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- * *Winter Session Of Parliament Ends With A Washout Over Demonization Issue*
- * *Rahul's Meeting With PM, Rift In Opposition*
- * *Black Money Finding Way To Banks*
- * *Demonetization Has Hit Small Industries Hard:RSS*
- * *SP-Cong Alliance In UP Unlikely To Happen*
- * *Cong Releases First List Of Candidates For Punjab Polls*
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- * *US Drone Strike Kills Daesh Activists In Nangarhar*
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- * *Death Sentence To Bhatkal, 4 Others In Hyderabad Blasts Case*
- * *Kashmir Separatist Leaders Relax Protest Calendar*
- * *GDP Growth Prospects Worry Economists*
- * *April 2017: Earliest India Will Get Its Cash Back*
- * *Bank Credit Crashes*

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BJP Gets Panicky Over Prospect Of Demonetization Backfiring

The Winter Session of Parliament ended on December 16 without any movement forward on the much promised implementation of the GST law to be enforced from April 1, 2017 and the 50-day deadline for depositing the old currency notes approaching without any signs of cash flow improving. Bank queues are only growing longer. The government has been signaling that it may not reprint new notes to replace all the Rs. 14 trillion plus notes deposited into the banking system, as part of its policy to reduce the circulation of currency notes by one third so that people get to use the digital payment system. The Supreme Court has reprimanded the government for not comprehending the hardships being faced by the people, though it has not intervened as yet. During hearing, the apex court asked the government counsel as to how some people were receiving millions of rupees, some of which have been unearthed by Income Tax authorities in raids, while the common man had to stand in serpentine queues to withdraw only Rs. 24,000 of his own money each week. According to Prof Arun Kumar an economist who has been pursuing the black money menace in the Indian economy, this has resulted in massive corruption in the Indian banking system which is leading to anger among the people.

Criticism From Sangh Parivar

Critics of Prime Minister Narendra Modi and Finance Minister Arun Jaitley within the Sangh Parivar have started predicting that demonetization may also lead to de-Moditization which could have a serious bearing on the BJP's electoral prospects in the next Lok Sabha elections scheduled for April/May 2019. While it is too early to reach that conclusion, especially when over two years are still left for the present government at the center to complete its tenure, the year 2016 that brought electoral victory to BJP in Assam for the first time in history, especially after its shattering defeats in Delhi and Bihar, could see the party staring over its grim electoral prospects in next year's polls in UP, Punjab and Goa.

Political observers say the BJP may not be able to win in the state level elections where it faces a tough challenge from regional parties, but on the national scene it need not worry as long as Rahul Gandhi is at the helm of affairs in the Congress party. In fact Rahul's critics describe him as a great asset to the Prime Minister who readily granted him audience on December 16 when a Congress delegation led by him met the Prime Minister, in connection with the loan waiver to farmers, thereby abandoning all the other opposition parties who had stood behind him during the month long standoff in the just concluded Winter Session of Parliament.

Structural Economic Reforms In Limbo

However, the inability of the Centre to push through, important economic reforms legislation reduces the electoral prospects of the BJP especially in large states and shifts the focus to local issues. In fact the appetite for structural economic reforms has now reduced, which was the strongest point of the Prime Minister when he won the Lok Sabha elections in 2014, sending the stock market soaring and enabling India to stand out as one of the fastest growing major economies in the world. Barring the demonetization scheme whose long term effects are still to be felt, no other structural initiatives have been implemented and the chances of large scale FDI coming into the country or the growth rate in the economy rising rapidly in a protectionist global environment are rated slim. Politics seems to be the priority over economic issues with credit rating agencies and the government as well as non-governmental institutions scaling down their estimations for India's GDP growth rate for 2016-17 to be around 7% or even lower, if the disruption caused by the demonetization scheme is not overcome over the next quarter.

Changing Objectives Of Demonetisation

The objective of the demonetization initiative as announced by the Prime minister on November 8 was to catch tax evaders, unearth unaccounted wealth and to purge the system of black money,

that is money earned on which taxes were not paid, or is counterfeit money which is then used to finance terrorism and by drug cartels etc., although some allege that one of the hidden objectives of the scheme was to deny the BJP's opponents the use of money they had accumulated over the years to contest the forthcoming assembly elections. The government hoped that as a result of the exercise, not even one third of the notes in circulation would return to the banking system giving it the much needed Rs. 4-5 trillion cushion not only to invest in the infrastructure sector, but also to provide sufficient cash for banks to operate as they run nearly Rs. 8 trillion in Non-Performing Assets (NPAs). Now these hopes have been wiped out with nearly Rs. 14 trillion out of around Rs. 15 trillion in old notes that were in circulation coming back into the system, and bank deposits not resulting in fixed assets. The government seems to be in search of a face saving formula that could bail it out to escape criticism by opponents, and have now changed the narrative to emphasise that the objective of the demonetization exercise was to usher in a cashless society, but the opposition parties are not buying that line and hope to use the shortfalls in the implementation of the scheme, which has caused great hardship to the common people, for their electoral advantage in the upcoming Assembly elections..

BJP State Unit Worried

The state unit of the BJP in Uttar Pradesh is reported to have asked the Centre to delay the Assembly elections, or alternatively not to advance them by two months as was planned earlier to conduct them in February. They say that the ordeal of the people is not over as yet and there are no signs of improvement of the situation in the coming days. With no apparent gains occurring to the common man who had supported the demonetisation scheme in the hope that he will also get some share of its proceeds (though no sensible person took it seriously), the positive effects of demonetization that were seen coming to BJP in the initial days of its implementation are not occurring. Instead, intelligence reports indicate that Dalits and the poorer sections of society who were moving towards the BJP by deserting the Bahujan Samaj Party(BSP) are going back to it with the electoral contest in Uttar Pradesh(UP) likely to return to the traditional rivals – the ruling Samajwadi Party(SP) and the BSP with the latter having a slight edge.

Some Sops Likely For Tax Paying Middle Class

However, some observers are of the view that delaying of elections as suggested by the BJP unit in UP may not help it as it would give more time to its opponents to debate and convince the people that the hardship they faced has gone waste. Instead, developmental schemes to be announced in the Union Budget on February 1, the anticipated tax benefits to middle classes and the promise to be more vigilant and active on bringing money from foreign countries as per the original plan of the Prime Minister would enable it to escape the wrath of the people when they are still confused over the final outcome of the exercise. That is why the Congress party has been opposing the advancement of the Budget presentation from February 28 to February 1 as envisaged by the Finance Minister who, as alleged by Sangh Parivar activist Mohan Guruswamy is practicing Voodoo economics propagated by his mentor and RSS patriarch S. Gurumurthy.

Congress Shifting The Narrative

The Congress party is also shifting the narrative from the poor implementation of the demonetization scheme to instances of corruption that it has thrown up saying that the demonetization has not ended corruption. Instead, it maintains that it has increased it, as demonstrated by the large scale recoveries of new currency notes in raids by authorities, mainly in southern regions of the country. In fact the Congress party has been trying to paint the BJP leadership in black. Rahul Gandhi has not revealed what he says will cause an earthquake, but the week under review saw a video tape being released in which a person believed to be a relative of Minister of State for Home Affairs Kiran Rijju is seen offering help to some official in return for clearance of a bill to contractor. Prior to that the Congress party had leveled allegations against External Affairs Minister Sushma Swaraj and Rajasthan Chief Minister Vasundhara Raje for helping the IPL accused Lalit Modi who is wanted in India, to continue to remain in UK, apart from alleging that Vijay Mallya, who is wanted in India for money laundering, was intentionally allowed by the authorities in March this year to flee to the UK.

In the current scenario where the Congress party and the BJP are hurling recriminations at each other, neither side seems to be gaining anything. Both are likely to suffer and it is the Third Front

or the regional parties that are gaining the ground.

Central Government's Reassurances

This has apparently led the Central Government to reassure the people that an end to their ordeal is about to come about with the printing of more Rs. 500 notes, and the cash situation will ease in the coming days. Hints have also been thrown to the tax paying middle classes who are one of the main sufferers of the demonetization scheme that the budget for 2016-17 could see some tax relief, as according to Finance Minister Arun Jaitley, increased transaction of business without use of cash would result in better tax compliance, and in turn increased revenues to the government which it would share with the people in the form of lower tax rates. He has also been heard assuring the people that achieving a totally cashless economy was almost impossible, and what the government wanted was only to improve the tax: GDP ratio that could be ensured through increased non-cash transactions. Thus the government which had initially announced the demonetization scheme as a strike against tax evaders and for unearthing unaccounted wealth, and later as an attack on counterfeit and black money used by terrorists, drug cartels etc., and still later as a means of ensuring increased digitization of the economy, has now added yet another reason to justify the scheme namely better tax compliance to increase the tax GDP ratio. This of course would be a best case scenario for the government, and the common man who has been hit hard both by inflation as well as the menace of black money, would applaud it if it is achieved.

More Cash To Rural Areas.

Indeed, state units of the BJP are reportedly sending worrying signals to the party headquarters telling them that the situation was getting out of control and it could back fire on the party's electoral prospects if the situation was not reversed soon. The government was compelled to advise the banks to send more cash to their branches in the rural areas where the distress was growing as farmers were unable to sell their crop harvested only a month before and were left with no money to sow the next crop. In fact, as a mark of protest in Amritsar, the Parliamentary constituency from where the Finance Minister contested (and lost) the 2014 Lok Sabha elections, 100 factories owners locked their establishments and handed over keys to the district

administration saying that they were unable to run them. Reports of employees being laid off have also come from several parts of country, especially in the outskirts of the national capital.

BJP Gains In Western India, Loosing In North

As the 50-day deadline of December 30, by which date the situation was expected to return to normal approaches, there are no signs of the crisis abating. What has been noted is that hoarders of currency ,(despite a number being caught every day by the authorities), are taking full advantage of the situation while the difficulties being faced by the people show no signs of lessening . The ruling party feedback from states has been that, if the situation was not reversed in the near future, it could backfire on its electoral prospects in the most crucial state of Uttar Pradesh. In Punjab, the ruling Akali Dal which is in a coalition with the BJP has sent a similar message projecting an even grimmer scenario in which the traditional support base of the BJP among traders, small entrepreneurs and manufacturers is understood to have suffered the most during the crisis which has seen many making money out of it, but the majority suffering.

Independent observers believe that the BJP which had gained substantially in electoral terms from surgical strike along the LOC in Pakistan occupied Kashmir, still stands in an advantageous position ,in UP but the poor implementation of the demonetization exercise has started hurting it. The electorate in that state particularly among the Dalits and poorer sections of society, which have been hit the hardest by the demonetization scheme, and who earlier had moved from the BSP to the BJP are now drifting back to the BSP at a time when family feud in the ruling Yadav clan shows no signs of steeling down.

In states where the BJP has been ruling, for instance in, Gujarat, Maharashtra and Madhya Pradesh the party seems none the worse for the demonetization exercise till now and this situation is unlikely to wither away over the next couple of months. In fact it has been noted that attendance has markedly reduced in the Maratha led silent agitation in Maharashtra and the size of the gatherings in the Pattidar Patel led agitation in Gujarat has also been shrinking which is definitely an encouraging sign for the ruling party which won a big majority in the civic polls in both these states much after the demonetization scheme was launched.

Winter Session Of Parliament Ends With A Washout Over Demonezation Issue

The month-long winter session of Parliament ended on Dec. 16 with the demon of demonetization making it the least productive session in the last 15 years, marked by acrimonious exchanges between Treasury and Opposition benches in both Houses on how and when to discuss Modi Government's biggest financial decision. In the 21 days of sitting, due to repeated disruptions by the opposition, the Lok Sabha could function only for 17.39 per cent while the Rajya Sabha worked for 20.61 per cent. While 92 hours were lost in the Lok Sabha and 85 in the Rajya Sabha amid frequent adjournments, just one Bill of consequence, the Rights of Persons and disabilities Bill, was passed by Parliament. Otherwise, except during obituary references, the two Houses of Parliament were drowned in chaos over the opposition parties' agitation on the Modi Government's demonetization decision. 20 other bills already introduced in Parliament will now be moved to the Budget session. The disruption continued until the last day, with the Opposition insisting on a debate under provisions that called for voting while the ruling combine favoured discussion under rules that did not have the voting clause. The BJP questioned the demand as being frivolous and designed to score petty and entirely meaningless points.

Eventually, the Congress did agree to a non-voting discussion on Dec. 14 when just two days were left for the winter session to end. It was too late and the Speaker turned down the demand. The main opposition party perhaps realised that public mood was not in favour of its obstructionist strategy and, therefore, decided to course correction. The House was disrupted again as the Opposition took up a controversy around Minister of State, Kiren Rijiju while the treasury benches counterattacked with the AugustaWestland scam and TV sting that reportedly showed an exchange of old currency for new at Congress headquarters.

As the Speaker refused permission to initiate debate with the Opposition dropping their demand on voting, Congress Vice President complained that he was not allowed to speak by ruling party law makers. But, he did not give details saying he first wanted to share the information in the House. He said, the Government was running away from

debate on demonetisation because he had "personal information" about Prime Minister's "corruption" and that the PM was "terrified". He claimed he was not allowed to make earth-shattering disclosures on the floor of the House, while keeping them close to his chest outside, because he had said that he had personal information about corruption by Narendra Modi. While the Congress expressed readiness for unconditional debate on the demonetization issue, the BJP and its allies blocked the Opposition offer in the Lok Sabha with the Parliamentary Affairs Minister Ananth Kumar instead raking up the AugustaWestland helicopter scam that had already been discussed threadbare in two sessions of Parliament already. The Minister demanded a discussion on the controversial helicopter deal saying The UPA Government's "first family" was mentioned by a middle man in the scandal. But, former Defence Minister A.K. Antony later said, Congress President Sonia Gandhi had no role in it as VVIP helicopters were meant for the President, Vice-President and Prime Minister. With Parliament in logjam, political theatre is played out in streets and podiums. Addressing a public meeting in Deesa, Gujarat, Prime Minister Modi said, he was addressing the Jan Sabha because the Opposition did not allow him to speak in the Lok Sabha.

Addressing a press conference along with some leaders of other Opposition parties after the Lok Sabha was adjourned once again on December. 14, Rahul Gandhi said, he was being prevented from speaking in the House because he had personal information about corruption by Prime Minister Modi and he intended to "explode the balloon" of note recall by exposing the evidence against him. "It is the personal corruption by the Prime Minister that we have detailed information on. I want to reveal it in the Lok Sabha. The Government is not allowing me to speak as Modi was terrified of him being allowed to open his mouth. The PM is afraid that if he lets me speak then his balloon will burst", he declared. Asked why he cannot reveal his information at the press conference, Gandhi said, as Member of Parliament it was his right and duty to speak in the Lok Sabha about what he knew. Last week, he had said there would be an "earthquake" if he was allowed to speak in Parliament. Stepping up his attack on the prime Minister over currency recall, he said,

“Modi has destroyed millions of lives. It is our right to speak. The PM owes the country an explanation. He cannot keep running a way to pop concerts and public meetings.”

