish and you feed him today, teach a man to fish and you feed him for a lifetime.

The other incentives for the rest of the world to participate can begin with the harmonisation of rules for anti-money laundering, standardizing 'Know Your Customer' norms, correcting pricing inequalities such as premiums for oil, and removing curbs on hi-tech for clean energy or defense.

India, as a net importer of capital, is looking for stability and the reduction in volatility; it is not in its interest for the world to move into risk-aversion and freeze mode. Since financial regulation, IMF reform and global governance make up three of six G20 agenda items, India could use those sessions to advocate for a more harmonised, equitable governance environment. Specifically, when at Cannes, Indian prime minister Singh will ask for the voluntary sharing of tax information and the rationalisation of the financial transaction tax – both of which play into his domestic concerns.

If the G20 keeps the status quo and finds solace in unimaginative approaches, it will be their biggest failure. The developed world needs capital and trade relationships with the developing world, and the developing world wants harmonised rules for global governance. Thus, there are opportunities to work together. If this is truly a world crisis, and genuinely has the risk of leading the world into depression, then to think that a contrived capital-intensive bail-out for a few a countries will work, or that a fraction of the world's population who live relatively rich lifestyles will get buy-in from the rest of the world, is irrational – much like the global governance framework that exists today.



Reviving SAARC

8 November 2011
by Apeksha Kothari
Researcher Gateway House

Image: World Economic Forum

The 17th SAARC Summit will be held this week, from November 2010-11, in Addu Atoll in the Republic of Maldives. The theme, "Building Bridges," captures the developments for India in the region for 2011 appropriately. Our relationships with our neighbours have seen vast improvement this year. India-Bangladesh relations are at an all-time high as both countries cemented their relationship with the resolution of long-standing territorial disputes. The Nepalese Prime Minister Baburam Bhattarai's visit to India and the signing of the landmark agreements on investment protection has ushered in a new era in the

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***Progress
is being made at a
bilateral level on
sensitive
issues.***

India-Nepal relationship. In October, India stepped up its role in Afghanistan by agreeing to train Afghan military. And Pakistan finally gave India the long-awaited Most Favored Nation (MFN) sta-

tus, bringing India at par with Pakistan's other trading partners.

The journey to creating a neighbourhood of compatible interests was not easy, and whether this momentum can be maintained remains to be seen. First there was the refusal of Bengal Chief Minister Mamata Bannerjee to accompany the Indian Prime Minister to Bangladesh in September, and the subsequent derailing of the much anticipated water-sharing agreement. Then there was the opposition that Nepalese Prime Minister faced from his own party for visiting India. These have exposed the fragility of the political



Image: Photofest/Flickr

structure within which countries in the region have to make progress. Nevertheless, progress is being made at a bilateral level on sensitive issues. The historic land boundary demarcation treaty between India and Bangladesh can set the precedent for similar agreements with other nations. The two sides signed the landmark agreement to swap 162 enclaves, settling an issue unresolved since partition, and helped resolve security issues such as cross border insurgency and illegal immigration. India's decision to abolish 61 tariffs for Bangladesh, including 46 politically sensitive textile tariffs, is a goodwill gesture to help the Bangladesh government balance trade, which is currently in India's favor. Indian exports to Bangladesh are nearly ten times the value of its imports (and even higher if informal trade flows are included).

Expanding this commercial liber-

alization to other countries should become easier with the political and economic transitions taking place in the region. Nepal ended its decades-long civil war in 2006, replacing its monarchy. The Sri Lankan government regained the last area controlled by Tamil Tigers in 2009. Growth rates have ranged from 4% to 10% the last few years for the South Asian Association for Regional Cooperation (SAARC) region, and even Pakistan's awarding of the MFN status to India, though late and perhaps still only symbolic, is important. India and Nepal can follow up on the current upswing in their relationship to sign long-term hydro-power projects in Nepal.

Similarly, in Sri Lanka, India's support of the government against the Tamil Tigers and a generous \$1.5 billion in aid after the war, have laid the groundwork for a favorable disposition towards India. It is

time that both nations settle long-standing disputes on fishing, and sign the Comprehensive Economic Partnership Agreement (CEPA), a step towards bilateral economic integration.

India and Bangladesh must provide an operational boost to the two historic accords – Framework Agreement on Cooperation for Development and the Protocol to the Agreement Concerning the Demarcation of the Land Boundary between India and Bangladesh and Related Matters – that were signed along with the memorandums of understanding in several fields such as renewable energy and conservation of Sundarbans.

Those are hurdles internal to SAARC. There are external hurdles, also, and they come in the form of China. The rise of Chinese engagement in the region, in terms of trade and security, has been rapid, making it even more important for India to play a leading role in the region. China is now Bangladesh's biggest trading partner, as well as its largest supplier of arms. India reacted this year with an offer of US\$1 billion credit line for improving transport infrastructure. In Nepal, China has agreed to invest \$3 billion in Lumbini, the birthplace of the Buddha; it is a direct challenge to India's slow-moving investment in reviving Nalanda, the ancient centre of Buddhist learning in the state of Bihar. China has also improved trade ties with Pakistan by signing a Free Trade Agreement with Pakistan in 2006, and is increasingly its international sponsor; India's relations with Pakistan remains underdeveloped, to say the least.

It is hard to believe that most of South Asia was once a monetary union – a single nation. Now, the region displays what the World Bank describes as the lowest level of integration in the world. Intra-regional trade as a percentage of total trade in the region remains at a disappointing 5%.

It is not possible to revive SAARC without the member countries developing and maintaining strong bilateral relationships. India is well poised to lead that change, starting with the SAARC summit in November, now that it has evidence and experience of a new friendship with its neighbours.

Rajat Gupta:

Arresting the rise of Indian CEOs

11 NOVEMBER 2011

by Manjeet Kripalani

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&

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Image: World Economic Forum/Wikimedia Commons

Rajat Gupta, one of the biggest business stars to emerge from India, was charged last month with insider trading by the district attorney of New York. If proved, it could land him over 100 years in prison.

The news of Gupta's involvement in the insider trading case with Raj Rajaratnam of the hedge fund Galileo Group – who has just been fined \$92.8 million by a New York federal judge in addition to 11 years in prison and possible indictment has been received with dismay in Indian communities worldwide.

Gupta, who reached the top spot at consulting firm McKinsey when he was just 46, was a model for Indian professionals. They believed that like him, with exceptional ability they could lead global corporations not just to greater glory, but, given their upbringing in a developing nation like India, into emerging markets with a greater sensitivity. Most times they were right. For years, Indian executives have successfully run operations for their multinational bosses in China, Indonesia, Malaysia, South Africa, the U.A.E. Some, like Indra Nooyi of Pepsi and Vikram Pandit of Citi, have become bosses as

Gupta did. The confidence of the 'Gupta effect' – the breaking of the ethnic ceiling – was keenly felt in the subcontinent. Every Indian believed it was possible to make it to the top.

Now, with Gupta possibly behind bars, there is sure to be an impact on the rise of potential Indian CEOs in the world of global business. From the corporate view point, those Indians currently being considered for high position in multinationals, will certainly be thoroughly investigated – especially for the company they keep – before being invited to the top job. And, says K. N. Vaidyanathan, the former executive director of the Securities and Exchange Board of India who earlier ran Morgan Stanley's Mumbai office, "In a crunch, the next Indian CEO of a mainstream global company will not be given the benefit of the doubt." Conversely, most first generation Indian bright sparks will duck under the radar, afraid to be viewed additionally through the lens of ethnicity, not just ability.

It's disappointing. Indian Americans are the much-touted model minority among U.S. immigrants. The largely professional group has always kept its head down and worked hard, happy to pay their taxes and get their big homes, big cars and their children an Ivy League education. Few have as yet achieved national or international stature; those like Gupta who did, were viewed with pride.

What's really hurting these law abiders and their brethren back home who are in a battle with their own government over corruption issues is not that Gupta was charged for insider trading. The government seems to have gathered enough evidence to show his complicity. What hurts is that

Gupta's punishment, if he is found guilty, will be disproportionate to his crime. And he, and Raj Rajaratnam of Galleon, are being publicly shamed and scanned while the Wall Street perpetrators of the U.S. sub-prime crisis which has led to massive joblessness and global economic recession, are being bailed out with taxpayer money and apparently forgiven their sins. "No one is punishing those who caused the global financial crisis through fraudulent means," says Mohandas Pai, chairman of Manipal Universal Learning and former chief financial officer of Infosys Technologies, Bangalore.

Indeed if the insider trading cases that involve Indians are the first of a massive prosecution against the bigger fish on Wall Street, then the law will be seen to have taken its course. The youth of the Occupy Wall Street movement will also have some solace that their government is acting in the public's interest. For now, however, the impact of Gupta's fall will be felt only in those areas where India and corporate America specifically intersect.

One of those is the global CEO and entrepreneurial machine – to which India has been contributing its elite generously over the past years – which will slow down and engage in some reassessment. Clever Indians may decide to stay home and devote their talent to resolving the pressing problems of India, rather than pursue a position that peers down at the world from multinational heights. Besides, in these times of financial crisis in the West, the best jobs are the toughest ones. Vikram Pandit was appointed to bail out Citigroup, at an annual salary of \$1, and he has succeeded, so far. (His predecessor, Chuck Prince, who brought down Citi, walked away with a \$28 million bonus.) Deven Sharma, who was elevated to the top job at Standard & Poor's after the rating agency failed to adequately warn investors about the sub-prime crisis, didn't. He survived the numerous post sub-prime Congressional testimonies but when he subsequently endorsed the rating agency's downgrade of U.S. sovereign debt, he was hammered

by Washington and public opinion for his audacity. E-mails and blogs went around the world saying, "An Indian did it!" Jolly good; some one had to. However shortly thereafter Sharma 'resigned' his position in the McGraw-Hill Companies, which owns S&P.

There has also been much griping about the 'South Asian mafia' in the tech, consulting and investment banking world. An estimated one-third of the professionals in the money-making derivatives industry are of Indian origin – yeah, they're the underlings who perform econometric somersaults for the big firms like Morgan Stanley and Citi and Goldman and Lehman which brought on the global financial crisis and whose executives have long worked within their own close ethnic networks. The Irish networks, the WASP networks, the Jewish networks are all active on the Street. Let's face it: Business everywhere works on networks. Gupta used his existing and expanding networks like any one else. Once out of McKinsey, and intent on making the same big bucks that his classmates in Silicon Valley had made as tech entrepreneurs, Gupta turned to the network he trusted the most – his old South Asian boys club. Gupta and Anil Kumar of McKinsey and Raj Rajaratnam of Galleon were the first generation, the Ivy Leaguers of the fledgling South Asian networks in the United States, and globally.

With Gupta's arrest, these groupings, typical in early immigrant communities and which later morph into the 'establishment,' will now see a setback and will almost certainly be viewed negatively. The Indian networks in the U.S. – many of which start businesses the old-fashioned way, by borrowing from friends and family rather than taking on bank debt – will now go underground, or fragment.