Many senior Congress leaders including Ghulam Nabi Azad, and Anand Sharma and Malikaarjun Kharge, have insisted Rahul Gandhi did not share with them the information he claims to have in his possession about the corruption by Modi. But, for the record, Congress leaders said, Rahul would not have made the statement if he was not in possession of information about the Prime Minister. Among the non-Congress Opposition leaders, CPM's Sitaram Yechuri said, if he did not get the opportunity to disclose the information inside Parliament, he should reveal it in public now that the winter session was over.

Rahul Gandhi had also alleged that Modi's demonetization decision was to help handful of his corporate friends. “Some 50 corporate friends of Narendra Modi owe Rs. 8 trillion to banks. Modi cannot recover that loan from them because they are marketing his image and funding his campaign. So Modi decided to recapitalize the banks with the money of the poor”, he said while addressing a meeting of farmers and small traders and daily labourers at a grain market in Dadri. “Have you seen any rich person standing in the queue? You are standing in the queue for a few thousand rupees and the rich are drawing hundreds of crores through the backdoor. Modi talked of terror and counterfeit currency. Terrorists were soon found with the new Rs. 2000 notes and the government itself said only 0.2 per cent currency was fake. Now, he is talking about going cashless; by snatching people's money, he has already made them cashless”, he alleged.

He addressed them as part of Congress Party's nationwide outreach campaign lunched to highlight the long-term effects of what it called an “absurd” decision. Senior leaders have been asked to hold media conferences across the country and workers told to distribute pamphlets complaining the possible impact of the move to scrap the old 500 rupee and 1000 rupee notes.

The Government and the BJP hit back almost immediately, saying the Congress leader was “frustrated and desperate” and his allegations about corruption against Modi were the “biggest joke of the year”. Parliamentary Affairs Minister, Ananth Kumar dismissed the allegations against PM as “false and baseless” made out of desperation. He said, Rahul Gandhi should apologise to the nation. If he had any information, he would have said by now. He is saying this out of frustration. Minister of State [Home], Kiren Rijiju called Rahul's

allegations the “biggest” joke of the year. After the Parliament session was over, both Modi and Rahul Gandhi headed for the poll-bound Uttar Pradesh on a campaigning spree. While Modi headed for Kanpur to address a Parivartan rally, Rahul Gandhi made his way to Jaunpur to address Janakrosh Rally on the same day on Dec. 19. Alleging that Parliament was not allowed to function, he said, rival parties were trying to defend the dishonest and running away from debate on issues like graft. He said, he was surprised to see that while the agenda of his Government is to eliminate corruption and black money from the country, Opposition parties are busy stalling the proceedings in Parliament. Rahul Gandhi, addressing the rally in Jaunpur, once again accused of working in the interest of just one per cent of the population which included 50 top industrialists of the country who had 60 per cent of the people's money. He said, 99 per cent of the people of the country are honest and sweat it out to earn their living but the PM mocks at them in Parliament. But, he has no courage to take action against the wealthy as they were those who facilitate Modi's victory by using money to polish his image.

Meanwhile, what the Congress describe as a revenge against the Gandhi family for leveling the corruption charges against Modi, the Rajasthan High Court has rejected plea for relief by Sonia Gandhi's son-in-law, Robert Vadra and directed a representative of his firm, skylight Hospitality, to appear before the Enforcement Directorate [ED] which has summoned him in connection with a controversial land deal in Bikaner. The representative had moved the High Court challenging the summons issued by the ED to him earlier this year. The ED had issued the notice to Robert Vadra's firm under the provisions of the Prevention of Money Laundering Act. The probe related to the purchase of 275 bigha allegedly by the company in the Kolayat area of the border town of Bikaner in Rajasthan. The agency lodged a criminal case of money laundering in this case in 2015 on the basis of FIRs filed by the State police after the local tehsildar made complaint.

The Congress hit out at the Central Government accusing it of vendetta and witch-hunt Congress party spokesman, Randeep Singh Sujewala said, officials of Skylight Hospitality have visited the ED numerous times and supplied them whatever documents required, but they could not find anything either against Robert Vadra or his company or associates.

The Congress has launched a nationwide public outreach campaign to highlight the long-term effects of demonetization. Addressing one such meeting as part of the campaign at grain market in Dadri on

December. 13, Rahul Gandhi alleged that Narendra Modi's demonetization drive was aimed at helping the Prime Minister's corporate friends.

Questions about the demonetisation were also raised by another senior Congress leader, former Finance Minister in the UPA Government, P. Chidambaram. He called Modi's demonetization decision "an absurd and thoughtless move" and "the biggest scam of the year" which needed to be investigated. He also termed the PM's idea of a cashless economy "an outlandish expectation". He questioned the effectiveness of the move in the wake of the recent cash seizures across the country and much of the scrapped currency coming back to the banking system with no major black money windfall expected for the Government. Chidambaram said, before banning high value notes, Mr. Modi should at least have consulted his "own man", Yashwant Sinha, a former Union Finance Minister, so that the monumental mismanagement could have been avoided.

Finance Minister Arun Jaitley rushed to return fire and target the Opposition leader. Jaitley said, in fact, the main Opposition party's "scandalous record is making it extremely uncomfortable with the Modi government's anti-corruption campaign of which the demonetization of high value banknotes is a cornerstone".

Charging the Congress with putting its interests before the country, Prime Minister Modi wondered why the Congress-led parties were opposing the Government's battle against black money in the country by stalling the proceedings of Parliament. Addressing the BJP Parliamentary Party meeting on December. 16, soon after the winter session of Parliament ended, he said, the Congress and other Opposition parties were siding with the dishonest and the "corrupt" as was evident from their criticism of anti-black money measures taken recently by his Government. Slamming former PM Manmohan Singh who had called demonetization "organized plunder and legalized loot", Modi said, unlike the Congress, the NDA always kept the country's interest first. He said, if the middle class is to be rid of exploitation and the poor are to be restored their rights then courageous decisions will have to be taken to remove black money and corruption. He said when his Government will now take action against benami transactions, the Congress will again shout that it is a "very hasty" decision. Portraying the Congress as a votary of corruption, he said, it had made a law against benami assets in 1988 but never notified it or framed rules and regulations, ensuring that the legislation never came into force. The AAP leader and Delhi CM Arvind Kejriwal has said that since Modi was not

a very educated person, he lacked understanding of the economy and as such was taking disastrous decisions such as the demonetization.

The BJP however, is claiming the demonetization as a big revisionary decision which would transform the economy. The workers of the Delhi Unit of the BJP have been going door to door distributing ladoos (Sweets) to households as a mark of thanks for cooperating with the ongoing demonetization drive despite the difficulties they faced in its implementation. A day after the BJP chief Manoj Tiwari's call to distribute ladoos, the party workers were seen visiting homes in various localities distributing ladoos. The BJP is of the opinion that the ladoos will be perceived as an expression of gratitude by the party to the people who stand for hours together in ATM queues supporting the Modi government's crusade against black money.

However, as the 50-day time limit given by the PM for the situation to normalise draws closer, there is a certain amount of discomfort in the BJP, stemming from the possibilities of what may happen after December. 30. Officially, the party exudes confidence denying any fears of negative political implications of the move. But leaders in private admit to the possibility of the move backfiring if things do not fall in place by January 1. The discomfort stems from two possibilities. The first one is that the continuing cash crisis is eroding support for the demonetization move, as indicated by some reports; and secondly, there is a possibility of differing voices from within. Some party veterans such as Lal Krishan Advani expressed unhappiness over disruptions in the Lok Sabha and this week again he said he feels like resigning from Parliament. He said, he was so upset and disappointed at the disarray in the Lok Sabha that he felt like quitting.

Rahul's Meeting With PM, Rift In Opposition

The unity among Opposition parties that had been seen over the past one month, however, crumbled on December. 16 when Congress Vice-President Rahul Gandhi took a unilateral decision to meet Prime Minister Modi to draw attention to the plight of farmers across the country and seek a loan waiver for them. Miffed over Gandhi's move to meet the PM, the Samajwadi Party, Bahujan Samaj Party, NCP and the Left parties refused to be part of the Congress-led delegation that later met President Pranab Mukherjee to apprise him of the hardships faced by the people over demonetization and the way the Government had tried to stifle their voice in

Parliament. The parties which joined the Congress-led delegation to meet the President included the Trinamul Congress, RJD, JD[U] and AIUDF, among others. Besides Left parties, the DMK too stayed away from the Congress-led delegation.

The Congress delegation highlighted the plight of farmers and demanded a loan waiver for them. During the meeting, top Congress leaders presented a memorandum to Modi on demands of farmers which included reducing power bills to half and remunerative MSP for farm produce.

The TMC chief and West Bengal Chief Minister, Mamata Banerjee on the other hand called on the Reserve Bank Governor, Urjit Patel on December 15 when he was on a visit to Kolkata. Patel, incidentally was heckled by the TMC workers on his arrival and was shown black flags. In a letter handed over to the RBI Governor, Ms Banerjee voiced concern over the “unprecedented misery and suffering” of the common people due to the NDA Government’s “cruel misadventure” of demonetization. She claimed in her letter that 50 million workers are facing unemployment and hunger. Unorganised sector has literally collapsed. The small and medium enterprises are shutting down in thousand. The massive trading sector has been brought down to its knees, unable to conduct its business. The farmers are going through a trauma never seen before and that too not due to a natural calamity but due to a man-made disaster of massive demonetization. “All development work has come to a standstill due to cash crunch”, she added.

Mamata Questions IT Exemption To Political Parties:

West Bengal Chief Minister Mamata Banerjee, has questioned the income tax exemption on deposits by political parties in demonetized 500 and 1000 rupee notes, alleging ulterior motives. In a series of tweets, she said, there were ulterior motives behind it which carry a hidden message to cadres of BJP. She said, the demonetisation rules should be the same for everyone.

Responding to her remarks, the Finance Minister Arun Jaitley clarified that political parties were as liable to be questioned by the Income Tax authorities as anyone else and they enjoyed no immunity whatsoever. “There is no question of sparing anyone and the political class is no exception”, Jaitley said, responding to a barrage of criticism on social media and elsewhere. The Minister said, the Government had not granted any exemption to political parties post demonetization and incomes and donations to

political parties fall in the purview of Section 13A of the Income Tax Act, 1961.

Seeking to stop financing of election campaign using black money, the Election Commission has urged the Government to amend laws to ban anonymous contributions of Rs. 2000 and above made to political parties.

The Supreme Court meanwhile, has refused to give any interim relief to citizens in the wake of post-demonetisation cash crunch as it directed all petitions challenging the Government’s note ban decision to be heard by a Constitution Bench and stayed all courts in the country from taking up any challenge against the government’s move. The Bench, however, hinted on Dec. 17 that some interim orders were needed as the new currency notes are in short supply while people are being inconvenienced.

Black Money Finding Way To Banks

To the embarrassment of the Modi Government, the black money hunt rhetoric is fast losing steam. On Dec. 13, the Reserve Bank of India Deputy Governor R. Gandhi had an interesting statistic to share with the media. As on Dec. 10, Rs. 12.4 trillion of old notes that were scrapped under demonetization were scrapped under demonetization have been deposited in banks by the public. This should have been reason to cheer for both banks and the government after the demonetization of Rs. 500 and Rs.1000 currencies announced on November 8. But, it is not to be. Because when the Prime Minister announced the scrapping of these currencies that formed 8% of the currency in circulation, the calculation was that Rs. 4-5 trillion would never return to the banking system which it expected would roughly be the quantum of black money in the economy.

Narendra Modi’s war against black money would have seemed comprehensive and complete with income tax evaders biting the dust and illegal currency hoarders pleading for mercy. That money, it was presumed, when extinguished, would lower the RBI’s liabilities of that magnitude, enabling it to transfer the benefit to the government to pump prime the economy through huge investments in infrastructure and dole out to farmers and the weaker sections. But, the math does not look that promising. Of the Rs. 15.4 trillion of high value denominated currencies in the system [as on March 2016], deposits and exchanges from the public of the demonetized currencies upto Dec. 10 stood at Rs. 12.4 trillion and by December 19, Rs 14 trillion.

Investigations by the Enforcement Directorate have revealed that gold biscuits worth Rs. 27 billion were

bought with demonetized currency in November in Hyderabad alone. People who purchased the biscuits went underground thereafter.

Considering that another Rs.600 billion was already with the banks at their branches at the time of demonetization, some Rs. 14 trillion is already back in the system, with another two weeks to go before banks closed the window of deposit demonetized currency held with the public. So, how much will be the money that remains as black money and will be extinguished? It would be nowhere near the number an SBI research report estimated that at least Rs. 2.5 trillion would remain outside the system. But that calculation on has also proved to be wrong. Meanwhile, as the 50-day deadline to deposit old currency in banks draw near, raids by Income Tax Departments continue to yield unaccounted money both in old and new currencies. Over Rs. 100 million, mostly new currency notes of Rs. 2000 was seized by the Income Tax Department during a raid in Pune on December. 14. Rs. 29 million were seized from a flat in Bengaluru. The Enforcement Directorate has frozen two suspicious accounts in a private bank in Mumbai where Rs. 700 million in defunct currency was deposited after demonetization. In Surat, Gujarat, Rs. 120 million worth of assets were seized from a tea seller-turned-financier, Kishor Bhujawala.

Many bank employees, especially those of the private Axis Bank, have been arrested or under investigation on charges of involvement in exchanging the old currency into new for certain people. Two employees of Reserve Bank of India in Bengaluru have also been held on charges of illegal currency conversion. The Finance Minister, Arun Jaitley informed the Lok Sabha on Dec. 16, the searches conducted by Income Tax Department between April 2014 and November 2016 on 1,354 groups of assesses led to admission of undisclosed income of s. 312.77 billion apart from seizure of undisclosed assets worth Rs. 2,164 crore.

Amnesty scheme for tax cheaters:

The Government has given last chance for tax cheaters a three month time to escape prosecution by paying 50% of their illegal wealth to the Income Tax Department. Under the Pradhan Mantri Garib Kalyan Yojana scheme, which remains open for declaration upto March 31, 2017, people can declare their illegal wealth by paying 50 per cent tax of the total deposits. Offering tax dodgers confidentiality and immunity from prosecution under the new tax evasion amnesty scheme, Revenue Secretary Hasmukh Adhia warned of stiffer penalties as well as prosecution against non-disclosure of deposit made in banks.