This will, in turn, affect the US business and entrepreneurial scene. Over a quarter of all start-ups in Silicon Valley are Indian-owned, and many successful professionals like Gupta support Indian-American ventures. Less evident is

the impact on the other emerging networks of the non-mainstream, non-Anglo-Saxon world – say, that of Ghanians of high ability, or the Indonesians or Filipinos. These were being formed in the shadow of the Indian network in the U.S.; with less of a track record of success than the Indians, they will now hunker down and keep a low profile. The contribution of their star entrepreneurs to the struggling U.S. economy may never be celebrated.

Finally, Gupta, Rajaratnam, Nooyi, Pandit – these are not just good South Asians, but also good Americans. They all donate precious non-corporate time to support causes and policies in both south Asia and the U.S. For this they are wooed and courted by U.S. politicians like Bill Clinton. Gupta was a founder of the America India Foundation, which invests in public health and education in India, and the Public Health Foundation of India. He was an early and steadfast supporter of the Indian Business School, a joint Kellogg and Wharton venture.

These Indian-Americans are active in the U.S. political process too – Gupta lent his considerable heft to pushing for the US India nuclear deal. He is also a generous supporter of the Democratic Party. Indian businessmen like him have long been the Track II diplomats who made things happen especially in stubborn places like India. When they travel the world, they carry American optimism and American entrepreneurial capitalism with themselves, and that's why U.S. politicians associated with them.

There is a lesson in this sorry drama. While Gupta's alleged transgression has certainly damaged the image of other exceptional Indians, they will, in future, be sure to hew close to the letter of the law in their careers. And India has plenty of other innovators and leaders to be proud of. Gupta was a role model who may have done wrong, but in that, says Manish Sabharwal, chairman and founder of Teamlease, India's largest temp agency, "Gupta is not peculiarly Indian. He is just human."

U.S. military:

Is Iran the next target?

22 November 2011

by Neelam Deo

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Image: US Army/ Flickr

The bad news from the global economy keeps coming. The Eurozone is still temporizing and hoping that the appointment of technocrats as Prime Ministers in Greece and Italy will ensure implementation of savage austerity programmes. Even the third quarter uptick in growth in Japan has been accompanied by unanimous predictions of a decline in the fourth quarter. There is little cheer from U.S. unemployment rates, the budget deadlock in Congress and the alarming level of indebtedness. In this dismal economic sce-

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Even if the U.S. wanted to, can it afford to start another war?

nario, the drumbeat of an attack on Iran's nuclear facilities coming

out of Israel which regards it as an “existential” threat, has been amplified by the latter's friends in the United States by making it a frontline issue in 2012 Presidential election politics. The latest report of the International Atomic Energy Agency (IAEA) says that although Iran is in breach of its IAEA obligations, there is “no smoking gun” to show that it has developed a nuclear weapon. Nevertheless the opposition Republicans are demanding that U.S. President Obama fulfill his long-asserted policy that Iran will not be allowed

to have nuclear weapons. They also regard UN sanctions, first imposed in 2006, as having been ineffective in ending Iran's nuclear programme.

In any event, China and Russia, both veto-wielding members of the UN Security Council with major interests in Iran, are unlikely to go along with any further tightening of UN sanctions against that nation.

American wars in West Asia are winding down – in Iraq, Libya and in Afghanistan where the U.S. is now believed to be exploring a possible shift to an advisory role by September 2012 after the drawdown of 33,000 “surge” troops, sent in last year, is completed. Israel obviously does not want a nuclear Iran. Nor do Iran's Arab neighbours, particularly Saudi Arabia which is locked into a longstanding sectarian (Shia-Sunni) and ethnic (Arab-Persian) rivalry with Iran for regional leadership. As the Arab spring plays out around Israel and uncertainty in the region grows, most recently in Syria, Israel and its American supporters have made the Iranian nuclear programme their focus. But Israel, unlike Iran, is not a signatory of the Nuclear non-Proliferation Treaty (NPT), and is known to have a clandestine nuclear weapons programme with around 100 warheads and has recently tested long-range missiles. Iran could legitimately argue that Israel is an “existential” threat to both itself and the region.

The Israelis have been calling for an attack to destroy Iran's nuclear facilities. It would be recalled that Israel destroyed the Osirak nuclear plant in Iraq (1981) and the Syrian plutonium reactor at Deir ez-Zor (2007). This time, it will not be as easy to take out Iran's nuclear facilities by a single attack only, since Iran has spread its nuclear facilities across the country. The latest was the new Furdow Fuel Enrichment plant near the city of Qom. Nor is Iran as weak as Syria or Iraq; if attacked, it will surely retaliate. Therefore the argument is being made by Israel's friends in

the U.S. strategic community that instead of being pulled in after a possible Israeli attack on Iran, it will be better for the U.S. to damage Iranian nuclear assets, even partially.

Should the U.S. go to war against Iran, the first fallout would be on the price of oil. Iran, at least temporarily, can block the Straits of Hormuz, through which roughly a third of the oil transported by sea, passes. According to the Rapidan Group, a Washington-based energy consultancy, “in the first hours of the attack prices would surge, on average, by \$23 a barrel. Under the worst-case scenario, including the closure of the Strait of Hormuz, prices could increase, on average, by \$61 a barrel, lifting Brent crude to an all-time high of \$175 a barrel.”

There are other points of retaliation. As the U.S. pulls out of Iraq, Iran, with its Shiite majority, will exert more influence in that country. It could also counterpose the U.S. in Afghanistan's western provinces by reviving past politico-military and economic ties. Israel itself could be targetted through Hezbollah.

Even if the U.S. wanted to, can it afford to start another war? According to official reports, the wars in Afghanistan and Iraq have cost \$1.3 trillion over the past decade. Most of the military war-expenditure was sourced through borrowings taking the accumulated debt to \$14.3 trillion. Using the broader approach of The Cost of War study by Brown University and including expenses such as the interest on the Pentagon's appropriations, veterans' health care and additional spending on homeland security, the cost of the war would double to \$2.6 trillion.

According to World Bank estimates, U.S. military expenditure in 2009 was 17.8% of central government expenditure and 4.7% of the GDP. As the U.S. pulls out of Afghanistan and Iraq, it could, in a back of the envelope calculation, save approximately \$235 billion per year. And if the Super Com-

mittee created under the Budget Control Act, 2011 doesn't come to a consensus by November 23 then automatic cuts of \$1.2 trillion will be made equally across defense and non-defense budget spending over the next ten years. That would make the question of financing another prolonged engagement in West Asia, provoked by an attack on Iran, that much more problematic.

Where does India stand in this scenario? Any conflict in Iran will have serious repercussions on India, which obtains more than 15% of its oil imports from Iran. The ever-rising price of oil will aggravate already high inflation. Will India align with the West in the UN Security Council, of which it is a non-permanent member, in tightening sanctions against Iran and trying to portray itself as a responsible nuclear power? India accepts Iran's civilian nuclear programme, as long as it complies with IAEA obligations; but it emphatically does not wish to see more nuclear powers in its extended region. On the other hand, if the U.S. or Israel attack Iran, India will condemn it unequivocally.

India's position is delicate. Iran is signing deals and strengthening ties with Pakistan – for example, they signed a deal on March 17, 2011, to build a pipeline between the two countries (originally part of the Peace pipeline or IPI pipeline but now only for Iran and Pakistan). China has made large investments in the Iranian energy sector and is one of the main importers of Iran's crude oil (560,000 barrels per day at the beginning of 2011, around a quarter of Iran's crude exports). India could lose out.

In conclusion it would be wise to recall what the former U.S. Defense Secretary Robert Gates said in his final address to the cadets of the U.S. Military Academy before he retired, “In my opinion, any future defense secretary who advises the president to again send a big American land army into Asia or into the Middle East or Africa should ‘have his head examined,’...”

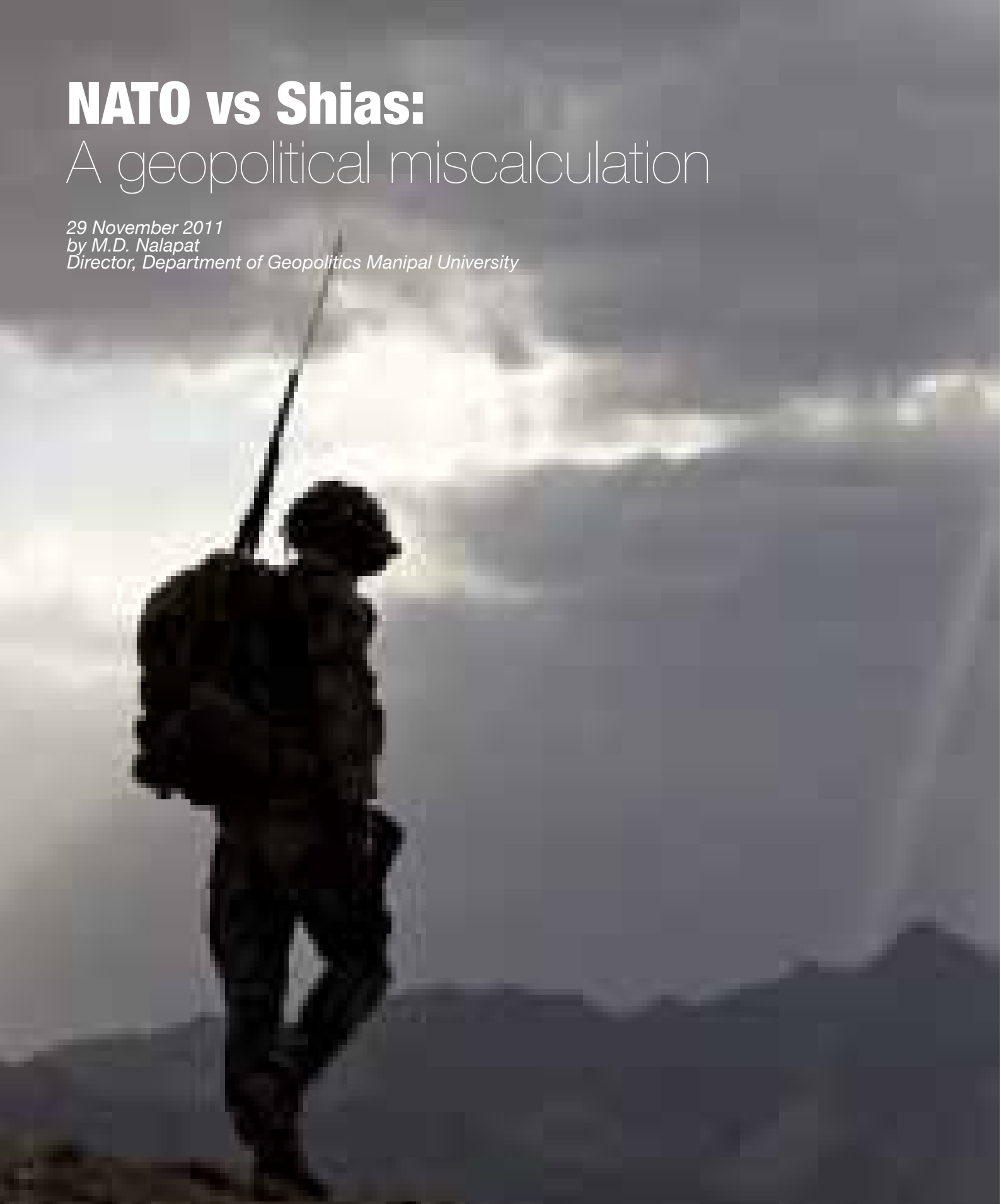
NATO vs Shias:

A geopolitical miscalculation

29 November 2011

by M.D. Nalapat

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A silhouette of a person holding a flag against a cloudy sky. The person is standing on the left side of the frame, facing right, and holding a flag that is partially visible. The background is a bright, cloudy sky, suggesting a sunrise or sunset. The overall mood is dramatic and symbolic.