In another move to fast-track digital payment post note ban, the Government unveiled on December. 15, two incentive schemes Lucky Grahak Yojana and Digital Dhan Vyapar Yojana, for consumers and merchants respectively which will offer daily, weekly and mega cash awards worth Rs.34 billion from Christmas Day 1.5 million citizens option to make cashless payments for transactions between Rs. 50 and Rs. 3000 through RuPay cards, Unified Payment Interface, the Aadhaar-enabled payment systems and USS will get Rs. 1000 in a cash back incentive under the lucky draw schemes. Grand prizes winners will get Rs. 10 million, Rs. 5 million and Rs. 2.5 million at the end of the programme.

Meanwhile, in the first indication that restrictions on cash withdrawal may not be removed in one go after December 30 and will instead be phased out gradually, a top government official said on December. 15 that the Centre will start easing restrictions when significant amount of the new currency is introduced into the system. The indications are that the Government could keep the restrictions in place till over three-fourth of the Rs 15.44 trillion that was in circulation before the demonetization decision was announced on November. 8 is fully replenished. Economic Secretary Shaktikanta Das has said that by December. 30, only about 50% worth of notes would have been replaced.

Demonetization Has Hit Small Industries Hard:RSS

A survey by an RSS affiliate on the impact of demonetisation on the medium and small scale industry shows that nearly 70% of the respondents complained of their business being affected by the move and 69.9% respondents expressed that demand for products decreased and 60% complained of slow debt recovery and added that if the cash crisis is not addressed it could lead to layoffs.

Respondents of the survey — mainly LUB's members across 400 districts in the country — have also stated that it will take more than six months for the industry to recover. The findings also counter the government's claims that the move will eradicate graft, as 57% of the respondents stated they did not notice any decrease in corruption among government employees since the announcement was made on November 8.

At an interaction with the minister of state for finance Arjun Meghwal on December 14, issues such as "disruption of daily operations and harassment by authorities" were flagged by members of LUB. The minister was also informed that payments to

daily wage earners and contractual staff are being affected and in some cases withheld as most of them do not have bank accounts or means to switch to digital platforms. The government's push for cashless economy and digital payment options notwithstanding, 49.5% of the respondents said it is not possible for them to shift to cashless transactions immediately, while 33.6% said the transition would take over six months.

Another survey by tea planters' association in the Dooars, a tribal belt that employs thousands of Bengal's workforce in tea estates, revealed that around 30% of the 112000 workers in tea gardens do not have bank accounts while around 60% of them live at a distance 7 kms away from banks and around 50 per cent of the gardens have ATMs at a distance of no less than 5 kms. The RBI, which held a meeting on November 21 with banks in the tea belt, made it clear that wages could be paid in cash only for two fortnights. By then garden owners should have opened accounts for all workers.

In the minutes of the November 21 meeting, the RBI said a cash waiver that was allowed to tea gardens that month "will be available for two fortnights only, during which tea gardens will ensure opening of accounts by workers".

Workers are paid every fortnight in most tea gardens.

Most of the workers got their due wages a fortnight after the date they were supposed to be paid in November as garden managements scrambled to find ways to withdraw cash above the RBI-imposed weekly ceilings.

In several places, garden workers took to the streets to demand wages. A tea estate was locked out because of protests by labourers that made management officials desert the estate.

SP-Cong Alliance In UP Unlikely To Happen

The chances of the Samajwadi Party(SP) and the Congress coming together and forging an alliance for the upcoming Uttar Pradesh assembly polls is extremely unlikely, given the fact the former being a dominant party has been asking the latter to merge its identity into it. The Congress party will not agree to such a demand. Instead, it has been asking for at least 100 seats to contest and the post of deputy chief minister if the alliance is able to form the government.

Sources say there has been a speculation that the two parties are edging closer to striking a deal with

state chief minister Akhilesh Yadav speaking in favour of the alliance, going to the extent of saying that the alliance could win over 300 seats and Rahul Gandhi of the Congress extremely keen to push the tie up, and willing to negotiate even a minimum number of seats. But sources close to the party chief say, that the Prime Minister is doing all he can to prevent such an alliance from happening, which the BJP feels would lead to consolidation of Muslim votes against it. The SP chief shall not agree to it under pressure from BJP. On the other hand, Chief Minister Akhilesh has been trying to tie up with Rahul Gandhi to retain power in the state as his party has fallen behind that of BSP only marginally and that too due to the family feud.

Apart from that, the fact is that the longer the talks go on, and the longer the delay in finalising the deal, the less chances would there be for the Congress to approach the Bahujan Samaj Party(BSP) and its chief Mayawati. Congress leaders also do not want to enter into an alliance with the BSP which had in the past formed the government in UP state with support from the BJP.

The Congress Party had launched its poll preparations much in advance, roping in election strategist Prashant Kishor and announced the name of former Delhi Chief Minister Sheila Dikshit as its chief ministerial candidate with an eye on the Brahmin votes.

Meanwhile, the Samajwadi Party has started preparatory work for the forthcoming Municipal Corporation of Greater Mumbai (MCGM) polls by conducting interviews of probables and is planning to release the list of its candidates soon after the code of conduct comes into force.

Samajwadi Party Maharashtra unit chief Abu Asim Azmi interviewed over 100 candidates so far for 35 seats. The party has already announced that it will not forge an alliance with any party to fight the civic body polls due early next year. "The party has planned to contest 125 seats of the total 227 seats but this would further depend on availability of qualified candidates," Azmi told a news agency.

BSP transferred votes to BJP in UP ,Says Akhilesh

Uttar Pradesh Chief Minister Akhilesh Yadav on Tuesday claimed that the BSP "transferred" votes to the BJP which is why the latter won the majority of seats in the 2014 Lok Sabha elections and he said that he could prove it. "BSP used to transfer its votes to BJP. This is why it got zero seats, while BJP won the majority of seats in the 2014 parliamentary polls. I have data of booths that show votes (of BSP) were

transferred to BJP. I can prove it," he claimed. Yadav was asked why BJP won the Parliamentary elections held during the tenure of the Samajwadi Party-led governments in the state.

On another query relating to the BSP, he said, "Do not ask me anything about this party. They should give some thought to what they have done for the development of the state." Asked about Mayawati's claim that the Lucknow Metro and the Agra Expressway were initiatives of her government, Yadav said, "Nobody stopped her from rolling out these schemes... She may claim that she had plans to launch the smart phone scheme. She should tell us if she can press a single button or has knowledge of smart phones."

Amid reports of Samajwadi Party-Congress alliance in Uttar Pradesh, Chief Minister Akhilesh Yadav on Tuesday said if such a tie-up takes place in the upcoming state assembly polls it would win over 300 seats. "Though Samajwadis are going to form majority government in the state, but if alliance takes place, it will win over 300 (of the 403) seats. The final decision in this regard will be taken by party National president (Mulayam Singh Yadav)," he said when asked about possibility of his party's alliance with Congress.

Expecting a note-ban backlash against the BJP, the Congress has kept a back channel open for striking a pre-poll alliance or an understanding with the Samajwadi Party for the upcoming Uttar Pradesh Assembly elections, sources in the party said.

Desperate to be counted in the power stakes in Uttar Pradesh where it ruled 27 years back, Congress leaders might settle for anything between 60-70 seats, including the 20 sitting MLAs it has in the state Assembly, the sources said.

Cong Releases First List Of Candidates For Punjab Polls

Congress on December 15 released its first list of 61 candidates for the upcoming Assembly polls in Punjab, retaining 31 sitting MLAs including the state unit chief Amarinder Singh, Rajinder Kaur Bhattal, CLP leader Charanjit Singh Channi and Sunil Jakhar. The party has dropped 3 MLAs including Preneet Kaur, who made way for her husband Amarinder Singh from the Patiala Urban Assembly seat. The Congress has chosen seven new faces backed by "strong credibility and winnability criteria". The list includes five youths, six women, eight former MLAs and one former MP.

The names were cleared earlier by the Central Election Committee headed by Congress President Sonia Gandhi. Amarinder said since there were too many aspirants, those who could not make it to the

final list for Assembly polls will be accommodated once the party forms its government.

He said winnability is key criteria for selection and chose to go with winnable candidates across various cross-sections, striking a balance between youth, new faces and experience while giving adequate representation to women.

Punjab Chief Minister Parkash Singh Badal's estranged nephew and former state finance minister Manpreet Singh Badal, who had joined the Congress a few months ago, will contest from the Bathinda Urban Assembly seat, which is what he had wanted. Amrinder Singh had been pushing for Surinder Singla's candidature from that seat. Sangrur MP Vijay Inder Singla will contest from the Sangrur Assembly seat. Party's Punjab unit Vice President Sunil Jakhar will contest from Abohar, while former deputy chief minister Rajinder Kaur Bhattal will contest from her Lehra constituency and CLP leader Charanjit Singh Channi from Chamkaur Sahib (SC), from where he is the sitting MLA.

The big surprise is the denial of Dhuri seat to a member of the Barnala family. Banking on youngsters, the Congress has allotted the seat to Punjab Youth Congress general secretary Dalvir Singh Goldy instead of former Governor SS Barnala's grandson Simar Partap. The latter had lost the Dhuri byelection to Arvind Khanna, then with the Congress. Among the new faces are three Punjab Youth Congress leaders — Kulbir Zira (Zira); Khushbhaj Singh Jatana (Talandi Sabo) and Goldy.

AAP Sweeps Delhi APMC Polls

In what may be considered to be a major victory for the ruling Aam Aadmi Party (AAP) in Delhi after demonetisation, the party has done exceedingly well in the Agriculture Produce Market Committee (APMC) elections that were held on December 12. Like the earlier Assembly election results, the party has won a total of 13 out of 16 seats so far which is not a good news for the ruling BJP at the centre which is hoping to retain its hold over three municipal bodies when they go to polls in February. The two other parties — Bharatiya Janata Party (BJP) and Congress — which were claiming their stronghold in Delhi's mandis (wholesalers and retailers) have hardly managed to open their accounts.

"Delhi mandis represent small time traders, retailers who are neither black money holders nor very rich people and hence their mandate has huge significance. The BJP, which has forced the poor people to accept the decision of currency ban, has been defeated while the AAP, which had organised its first rally at Azadpur mandi, has routed them. The

Congress, which was claiming to be a major force in the mandis, have also been rejected by the voters. We can say that Monday's result is a referendum for both the parties who have lesser concern for the poor," said Dilip Pandey, Convener of the Delhi unit of AAP. The party Convener also added that ahead of the Delhi Municipal polls, it was a clear indication that it would be victorious in the Corporation election and beat the ruling BJP. "Since MCD elections are round the corner, people of Delhi have shown their faith by making the AAP candidates victorious. With APMC polls, both the BJP and Congress should understand their actual positions. Here, we can also say that people have shown their faith again in the party as well as the Delhi government," added Pandey.

Delhi Labour Minister Gopal Rai termed it as a mandate against demonetisation while AAP's Delhi unit convener Dilip Pandey termed the outcome as a "semi-final" to the MCD polls. APMC has enrolled 4,500 voters, in which 2500 hail from Azadpur mandi. The Agricultural Produce Market Committee in Delhi helps in managing the sabzi mandis in the national Capital. Notably, the Capital has the following major mandis — Azadpur, Okhla, Ghazipur murgha, fish and sabzi mandi, Najafgarh grain mandi and Narela grain mandi where nearly 4,500 traders elect their representatives. While Azadpur mandi has three seats with a tenure of 5 years, the rest have two seats each with a tenure of three years. Traders also elect a board member for APMC for five years' period. A total of 2,500 traders cast their votes in Azadpur mandi while a total of 2,000 traders for six other mandis. The AAP has gained 13 seats out of 16, while the Congress party managed to win only three seats. The BJP has reportedly drawn a blank.

Supreme Court's Observations On AAP's Appeal Encouraging

The Aam Aadmi Party (AAP) Government's constant refrain that the elected Government in the national capital was not being allowed to function found some support from the Supreme Court on December 14 when it observed that an elected Government should have some power for it to function.

A Bench of Justices AK Sikri and AM Sapre made this comment while dealing with a bunch of petitions filed by the Delhi Government against the Delhi High Court's orders in which it challenged those orders and various decisions taken by the Lieutenant Governor (LG) Delhi in the exercise of his powers in the light of those orders.

With Solicitor-General Ranjit Kumar claiming to be representing the Delhi Government on behalf of the LG and senior advocates Rajeev Dhavan and Gopal

Subramaniam appearing for the AAP Government also holding the brief for the Delhi Government, the SC felt that this situation did not augur well where lawyers from both sides are "fighting" in the court claiming to represent Delhi.

Alleging that the LG's decisions were disrupting the functioning of the Delhi Government, Subramaniam submitted that managing the State had become difficult as no officer was willing to take command from the Ministers in the Delhi government. The SC observed "There is no doubt that Delhi is a Union Territory but there are special provisions for Delhi under the Constitution. An elected Government should have a right or otherwise the Government (in Delhi) would not be able to function at all."

Solicitor General Ranjit Kumar pointed out to the court that an abnormal situation prevailed in the national Capital with the Chief Minister and Deputy Chief Minister filing affidavits in the court in their name. To this the court observed that they (CM, Deputy CM) had no choice as officers were not taking instructions from the Delhi Government.

Dhavan told the court that the Centre acting through the LG had even struck down the panel of lawyers appointed by the Delhi Government. The situation was such that an elected Government was not able to choose lawyers of its choice for representing them in the court, he said. The Bench assured Dhavan that even if he is to be removed by the Centre, the court will retain him as amicus to argue this case. The matter was posted for hearing on January 18.

The observation may come as a relief to the Aam Aadmi Party. The High Court had upheld the Lieutenant Governor (LG) as the administrative head of the Delhi-National Capital Region. "An elected government should have some power to run. Otherwise, the government cannot function," said the Supreme Court.

Reports indicate that the next hearing of the case is scheduled for January 18, 2017. Under the constitutional scheme of things, the LG was bound to act on the aid and advice of the council of ministers, argued the counsel for the AAP government but he contended that the High Court verdict had nullified this provision and pronounced the advice of the council of ministers as not binding upon the LG. If the ruling stands, the "elected government in Delhi cannot appoint the chief secretary or cannot even a class IV officer by itself," the counsel argued.

The current battle in court is a timely reminder of the costs the city-state's citizens have incurred due to this stand off. Chief Minister Arvind Kejriwal has often contended that the decisions that have

been taken by the Delhi government in the last one and a half years are being rendered “null and void” due to the constant interference from the LG, who he alleges is working at the behest of the Centre.