Saudi Arabia has celebrated its “diamond jubilee” and Pakistan the “golden jubilee” of a strategic partnership with the U.S. In both cases, it was the United Kingdom (UK) that was crucial to the birth of

both countries. The resulting close relationship has endured; except that since the 1960s, the United States has supplanted the UK as the dominant power in Riyadh and Islamabad.

Although some recent gestures have been made by the Saudi establishment to dilute the stringent codes of behaviour that characterise the state religion of Saudi Arabia, i.e. Wahabbism, the creed

continues on its global mission of converting the Muslim Ummah to its relatively harsh and antediluvian ways of thinking and living. Such proselytisation has been greatly facilitated by the financial and diplomatic muscle that comes from being fortunate enough to have both immense oil deposits as well as be the country in which Mecca and Medina are located.

The two together have given the Saudi state and its Wahabbi adherents immense influence across the Muslim Ummah, displacing the more tolerant Sufi Islam even in its homeland of Turkey. Turkey's ruling AKP's (Justice and Development Party or Adalet ve Kalkınma Partisi) ideology may get passed off as "moderate," and in line with the country's Sufi ethos. But closer examination shows it to be 'Wahabbi Lite.' The theology ensures that Ankara follows Riyadh in fulfilling the core objective of Wahabbism, which – regionally – is to overthrow 'apostates' from authority. That means the Shia forms the largest single component of this category (if we use the Wahabbi definition) in the Islamic world. Hence the constant Wahabbi activity against the sect, seen for example in the way the Shia is suppressed in the eastern part of Saudi Arabia, despite the fact that their home province produces the major share of that kingdom's oil.

In a reflexive reaction to the 1979 takeover of power in Iran by Ayatollah Khomeini – who has fashioned a theology much closer to Wahabbism than to traditional Shia Islam – the NATO powers have backed the Wahabbis over the Shia. That support was made NATO's policy in the first decade of the 21st century, formulated by the Cheney-Powell line of adopting the Saudi definition of Friend-or-Foe. It was also the Pakistan army definition of those two categories in both the first (1979-89) and second (2001-present) Afghan wars, which the U.S. adopted. This means that NATO's diplomatic and military assets have been officially put at the service of the Wahabbis in their (generally covert, at least as far as state agencies are concerned) crusade against the Shia, which comprises 16% of an estimated 1.2 billion Muslims worldwide.

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While the origins of the 'Sharon Line' are obscure, the anti-Shia path adopted by NATO seems to be a result of the close strategic ties between the alliance and Wahabbi powers such as Qatar and Saudi Arabia.

This is an error in geopolitical policy that threatens to create the same tragic circumstances for the major NATO powers, as it has for Israel. Starting from its involvement in the Lebanon civil war in 1982, Israel preceded NATO in adopting a policy that sees the Shia as an enemy. By taking sides against the Shia and in support of the Maronite Christians of Lebanon, Ariel Sharon, then Israeli defence minister and later prime minister, became responsible for the fact that his country is the only one in the western world that is the target of Shia extremists.

Unlike the Wahabbis – and in particular, the more extreme variants that have grown since the 1979-89 Afghan war – who target countries across continents through acts of terror, the Shia have thus far refrained from any such activity. That includes acts against the so-named 'Crusader' states of the U.S. and the European Union (EU) which are militarily active in Iraq, Afghanistan and other Muslim-majority states. Had Sharon confined the Israel Defence Force's operations during 1982-83 to expelling the Palestine Liberation Organization from Lebanon, it may actually have won for itself substantial goodwill within Lebanon, most of whose inhabitants looked askance at Yasser Arafat's formations. But Sharon went further, inserting Israel into a tussle for influence between the Shia and Maronite Christians that turned violent once the Israeli army was involved. Israel's gener-

ous provision of supplies, logistics and finance to the Maronite formations, including to those involved in the killing of weaponless Shiites, generated the birth of Hezbollah, an armed militia that used Shia force against Maronite force. Viewing Israel as the principal backer of the armed Maronites, Hezbollah began targeting the Jewish state from the start. Since then, other Shia groups have picked up the threads, becoming part of the governance mechanism in Lebanon, and targeting Israel in missile and other strikes designed to punish it for assisting those involved in the killing of hundreds of Shia during the 1980s. Sharon's unfortunate policy of taking sides against the Shia in an intra-Arab conflict is responsible for much of the terror attacks that the Jewish state has been facing for the previous three decades.

Noteworthy now is the way the U.S. and its other NATO allies are following the Sharon copybook, creating a foe that is likely to unleash against them a second track of terrorism – this time, Shia-driven – in addition to the already active Wahabbi terrorism. While the origins of the 'Sharon Line' (of backing anti-Shia groups) are obscure, the anti-Shia path adopted by NATO seems to be a result of the close strategic ties between the alliance and Wahabbi powers such as Qatar and Saudi Arabia. Adding to the toxic mix is the historical reliance on the (Wahabbi) Pakistan army in dealing with threats and challenges in South Asia (including Afghanistan).

Turning NATO into a support force for the Wahabbis in their battles with the Shia and making it a policy objective, is the work of Vice-President Dick Cheney and U.S. Secretaries of State and Defense Colin Powell and Donald Rumsfeld. This is illustrated by their 2004-05 call for an "equitable" (i.e. non-proportional) share in Iraq's oil wealth between the majority Shia and the minority Sunni – despite almost all Iraqi oil being produced in the Shia and Kurd areas (the Kurd are Sunni but overwhelmingly moderate and therefore non-Wahabbi). The anxiety for "equity" clearly did not extend to the Shia; Cheney, Powell and Rumsfeld were conspicuously



For NATO then, clearly both the secular and Shia are out, and only the Wahabbis merit across-the-board backing.

silent about the fact that less than 8% of Saudi Arabia's oil wealth is spent in the Shia-majority eastern regions, despite this territory accounting for the bulk of the country's oil output. Saudi Arabia treats its Shia population very differently from the way it does the Wahabbi segment. Bahrain presents an equally egregious example of discrimination against the Shia, although the sect is in a majority in that country.

Libya and now Syria are the latest triggers in the NATO decision to back the Wahabbis in the Middle East. Muammar Gaddafi was considered an apostate by Wahabbis, for the (in their view heinous) crime of permitting women to go about without a male escort or an abaya. That assassinated former ruler embraced an Islam very similar to the mild Sufi-suffused version favoured under the Turkish Caliphate.

Unlike the Saudis, who do not allow even a Shia mosque to be built in Riyadh – forget a church or a synagogue – Gaddafi allowed even non-Abrahamic faiths the freedom of worship, and openly mocked Wahabbis as being a sect that had nothing in common with Islam. This was heresy to the Wahabbi International; it waited for a chance to make him pay the price for such outpourings.

The opportunity arrived in early 2011, courtesy French President Nicholas Sarkozy and British Prime Minister David Cameron, when the duo decided on regime change in Tripoli in the guise of “protection of civilians.” That several times more civilians have been killed during and after the NATO bombing campaign in Libya – the latter in acts

of revenge and tribal hatreds – has not dented the satisfaction of the two at having played a role in the Middle East similar to that played by statespersons in both countries during the period during World War I. The Wahabbi agenda of replacing Gaddafi with “true believers” has been fulfilled by NATO.

President Bashar al-Assad of Syria is, in the Wahabbi theological lexicon, also an apostate. He is an Alawite, a sect which is not only Shia, but secular in its moderation, just as the (Sunni) Kurds are. The Middle East is riddled with regimes where groups that have only a small share in the total population nevertheless have control of the state. Bahrain is a more flagrant example. But it is only in Syria that NATO has been vocally concerned about such a “demographic injustice.”

The alliance is now openly backing regime change in Damascus something that has been on the agenda of Wahabbi groups across the Mideast since the 1990s although these have seldom been as open as the key NATO partners have, about such an intention. AKP-ruled Turkey too favours the ending of the Assad dynasty in Damascus. The party has adopted the Wahabbiism Lite of its progenitor, the Islamic Virtue Party, and is “moderate” only because such a stance helps it in incrementally pushing for a more conservative agenda within the country. The grand plan includes the establishment of a conservative state with its own version of Sharia Law replacing the secular code.

Groups within Turkey are actively helping Wahabbis in Egypt in their on-going street battles with the (secular) military in that country. The Egyptian resisters to the army have taken their inspiration from Turkey where, with NATO backing, Prime Minister Erdogan has pushed the secular generals out of the core of the governance mechanism, aware that the lower rungs of the military are riddled with those of their own persuasion. Unlike the Wahabbiised Pakistan army, which – also with NATO backing – still calls most of the shots in Islamabad, the Turkish military has been weakened to such an extent that it is presently unable to prevent the

creeping Wahabbisation of their country.

For NATO then, clearly both the secular and Shia are out, and only the Wahabbis merit across-the-board backing. This is a geopolitical miscalculation that will have tragic security consequences for the alliance within a decade. Even before Assad has been killed or captured in Syria, Iran is now in the sight of the NATO powers, with a succession of sanctions and warnings of an attack. The country has an overwhelming Shia majority, a fact which makes it the theological foe of Wahabbi states such as Qatar or Saudi Arabia. Neither would feel any regret were Iran to be attacked by Israel or NATO, or both.

Such an attack now seems inevitable. The mullahcracy in Tehran is a collection of fanatics that has much in common with its Wahabbi foes, at least so far as attitudes to women or personal freedoms are concerned. NATO joining Israel in an attack on Iran may be the trigger that causes a second front of terrorism – this time from the Shia – to open in Europe and in North America. Israel has less to lose from an attack on Iran, given that the Jewish state is already the prime target of Shia terror; NATO has thus far escaped this scourge, but now forewarned.

There is still a window for NATO to course-correct. Rather than joining hands with the Wahabbis against the Shia, NATO needs to be evenhanded in the dialogue and conflicts going on within the Ummah. Most importantly, it needs to team up with genuine moderates in the Muslim world against the spread of the well-funded Wahabbi International and its ideology across the globe.

Should NATO follow in the path mapped out by Ariel Sharon in 1982, it would have the benefit of ending the three decade-long isolation of Israel of being the only country to experience the full fury of Shia terrorism. But given the speed at which NATO is operationalising a policy of global antipathy to the Shia, and the eagerness with which the alliance is assisting foes of the sect, a Sharon-style blowback may not be long in coming to NATO shores.

The Gateway of India, redefined.

1 December 2011

by Rajni Bakshi
Gandhi Peace Fellow, Gateway House



Image: Xerxes Adrianwalla

December 2nd, 2011 marks a hundred years since the day that the Gateway of India commemorated, the first time a British sovereign – King George V – set foot on Indian soil.