The public spat between the Delhi government and the LG, has left the functioning of an elected government in the national capital region under severe stress on various issues. On August 4, 2016 the Delhi High Court ruled that the Lieutenant Governor is the administrative head of the National Capital Region. The court dismissed AAP’s contention that the LG is bound by the advice of the Council of ministers, with the lone exception of the appointment of special public prosecutors. {To the uninitiated, the AAP government had moved the high court after the Ministry of Home Affairs had passed a notification on May 21 giving “unprecedented powers” to the Lieutenant Governor. The new document replaced an older one that was put in place in 1998 by which the LG had to be consulted in matters relating to land, public order, police and services. In a democracy, elected representatives must have the right to take important administrative decisions. If their decisions are found to be in contravention of the law, they can be taken to the courts. Moreover, they would be held accountable for their actions in the next elections. Although the national capital has acquired the status of partial statehood with a state legislature, the executive powers of the council of ministers are heavily circumscribed. Critics of the prevailing system in the national capital argue that the entire raison d’être of the cabinet system of government responsible to the legislature and through them to the people is defeated when it possess little executive powers..

Sasikala To Succeed Jayalalithaa

The ruling AIADMK in Tamil Nadu on December 15 strongly backed late Chief Minister Jayalalithaa’s close aide V K Sasikala to succeed her as party General Secretary, saying she qualifies to be elected “automatically” and “unanimously” to the post by virtue of being the departed leader’s “conscience” for long. “Chinnamma (as Sasikala is addressed by party workers), had been with Amma through her good and bad times for 33 years. She had been Amma’s conscience and continues to be so. She has played a vital role in keeping the party intact for long. Therefore, Chinnamma will be elected as General Secretary automatically and unanimously. There is no doubt or fear in that,” a party spokesman Ponnaiyan told reporters. He expressed confidence that the party’s decision-making bodies, General Council and Executive Council, have powers to elect Sasikala to lead the party and that the “aspirations will be met”

in this regard. Ponnaiyan said an online campaign on WhatsApp and Facebook to “defame Sasikala” and “finish off AIADMK” by “opposition parties” will not succeed. Ponnaiyan recalled that whenever the party functionaries would want to discuss an issue with Jayalalithaa, she would “affectionately” refer them to Sasikala and “gave so much of importance to her”.

Meanwhile, scores of senior party functionaries thronged the Poes Garden residence of Jayalalithaa and urged Sasikala to take over the reins of the AIADMK and lead the party. Senior leaders, including Chief Minister O Panneerselvam and Lok Sabha Deputy Speaker M Thambidurai, had earlier voiced their support for Sasikala’s elevation.

BJP-MGP Rift Widens In Goa

The rift between the BJP and the MGP in Goa widened on December 12 with Chief Minister Laxmikant Parsekar saying those unhappy with the alliance are free to quit and the minor ally daring the senior partner to dissolve the state Assembly rather than asking its ministers to resign. MGP leader and state Transport Minister Sudin Dhavalikar recently accused Parsekar of taking the state 10 years backward during his two-and-half year rule.

The Maharashtrawadi Gomantak Party (MGP) president Dipak Dhavalikar told PTI that, “The current BJP-led state government is not a stand-alone victory of the party (BJP). MGP and BJP had pre-poll alliance. BJP’s candidates who won the election had a share of MGP votes too in their victory.” “So if BJP wants us to go, they should dissolve the Assembly. It is not the government of their own. We also have a share in it. Let BJP dissolve the Assembly and face election on their own and win the majority seats,” Dhavalikar said. MGP has already announced that it will snap ties with BJP for the forthcoming state Assembly polls, if Parsekar continues to lead the BJP.

In turn, Parsekar accused the MGP of not being loyal to the alliance partners. “They are not loyal to the alliance, they only cling to power. Before 2012 elections they were with the Congress,” he said. “The current government is mine. If someone is not happy with it or we are non-performing, they are free to resign and go,” the Chief Minister said. There are two MGP ministers in Parsekar-led Cabinet. The MGP chief said his party is yet to decide whether to go it alone in the polls or have alliance with any other party.

During 2012 Goa elections, BJP won 21 seats while MGP, the state’s oldest regional party, bagged three seats.

New Chiefs of Army, Air Force, RAW and IB

The Government during the week announced names for new chiefs of army staff, air force, RA & W and Intelligence Bureau. Lt. Gen Bipin Rawat, Air Marshal B.S.Dhanoa, Anil Dhasmana and Rajiv Jain as heads of their respective organisations. These appointments valid for the next two years irrespective of the attainment of age by them, are important as the change comes at a time when the government is confronted with the rising threat of terrorism and fundamentalism encouraged by external forces along with cross border infiltration in Jammu and Kashmir which has recently seen the longest lasting agitation by locals against operations by security forces, resulting in the highest number of casualties on the part of Army and paramilitary forces. All the four officers have extensively worked in areas close India's western border and have expertise in dealing the situation in Jammu and Kashmir.

The appointment of the chief of army staff in Lt. Gen Rawat on December 17 has also triggered a political controversy as he superseded two of his seniors – Eastern Army Commander Lt. Gen Praveen Bakshi and Southern Army Commander Lt. Gen P.M.Hariz. But there are indications that the government may appoint them on equally senior positions, especially Lt. Gen Bakhshi who is likely become India's first Chief of Defence Services. However these are only speculations as the government has not made any announcement to this effect.

Congress leader Manish Tewari slammed the government for "playing with institutions" and doing politics in the army even as he wondered if it was "whimsical cherry picking".

CPI leader D Raja also questioned the government's move and said appointments whether in the army, judiciary or those of CVC, acting CBI director and to Central Information Commission have become controversial. Commenting on the matter, JD(U) MP Pavan Varma said, "Every question that is being raised is not about conceptualiz an issue but about seeking a clarification for an answer." BJP

condemned Congress for its attack on the government over the army chief's appointment, saying there should be no politics on defence forces and asserted that Lt Gen Rawat has been elevated keeping in mind the current security scenario.

The strongest comments against the decision came from the JD(U) with its general secretary KC Tyagi telling The Indian Express: "It reminds me of the past days of the Emergency during Indira Gandhi. It seems those old days are coming back."

Alleging that the Centre was following the "footprints of Indira Gandhi", Tyagi said that such decisions indicate there is some sort of an "undeclared Emergency" in the country.

"In 1983, General A S Vaidya was made the Army chief overlooking the seniority of Lt Gen S K Sinha. During her prime ministership, Indira Gandhi had appointed Justice A N Ray as Chief Justice superseding Justice Mohammed Hidayatullah. This government is doing similar things. Making or trying to make appointments in the judiciary and the Army superseding seniors could have serious ramifications," said Tyagi.

Lt Gen Rawat and Air Marshal Dhanoa will take over in the afternoon of December 31.

Lt Gen Bipin Rawat, presently the Vice Chief of the Army, is from the 5/11 Gorkha Rifles and got the 'sword of honour' when he passed out from the Indian Military Academy in 1978. Hailing from Uttarakhand, he has vast experience in high-altitude warfare and counter-insurgency operations.

He commanded an Infantry battalion at Kibithoo along the Line of Actual Control in the eastern-most corner of Arunachal Pradesh and also the Dimapur-based 3 Corps. Prior to taking over as the Vice Chief, Lt Gen Rawat was the Southern Army Commander. Lt Gen Rawat survived a helicopter crash in February last year.

Government sources said Lt Gen Rawat, an infantry soldier, was found best suited among the Lt

Generals to deal with emerging challenges, including a conceptual and restructured military force in the north, continuing terrorism and proxy war from the west, and the situation in the North-East.

They said Lt Gen Rawat has tremendous hands-on experience of serving in combat areas and at various functional levels in the Indian Army over the last three decades. He has handled various operational responsibilities in many areas, including along the LoC with Pakistan, the LAC with China and in the North-East.

He is known for his balanced approach towards soldiering, compassion, and connect with civil society. His experience as GOC-in-C Southern Army Command in Mechanised Warfare has been focused towards the western borders, in coordination with the other two services, the sources said.

The government also on December 17 appointed Air Marshal BS Dhanoa, the Vice Chief of the Indian Air Force, as the next Chief. Air Marshal Dhanoa is a fighter pilot who commanded a fighter squadron during the Kargil conflict and himself flew night-strike missions in the mountainous terrain.

He has served as Senior Air Staff Officer of two operational Commands and commanded the South Western Air Command.

On the same day, the government cleared the names of senior IPS officers Rajiv Jain and Anil Dhasmana to head India's internal (IB) and external (RAW) intelligence agencies, respectively.

Rajiv Jain, a Jharkhand-cadre officer of 1980 batch, who is currently serving in the Intelligence Bureau as Special Director, will take over the office on January 1, when incumbent Dineshwar Sharma will complete his two-year tenure on December 31.

Earlier, it was learnt that the government had offered Sharma an extension, but he declined the offer.

Jain has served in various departments of the IB, including the sensitive Kashmir desk. He was adviser to the previous NDA government's interlocutor on Kashmir K.C. Pant when talks were held with separatist leaders like Shahbir Shah. Dhasmana will take over the reins of the Research and Analysis Wing (RAW) from Rajinder Khanna, who also completes his tenure this year-end.

A Madhya Pradesh-cadre IPS officer of 1981 batch, Dhasmana has been with RAW for 23 years

during which he has served on important desks, including Pakistan. His name for the post started doing the rounds in May itself. Earlier, he headed the Aviation Research Centre in RAW.

Experts believe his knowledge about Balochistan became a crucial factor that contributed to his elevation to the top position.

Indian Search For FGFA May End In United States

The announcement in Goa after the Indo-Russian summit on October 15 had listed a number of deals with a promise that the two sides would soon finalize negotiations for development and production of the Fifth Generation Fighter Aircraft (FGFA). No progress has been reported in subsequent discussions at official level which took place several times and seems to have reached a dead-end with the IAF and MoD emphasizing the urgency of the matter, while the joint venture with Russia was believed to be proving a time consuming exercise. On the other hand, the IAF is asking for an acquisition which can be concluded quickly, incorporating the remaining number of the fighter planes under the MMRCA project as well as the FGA, but can now be clubbed together to make it economical both in terms of acquisition as well as maintenance.

With this objective, sources say that New Delhi is encouraged by the positive response from the newly elected leadership in United States and has widened the scope. The US has expressed its readiness to make available the two aircrafts already in its inventory and has also offered to produce a more powerful fighter aircraft that can meet requirements of the Indian Air Force. The option of India joining the F-35 project of the US has been weighed many times in the past, but the fact the technology was not available to India and the prohibitive costs involved in it, had discouraged New Delhi from exploring the option.

These problems seem to have been overcome in recent days, especially after the United States has granted the status of a Major Defence Partner to India and the fact that F-35 technology is being shared with other countries – Israeli has already received the first lot of the aircraft. The aircraft which incorporates all the features India has been looking in an FGFA could meet Indian requirements with experts saying that the United States could make a last minute entry

into the project with an attractive offer, understood to have been made during the recent visit of Defense Secretary Ashton Carter on December 8 with a proposal to set up an Assembly line for production.

However, no disclosure to this effect was made in New Delhi during his visit. Officials who accompanied him hinted at Carter having made a big offer to set up an assembly line in India to produce a very important item. On persistent queries they said it is related to an "air asset". The IAF is known to have turned down the American offer for the F-16 assembly line and considers the F-18 as the latest in technological advancement, but not the futuristic aircraft that could meet its requirement for FGFA.

The US has developed its FGFA (F-35) which it has delivered to Israel at a price cheaper than the Indo-French deal for 36 Rafale fighter aircraft with per unit cost coming to \$ 140 million.

With the Republican dominated Congress having passed the legislation awarding India the status of Major Defence Partner of the US, Carter is reported to have conveyed to New Delhi that the Trump Administration will further upgrade this relationship to bring it at par with Israel. That means there will be no problem for New Delhi in acquiring latest technology from American companies or collaborating with them for development and production of the same.

This has led to speculation that India, after the inauguration of Trump presidency, could straight away ask for the futurist aircraft and switch over its search for FGFA from Russia to the United States. The US has so far been offering technologies which are either not on the Indian priority list or not sophisticated enough to take cognizance. This was conveyed to Washington soon after the Modi Government came into power when it said that technologies available from other sources were not on the priority list for acquisition from the United States. Apparently, that resulted in a stalemate on a number of other projects like the American offer for joint production of an anti-tank missile, or the fighter jet engine agreed during the last visit of President Obama to New Delhi. India had submitted a long list of items which was pruned by Pentagon as those technologies were not available for being shared. But, now sources say the next Administration would be willing to be a partner, as the US needs to upgrade its technology offer to allies and partners, if it wants to stay in the field of

arms business. The outgoing Defense Secretary is believed to have had the approval of the transition team of the next administration which has conveyed to New Delhi that apart from the Republican Party dominated US Congress passing a law to declare India as a Major Defense Partner, Trump will further upgrade the relationship in defense technology to the level of close allies like Israel.

The US has been expressing intent to either develop a powerful aircraft as per the Indian requirements for its fifth generation fighter aircraft or make India join some of the existing projects it has. New Delhi has been working with Russia for development of the same, but it is understood to have run into trouble as there are no satisfactory results on joint development of the project which for the moment remains in suspended animation. The latest report on the Indo-Russian joint project has been that there was no breakthrough in the discussions and the Indian Government has asked for more time to decide on taking up the project. Apparently, the difficulty on resuming the stalled project on which India has already spent close to \$ 400 million, is that the exercise is proving to be time consuming with a lot of uncertainties on successful conclusion of the project which experts believe is bound to fail given the technological advancements achieved in other parts of the world. If the two sides resume work on this it would take another 7-8 years for completion, and the IAF is not ready to wait that long due to gaps in its fleet strength, as well as the fact that the technology upgradation cannot be guaranteed.

Navy Chief On Five-Day Visit To Japan

Navy chief Admiral Sunil Lanba is on a five-day visit to Japan during which he will explore new avenues of cooperation with the country which has emerged as a close partner of India in recent years, both on the nuclear energy front as well as military. The visit also comes at a time when India, Japan and the US are preparing for their next edition of the Malabar exercise which will focus on submarine hunting amid increasing forays by the Chinese underwater vessels in the Indian Ocean. "The visit aims to consolidate existing maritime cooperation initiatives as well as explore new avenues," a statement by the Navy said.

India and Japan share similar maritime challenges such as long coastline, extensive Exclusive Economic Zone, coastal security, large coastal shipping and fishing fleet, wherein both navies have opportunities to learn from each other's experiences, it added.

In addition, common ground exists for cooperation on a number of issues for the navies. Defence cooperation between India and Japan is robust and is primarily focused towards maritime cooperation. Bilateral defence cooperation was conceptualized with commencement of the India-Japan Comprehensive Security Dialogue which was initiated in 2001.

Japanese Maritime Self Defence Force (JMSDF) has participated in the Malabar exercise in 2007, 2009, 2014 prior being included as a regular member in the exercise since 2015.

JMSDF participated in Malabar 15 and 16 held in the Bay of Bengal and Western Pacific respectively.

In 2014, Japan has also been included as an observer in the Indian Ocean Naval Symposium (IONS), a maritime cooperation construct conceptualized and pioneered by Indian Navy in 2008.