While celebrating the centenary of the magnificent arch, now a prime

tourist attraction in Mumbai, a comparison with the many revolutions and struggles for freedom in other parts of the world comes to mind. There, it is common for the statues and monuments of the erstwhile rulers to be violently demolished. Yet this has not happened in India. Why not? What

does it mean to us today? What does it say about us, as a people, and about the role that India can play in the world today?

In a saga of conquest, rebellion and freedom, the Gateway is a rather neatly tied-up irony. It was built to celebrate a monarch's

triumphant survey of a colony. Thirty-six years later, free Indians watched the last of the departing British troops march ceremonially through the Gateway's lofty portal.

An Arc of Triumph became the site of an empire's retreat.

Although the foundation stone of the Gateway was laid within a few months of King George's visit, it took another 13 years for the structure to be designed and built. It was a project of the Government of India, yet almost half the Rs. 21 lakhs it cost came as a donation from the Sassoons, a globally influential family of Baghdadi Jews. Their founder, David Sassoon, once treasurer of Baghdad, migrated to Bombay in the mid-19th century and became a premier financier.

By the time the Gateway was actually inaugurated on December 4th, 1924, the grandeur and power associated with the Imperial Durbar at Delhi in 1911 was rapidly fraying.

The martyrdom of Hindus, Sikhs and Muslims in the massacre at Jalianwala Bagh, in 1919, added both pathos and passion to the non-cooperation movement led by Mahatma Gandhi. It also boosted a generation of revolutionaries, like Bhagat Singh, who did not share the Mahatma's faith in non-violence. Later, the hanging of Singh and his comrades in 1931 became another definitive event that sealed the fate of the empire.

Why then did we embrace the Gateway of India and India Gate in Delhi as our own, after the British left?

The reasons are many. It was not only that Indians, like many other peoples, have cultivated the habit of living amid and building upon the ruins and remains of successive rulers.

Over five millennia of this experience have combined with a multiplicity of spiritual traditions which



***Indians,
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peoples, have
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successive rulers.***

simultaneously fostered a sophisticated aesthetic and a detachment from material trappings. Gandhi was drawing on a long legacy when he saw all material power as ephemeral and imperial power as particularly fragile – even when its rise and fall is measured in centuries rather than decades.

Above all, the satyagraha movement led by Gandhi enabled India to separate the fact of imperial oppression from those who imposed it or from the structures they built. Indians could burn British cloth as a form of protest – yet not foster hatred towards the British people. Therefore when the British were finally ousted, it was natural to sanitize and defang symbols of imperial rule – not to tear them down. India Gate was dedicated to an eternal hero – the unknown soldier who dies to protect his people. The adjacent chatris emptied of the King's statue, which was moved to an obscure park in Delhi along with the statues of other imperial figures.

In Mumbai, a black statue of King George V riding a horse was relocated to a museum – though that area is still known as Kala Ghoda. In 1961, a 16-foot statue of Chhatrapati Shivaji, the 17th century Maratha leader, was installed as the centre-piece of a little garden adjoining the Gateway of India.

Perhaps all of this smooth tran-

sition was possible because the freedom struggle was forward-looking. And, Gandhi's focus was on raising the more fundamental challenge of redefining the paradigm of power.

The dominant symbol of India's freedom struggle was not the destruction of imperial monuments. It was the charkha, a revolt against how colonial rule had destroyed production systems in India. It was an affirmation of what is needed – a decentralised industrialisation that would empower local communities and foster sustained well-being for every last Indian. Instead of harking back to the past, the charkha inspired us to work for a new paradigm, in which there would be no concentrations of power in future – either by feudal lords, industrial barons or even elected governments.

Those who still have faith in the old model of power might now be tempted to view the Gateway of India as a motif of India's outward movement to acquire and exert power in the world. Having nuclear weapons capability and a growing number of Indian multi-nationals, might foster a feeling that it's our turn to rule.

But those who are closely tuned into the mood of the 21st century are more likely to see the Gateway as a reminder of the fragility of concentrated power built on the exploitation of others. This is as true of 20th century colonial empires as large corporations and big government today. From Tahrir Square to Occupy Wall Street and the many more sites of struggle that go unreported, there is a longing for precisely the kind of social and economic empowerment that Gandhi visualised but free India has not yet fully experienced.

If at all the Gateway is a motif for our times, then it is a metaphorical portal for exploring how India and Indians might help to foster new paradigms of power at home and abroad.

India-Russia:

Taking each other seriously



5 December 2011
by Katherine Foshko
Russia Studies Research Fellow, Gateway House

On December 15, Indian Prime Minister Manmohan Singh will head to Moscow for the 2011 India-Russia summit. It is the 12th such high-level meeting since the accession of Russian Prime Minister (formerly President) Vladimir Putin to power in 2000.

The summit will be a welcome respite from the pressing domestic concerns of the Russian leadership – an economic slowdown and depopulation, and also decreasing support for Putin and his United Russia Party as witnessed in the December 4 parliamentary elections. But while there will be much official talk of a further warming of the bilateral relationship, the meeting is likely to be yet another in an established tradition of regular, yet often lackadaisical, India-Russia summits. Putin has enjoyed steady visibility and popularity for his role in India – he is credited for reviving ties that had flagged in the 1990s. In geopolitical terms, the two countries are strategic allies whose wider goals—the pursuit of a multipolar world, especially in

Eurasia, stability in Afghanistan—align, or at least do not clash, with one another. Russia supports India's gaining full membership in the Shanghai Cooperation Organization while India has displayed none of the suspicion of Western countries at Putin's recent proposal regarding the formation of a "Eurasian Union." The relationship's progress has recently been marked by two events: Russia's completion of two nuclear reactors at the Kudankulam plant in Tamil Nadu—amidst protests from the local population—and the reciprocal easing of the visa regime for Indian and Russian businessmen to address their woefully underperforming bilateral trade and investment regime.

Advance press reports indicate that this summit will feature agreements in the traditional areas of pharmaceuticals, energy, and the relationship's weakest link, banking. The two countries have also taken similar stances on the mid-East crises, including Syria, and are expected to make a statement

on this and the Afghan situation at the summit. But will all this be enough to lift the Indo-Russia relationship from the benign neglect of the past? An unprecedented 30 Memoranda of Understandings (MOUs) were signed between the two countries at the last summit in 2010, but many, such as the MOU "envisag[ing] joint production of modern oncological medicine in the Russian Federation and/or purchase of raw materials" have been too vague to lead to tangible results. The government-to-government exchanges that worked so well in years past are lately proving counterproductive or downright obstructionist, resulting in significant misunderstandings. For instance, even the stalwart Indo-Russian defense cooperation suffered a hiccup in the last year when India bypassed Russian MiG-35s for an \$11 billion defense procurement deal with the EU. Russia—India's major arms supplier since the 1960s—subsequently reneged on its pre-planned war games with India in late May.

Soon after Putin's September announcement of his presidential ambitions, a response in the Russia & India Report, a supplement of the official Russian government newspaper Rossiyskaya gazeta, claimed that Russia had a diversification plan of its own: "... the power balance in the Russia-India-China equation may shift, especially in light of the recent Vladimir Putin's [sic] visit to China and resulting agreements on broadening of Russian-Chinese economic cooperation from traditional industries to high technology industries and signing \$7 billion deals."

This is more than an idle threat: China's bilateral trade with Russia far exceeds India's at \$42.4 billion and saw 25% growth in 2009-10.



The time for India to really push for sophisticated, high-technology cooperation with its old friend and strategic partner.

That makes China Russia's biggest trade partner – and it imports a large amount of Russian defense materiel. At Putin's aforementioned visit to China in October, the two north Asian neighbors signed varied agreements on energy and hydropower, and also created a mutual investment fund dependent on contributions from private donors. Immediate results came in the form of sixteen economic and trade cooperation deals across a broad swath of sectors including new machinery, electronics, and agriculture.

Directly responsible for this result were the delegations of leading businessmen from China and Russia brought to the state meeting and given the opportunity to interact with each other. Meanwhile, because of the lack of effective introductory mechanisms, Indo-Russian private cooperation is limited to small-scale trade and investment fora, none of them tied to state visits. India clearly needs to learn from the vigor and urgency present in the Russia-China relationship and, above all, from its focus on private sector engagement.

This month's summit can take a step in that direction. Modernisa-

tion of its own economy is at the top of the Russian leadership's agenda, and will extend to its bilateral ties as well.

This is the time for India to really push for sophisticated, high-technology cooperation with its old friend and strategic partner. The best opportunities in the bilateral relationship which promise immediate results are those that incubate Russian science and hi-tech concepts by using India's technological eco-system and infrastructure for joint projects. Information technology in particular is an area where India should capitalise on the plethora of educated and talented Russian professionals and Russia can benefit from the size as well as expertise of the Indian labor pool. For India, the size and scope of the teams and trials involved will not only promote innovation but also provide employment and encourage market growth in new technologies.

There are already some joint hi-tech projects in the pipeline. One such is a venture with the Skolkovo Innovation Center, a planned hi-tech business area just outside of Moscow and the emblem of the Russian government's focus on innovation. An MoU between Tata Sons and Skolkovo Foundation involving joint research and development in communication and IT was signed in 2010.

Yet its realisation, as that of the Skolkovo Center which has been under construction since 2009 and is yet incomplete, remains distant. Nanotechnology, as well as another pioneering science, biotechnology, has also been on the agenda since the last summit given that the costs of commercialising and piloting nano -and bio- solutions are higher in Russia than in India.

Clearly, a few MoUs on cooperation won't make the cut; what's needed is a more wide-ranging and systematic plan where the government can provide initial support and later allow the private sector to take over.

This summit can dramatically change course, positively, for both powers. It can launch such initiatives as government-funded study trips for representatives of innovative IT businesses to visit their counterparts in India or Russia and, even more crucially, create the first-ever Indo-Russian IT forum. Private initiatives, e.g. co-sponsored by organisations like NASSCOM in the two countries, can add to the one existing joint IT center by encouraging the formation of joint ventures between IT organisations and scientists. This can create venture funds for collaborative Russian-Indian projects which would benefit from Indian relationships in the outsourcing industry and Russian relationships in higher-end computer science research in third countries. For instance, Russian specialists have experience in the automatisisation of embedded systems programs, which they can coordinate with Indian IT professionals. Together the two can excel in such joint projects that involve scientific programming, to be used, among others, in space exploration - an area which India is trying to rapidly develop.

Now, in the midst of the global economic slowdown, is the time for the two countries to use their history of cooperation and political goodwill to address their respective economic needs and market gaps by boosting joint innovation. Only then will India's most important—yet disconcertingly dormant—geopolitical partnership receive a much-needed lift.

U.S. 2012 elections: Gingrich vs. Romney

6 December 2011
by Seema Sirohi
Journalist and Analyst



Images: Gage Skidmore/ Flickr

It is less than a month before the Iowa Caucus, the first major test for Republican candidates aspiring to run for U.S. president in 2012. A win in Iowa will prove their durability for the long year ahead, one filled with more state battles which will select the frontrunner that will face President Barack Obama in the election.