Both navies also engage in navy to navy staff talks which commenced in 2008. The 7th such talks are scheduled to be held in 2017.

JDS Matsuyuki participated in the International Fleet Review 2016 held at Visakhapatnam. The Chief of Staff of the JMSDF, Admiral Tomihisa Takei also attended the Review.

Indian Navy too participated in the International Fleet Review conducted by the JMSDF in October 15 at Sagami Bay, Yokosuka, Japan.

JMSDF for the first time participated in the Admiral's Cup Sailing Regatta conducted by the Indian Navy in 2016 at Indian Naval Academy, Ezhimala from December 5 to 11 this year. Warships of both countries regularly visit each other's ports.

During the visit, Admiral Lanba is scheduled to hold discussions with Chief of Staff, JMSDF, Minister of State for Defence, Chief of Staff, Joint Staff besides other senior dignitaries and naval officers.

Brahmos Range Set To Be Extended

India and Russia have agreed to extend the range of Brahmos supersonic cruise missiles, according to official sources in New Delhi on December 16. As

announced from Moscow in October last, it will be a new project and shall not be clubbed with old one though the work will be taken up by the same old joint Indo-Russian company producing the 300 km range version. There will be several versions of the missile in different ranges. However, Lok Sabha was informed by MoS Bhambre that the proposal for undertaking joint technical development work for extending range beyond 300 km between India and Russia has been already executed.

"Subsequent to the India joining MTCR, Russia and India have agreed to extend the range of Brahmos supersonic cruise missile beyond 300 km."

In its first entry into any multilateral export control regime, India joined the MTCR in June as a full member.

Brahmos is a stealth short-range ramjet supersonic cruise missile that can be launched from submarines, ships, aircraft or land that travels at speeds of up to Mach 3.0 or three times the speed of sound.

Three Brahmos regiments have been operational in the Army since 2007 while the Navy's 10 frontline warships have deployed the missile. India plans to raise three squadrons of Sukhoi-30 fighters equipped with Brahmos missiles within first four months of 2017.

Agni-V Launch

India is getting ready to conduct the fourth test of its Agni-V intercontinental ballistic missile (ICBM) which according to reports is in its final operational configuration from Wheeler Island off Odisha after two years. The missile is expected to have more than 5000 km range.

Defence sources said preparations were on in full swing to launch the Agni-V from its canister on a launcher truck towards December-end or early January.

"There were some minor technical snags in Agni-V, which required tweaking of its internal battery and electronic configurations after its last test in January 2015," according to a report. This will be the final test of the three-stage Agni-V, which will be tested for its full range, before the Strategic Forces Command (SFC) begins its user trials," the source said. The tri-Service SFC, established in 2003 to manage India's nuclear arsenal, will conduct at least two tests before the missile is produced in adequate numbers for induction.

While Agni-V was tested in an “open configuration” in April 2012 and September 2013, the third test, in January 2015, saw it being fired from a hermetically sealed canister mounted on a Tatra launcher truck. The missile’s canister-launch version makes it even deadlier since it gives the armed forces requisite flexibility to swiftly transport and fire the 50-tonne missile from anywhere they want.

Once the Agni-V is inducted, India will join the super exclusive club of countries with ICBMs (missiles with a range of over 5,000-5,500km) alongside the US, Russia, China, France and the UK.

Apart from the shorter range Prithvi and Dhanush missiles, the SFC has inducted the Agni-I, Agni-II and Agni-III missiles (see graphic). While these missiles are mainly geared towards Pakistan, the Agni-IV and Agni-V are specifically meant for deterrence against China. China, of course, is leagues ahead in terms of its missile and nuclear arsenals (see graphic).

But the Indian defence establishment believes the Agni-V is sufficient to take care of existing threat perceptions. As earlier reported by TOI, DRDO has also done some work on developing “manoeuvring warheads or intelligent re-entry vehicles” to defeat enemy ballistic missile defence systems, as well as MIRVs (multiple independently targetable reentry vehicles) for the Agni missiles. An MIRV payload basically means a single missile is capable of carrying several nuclear warheads, each programmed to hit different targets.

Indo – Russian Naval Exercise

The 9th edition of exercise INDRA NAVY, an annual bilateral maritime exercise between Indian Navy and Russian Navy is being conducted in the Bay of Bengal from 14 to 21 December 2016. The primary aim of exercise INDRA NAVY-16 is to increase inter-operability amongst the two navies and develop common understanding and procedures for maritime security operations. The scope of the exercise includes wide-ranging professional interactions in harbor phase and a diverse canvas of operational activities across a spectrum of maritime operations at sea.

INDRA NAVY is a bilateral maritime exercise between the Indian and Russian navies and epitomizes the strategic relationship between the two countries. Initiated in 2003, the exercise has matured over the years with increase in scope, complexity of operations

and level of participation. During exercise INDRA NAVY-16, the Indian Navy is represented by INS Ranvir a guided missile destroyer, INS Satpura an indigenous frigate and INS Kamorta an indigenous Anti-Submarine Warfare (ASW) corvette. In addition, an IN submarine, P8I Long Range Maritime Patrol Aircraft, Dornier Short Range Maritime Patrol Aircraft, Hawk Advanced Jet Trainer and other integral rotary wing helicopters are scheduled to participate in the bilateral exercise.

The Russian Federation Navy (RuFN) is represented by Rear Admiral Eduard Mikhlov, Deputy Chief of Flotilla, Pacific Fleet and ships from the Pacific Fleet, based at Vladivostok. RuFN ships Admiral Tributus (cruiser) and Boris Butoma (fleet tanker) arrived at Visakhapatnam on 14 December 2016 to participate in exercise INDRA NAVY-16.

The exercise progressed in two phases viz. the Harbour Phase (14 to 18 December 2016) at Visakhapatnam and the Sea Phase (19 to 21 December 2016) off Visakhapatnam. The Harbour Phase encompasses table-top exercises, planning conferences, and professional interactions prior progressing to sea. The thrust of exercises at sea this year would be on ASW, Air Defence Drills, Surface Firings, visit Board Search and Seizure (VBSS) and Tactical procedures. Exercise INDRA NAVY-16 will help to further strengthen mutual confidence and inter-operability, and also enable sharing of best practices between both navies. The exercise will be another milestone in strengthening maritime security cooperation between the two navies and will also serve to reinforce the long standing bond of friendship between the two countries.

Moves To Upgrade Malabar Navy Drill

India, Japan and the US are planning to further upgrade the level of their Malabar series of naval exercise with special emphasis on anti-submarine warfare aspect which also figured in their last exercise as well. Japan has been included in this exercise on permanent basis while the Indian navy is having a separate provision for separate bilateral exercises with Japan and Australia as well. A quadrilateral exercise between them has been ruled out for the moment, apparently because of the Indian policy of not taking part in multilateral exercises with Japan

being an exception to this. However, such a scenario cannot be ruled out in near future as New Delhi has been cozying up with these countries and it is only a matter of time when they decide to make a beginning in this direction.

However, next Malabar series of naval exercise, according to the US Seventh Fleet Commander Vice Admiral Joseph P Aucoin, who was in New Delhi on December 16, will be larger than the previous one and more complex. A media report has quoting him saying as “We want to make the 21st Malabar exercise+ , which will be held in the IOR next year, bigger and more complex.” Vice Admiral Aucoin said the two sides “can hunt submarines together” as part of the several missions undertaken during the Malabar exercise.” India is using its P-8I aircraft, which are packed with radars and armed with deadly Harpoon Block-II missiles, MK-54 lightweight torpedoes, rockets and depth charges, to keep tabs on Chinese submarines in the IOR. Japan took part in the exercise held in Bay of Bengal in October 2015 as well as in the western Pacific in June this year when Tokyo was the host country.

China's 1st Aircraft Carrier Conducts Live-Fire Drills

China's first Aircraft carrier 'Liaoning' battle group conducted drills with live ammunition in the Bohai Sea involving dozens of ships including destroyers, frigates, reconnaissance and aircraft as well as several air-to-air, air-to-ship and ship-to-air missiles, the PLA Navy said in a statement on December 16 amidst building tension between Beijing and Washington over South China Sea and Taiwan issue.

The exercise was aimed at testing combination of various types and numbers of ships to optimise the carrier's combat ability, the navy said. The carrier's design allows it to carry about 30 fixed-wing aircraft.

The time and exact location of the exercises were not disclosed except that they were held in the Bohai Sea which is located between Chinese coast off Dalian and North and South Korea. Earlier reports said the aircraft carrier would be deployed in the disputed South China Sea when it is ready.

It was the first time that the weapons used on the carrier were displayed in public since it entered service in 2012.

Videos of the Liaoning's J-15 fighters firing missiles were broadcast on China Central Television, the first time images of J-15 live-fire exercises have been shown to the public. Rear Admiral Chen Yueqi, commander of the Liaoning carrier battle group, said the exercise is a “milestone” for the unit. “It enabled us to explore how to organise a carrier battle group exercise and to test the training levels of our sailors and pilots. It can also boost the battle group s efforts to become combat ready as early as possible,” he told CCTV.

A day before, China confirmed that it is building military facilities in some of the reclaimed islands, saying the deployment of necessary defensive facilities on some islands in the South China Sea is legitimate and normal.

Reacting to the reports showing satellite images of the military facilities in the islands revealed by US think tank, Chinese Foreign Ministry spokesperson Geng Shuang said the South China Sea islands are China's inherent territory and China is building necessary defensive facilities on its own territory which is completely normal and has nothing to do with militarisation. “If China's building normal facilities and deploying necessary territorial defensive facilities on its own islands is considered militarisation, then what is the sailing of fleets in the South China Sea?” he said questioning the movement of US naval fleet in the area. Story PageChina's 1st aircraft carrier conducts maiden live-fire drills.

Besides Liaoning, China is currently building two more aircraft carriers one of which was expected to be ready by next year.

Chinese Defence Ministry spokesman Yang Yujun said in earlier briefings that there will surely be more carriers in future. Commander Xu Ying, chief of a J-15 squadron that participated in the event, was quoted by the State broadcaster as saying that through the exercise, pilots improved their use of tactics and weapons and enhanced confidence in their equipment.

Though the Navy did not disclose components of the carrier battle group, Zhang Junshe, a senior researcher at the PLA Naval Military Studies Research Institute, told China Daily that the battle group would have three Type 052C or Type 052D destroyers, both of which have advanced vertical-launch missile systems and cutting-edge air defence radar, three Type 054A frigates, one replenishment ship and one

attack submarine. "The recent exercise is really a landmark for the carrier battle group because it means the group's ships and aircraft have achieved a high level of integration and cooperation and that the unit is closer to gaining combat readiness," Zhang said.

Indian Defence Personnel On Peacekeeping Missions

India has deployed Defence personnel of all the three Services on UN Peacekeeping Missions, according to information provided by Minister of State for Defence Dr. Bhambre who told the Lok Sabha on December 16 that presently, 6915 Defence personnel are deployed in various United Nations Peacekeeping Missions.

The details are as under:-

S. No.	Services	No. of personnel
1.	Army	6909
2.	Air Force	04
3.	Navy	02
	Total	6915

The composition and criteria for selection of personnel as part of contingents for UN Missions is guided by United Nations guidelines on the subject and mission specific requirements. The criteria for selection of Staff Officer and Military Observer are based on specific requirement of the assignment and demonstrated performance as reflected in the Confidential Reports of the individual officer.

Defence Equipment Export By Indian Companies

According to the information provided by MoS for Defence Dr. Suresh Bhambre to Lok Sabha on December 16, during the last three years Indian companies both in public and private sector have exported various defence products to several countries. The major defence products exported include Patrol Vessels, Helicopters & their spares, Sonars & Radars, Avionics, Radar Warning Receivers (RWR), Small Arms, Small Caliber Ammunition, Grenades, Telecommunication equipments etc. Details of defence export based on export by Defence Public Sector Undertakings (DPSUs) / Ordnance Factory Board (OFB) and the No Objection Certificates (NOCs) issued to private sector companies by Department of Defence Production (DDP) during the last three

years is as under:-

Year	Value of Export (Rs. in million)	No. of NOCs
2013-14	11,533.5	39
2014-15	19,406.4	42
2015-16	20,51.8	241

Since export is undertaken by the companies / production units in public and private sector, the data related to profits earned through export is not maintained in the Government.

A number of training programs are organized for or attended by defence personnel of friendly foreign countries. These are conducted at various training institutions of the Armed Forces including National Defence Academy, Indian Military Academy, National Defence College etc. The number of officers trained during the last three years and the current year is as under:

Sl. No.	Training Year (July to June)	Foreign Defence Personnel trained
1.	2013-14	3515
2.	2014-15	3532
3.	2015-16	3810
4.	2016-17	428

Defence Shipyards

Replying to questions in Lok Sabha the MoS for Defence Dr. Subhash Bambre informed the House on December 16, that defence Shipyards have capability of manufacturing frontline warships like destroyers, frigates, corvettes including auxiliaries like fleet tankers, fast attacks crafts, landing craft utilities, mine counter measure vessels, offshore patrol vessels, etc. Cochin Shipyard Limited, under administrative control of Ministry of Shipping is building the Aircraft carrier for Indian Navy. Government has taken several initiatives to modernize these shipyards. The details of some of the initiatives are as under:-

Mazagaon Dock Limited (MDL): MDL has successfully completed Mazdock Modernisation Program (MMP), which included creation of facilities like New Wet Basin, Module Workshop, heavy duty Goliath Crane, Cradle Assembly Shop etc. In addition new Submarine Assembly Workshop has been developed as a second line for Submarine in 2014-15 and 2015-16, Rs.758 million and Rs. 389.9 million respectively were allocated for this purpose. Rs. 98.4

million has been spent upto 30.11.2016 in 2016-17.

Garden Reach Shipbuilders & Engineers Limited (GRSE): GRSE modernization project was completed in 2013 at a total cost of Rs. 6,060 million. The important facilities created under this modernization phase include Dry Dock (10000 Ton capacity), inclined Berth (4500 ton capacity), Module Hall, 250 Ton Goliath Crane, Electrical Substation, Paint Cell etc.

Goa Shipyard Limited (GSL): GSL has undertaken infrastructure modernization programme at an outlay of around Rs. 13 billion. It has four phases. Phase 1, 2 & 3A have since been completed. Work for balance phases (phase 3B & 4) is in progress. Rs. 2,120 million was provided for the above modernization in 2014-15 and 2015-16.