At this time, the real contest seems to be between former governor of Massachusetts, Mitt Romney, and former speaker of the U.S. House of Representatives, Newt Gingrich. Neither, however, seems to excite the conservative, Evangelical base of the Republican Party completely. The choice is between bad and worse. Charles Krauthammer, the dean of conservative columnists, has already declared it "a weak Republican field with two significantly flawed front-runners." Other candidates – much more colourful – have either imploded or proved they shouldn't have ambitions beyond their state

borders. Still others, who initially soared in the polls, have just as quickly fallen from the heights of their own hubris.

Herman Cain, the former pizza king, drowned in a sea of sexual harassment charges, including revelations of a 13-year affair, before finally bowing out last weekend. And he hadn't a clue what or where Libya was when asked by a newspaper editorial board, the video of which went viral. Rick Perry, Governor of Texas, just doesn't have what it takes to run a country, especially a superpower with global interests, ongoing wars, future skirmishes and a humongous domestic economic hole. He can't even remember what the voting age for Americans is or the government agencies he says he wants to abolish. As for the remaining line-up, it's no better. Michele Bachmann, darling of the Tea Party movement, has shown a steady decline in popularity after an initial burst in the

summer, while Ron Paul, the most maverick of candidates, is too Libertarian (he doesn't want wars, supports medicinal use of marijuana) to have a real chance. Jon Huntsman, a sophisticated former Governor of Utah who served as Obama's Ambassador to China until last year, is on the margins even though he is impressive on economic and foreign policy issues.

So the fight is shaping to be Mitt vs. Newt although over the course of 2012, when the battle really heats up, anything could happen. One must invoke the cliché that 'a week is too long in politics' as an insurance against faulty predictions. There is minor talk of a "write-in" candidate because neither Romney nor Gingrich seem ideal to Republican strategists. One is considered not hard-line enough, the other too tainted from his past and undisciplined with a tendency to explode.

How are the two looking to their Republican voters? Romney has managed to get through the five debates so far wondrously unscathed, with his perfectly groomed hair and even-keeled performances. Gingrich too hasn't done anything worse than sounding grand and speaking about himself in the third person as a great historical figure he is yet to become. But neither strikes a chord with independent voters and disgruntled Democrats who are expected to turn this election.

Romney is seen as a flip-flopper because he instituted a health-care plan in Massachusetts that is eerily similar to Obama's, and which he refuses to repudiate. He is therefore dubbed ideologically unreliable – an East Coast right-of-centre conservative who may buckle under the liberals. He is also seen as someone who is

efficient but lacking the political touch to appeal to voters in the South and the Midwest. A good manager (he has private sector background), he has been labeled a "conservative of convenience."

Gingrich, who famously orchestrated the Republican takeover of the House of Representatives in 1994 from under the nose of Bill Clinton, has too many potential skeletons in his closet, which could begin to dance once the Democrats get going. Married thrice and prone to keeping an account at Tiffany's, he took \$1.6 million from Freddie Mac for serving as a "historian" while declaring that politicians who benefited from the whole mortgage-mania which caused the recession should be put in "jail." Conservative columnist George Will called it the "artistic vulgarity" of a "hired larynx" for interest groups.

However, being a Washington insider in the past hasn't really affected Gingrich's poll ratings among those who live far from the U.S. capital. He is currently either in first or second place to Romney in various polls. Ironically, his experience in the capital appears to have become an asset. Republican supporters, especially older ones, admire his confidence and seem to like the familiarity. He has performed well in debates, coming across as the "smartest" guy in the line-up.

But the Democrats are waiting to get their claws into Gingrich because of his long history and the delicious details of his arrogance. Former house speaker, Nancy Pelosi, a Democrat, said she will reveal details, when the time is right, about Gingrich's flirtation with liberal causes.

As they say, the game has only just begun.

While Romney may be a safer bet, Gingrich may rally the troops better. During the last debate, which was on foreign policy issues, the contrast was apparent. After all the candidates were done lambasting Obama for being too soft on Iran, too hard on Israel and simply confused on Pakistan, the differences between the front runners became apparent.

Romney could be described as a more mainstream Republican – he wants to increase defence spending, scare Iran off the nuclear course by sending U.S. ships to the Persian Gulf and cut military aid to Pakistan. He favours civilian aid because it could help "bring Pakistan into the 21st century or the 20th century for that matter." He wants U.S. troops out of Afghanistan by 2014, a timetable that Obama has already set. He said he worries about the growing power of China.

Gingrich, prone to being edgy, says he may cut defence spending. He calls himself a "cheap hawk" and prefers to do things that are less expensive. Since Iran is the favourite drum to beat on foreign policy issues, Gingrich has a unique prescription to bring Teheran in line: the way to stop Iran's nuclear programme is by sabotaging its gas refinery while increasing U.S. oil production to lower the price of oil.

Iran would consider sabotage an act of aggression and may retaliate – but one assumes that Gingrich is only playing the election game of who can be harder on Iran. "If we were serious, we could break the Iranian regime, I think, within a year," he boasted. He has also declared that he would be the nominee, naturally. You get the drift.

Gingrich's ideas for getting Pakistan's cooperation in curbing

terrorist attacks inside Afghanistan are no less belligerent. "Hot pursuit" of terrorists into Pakistan should be used as an option, he says. "You tell the Pakistanis: Help us or get out of the way, but don't complain if we kill people you are not willing to go after on your territory," he said recently.

It would be a good exercise for Republican Party strategists to imagine what Gingrich would do in the current situation where Pakistani leaders are demanding an apology for the NATO air attack on two border posts which killed 24 Pakistani soldiers, sending the country into a new spasm of anger. Relations have reached another low – if that were possible – and NATO supply trucks are blocked from entering Afghanistan. Gingrich's pugnacity may cause a complete rupture.

Fortunately for Obama he is not considered vulnerable on foreign policy issues. He got the world's most wanted man – Osama bin Laden – in an arguably risky raid inside Pakistan. He joined NATO in the military action against Libya, which ultimately led to the ouster of Libyan dictator, Muammar Gaddafi. He is ending the two wars – Iraq (total withdrawal by year-end) and Afghanistan (by 2014) started by his Republican predecessor, George Bush, which have grown unpopular and too expensive to bear.

On India, the current president and Republican candidates are broadly aligned in support.

Between Romney and Gingrich, it may come down to who has better organisation and a larger treasure chest to survive this never-ending, two-year campaign without making a major mistake. In the end, the U.S. presidential campaign is a survival test.



Image B.R.Q Network/ Flickr

Reconsidering R2P: Post-Libya

6 December 2011

by Kishan S. Rana

Former India Ambassador Germany & Kenya

Events in Libya this year, the rigidity and cruel oppression of the Libyan people by the Gaddafi regime, and popular opposition by the masses in many Libyan cities, prompted the United Nations to adopt a 'no-fly zone' to the region which swiftly led to armed intervention to overthrow that government. The rest is history.

We can view these events from two perspectives: First, how the doctrine of the Responsibility To Protect or R2P has influenced the unfolding of the 'Arab Spring' that started with Tunisia and spread like wildfire to Egypt, Libya, Yemen, Syria, Bahrain, Morocco and Ku-

wait. These events may still infect and influence other states of the Arab world. But first, a brief on R2P.

In 2005, the United Nations General Assembly unanimously adopted a declaration on this subject, stating:

1.The State carries the primary responsibility for the protection of populations from genocide, war crimes, crimes against humanity and ethnic cleansing.

2.The international community has a responsibility to assist States in fulfilling this responsibility.

“

Can an electoral process deliver results when the institutions that underpin democracy, and modes of political behaviour that are also the prerequisites, do not exist?



India wants to guard its own position, to ensure it does not become a victim to such R2P initiatives, be it in Kashmir or elsewhere.

3. The international community should use appropriate diplomatic, humanitarian and other peaceful means to protect populations from these crimes. If a State fails to protect its populations or is in fact the perpetrator of crimes, the international community must be prepared to take stronger measures, including the collective use of force through the UN Security Council. The above decision, as also the 2004 United Nations Security Council Resolution No. 1674 and the UN Secretary General's subsequent reports, have carried forward the elaboration of this 'R2P' doctrine. Major support for this comes from Canada, supported by Australia, Indonesia and the Philippines.

Many in the international community have seen this decision as an important advance in the evolution of humanitarian international law. But some countries, including India, have viewed the third 'pillar' in the above list with considerable reserve. There are reasons why.

R2P has played out in Iraq and Afghanistan, with mixed results. But let us focus on this year's Arab Spring and the role of R2P.

Developments in Tunisia and Egypt show that even when regime change has taken place, it is far harder to install democratic regimes than many have imagined. How can an electoral process deliver results when the institutions that underpin democracy, and modes of political behaviour that are also the prereq-

uisites, do not exist? This story is still being played out, and it seems inevitable that the Arab world may undergo much turbulence before the full consequences of the Arab Spring work their way, not in just the countries named above, but in the other states that have their own problems with transparent governance and public accountability. Can the Libyan model be applied to Syria? As matters stand, this is not likely; for one thing it would be far harder for the West to enforce the same set of methods. A civil war in that country would be far messier and for that reason, it might be impossible to push such a decision through the UN Security Council. Much also depends on how the Syrian regime handles the crisis.

The second broader question is: where is R2P headed? Do the events in Libya herald a more explicit assertion of this doctrine in other parts of the world?

India, China and Russia are among a handful of countries that expressed reservations over the R2P doctrine, but a majority of UN members, including most members of the Non-Aligned and the G-77, do not share these concerns. A clear, even overwhelming majority is of the view that the sovereignty principle does not entitle autocratic or despotic regimes to oppress its own people.

Should India rethink its viewpoint? Perhaps India's position is rooted in its colonial experience, and reconsideration is required not as a concession to the West but in consonance with India's contemporary faith in democracy and human rights. It might appear that India wants to guard its own position, to ensure it does not become a victim to such R2P initiatives, be it in Kashmir or elsewhere.

The reality is that even when questions have been raised over the actions of Indian security forces in Kashmir and elsewhere, it has been public opinion and the media within India that have asked the hardest

questions. It is unthinkable that India will deliberately trample on the rights of its citizens to anywhere near a level that might invoke R2P issues. The actions in Libya went much beyond the three pillars of the 2005 R2P declaration. A self-confident India, playing a larger global role, ought to be less defensive and more articulate on principles involving basic human rights, even while retaining a balanced perspective on R2P and urging caution on the politically motivated actions of the West in that regard. Speaking at the UN General Assembly on 24 July 2009, the Indian Permanent Representative Hardeep S. Puri had said:

"Sovereignty as responsibility has, however, always been a defining attribute for nation states where safeguards for protection of fundamental rights of citizens are constitutionally provided... These measures [R2P], Mr. President, not only have to be used as a last resort but have to be in conformity with the provisions of the UN Charter... responsibility to protect should in no way provide a pretext for humanitarian intervention or unilateral action..."

A few elements to keep in mind in reconsidering Indian policy:

- Western countries, the leading proponents of R2P have always been selective in the application of the humanitarian principles they espouse. One does not see any rush to apply R2P to Somalia or to the Sudan.

- Notwithstanding this hypocrisy, does it behove India to be in the company of authoritarian regimes in opposing, in principle, a doctrine that is patently based on sound humanitarian principles?