Make In India Initiative Making Progress

The Government claimed in Lok Sabha on December that after the launch of 'Make in India' initiative by the Government in September, 2014, so far, 116 Industrial Licenses have been issued for manufacture of various licensable defence items to Indian companies. The expenditure on purchase of defence equipment for the three services in the last two years and current financial year from the foreign vendors and Indian vendors is given below:

(Rs. in Crores)

	Total Procurement	Procurement from foreign vendors	Procurement from Indian vendors
2014-15	77986.32	29159.69	48826.63
2015-16	76178.80	26190.46	49988.34
2016-17 (upto October, 2016)	32073.18	9278.26	22794.92

Detail of defence export based on export by Defence Public Sector Undertakings (DPSUs) / Ordnance Factory Board (OFB) and the No Objection Certificates (NOCs) issued to private sector companies by Department of Defence Production (DDP) during the last three years is as under:

Year	Total value of export (Rs. in Crores)	No. of NOCs issued
2013-14	1153.35	39
2014-15	1940.64	42
2015-16	2059.18	241

The Government has received suggestions from Indian industry chambers for reviewing certain clauses of Defence Procurement Procedure (DPP) 2016. These suggestions include reduction in time from Request for Information (RFI) to procurement, assessment of combined financial and technical bids of the partners in consortium, Government to bear the development and prototype cost of the equipment offered in case of retraction of Request for Proposal (RFP), Purchase price preference for higher indigenous content, providing price indexation for Long Term Contracts due to high cost of capital and inflation vis-à-vis foreign original equipment manufacturer (OEM), fixing of timeline for inspection etc. All such suggestions are examined and considered by the Government while reviewing the Defence Procurement Procedure (DPP), which is a continuous exercise.

Scorpene Data Leak Was Aimed At Harming France

The leak of documents relating to India's Scorpene submarines was aimed at harming France, Defence Minister Jean-Yves Le Drian said on December 19, ahead of the signing of a deal for 12 sophisticated submarines that French defence major DCNS is building for Australia.

The French Defence Minister renewed suggestions that revelations of the major data breach in its submarine programme were the work of malicious foreign or commercial rivals, The Sydney Morning Herald reported. During his visit to Sydney, Le Drian said the leak was clearly aimed at damaging the reputation of his country's submarine programme.

The remarks come on the back of previous comments by the French firm DCNS that the leak was an act of "economic warfare", though company CEO Herve Guillou declined to repeat those accusations at a recent press conference in France, the report said.

DCNS has been chosen to help with Australia's 50 billion dollars future submarine programme. The new contract between Australia and France will lay out the "legal framework under which Australia and France will partner on the future submarine programme over the coming decades".

Payne said it was "a critical milestone in delivering the regionally superior fleet of submarines". "Security priorities are embedded," in the sub programme, Payne said.

Indian Worries Over Russia-Pak Moving Closer Over Taliban

India now has a new cause for worry that involves the movement of its old ally and friend Russia towards Pakistan. The reason underlying the shift is Afghanistan amid Russian concerns that the Islamic State [IS] will reach Russia, if not checked. To fight the IS, Russia is now backing the Taliban and that is where it finds itself on the same side of the fence as Pakistan. While Afghanistan has denounced the Russian “contacts” with the Taliban and even accused it of supplying it with modern warfare, for India the worry is greater.

Officially on December 15, India said it has nothing to state on the relations between Pakistan and Russia. It was quick to reiterate the “special” relationship that India shares with Russia but in the same breath India stuck to its old position on the Taliban and said that the Taliban have to respect the “internationally agreed red lines, give up terrorism and violence, sever all ties with al-Qaeda, agree to follow democratic norms and not to do anything which will erode the gains of the last 15 years”.

The controversy erupted with Russian Ambassador to Kabul Alexander Mantytskiy stating that his government maintains ties with the Taliban but they are not “intensive”. “Yes, we do have contacts (with Taliban) but they are aimed at ensuring safety of Russian nationals and encouraging the Taliban to engage in peace talks (with Kabul),” Mantytskiy told the Afghan senate committee on international relations on December 17.

Meanwhile, Pakistan and Russia had their first ever consultations over important global and regional issues in Islamabad on Dec. 14. The Russian side was led by Alaxender V. Sternik, head of the Third CIS Department in the Ministry of Foreign Affairs while the Pakistani side was led by Ahmad Hussain Dayo, Director General [West Asia], Ministry of Foreign Affairs.

The consultations were held amid growing ties between Pakistan and Russia after decades of mistrust and animosity during the cold war. In September, Russia held its first ever military exercises with Pakistan and has also started selling weapons to Islamabad.

NIA Charges Masood Azhar For Pathankot Terror Attack

Wrapping up investigations in the Pathankot airbase attack case, NIA on December 19, filed a charge-sheet against Pakistan-based Jaish-e-Mohammed chief Maulana Masood Azhar, his brother and two others for hatching the conspiracy of the January 2, 2016 audacious terror strike that left seven personnel dead and 37 others injured.

The charge-sheet was filed in the NIA court at Panchkula in which all the four have been slapped with charges under Indian Penal Code, Explosive Substances Act, Arms Act and Unlawful Activities (Prevention) Act. Besides Azhar, his brother Mufti Abdul Rauf Asghar and two handlers — Shahid Latif and Kashif Jan — have been named in the exhaustive charge-sheet. While Interpol Red Corner Notice against three has been issued, the same was pending against Jan, the NIA said.

The charge-sheet will also put to rest speculation about the number of terrorists involved in the attack as the agency gave details of only four militants. There was confusion about the number of terrorists as Defence Minister Manohar Parikar and Home Minister Rajnath Singh had informed that the number was six.

The charge-sheet also hinted of lax security at the strategic IAF base in Pathankot and said that the four terrorists — Nasir Hussain, Hafiz Abu Bakar, Umar Farooq and Abdul Qayoom — who were Pakistani nationals belonging to Jaish, had entered the premises at 0840 hours of January 1, and entrenched themselves in a drain and adjacent shed belonging to Military Engineering Services.

The terrorists were engaged in a gunfight only at 0320 hours of January 2, 19 hours after they had entered the IAF base.

The charge sheet is likely to be used by India in advocating its case for imposing sanctions against Masood Azhar, released in 1999 in exchange of IC-814 hijacked Indian Airlines Plane, under the United Nations anti-terror law, officials said.

The terror case saw an unusual move from India and Pakistan as Islamabad had sent its probe

team to Pathankot. They were handed over all the documents and allowed to question everyone except security personnel involved in foiling the attempts of the terrorists. However, the Pakistani team, upon their return, claimed that India neither shared much of evidence nor allowed it to interrogate the security personnel involved in dealing with the attack.

Soldier's return: Army wants him back:

Meanwhile, more than two and a half months after Sepoy Chandu Babulal Chavan crossed over from his post on LoC the army is still awaiting word from the Pakistani side about his return. While Pakistan army has acknowledged that he is in their custody during telephonic talk between the two DGMOs, it has been silent on any plans about his return to India. Sources say the army is concerned about the lack of Pakistani response and is asking the Foreign Ministry to take up his repatriation at the diplomatic level.

World Bank halts Indus Water Treaty rift

The World Bank (WB) has decided to temporarily pause the arbitration process between India and Pakistan on the question of the Kishanganga and Ratle hydroelectric projects being built by India along the Indus water system.

The World Bank said on Dec. 13 the decision has been made to give the two countries a chance to come up with an alternative solution to their problem in accordance with the Indus Water Treaty by January next year. India last month had categorically rejected the World Bank's decision of appointing two simultaneous mechanisms for resolving differences with Pakistan.

In response to the decision by the world body to give a pause to the process, India said that it had on November 10 pointed out the 'legal untenability' of the WB in launching two simultaneous processes for appointment of a neutral expert (as requested by India) and for the establishment of a court of arbitration (as requested by Pakistan).

India, voicing a sense of diplomatic victory, said that the bank's decision today has confirmed that the two concurrent processes can render the Indus Water Treaty 'unworkable' over time.

India has said, it was ready to resolve differences with Pakistan bilaterally on the contentious issue, but Pakistan insisted on World Bank arbitration. Foreign Ministry spokesman in New Delhi said on December 15, there is no reason why the technical design

parameters which Pakistan has objected to, cannot be sorted out by experts from both sides on projects like Kishenganga.

The historic Indus Water Treaty of 1960, mediated by the World Bank, has stood the test of time over water-sharing agreements between India and Pakistan despite frequent tensions.

The government in the last few months has, however, threatened Pakistan that 'water and blood cannot flow together'. This has set many an alarm bell ringing since water remains an emotive issue on both sides of the border.

The Bank in its statement said, "This is an opportunity for the two countries to begin to resolve the issue in an amicable manner and in line with the spirit of the treaty, rather than pursuing concurrent processes that could make the treaty unworkable over time."

Earlier this year, Pakistan had objected to the construction and design of the 850-MW Ratle and 330-MW Kishanganga hydropower schemes, saying that both projects would have adverse impact on the flow of the Chenab and Neelum rivers.

China on December 16 accused India of disregarding its concerns in hosting the Dalai Lama at Rashtrapati Bhavan. President Pranab Mukherjee had invited the Tibetan spiritual leader in exile to attend the opening ceremony of a summit organised at Rashtrapati Bhavan by Nobel laureate Kailash Satyarthi on December 11.

The Dalai Lama had attended the 'Laureates and Leaders for Children Summit' and had shared the dais with Mukherjee, with whom he also had a conversation captured in images released by the government.

China views the Dalai Lama as a "splittist" and has repeatedly criticised moves by foreign governments - including India - that it believes provide political legitimacy to the monk.

Beijing had come to know of the invitation to the Dalai Lama and had indicated its opposition before Mukherjee hosted the spiritual leader at Rashtrapati Bhavan, Indian and Chinese officials said.

The meeting between Mukherjee and the Dalai Lama came at a time Beijing is already battling suggestions from US President-elect Donald Trump that he isn't averse to waving another red rag - in the form of contact with Taiwan.

"Recently in disregard of China's solemn representation and strong opposition, the Indian side

insisted on arranging for the 14th Dalai Lama's visit to the Indian presidential palace where he took part in an event and met President Mukherjee," Chinese foreign ministry spokesperson Geng Shuang said in Beijing today. "The Chinese side is strongly dissatisfied with and firmly opposed to that."

The Indian foreign ministry responded arguing that the event at Rashtrapati Bhavan was "non-political". "His Holiness the Dalai Lama is a respected and revered spiritual leader," foreign ministry spokesperson Vikas Swarup said. "It was a non-political event organised by Nobel Laureates dedicated to the welfare of children."

Like Satyarthi, the Dalai Lama too is a Nobel Peace Laureate.

China's protest is the second within two months regarding the Dalai Lama vis-à-vis India directly, and the third in this period involving New Delhi.

In October, China protested an invitation from the government of Arunachal Pradesh to the Dalai Lama to visit Tawang - a region that Beijing also claims - even though the Tibetan leader has visited there before.

Later, China informally communicated its unease to India after the Indian ambassador in Mongolia T. Suresh Babu hosted a lunch for the Dalai Lama when he visited Ulaanbaatar recently despite Beijing's opposition.

China's sensitivities over Tibet coincide with fresh pinpricks from the US, with Trump becoming the first President-elect or President to speak on the telephone to Taiwan's President Tsai Ing-wen.

Indo- Maldives Joint Military Exercise

A 14 days joint training exercise of the Indian Army and the Maldives National Defence Force commenced on December 15 with the Opening Ceremony at Kadhdhoo, Lammu Atoll in Maldives.

The training contingents comprised of a platoon strength from BIHAR Regiment and a similar strength of the Maldivian National Defence Force. Senior military observers of both the countries will be witnessing the validation phase of the Exercise. Exercise EKVURIN – 2016 is the seventh edition of Joint Exercise and is in continuation of a series of joint Exercises between the Indian Army and Maldivian National Defence Force. The previous edition of the Exercise was held at Trivandrum, India in 2015.

The aim of the Joint Exercise is to acquaint both forces with each other's operating procedures in

the backdrop of amphibious and counter insurgency/ Counter terrorism environment as also to enhance the existing military relationship between the Indian Army and the Maldivian National Defence Force.

US Drone Strike Kills Daesh Activists In Nangarhar

At least 16 Daesh fighters were killed in a US airstrike in eastern Nangarhar province, provincial police chief said in a statement Saturday. "The airstrike targeted the hideout of the insurgents in Achin district of the province late December 16," the statement said. It added that the ammunition cache of the insurgents was also destroyed during the raids. No civilian's casualties reported during the operation. This comes as top US commander in Afghanistan Gen. John Nicholson said earlier October that Daesh is trying to expand their foothold and establish the Khorasan caliphate inside Afghanistan.

Daesh is principally a non-Afghan movement that is completely rejected by the Afghan people, but they are much focused to establish their 'caliphate' inside the country. Nicholson said the U.S. has seen many foreign fighters joining the Daesh in Afghanistan, particularly Uzbeks from the Islamic Movement of Uzbekistan and Pashtuns from the Pakistani Taliban.

In Afghanistan, the main-hub of Daesh militants estimated around 1,000 fighters is in eastern Nangarhar province which shares a border with Pakistan.

There are no new victories for Daesh terrorists but heavy losses. Yet Daesh needs to keep stimulating its militants to continue fighting.

US Will Support Indo-Pak Friendship

Donald Trump will support "greater friendship" between India and Pakistan, a prominent Indian-American industrialist said on December 16 after he met the President-elect and discussed issues ranging from growing India-US trade to relations with China and Pakistan.

Shalabh Kumar, founder and president of the Republican Hindu Coalition (RHC), met Mr Trump, Vice President-elect Mike Pence, Mr Trump's daughter Ivanka and sons Don and Eric and other senior officials from the incoming Mr Trump administration at Trump Tower.

"It was a great meeting," Mr Kumar said. He said they discussed mechanisms for increasing trade between US and India. "We also talked about policies with respect to China and with respect to Pakistan

and how India views them,” Mr Kumar said. Mr Kumar added that Mr Trump is “very well aware” that terrorism is a big concern for India and “he is also confident in a way that he could persuade Pakistan to do the right things and actually create a friendship between India and Pakistan.”

“His attitude is always that you can do it, you put your mind to it.”

Chinese Corridor Will Make Pakistan Self-Reliant, Sartaj Aziz

Pakistan’s top envoy Sartaj Aziz on December 13 said that the China Pakistan Economic Corridor (CPEC) will make Pakistan self-reliant in different spheres. Addressing an inaugural ceremony of a three-day conference on CPEC and the Region Integration, he said apart from connectivity, the project would help Pakistan to overcome energy shortages.

He said many of the multidimensional power projects under the CPEC were already under implementation and will add about 17000 megawatts of electricity to the national grid. Aziz also clarified that China was investing \$36-billion in these power plants and providing soft loans for infrastructure development.

The adviser emphasised the need for diversifying the country’s exports. He said private sector and entrepreneurs should be more forthcoming to bring value addition in the industrial parks to be established in each province under the mega project.

He said that CPEC carried enormous economic potential not only for Pakistan but different regions including Gulf.