- Surely a democratic and open India, practicing responsible, accountable governance, has nothing to fear from the application of R2P in any future eventuality?

This subject deserves informed debate among our opinion leaders.

TAPI: Possibility or pipe dream?

21 December 2011

by Madhura Joshi
Researcher Gateway House



Image: Michael Trolove/ Flickr

On Nov 14, Pakistan signed the Gas Sales Purchase Agreement (GSPA) with Turkmenistan, a major milestone in the process of pushing forward the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project. The next step, the signing of the 'Heads of Agreement' and transportation and transit accords, is set to take place at the end of December, leading to commencement of construction soon after. Though the pipeline is predicted to largely alleviate India's energy woes by providing access to untapped natural gas reserves, it will pass through highly unstable terrain. The state of unrest in the two middle countries, unlikely to be pacified sufficiently in the near future to ensure security of the pipeline, warrants trepidation and the need for caution before deeming the \$7.6 billion TAPI venture the best option in India's search for alternative fuel sources.

The 1,680km route would start from Turkmenistan's South Yolotan-Osman field and pass through Herat, Helmand and Kandahar in Afghanistan to Quetta and Multan in Pakistan, finally ending at Fazilka in India. The agreement signed among the four countries envisages the delivery of 90 million cubic

metres per day (mmcmd) of gas from Turkmenistan to South Asia with 38 mmcmd (around 42%) each going to Pakistan and India and 14 mmcmd (around 15.5%) going to Afghanistan.

The domestic price of natural gas in India is dictated by the power and fertilizer sectors, which make up 70% of the nation's natural gas consumption and are regulated to pay government controlled Administered Price Mechanism (APM) rates. In 2010, when the government increased the APM rates from \$1.79 to \$4.2 per mmbtu (million British Thermal Unit), the power sector found it difficult to supply electricity without an increase in electricity prices. Furthermore, since both electricity and fertilizer are closely linked to agriculture, farmers and agricultural units get subsidized power. High natural gas prices have a direct impact on the price of farm produce and consequently affect larger challenges, such as India's food security troubles. Reducing these sectors' dependence on natural gas will allow the government to deregulate the natural gas sector without an adverse effect.

While in theory, India would gain tremendously from the execution

of this project by strengthening ties with Central Asia and being part of a potential trade corridor between the four countries, these opportunities are overshadowed by the turbulent climate in Afghanistan and Pakistan. Based on risks including war/civil war, riots, civil unrest, terrorism and political interference amongst others, hopes for safety along the length of the pipeline – the paramount concern in the decision to proceed with it – are not realistic at this time.

In Afghanistan, there's fear that a political settlement post-withdrawal of NATO forces in 2014 will entail power-sharing between the Taliban and the government in Kabul, or that the Taliban may be given semi-autonomy in the eastern and southern Pashtun-held territories. Circumstance is a likely precursor to flagging law and order, and the 12,000 troops that the Afghan government plans to deploy cannot be relied upon to guard the line amidst almost certain upheaval.

An equally perilous landscape in Pakistan further magnifies India's worries. Passing through Baluchistan, a fractious and poverty-ridden region, the pipeline will be a glaring target for militants.

The South Asian Terrorism Portal reports that at least 126 bomb blasts and grenade explosions across the province in 2009 alone. Rocket attacks on gas pipelines, railway tracks, power transmission lines, bridges, communication infrastructure government and military facilities occur frequently. Ordon News reports that eleven pipelines were blown up in Baluchistan in a span of ten days in February, 2011. An attack on TAPI cannot be underestimated.

With these factors in mind, the biggest question is that of insuring the pipeline. The insurance is broken down into various components; still the terrorist and political risks are fraught. There are examples of oil refineries in India, in relatively safe areas, which had to reduce their initial terrorist risk covers to get bids from insurance companies. In another example recounted by an executive in an Indian Insurance company, a Maoist attack on an oil pipeline in an Andhra refinery led to a loss of Rs. 900 crores (\$182 million). Re-insurers in London found a lacuna in the clause and didn't pay the claim. Thus, even a broad-based risk cover for this project seems difficult primarily because of the sensitive nature of the product and the territory it traverses.

Lastly, financial hurdles exist as well. In 2008, India and Pakistan proposed a rate of \$5.7/mmbtu, which is even higher than the \$4.2 APM rate. But Turkmenistan considered this below the market price and was reluctant to strike a deal below \$11.4/mmbtu. Currently the delivered price of liquefied natural gas (LNG) long-term contracts is close to \$7.5/mmbtu. Therefore, to get gas at the LNG market price from a sensitive area while LNG trains and spot cargoes exist is not economical. Turkmenistan also prefers bilateral pricing for exporting the gas, versus a flat rate, for countries involved. And there have been conflicts regarding linking the piped gas prices to other energy sources; after much discussion, the buyer nations have been forced to link the gas price with some percentage of the international crude oil rate. The Pakistan Daily Times reports that

under the GSPA signed recently, Pakistan will pay 70% of crude oil.

Considering the above factors, India ought to evaluate the following recommendations:

- A consortium of the right stakeholders

The involvement of Russia's Gazprom along with Turkmenistan's Turkmengaz and India's Oil & Natural Gas Corp. (ONGC) in the consortium for the construction of this project will help secure the pipeline. These organisations have the geostrategic muscle and technical prowess to secure the project. Gazprom, the Russian energy giant, has been involved in the construction of several natural gas pipelines across Europe and Central Asia. With 1580.8 trillion cubic metres, Russia has the largest natural gas reserves in the world and one of the best, if not the best, technical expertise and personnel for natural gas pipeline construction through difficult terrains. Gazprom has indicated an interest in becoming a part of TAPI, and according to the Turkish Weekly, Russia and Turkmenistan's deputy prime ministers confirmed that the two countries intend to collaborate in the energy and fuel sectors. ONGC India, though not previously involved in trans-boundary projects, owns and operates more than 22,000km of cross-country pipelines in India, and its presence in the consortium would be valuable in monitoring Indian interests. The Anglo-Dutch major, Shell, can also be considered as an additional or alternative member.

To finance this international consortium, each party would raise its equity stake to procure the loan for the financing required for the project. Each will hold an equal percent, with the operator, who will be responsible for construction of the pipeline, holding a percentage higher than the rest. In the potential member lists, Gazprom, ONGC, GAIL (Gas Authority of India Ltd.), and Shell have the capacity to be the operators. If the Asian Development Bank is willing to finance the project, it will take an equity stake in the project as

well. With multiple stakeholders, the risk of such a huge project can be diffused, and the regional support would be beneficial to India, possibly even providing increased security.

Non-TAPI Alternatives:

- Revive discussions with Myanmar

India should recommence efforts to woo Myanmar for possible LNG exports and revive earlier talks of a pipeline from the region passing through Bangladesh. India's relations with Myanmar have improved, and the Kaladan project linking the land-locked North-East to Sittwe port in Myanmar is already underway. The bilateral ties can be deepened to include energy ties as well.

- Sub-sea routes to consider

A recent study conducted by officials of Peritus International Ltd and South Asia Gas Enterprise Private Limited (SAGE), and presented at the Off-Shore Technology conference in Texas in May 2011, builds on the possibility of an Oman-India pipeline which was unfeasible in the 1990s. The research suggests that the technology in this domain has improved considerably in the last decade, making it possible to build a pipeline at 3,000mts depth and above. Though Oman's export of natural gas is not high, it will give an all important, continuous entry into the Middle East. The off-shore pipeline can be extended to either UAE or Qatar.

Threats of violence and discord along the pipeline remain valid grounds for distress, making TAPI more of a serious national security liability than an answer to energy problems. India's commitment to a steadfast search for environmentally responsible and economically feasible sources of natural gas and other cleaner fuels is crucial as its economy surges, but the pipeline is an invitation for trouble. Until there can be a stronger basis for trusting in the project's safety in the short- and long-term, India should hesitate before making the next move on TAPI.

Look to Manipur before looking East

22 December 2011
by Nitin A. Gokhale



On December 3, when Prime Minister Manmohan Singh went to Imphal, the capital of Manipur, in the midst of an economic blockade that had stalled life in the state, he said, “There are no winners in the Manipur blockade.” He was only stating the obvious. In the last five years, strife-torn Manipur has witnessed at least half a dozen blockades each of which have lasted more than two months – economic work and transport stoppages to protest everything from the creation of a separate district to removal of the Armed Forces Special Powers act. And none of Manipur’s three communities which support these blockades – Meities (the majority comprising 70% of the population), Nagas or Kukis – have really benefitted from these periodic events orchestrated to make their voices heard.

The latest obstruction, called by the SHDC (Sadar Hills District Committee), prevented trucks carrying essential commodities from entering Manipur between August and December. The SHDC, primarily an organization of the Kuki tribe, which lives uneas-

ily with another tribe, the Nagas, across two districts of Senapati and Tamenglong (through which the national highways run), wants a separate district. Opposing this demand is the organisation of the Nagas called the United Naga Council (UNC) which launched a counter-blockade. The combined stoppages sent prices of petrol and cooking gas spiralling. Petrol, when available, sold at Rs. 200-250 rupees a litre – nearly four times its cost elsewhere in India. Ditto with the home-maker’s gas cylinder. This was priced at between Rs. 1500 to 2000. Stocks of essential drugs and medicine ran to dangerously low levels until the SHDC lifted the blockade 96 days after it was launched.

So what have these ‘economic blockades’ actually achieved? Physically, they succeed in choking off the supply chain of an already isolated region. They are called by organisations with conflicting political demands and inter-tribal rivalries. Typically they obstruct the state’s two main road highways—one entering from Nagaland the other from Assam—and create an artificial shortage of

food items and petroleum products, crippling normal life for Manipuris.

Politically, they have not achieved much. But disruptive as they are, these are hardly likely to be the last blockades Manipur will experience. For given the volatile mix of population and unique political geography of Manipur, organisations with real and imagined grievances find the method of blocking the main highways the easiest means of registering a protest. Last year, when the Nagas of Manipur wanted Th. Muivah, the leader of the National Socialist Council of Nagaland (NSCN-IM) to visit his village in the Ukhrul district, non-Nagas found it most convenient to put barricades at the border between Nagaland and Manipur to prevent his entry. Ukhrul district with its overwhelmingly Tangkhul Naga population, supports the call by the NSCN(I-M), at one time considered India’s most powerful insurgent group, for the “integration of Naga-inhabited areas outside Nagaland into a single political unit” - in other words, Nagalim, or greater Nagaland. Inherent in this demand is an enlarged Naga Land, a claim that threatens other tribes like the Kukis living in close proximity to the Nagas. It also has the potential to alter the map of Manipur, a prospect that the majority Meities both resent and dread.

Adding to this potent mix of struggle to preserve ethnic identity and tiny homelands is the apathy of the state administration and indifference of the Centre. Caught between conflicting demands of warring tribes, the state government often chooses not to act. The people, used to hardships, seemed resigned to fate. The Centre awakens only when VIPs come to visit the state – conveniently ahead of elections. Writer- journalist Pradip Phanjoubam, editor of Manipur’s foremost

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Given the volatile mix of population and unique political geography of Manipur, organisations with real and imagined grievances find the method of blocking the main highways the easiest means of registering a protest.

daily Imphal Free Press, articulates the dissatisfactions most succinctly. “Everybody seems to have come to accept this as normal in a frustratingly fatalistic way. No accountability is ever fixed by the government for all these failures and equally, no accountability is ever sought by the public either.”

It seems as if Manipur, located at the far end of India, is truly a forgotten land. But the ‘frustrating fatalism,’ as Phanjoubam calls it, need not remain a permanent feature if policy makers both in Imphal and New Delhi rise above political and ethnic considerations. That will happen only if they start looking at Manipur as an important starting point in India’s ‘Look East’ policy instead as a dead end of the country’s road network.

Manipur shares a 398-km border with Myanmar. But more importantly the Manipuri border town of Moreh has been a traditional trading hub with Myanmar and therefore has vast potential to become a major export centre from India



for the South-East Asian region. Here’s why: According to available statistics, bilateral trade between India and Myanmar more than doubled between 2005 and 2010, expanding from US\$557 million to \$1.2 billion, most of it through Moreh. Disappointingly though, it pales in comparison to the bilateral trade between China and Myanmar which in 2010 amounted to an estimated \$3 billion.

So last July, when India’s External Affairs Minister S.M. Krishna, speaking at the Indonesian resort town of Bali said of India and South East Asia, “We need connectivity more than ever before between our younger generations, entrepreneurs, IT experts, scientists, diplomats, media and students,” he was only highlighting a long-desired need. Krishna’s also announced that a car rally will be held in 2012 to commemorate India-ASEAN trade ties.

“I propose that, unlike the car rally in 2004, this time the car rally begin from ASEAN countries into India and culminate at Kolkata,” Krishna said, underlining the need

for deepening geographical connectivity among countries of the region. In the seven sister states of India’s North-East, Krishna’s announcement was met with stony silence. Many remembered November 2004, when a similar car rally was organized between Guwahati and Singapore, passing through the Indian states of Assam, Nagaland and Manipur. Then too, the rally was seen as the beginning of a new era in connecting India’s isolated North Eastern region to East and South-East Asia. Manipur, in particular hoped the new initiative would help it overcome its inherent handicap of being a remote and landlocked state, as it would have brought huge improvement in infrastructure, particularly the roads leading in and out of the state.

Alas, that was not to be.

It is the failure of actualizing intent that rankles in Manipur. That, combined with multiple frustrations emanating from prolonged bouts of economic blockades, a state administration in terminal atrophy and the continued and unchallenged writ of underground armed groups, has left the people despondent. It is this hopelessness that the Centre and State government must work hard to overcome. For that, a solution to long-standing ethnic insurgencies has to be found in double-quick time.

Now is the time to press for peace and security in Manipur - politics in Myanmar are undergoing a dramatic change. With the junta taking tentative steps towards genuine democracy and showing signs of warming towards India, New Delhi must seize this moment to establish lasting trade and cultural ties with its eastern neighbour. But before India can play a larger role in Myanmar, it needs to fix Manipur’s broken socio-political landscape.

Imran Khan: Yet another messiah?

30 December 2011
by Masood Hasan
Columnist



World Economic forum/Flickr

The Pakistani leadership is so venal that if a slug seated atop a toad were to crawl into Islamabad, they would be welcomed by the people as the promised messiahs. Comparisons are odious but they are necessary because no reasonable answers can be obtained without some cross referrals. The Imran Khan ‘tsunami’ swept into Karachi last week, impressing people by its sheer numbers. As the waves recede and reflective thinking moves to the foreground, many now understand that it was a storm without substance. Almost ritually, Khan prayed in full view of the masses – a repeat of the 30th October, PTI Lahore rally and a chilling inclination of possible things to come. Having made peace with his Mak-

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Having made peace with his Maker, Khan launched into a broadside against corruption Pakistani President Asif Ali Zardari

er, Khan launched into a broadside against corruption, Pakistani President Asif Ali Zardari and others, with little in way of facts. Between pop tunes, he called for

reforms and vowed to end corruption within 90 days after his party forms the government with the help of computers - because they can't take bribes! He changed the game plan of attacking some of his political opponents and studiously avoided any mention of his former sworn enemy, Altaf Hussain, the leader of the Muttahida Qaumi Movement (MQM) who communicates with his followers only via telephone from London. Allah be praised indeed!

Like many Pakistanis, jaded and cheated again and again, a part of me wants Khan to succeed. But I also fear that his is a very simple mind tackling problems that are too complicated and too deeply intertwined to get solved. Khan

speaks common sense. He has spoken it for years but common sense does not run affairs of a country drowning in debt and run by a leadership that sees no harm in robbing the dead.

Like cricket, any prediction is foolish. Cricket may be like life, but life is not like cricket. Khan may be putting a few well-remembered clichés over the ropes, as did another leader almost four decades earlier – Zulfikar Ali Bhutto’s roti, kapra aur makaan (bread, clothing and shelter) – who left the people none of the three. Khan’s mantra is even less rooted in the soil. It is in the air and to date, he has yet to make a single solid proposal to ease Pakistan out of all its troubles including an external debt that runs beyond \$ 59 billion and an internal debt of \$ 66 billion. If Khan is the promised messiah, the good Lord is playing jokes. Where is this money going to come from? Khan says ‘no more aid.’ Okay, but what will people eat? Air? Grass? Someone in Khan’s party, the Pakistan Tehreek-e-Insaf (PTI) has to start doing the sums, crunch the numbers and come up with plans beyond the 90-day formula that Khan thinks is enough time to solve all his country’s ills.

Pakistanis are impressed with numbers. Khan has notched up two centuries back-to-back. First the Lahore rally on 30th October was massive. The second was a double century at Mohammad Ali Jinnah’s uneasy resting place in Karachi on 27th December. But five swallows don’t quite make up a summer particularly if the summer is in the subcontinent. Crowds can be impressive but people have so little to do here that they can wander for miles without reason. Yes, in terms of an outpouring from a citizenry fed up with Crooks Inc., and demanding change, the gathering was momentous and meaningful. But how many of those, the chattering classes included, will



***Elections
here are a game of
caste-loyalty
and
sheer logistics.***

show up on Election Day and cast their votes to change Pakistan? And how would Khan’s PTI, with no declared source of funding, find the means to bus the largely unwashed to the booths?

Elections here are a game of caste-loyalty and sheer logistics. Political parties, horrible as they are, have the funds to commandeer massive truckloads full to the brim with country bumpkins who are told to affix thumb prints where shown. They are then fed, paid a stipend and freed. The lucky ones find a ride home. The rest hoof it. PTI doesn’t look like it has this vital detail covered – not so far certainly but then this is far too early to comment on. Khan’s third outing is planned for 23rd March 2012, Lahore Resolution Day, in Quetta, Balochistan - a province much used and abused by every one.

The Ides of March?

Khan has often projected himself as a self-sacrificing idealist out for justice. A few years ago, he took on the fight to have MQM chief Altaf Hussain, wanted in many cases registered against him in Pakistan, who was then living in ease in London, extradited. Khan lodged criminal cases, spoke at seminars, addressed the media and took the case to Scotland Yard. Nothing happened. Today no one remembers it, but it did get Khan into the public spotlight and Pakistan’s chattering classes lounging in their plush living rooms sipping imported Black Label, sat

up - then sank back into ennui. Khan later gained public attention with his anti-Musharraf and anti-dictatorship stance. By this time, people had forgotten that dictator Musharraf’s first five years after overthrowing a democratically elected government had received Khan’s full support. By late 2007 he was siding with anti-war and pro-democracy groups, incarcerated for a week after being roughed up by the thuggish cadres of the Jamaat-e-Islami (JI).

But it’s a queer pitch and for the last three years Khan has been romancing with the beards; many PTI supporters are upset at this new-old, rekindled love. Khan’s resounding Lahore rally in October, which launched his candidature in a serious vein, was largely organized by many former JI members. A senior commander of that right wing brigade, Mahmood ul Hasan, now occupies a key and senior position in Khan’s party! In the true tradition of Pakistani politics, PTI has never had an election. There is talk that Khan is already the ‘chosen one’ by Spooks Inc., or as it is lovingly referred to – the ISI. Khan denies this. Only time will tell.

Khan means well. Many of us want him to succeed. He has no baggage but neither has he any game plan. He has captured the limelight because he has made people realize how grossly they have been betrayed. However, Khan has no solid reforms manifesto worked out in detail – not yet anyway. His much vaunted team (shades of the 1992 cricket winners) contains not a single good man or woman to implement his ‘game plan.’ What he has are quality turncoats, genuine mediocres, light weight leaders and debauch feudals. This is not a winning team and cannot lift Pakistan out of the abyss in which it lies rotting. So far Khan is simplistic and woolly-headed and that is not how a winning captain should be.

Pakistan: Mired in Political Miasma

30 December 2011

by Jayadeva Ranade

Distinguished Fellow, Centre for Air Power Studies

Christmas day, December 25, 2011, was an interesting day in Pakistan. That evening, Pakistani President Asif Ali Zardari hosted a dinner for the China's visiting special envoy, Dai Bingguo.

Pakistan's Army Chief General Ashfaq Pervez Kayani was invited but declined the President's invitation. This was despite China's special status in Pakistan. The same evening, Kayani reiterated his support for the democratic political process. The day also saw a rally held in Karachi by former Pakistan cricket captain Imran Khan's political party the 'Pakistan Tehreek-i-Insaaf' (PTI), which attracted a crowd of 500,000 people, unprecedented in recent years. This rally followed another one staged just days earlier on 18th December in Lahore by the terrorist outfit, Lashkar-e-Tayiba (LeT, the terrorist organization that carried out the 26/11 Mumbai attacks) and the Afghan Taliban where LeT leader Hafez Sayeed spoke. The rally was attended by 30,000 Islamists carrying banners of the LeT front organization the Jamaat-ud-Dawaa.

These events show that the political situation in Pakistan is extremely fragile and that the Pakistani Army continues to be the final arbiter. The events once again highlighted the tensions that exist between the country's political establishment and the Pakistan Army. The LeT rally was an unwelcome reminder of the weakening sinews of state power as also the secretive links between the Army and Islamist terrorist groups in Pakistan.

The Pakistan Army is in a dilemma as it does not want to be perceived as forcibly ousting an elected government. At the same time it is discomfited by its dented popular image following the successful US raid which eliminated Osama bin Laden and the dis-



Image: Insaf Media/ Flickr

astrous US drone attack in Pakistan's northwest border areas which killed Pakistani soldiers. The Army tried to limit the damage by adopting a tough stance, insisting that US forces vacate the Shamsi airbase. No mention was made of the Shabaz airbase, but it continues to feel that the political government did not respond as it should have, to the violations of Pakistan's sovereignty and territo-

rial integrity – nor can it manage the domestic situation or Afghanistan.

The so-called 'Memogate' fiasco a couple of months ago signaled the current, new phase of tension and was probably master-minded by the Army.