Meanwhile, on the same day, Pakistan Navy’s special taskforce TF-88 for maritime security of CPEC was inaugurated. A ceremony in this connection was held at Gwadar.

Speaking on the occasion, chief guest chairman of joint chiefs of staff committee General Zubair Mahmood Hayat said the task force would ensure safe implementation of CPEC. He lauded the role of Pakistan Navy to secure the maritime environment for the flagship project of CPEC.

45th Anniversary Of Bangladesh Liberation

A series of events have been organised to mark the 45th anniversary of the India-Pakistan war that led to Bangladesh’s creation in 1971. On December 16, 1971, 93,000 Pakistan troops under Lt Gen A.A.K.

Niazi had surrendered to the Indian Army. A five-day visit starting December 14 to Bangladesh of 28 Indian war veterans and four serving officers is the most high-profile event that the Indian government has organised for the anniversary. The veterans participated in the victory day functions besides meeting Bangladesh Prime Minister Sheikh Hasina, the service chiefs and the armed forces division’s principal staff officer. They also got an opportunity to interact with MuktiJodhas (freedom fighters) during separate receptions hosted by the ministry of liberation war affairs.

Simultaneously, a delegation of 30 MuktiJodhas and six serving officers arrived in Kolkata on December 14 to participate in the Vijay Diwas celebrations at Fort William. Bangladesh Home minister Asaduzzaman Khan led the delegation of three parliament members, a supreme court judge, retired Bangladesh armed forces officers, diplomats, bureaucrats and civil society members.

The diplomat said such engagements bring together veterans, who had fought shoulder to shoulder in the war. In New Delhi, the Bangladesh High Commission organised the annual victory day reception on December 16. “On this occasion, we remember our friends, who stood and fought shoulder to shoulder with us and sacrifice(ed) for the cause,” said Bangladesh Deputy High Commissioner Salahuddin Noman Chowdhury.

Apart from the official events, BJP general secretary Ram Madhav-led India Foundation would organise a seminar on Bangladesh’s liberation.

The Nehru Memorial Museum and Library along with the India Foundation organised a seminar on the “1971 India-Pakistan war — Liberation of Bangladesh”. A special pictorial exhibition and seminar was opened to showcase key elements of the war.

Gen VK Singh (retd) and Mofazzal Hussain Choudhury, who participated in the war in different capacities, shared the stage. Gen Singh fought the war as a young officer of the Indian Army, while Choudhury was part of the Mukti Bahini — a pro-independence militia in East Pakistan. In the audience sat greying veterans of the Indian Army and the Indian Air Force.

President Pranab Mukherjee, in a recorded message, hailed the relations between India and Bangladesh. He lauded the “able and mature leadership of Sheikh Bangabandhu (Mujibur) Rahman”, describing him as the father of Bangladesh.

The relations between India and Bangladesh have been on an upswing since Sheikh Hasina took office in 2009. But despite India’s well-known role in

the creation of Bangladesh, the 45 years have not always been spent in neighbourly bonhomie. Disputes over territory, water-sharing rights, illegal immigration, cross-border insurgency and terrorism have dogged Indo-Bangladesh relations. Three years after the birth of Bangladesh as an independent nation, its then prime minister, Sheikh Mujibur Rahman, signed a Land Boundary Agreement (LBA) with then Indian PM, Indira Gandhi, to exchange enclaves and simplify the international border between the two countries. That it took 41 years for a revised version of this agreement to be adopted is a telling comment on the way the relations have developed between the two countries, who share a 4,096-km international border and centuries of history and culture.

India and Bangladesh have, however, shown intent in developing good relations in the past seven years. The work on revising the LBA was begun in 2011 during the visit of then Indian PM, Manmohan Singh, to Bangladesh and the treaty was sealed in June this year, when the two countries swapped tiny islands ending a border dispute that had kept thousands of people in stateless limbo for nearly 70 years.

The agreement has augmented security on the eastern borders which were the hotbed of illegal migration and other criminal activity. Taking a cue from the 2011 Protocol on the cognate security and demographic ramifications of the exchange process, the present government has successfully impressed upon its eastern neighbour that India is committed to the amicable solution of bilateral issues. However, all is not well on the eastern front. The longstanding agreement on the sharing of Teesta waters has been on the backburner. The problem is more political than diplomatic.

The water disputes, though, remain unresolved. But to the credit of both countries, they are not as much of a sticking point as in the past. There have been encouraging developments on the economic front. Bilateral trade has risen to more than \$7 billion from \$2.5 billion in this period. Bangladesh features prominently in India's Act East Policy and both countries are willing to look beyond the SAARC by being part of groupings such as BCIM (Bangladesh-China-India-Myanmar) and BIMSTEC (the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) that extend South Asia's connectivity with Southeast Asia and China.

At an annual average of six per cent, Bangladesh has witnessed a steady economic growth over the past decade. Its middle-class values the country's historic ties with India but is also enthusiastic about relations

with other countries in the region. In October, Chinese President Xi Jinping visited Dhaka and extended loans worth \$24 billion to Bangladesh, more than 10 times what India gives Bangladesh. India's relations with Bangladesh have gone well, but much more needs to be done.

Four Battalions To Guard Indo-Bangla Border

Assam Chief Minister Sarbananda Sonowal on December 13 reviewed the law and order situation with top police and Home department officials and said that the Government has decided to raise four new police battalions in the State for deployment along the Indo-Bangladesh International border.

The Chief Minister also issued instructions for raising the four new battalions and said that the new police battalions will have close to 4,000 jawans and they would be deployed along the Indo-Bangladesh border in addition to the Border Security Force (BSF).

The new battalions would be deployed in—Cachar, Karimganj, North Salmara-Mankachar and in Dhubri districts, where there are International borders with Bangladesh—as the second line of defence to guard the Indo-Bangladesh borders, the Chief Minister said. He said that the Commandants of these four battalions to be raised will also function as the Superintendent of Border Police in the concerned areas.

Sonowal also reviewed the activities of 120 border outposts along the Indo-Bangladesh border and asked the police and Home department officials to take concrete steps for modernisation of these outposts for effecting guarding of the International border between the two countries and to ensure proper surveillance of the border.

Sonowal had earlier visited the Mankachar and Dhubri sector of the Indo-Bangladesh border in September this year and vowed to seal the porous international border with foolproof security arrangements to stop infiltration from other side of the border.

The Chief Minister had undertaken a two-day visit to the border, travelled around for three hours on the Brahmaputra river to inspect the riverine borders between the two countries and had his boat anchored on several sandbars to interact with the people and get a firsthand account and view of the status of the international border and of the people living near it.

During the review meeting Sonowal also asked the police officials to keep the char (riverine sandbars) areas under strict surveillance and to ensure that

there is no fresh land encroachment there. Sonowal also asked the concerned SPs of the districts to undertake regular visit to the char areas and to take cadets of NCC and other students to the char areas so that they could get a firsthand knowledge about the socio-economic condition of char areas.

Army, PLA Top Guns Hold Parleys

A couple of meetings have been conducted between the top leadership of the Indian Army and a delegation of People's Liberation Army (PLA) of China led by senior General. According to media reports, the Commander of the PLA's western theatre, Gen Zhao Zongqi, and his delegation was in India for three days — December 8 to 10.

This was the second unpublicised high-level meeting after the annual defence dialogue (ADD) between India and China was conducted on November 8. Defence Secretary G Mohan Kumar and Sun Jianguo, deputy chief of the Joint Staff Department of China's Central Military Commission, had met in Delhi to hold discussions. This was the third round of engagement between the two neighbours in the past five weeks.

Prior to that Indian Army Chief General Dalbir Singh Suhag had led a military delegation to China on a four-day (Nov 21-Nov 24) visit.

The Western theatre of PLA, carved out following a rejig in November last, covers Xinjiang and Tibet—it is tasked all along the entire 3,488 km un-demarcated Line of Actual Control (LAC) that is the de-facto boundary with India.

The Chinese delegation during its visit to Kolkata met Lt Gen Parveen Bakshi, the Eastern Army Commander and the senior most commander after General Suhag. In Delhi, Vice Chief of Indian Army Lt Gen Bipin Rawat hosted a banquet for the Chinese delegation and also held talks.

The two sides exchanged views on military-to-military relations between the two countries, especially the cooperation between the PLA Western Theatre Command and the Indian military. The PLA Western theatre has some 4.5 lakh troops, tanks fighter jets, artillery regiments and India matches almost the same number all along the Himalayan divide running in an east-west axis.

The two sides agreed to jointly implement the important consensus reached by leaders of the two countries in May last year when a joint statement at Beijing, after a meeting between Prime Minister

Narendra Modi and Chinese President Xi Jinping, had spoken about the need to “expand the exchanges between the border commanders, and establish border personnel meeting points at all sectors of the India-China border areas”.

Myanmar-Bangladesh Border Trade To Reopen

Border trade between Myanmar and Bangladesh at Maungtaw border trade point is likely to reopen as situation in northern Rakhine state of Myanmar starts to return to normal, official media reported Sunday.

However, the security needs to be tightened in the first phase of its reopening, Maungtaw Border Merchants Association was quoted as saying.

“Security would be tightened in the first phase for the unnecessary incidents. But we will relax the security rules step by step,” the association chairman U Aung Myint Thein said.

The surprise coordinated attacks by violent armed men on three border posts on Oct. 9 in Maungtaw have prompted the closure of all border gates with Bangladesh for more than two months, resulting in financial hardship for local shrimp and prawn farmers and traders.

Local products such as dried fish and shrimp were traded via the state's capital Sittway, but export products of bamboo to Bangladesh came to a total halt.

Meanwhile, anxiety of local people in violent-hit areas of the Rakhine state has eased with signs of resumed stability, said Myanmar's Rakhine Violence Investigation Commission in its first release on Wednesday following its three-day inspection tour to the attacked areas in the state where the commission met with affected communities.

However, investigations are still underway to expose the armed attackers.

Schools in some villages in violence-torn areas have been reopened.

The Myanmar government formed a 13-member investigation commission on Dec. 1 to probe the Oct. 9 violent attacks by armed men on the three border posts in Maungtaw, in which five soldiers and eight policemen were killed.

The three border posts are Kyikanpyi in Maungtaw, Kotankauk in Buthedaung and Ngakhuya Office.

The commission is tasked to report to the president by Jan. 31, 2017

China-US Tensions Rising In South China Sea

By M.I.Khan

After the telephonic talk between the US President-elect Donald Trump, and the Taiwanese president, Beijing and Washington are engaged in a spat over an underwater drone being seized by the Chinese navy on December 15 in the disputed waters of the South China Sea. The Chinese government calls it an underwater drone while the Americans describe it as a glider but the two sides have reached an understanding under which it is to be returned to the US military "appropriately". Trump has asked the Chinese to retain the trophy as he does not want it back. The incident comes soon after the Taiwan President, Tsai Ing-wen's congratulatory phone call to Trump triggered a huge uproar in the foreign policy circles of China, United States and beyond. Experts in New Delhi say that "although Tsai has described the congratulatory call as a mere international etiquette, there's much more to it than meets the eye".

Seizing Of US Drone

"We should tell China that we don't want the drone they stole back. – let them keep it" Trump tweeted on December 17. The incident is being regarded as one of the most serious between the US and the Chinese militaries in recent memory, potentially complicating ties ahead of Trump's inauguration on January 20, indicating an aggressive US policy towards China aimed at preventing its southward surge. China has embarked on an ambitious program of constructing artificial islands, some of which appear to be intended as military outposts. The U.S. military has conducted repeated shows of force, by sailing ships or conducting surveillance flights near disputed areas, while seeking to avoid any serious military escalation with China which is a key commercial partner.

Trump's Aggressive Posture

Observers believe, that the aggressive posture adopted by Trump in dealing with China come after the Obama Administration failed to mount an appropriate response to prevent China's surge in the waters of the South and East China seas, despite the verdict by Hague based International Tribunal on July 12 on the petition filed by the Philippines, but rejected by

China which it refuses to recognise. Trump's implicit questioning of the US "One China Policy" which has been the bedrock of the US-China relationship for decades, and his taking a congratulatory call from the Taiwan president, which he said was nothing more than responding to etiquette are in line with the thinking of the next US Administration, which is likely to adopt a more muscular policy towards China in the hope of a suitable trade off. Apparently, the US President-elect wants to take the heat to Beijing's doorstep as he feels that Obama administration was too submissive in its approach which failed to produce results. Obama's efforts such as the launching of freedom of navigation operations in those disputed waters were countered aggressively by the Chinese, which not only thwarted the US efforts, but also won over the countries which were in dispute with China who at one time were close allies of the US. China won over them by offering increased incentives for infrastructure development, joint exploration of oil and gas in the region with Chinese funding and increased flow of tourists as well as continued imports from these countries which have highly favourable trade balance with Beijing.

Arresting China's Southward Surge

Collating them with other statements by Trump like befriending Russia which is seen burying its differences with Japan, another important ally of the US in the region, and his readiness to mediate between India and Pakistan over the Kashmir dispute (which of course is not acceptable to New Delhi), indicates some thinking towards isolating Beijing, particularly from Islamabad. At the same time with the Republican dominated American Congress passing a resolution to award India the status of a Major Defence Partner (MDP), experts believe that these moves in US foreign policy may be aimed at arresting China's southward surge, and would be more visible after the inaugural of the Trump Presidency on January 20.

The Chinese on the other hand believe that these postures of the US President-elect are aimed merely at attracting media headlines and he will change once he takes over and goes into the position papers in detail that are usually prepared by experts in

advance. However, independent observers believe that a 180 degree change in the Trump stand on these issues is unlikely to come about as already the President-elect as per established procedure is receiving detailed briefings from the officials in the administration and various experts.

The incident about the US drone occurred when a Chinese submarine rescue ship close to the USNS Bowditch, an oceanographic survey vessel operating about 50 nautical miles northwest of Subic Bay in the Philippines, intercepted and took possession of it, even as it was within sight of the Bowditch, which tracks the drone as it collects unclassified data on water temperature, salinity and other factors that may affect U.S. naval operations. According to U.S. officials, the Chinese ship refused initial requests from the Bowditch to return the drone.

China's Ministry of Defense on December 17 said they had decided to return the drone in an "appropriate" manner, but did not specify what that meant. Yang Yujun, a spokesman for the Ministry of Defense, said in a statement that the Chinese took the U.S. drone "in order to prevent the device from harming the navigation safety and personnel safety of the ship in the past."

The flap over the drone comes as Trump's election generates concern among Chinese authorities, with the president-elect questioning long-standing U.S. policy on China and continuing his sharp criticism of Beijing's trade and monetary policies.