The circumstances surrounding it are intriguing and mysterious,

as are the dramatis personae involved. The 1961-born Mansoor Ijaz, an American businessman of Pakistani origin, is a figure with doubtful antecedents who has tried to carve a role for himself in conflict resolution situations on a couple of occasions including between the US and Sudan and in Kashmir. He is known to be connected to the U.S. State Department and has long been suspected of maintaining links with Pakistan's Intelligence agency, the ISI. Given this background, it is strange that the second actor in the drama, Hussain Haqqani, Pakistan's Ambassador to the US, should have been in touch with Mansoor Ijaz on such a sensitive issue. Haqqani is intelligent, a survivor, who has been critical of the Pakistan Army till he was appointed Ambassador thanks to his closeness to Benazir Bhutto. He is aware that the Army has a long memory and should have been circumspect in his dealings with Mansoor Ijaz.

The other actors are Pakistani President Asif Ali Zardari and the U.S. military. The plot as revealed suggests that Zardari instructed Haqqani to use Mansoor Ijaz's good offices to convey to appropriate authorities in the US Administration that a military coup was imminent in Pakistan.

This plan was for a letter drafted by Hussain Haqqani and Mansoor Ijaz to be handed over to the Chairman of the US Joint Chiefs of Staff, General Mike Mullen. Mullen is reputed to be a friend of Pakistan Army Chief Kayani. In fact, till Mike Mullen retired in September, he and the Pakistan Army Chief General Kayani met almost every month. The relationship between Mullen and Kayani was no secret in Islamabad or Washington, which makes it all the more likely that it was intended that the contents of such a communication get back to General Kayani.

The U.S. Administration is well aware of the Pakistan Army's influence. This was emphasized when U.S. Secretary of State Hillary Clinton, CIA Director-designate



***Zardari
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General Petraeus, and Mullen's successor General Martin Dempsey, met a Pakistani delegation in Islamabad in mid-October, which comprised only military officers including General Kayani and ISI Director General Shuja Pasha. US-educated Foreign Minister Hina Rabbani Khar, who has close links to the Pakistan Military, was the sole civilian representative. The meeting was held in Pakistan Prime Minister Gilani's residence, but he was not an invitee. Wikileaks cables also reveal that Kayani had confided to American officials his utter contempt for Zardari and "hinted that he might, however reluctantly, have to persuade President Zardari to resign".

It seems clear that the letter was the first step to push the civilian government into a corner. There are sufficient indications that General Kayani was planning to mount a coup and remove Zardari – which is why the latter fled to Dubai.

This is confirmed by the meeting between CIA Chief General Petraeus and Zardari in Dubai a few days ago, where the former assured Zardari that it was safe to return to Pakistan as the US had Kayani's promise that he would not stage a coup. Zardari was the main target and Hussain Haqqani only the fall guy. Why Haqqani walked into the trap remains the subject of speculation. The Pakistan Army's involvement is also strongly suggested by its stance that the memo does exist and needs to be investigated, which is at sharp variance with that of

President Zardari and Prime Minister Gilani. Mansoor Ijaz has also meanwhile made public the trail of messages exchanged between him and Hussain Haqqani via Blackberry.

The final acts of this maneuvering are now being played out. Key to the Army's plan is Imran Khan, who, according to most accounts, is being supported by the Army and positioned as an acceptable political ally. With Hussain Haqqani's removal, the Army has rid itself of someone it did not trust; Sherry Rehman, though a Bhutto confidante, is a more acceptable Pakistani ambassador to the US. The think-tank she works for, the Jinnah Institute, which is reported to be funded by her husband Nadeem Hussain, shares the same national security objectives as the Pakistan Army. Though General Petraeus had also apparently conveyed to General Kayani that the US did not favour a military coup and would come down hard if a coup was attempted, and though because of this assurance Pakistan President Zardari returned to Pakistan, indications are that the situation continues to be turbulent and unsettled.

The military might yet act to oust Zardari. This could either be through early elections in a bid to get Imran Khan's party to secure a large number of seats, or by staging a coup.

Neither of these developments ushers in a period of promise for Indo-Pak relations. Imran Khan's utterances on Kashmir etc. are indicative of a hardline posture, and any suggestion that they are intended only for the domestic Pakistani audience do not wash. If the Pakistan Army does stage a coup, which option they retain as indicated by China's signalled support despite US disapproval, then no improvement in Indo-Pak relations is likely. In both cases, the 'Jehadi tanzeems' will receive Islamabad and Rawalpindi's support and continue to target India. In the event of a military take-over the terrorist attacks could become bolder and more lethal.

2011's

Top Foreign Policy

Cheers And Jeers

30 December 2011
by Gateway House

2011 was the year of transformation, everywhere – the extraordinary Arab Spring, anti-corruption protests around the world, the assassination of Osama Bin Laden, NATO military drawdown from Afghanistan and Iraq, the Fukushima nuclear disaster, the sovereign debt crisis in Europe...the list is long. All this unaddressed by lackluster leadership in India and abroad. The events that captured India the most were the stunning spread of the Arab uprisings, to our West, and the accelerating geopolitical aggression of China, to our East. Also significant was the unraveling

of two optimistic economies – the U.S. and India, both victims of internal political dysfunction.

The new world order is upon us, forcing nations to reorient their policies. Many have been pro-active – like Germany, Brazil, Australia and Canada. And India? Bedeviled by slowing growth and lack of reform, a collapsing industrial sector, departing foreign and domestic investment and increasing inequality, we have missed the opportunity to shape the global re-ordering. India looks like it belongs in the crumbling Eurozone instead

of the vibrant emerging markets of Asia.

Evidence of the decline of the India story: last year, the Presidents of all five Permanent members of the United Nations Security Council visited us; this year, no one came. The arrogance of 9% GDP growth has been replaced by the gloom of less than 7% growth. Certainly, India has also seen some foreign policy successes this year – but also many faux pas. Gateway House presents our top foreign policy cheers and jeers.

Cheers:

Cheers to the anti-corruption movement – The Anna Hazare-led anti-corruption movement in India, converted the angst of its dormant middle class into significant street protest starting in April. With a clear appeal against the paralyzing graft eating into the nation, this is the movement of a mature democracy, distinct from the Arab uprisings which are the first expressions of democratic aspirations. The Occupy Wall Street protests which started in the U.S. and spread worldwide, while commendable, have yet to establish a united demand. The Hazare movement is a credit to an India in the throes of a self-cleansing process, it has raised our international stature, and spot-lighted us as a more 'open' democracy.

Ambassador M. Manimekalai, India's envoy in Libya, executed the timely and smooth evacuation of Indian workers from Tripoli and elsewhere in Libya during the violent rebellion this March. India's other ambassadors in West Asia conducted smaller, quick exercises from similarly revolting Arab nations. Despite severe manpower constraints, the Indian Foreign Service rose to the occasion.

Jeers:

Jeers for Foreign Minister S.M. Krishna, who read the speech of the Portuguese foreign minister at the United Nations Security Council Meeting in New York in February 2011, instead of his own. It was not the finest moment for his foreign affairs aides, but it clearly reveals the extreme shortage of Foreign Service officers, which the government shows no signs of mitigating. India has about 700 full-service diplomats serving 200 countries around the world. Compare with tiny Singapore, with 526 diplomats, Great Britain with over 8,000, the U.S. with nearly 11,000 and China with over 30,000 not counting public diplomacy departments.

Pakistan – we're still unable to insulate ourselves from the chaos within that nation, and have not substantially capitalized on its deteriorating relationship with the U.S. While Prime Minister Singh is being statesman-like in reassuring Pakistan that India will not take advantage of its current turmoil, it is time for us to recognize that Pakistan is unable to respond to positive overtures due to the inherent handicaps of military domination and increasing religious fundamentalism. Best for status quo powers like ours to watch and wait it out when it comes to our western neighbour.

Cheers:

Australia's lifting of the ban on uranium exports in December – vital for India's energy requirements – was a bold step in making that country a closer partner with India in the rapidly-changing geopolitics of Asia. Australia is home to one-fourth of the world's uranium, and years of intense lobbying by India finally paid off. The announcement, made by the ruling Labour Prime Minister Julia Gillard, overturned her party's 40-year position on uranium sales to non-NPT signatory nations. Significantly, both countries followed-up with military cooperation immediately after the announcement, and the Australian Defence Minister visited India just three days later.

Afghanistan is finally being seen as a business opportunity by India's private sector. In November, a consortium of Indian companies including Tata Steel and SAIL won the \$11 billion bid to mine iron ore in Hajigak in central Afghanistan. Our soft power with our historical neighbour, formerly restricted to building schools, hospitals, power and technical training, now has another dimension: business. This could bring us head-to-head with China, which is also buying up Afghan mining rights and building infrastructure. But it strengthens our position in Kabul, which this year became our strategic ally.

The Nepal-India bilateral has advanced significantly. Nepal, like Bangladesh, has long been reflexively anti-India. But in October, Nepali Prime Minister Baburam Bhattarai visited India and positively shifted the political discourse. Trade took the lead; three major agreements were signed which will promote private Indian investment in Nepal. Like Prime Minister Manmohan Singh, who set a good example when he put his job on the line to push through the US-India civilian nuclear in 2008, so did Bhattarai with the India-Nepal trade initiative. He was met with the same outcry at home, and saw similar success when the deal was signed. Anti-Indianism is losing its sting. Progress now, with almost all our South Asian neighbours – leaving Pakistan isolated in its animosity towards India.

Jeers:

China (like Pakistan and the U.S.) is a prime example of inertia in our foreign policy. Our assertive Eastern neighbour is rapidly expanding its influence across Asia. While all Asian nations, apprehensive, are creating new alliances, India has been passive in ring-fencing China's aggression. Our bilateral trade deficit is massive; still, like an undeveloped African nation, we continue to export raw iron ore to China even as our manufacturers are kept out of that country by non-tariff barriers. Historical issues – the border disputes, Tibet, the Dalai Lama – remain, along with China's disdainful refusal to engage with us as equals. We continue to front for China in international fora like climate change and the Doha trade talks; in return, let alone the U.N. Security Council, we have not even been able to extract membership to the Shanghai Cooperation Organization, despite the support of old friend and key player Russia.

The potential of the India-U.S. relationship is stagnating. The 2008 civil nuclear deal, which elevated the engagement to the level of strategic partners, is fizzling out due to deliberate linguistic ambiguities in the agreement and the questionable future of nuclear power itself, post Fukushima. We have been unable to take the bilateral to the next level, despite promises made during President Obama's visit last year especially with regards to India's permanent membership of the U.N. Security Council; instead we are once again faced with anti-India legislation from the U.S. outsourcing lobby. A visible indicator of disinterest: the year-long vacancy for the post of U.S. ambassador to India, only recently filled by Nancy Powell. This is in contrast to the immediate replacement of U.S. Ambassador to China John Huntsman with Chinese-American Commerce Secretary Gary Locke.

Arms vs. poverty. In 2011, India became the world's largest importer of military arms – accounting for nearly 10% of global arms imports over the past five years – overtaking China. In the same year, the UN's Human Development Index put India at the bottom of the list among nations with the largest population of the world's malnourished children. Our policy response? An ever increasing number of leaky and scandalous government schemes like the National Rural Employment Gaurantee Act, the Food Security Bill, and the Unique Identity Card. For 60 years, similar programmes have pretended to address the same issues. Despite 9% growth, poverty has been decreasing by less than 1% a year. This is hardly the model that we hope the world will emulate.

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