Dimensions Of Cross-Strait Relations

According to Shaheli Dass, an expert at the Observers Research Foundation, the issue of cross-strait relations has three dimensions to it. While the US has expressed its official commitment to the One China 'policy, Beijing considers Taiwan as a renegade province which refuses to recognise the concept of One China'. Secondly, the usage of the term Taiwan by Trump in his tweet instead of Republic of China denotes that the incumbent US administration would prefer to view Taiwan as a separate entity and push for the country's national sovereignty. Thereby Trump has annulled the 40 year old diplomatic protocol, and has become the first US President since 1979 to speak with Taiwan president. The year 1979 was significant as it marked US' recognition of the People's Republic of China (PRC) as the only legitimate government of China. Thirdly, regardless of whether the phone call was premediated or not, this incident will undoubtedly leave doubts in the Chinese mind about Trump's strategic intentions. "To add to it, President Trump's recent interview to Fox News Sunday, where he

has questioned the privileged position offered to the Peoples Republic of China (PRC) by Washington's adherence to the 'One China' policy and slammed China for issues such as currency devaluation, PRC's stance in the South China Sea and towards North Korea could further flare up Sino-US tensions over Taiwan", says Dass adding that the recent incident is a clear hint at the hardline strategy that will be adopted by the Trump administration towards China.

Implications For India

"It is interesting to note that this evolving strategic synergy between the US and Taiwan have definite implications for India. Both India and the US are committed to the 'One China' policy and China is a common traditional security threat to all the three powers. Although Taiwan recognises India as an important constituent of its 'Go South' policy, it does not feature prominently in India's Act East policy. India can further strengthen its Act East Policy by considering Taiwan as an important partner in Southeast Asia. However, experts in India are not in favour of taking sides in the current spat between China and the United States on the issue of Taiwan as New Delhi has consistently followed the "One China Policy" since the days of Jawaharlal Nehru. A review of the policy was propagated when late Morarji Desai became deputy Prime Minister and Finance Minister in Indira Gandhi cabinet in 1967, but was strongly opposed by an overwhelming majority of politicians in the country with the government at that time remaining silent on the issue by not taking a decision. Indira Gandhi did not pay any heed to the advice of her important rival in the party who latter on split the party to form Congress (O) and headed the first non-Congress government in India following a massive victory of the Janata Party. However, Morarji Desai when he became Prime Minister continued to follow the same old policy of Jawaharlal Nehru, thus burying the issue once for all.

Growing Chinese Investments In Sri Lanka

By Rajiv Bhatia

Over the decade starting 2005-2015, China has emerged as the leading source of Official Development Assistance (ODA) and Foreign Direct Investment (FDI) in Sri Lanka—\$14 billion. Most of it is ODA in loans and grants—\$12 billion in sectors like energy, infrastructure and services. There is private Chinese investment too—\$2 billion and growing. China's flagship projects are the Hambantota Port Development and the Colombo Port Project, both supported by loans

and located at strategic points on the global sea trade route. Much of the infrastructure project funding comes through Chinese government companies. For example, the \$1.3 billion Norochcholai Coal Power Plant is being built by the China Machinery Engineering Corporation, and Hambantota's \$1 billion in loans comes from the China Harbour Engineering Company Ltd and Sino-Hydro Corp, both of which are building the port. Large projects like these make it easier for Beijing to draw Sri Lanka into its 21st Century Maritime Silk Road project, all part of the One Belt, One Road initiative.

There is significant Chinese private money too, largely from Hong Kong. This capitalises on Sri Lanka's cheap and productive labour as also the island nation's coveted access to the South Asian, EU and American markets. The prominent investors are mostly Hong Kong billionaires, including Lai Weixuan's AVIC International Hotels Lanka which is investing \$250 million in luxury housing in Colombo, Robert Kuok's Shangri-La Hotels Lanka which has \$16 million in a five-star hotel in Colombo, and Li Ka-Shing's Hutchison Telecommunication which is spending \$20 million on improving its already large mobile network in Sri Lanka.

Overall, China's FDI has clearly overshadowed that of other countries in the island nation. In 2005, China's FDI into Sri Lanka was \$16.4 million, or just under 1% of total Sri Lankan FDI. By 2015 Chinese private investments reached \$338 million, constituting 35% of Sri Lanka's total FDI. In contrast, the Netherlands' share of FDI was 9%, India's, like Malaysia's, was 7%, and Singapore's only 3 per cent.

These large private investments have enabled Chinese companies to gain local market dominance. For instance, Huawei, the world's largest telecom equipment manufacturer, entered the Chinese market in 2005 and is now the second-largest player with an estimated 24% share of the smartphone market.

This dominance is evident in development assistance as well. In 2005, ODA from China was \$10.5 million – just 1% of total ODA to Sri Lanka, a distance from the major ODA provider then, Japan with \$238 million, or 23% of total ODA, with India trailing at \$7.4 million. By 2015, China had become the largest provider of ODA to Sri Lanka at \$12 billion, with a long lead over India's \$1.9 billion, and Japan's \$175 million. China's ODA in infrastructure clearly has a security and commercial imperative, but it has a strategic cultural and socio-political dimension too. For instance, Beijing made a grant of \$100 million in 2009 to develop the international Buddhist Institute near one of Sri Lanka's holiest shrines in Kandy to

attract Buddhist pilgrims and students. China's financial engagement with Sri Lanka is likely to deepen starting next year, 2017, with Beijing and Colombo readying to sign a Free Trade Agreement (FTA), one which has been negotiated since 2014. The lower tariffs will enable Chinese products to penetrate deeper into Sri Lanka's consumer market, widening China's already huge \$3.4 billion trade surplus with that country. Colombo is already indebted to Beijing to the tune of \$9.6 billion, given at interest rates of between 2% and 5%, and falling behind repayments.

China's intensifying investments in Sri Lanka have not gone unquestioned within the country. Many opposition parties criticised former president Mahinda Rajapaksa for developing an over-reliance on China for infrastructure financing, and for accumulating debt. But the Chinese imperative is compelling; the Indian government and private players cannot compete with the size of Chinese investment capacity. The criticism of Rajapaksa notwithstanding, current president Maithripala Sirisena has found himself continuing to seek Chinese investment to finance his ambitious infrastructure buildout.

The Sirisena-led government wants to balance the political relationship between India and China. Sirisena has, in the last two years, made four visits to India and secured \$414 million in loan agreements and grants from New Delhi. In the same time, he has visited Beijing once, and received loans and grants of \$438 million. Clearly, Sri Lanka has found a way to position itself in the region smartly enough to gain goodwill and funds from both its giant Asian neighbours. (By arrangement with Gateway House)

Disclaimer: Foreign investments in Sri Lanka have been tracked primarily from the Annual reports of the Central Bank of Sri Lanka available from their website. The disbursement amounts of ODA to Sri Lanka were sourced from the External Resources Department and the Central Bank of Sri Lanka. The data relating to the financial commitments to Sri Lanka either announced or provided by China including development assistance for infrastructure and water projects was obtained from the website Aid Data. The FDI data was not available online and was gathered from the Board of Investment of Sri Lanka.

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(This feature was exclusively written for Gateway House: Indian Council on Global Relation).

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India Hosts To Heads Of States From Tajikistan And Kyrgyzstan

New Delhi played host to the presidents of Tajikistan and Kyrgyzstan who separately paid state visits during the week. The two countries are important members of the Shanghai Cooperation Organization (SCO) in which India and Pakistan gained entry only last year. Prime Minister Narendra Modi had visited these countries during his trip to Central Asia in July last year.

Kyrgyz President Almazbek Sharshenovich Atambayev, heading a high-level delegation comprising ministers and top officials, arrived on December 18, on a four-day visit during which he held wide-ranging talks with Prime Minister Narendra Modi on ways to deepen ties in areas of defence, security, trade and connectivity.

Joint Secretary (Eurasia) in the Ministry of External Affairs G V Srinivas said bolstering existing defence cooperation, enhancing trade ties and exploring surface connectivity projects was high on the agenda of talks between the Prime Minister and the Kyrgyz leader.

In July last year, Modi had visited Kyrgyzstan during which the two countries had signed four agreements including one on boosting defence cooperation and holding of annual joint military exercises. Besides, the two countries have been cooperating on high-mountain biomedical research to know impact on soldiers when they carry out operations at high altitude.

Relations between India and Kyrgyzstan have been on an upswing and the country has supported India's bid for membership of the UN Security Council as well as its entry into the Shanghai Cooperation Organisation (SCO).

President Pranab Mukherjee received Atambayev and hosted a banquet in his honour while Prime Minister Modi hosted a lunch for him.

"India and Kyrgyz Republic share excellent relations marked by strong ties in all areas including political and defence, economy and commerce, education and human resource development, culture and tourism," MEA Spokesperson Vikas Swarup said. He said the visit will further cement the traditionally cordial and close ties between the two countries.

A sizeable number of Indian students study in that country. Telemedicine and medical tourism are two areas which have seen significant growth in the past few years.

Three Pacts Signed With Tajikistan

During the New Delhi visit of Tajik President Emomali Rahmon, on December 17, India and Tajikistan decided to strengthen defence cooperation and inked a pact to share financial intelligence to counter money laundering and financing of terrorism. The pact was among three agreements signed by the two countries after comprehensive talks between Prime Minister Narendra Modi had with Rahmon on strategic issues including threats posed by radicalisation and extremism, trade and investments.

"We assessed the broad progress achieved under different pillars of our bilateral engagement, including our partnership in defence and security," Modi said at a joint press meet with Rahmon.

"We appreciate Tajikistan's role in the Central Asian region as a mainstay against forces of extremism, radicalism, and terrorism. President Rahmon and I agreed today to strengthen action on this front based on mutually agreed priorities," he said.

On his part, Rahmon said terrorism and extremism undermine all developmental efforts worldwide.

A joint statement issued after the talks said "the two leaders discussed situation in the region and agreed that terrorism in all its forms and manifestations must be eliminated without any distinction between good and bad terrorists and called for an end to sponsorship, support and provision of safe havens and sanctuaries to terrorists," the statement said.

Modi and Rahmon reaffirmed their resolve to work for early adoption of the Comprehensive Convention on International Terrorism by the UN General Assembly.

Apart from MoU concerning Cooperation in the Exchange of Financial Intelligence related to money laundering, related crimes and financing of terrorism, the two sides also inked pacts on broadcasting of audio visual programmes and protocol amending the Avoidance of Double Taxation and Prevention of Fiscal Evasion and announced initialing of document

on Bilateral Investment Treaty. On further deepening of security cooperation, the Prime Minister said this will be done on multiple levels - through reinforcing overall bilateral security cooperation, through greater training, capacity building and information exchanges and through active coordination in regional and multilateral contexts.

India's membership of the Shanghai Cooperation Organisation will also be a valuable platform to work closely on regional security and counter-terrorism efforts with Tajikistan, he said.

Describing Tajikistan as "valued friend and strategic partner in Asia", Modi said they have also agreed on the need to increase the scope and scale of our economic engagement, especially trade and investment traffic including in hydel- power and Information Technology.

Agreeing that peace, stability and prosperity in Afghanistan are important for the region, the two countries are joined in steadfast support of the Afghan people and their aspirations for a peaceful and prosperous nation, he added.

Asserting that pharmaceuticals and healthcare would be areas of priority action, Modi said they shared the view that enhanced surface connectivity is crucial to realise the promise of our economic partnership for the benefit of our countries.

"India supports initiatives to develop the existing port and transport infrastructure and connecting it through road and rail network to Afghanistan, Tajikistan and Central Asia. ... In this respect, we will work to build trade and transit links through Chahbahar port in Iran. India is also engaged in facilitating the International North South Transport Corridor with other members, including Tajikistan. Our planned accession to the Ashgabat Agreement will further help in linking us to Tajikistan and Central Asia," the Prime Minister was quoted by news agency reports as saying.

Czech Foreign Minister's Visit

Czech Foreign Minister Lubomir Zaoralek paid a two-day visit to India from December 19 during which he held talks with ministers of State for External Affairs, M. J. Akbar, the Minister for Commerce and Heavy Industries Nirmala Sitharaman along with other top ranking officials in New Delhi. The two sides had a review of entire gamut of relations between the two countries and explored possibilities to extent to new areas with the Czech side deciding to partner Indian companies in production of components for large systems in the defence field.

The two sides also held detailed discussions on important bilateral, global and regional issues of mutual interest which figured in the talks with Minister of State for External Affairs M.J. Akbar. Talking to Political Events, the Czech Foreign Minister described his talks with Akbar as "very successful" and remarked that many issues of mutual concern were discussed in great detail.

"Two Ministers held discussions also on major global issues such as climate change, Sustainable Development Goals, United Nations Reforms, Terrorism, Multilateral Export Control Regime etc. They exchanged views on important developments in the neighbouring regions of both countries," said a press release issued by MEA.

The discussions also come in the backdrop of India's intense outreach for its membership bid in the Nuclear Suppliers Group. Czech Republic, which is a member in four export control regimes- the Wassenaar Arrangement, NSG, Australia Group, and Missile Technology Control Regime, has been supportive of India's aspirations.

Noting that defence cooperation is an important component in India-Czech ties, the release said there is a mechanism of India-Czech Joint Defence Committee meetings that met last in November 2016. Zaoralek is accompanied by senior officials of Czech Ministry of Foreign Affairs and a high-level business delegation representing various trade, industrial and financial sectors.

On trade front, the two countries have robust economic ties, with annual bilateral trade being \$1.2 billion.

There is a mechanism of Joint Commission on Economic Cooperation co-chaired by MoS for Commerce and Industry of India and Minister of Trade and Industry of Czech Republic from the respective side, for discussing the ways and means of strengthening economic ties, the release added.

Trump Picks Tillerson As Secretary Of State

Exxon Mobil CEO Rex Tillerson was chosen as the new US Secretary of State by President-elect Donald Trump, a nomination that could face intense scrutiny in the Senate due to the veteran oil executive's close ties with Russian President Vladimir Putin.

"His tenacity, broad experience and deep understanding of geopolitics make him (Tillerson) an excellent choice for Secretary of State," Trump said in the statement on December 13.

Like Trump, Tillerson, 64, has no formal foreign policy experience, but has built close relationships with many world leaders by closing massive deals across Eurasia and the Middle East on behalf of the world's largest energy company.

Tillerson said he was "honoured" by the nomination, adding that he shared Trump's "vision for restoring the credibility of the United States' foreign relations and advancing our country's national security".

Tillerson was originally a dark horse for the secretary of state nomination, but emerged from a lengthy interview and vetting process that included better-known personalities like former New York Mayor Rudy Giuliani, 2012 Republican nominee Mitt Romney and Senator Bob Corker, chairman of the Senate Foreign Relations committee.

Trump has called Tillerson a "world-class player" and the transition team is likely to stress that his mastery of complex negotiations and knowledge of geopolitical factors shaping the oil industry are directly relevant to heading US diplomacy and managing the State Department. Tillerson was recommended to Trump by former secretaries of state Condoleezza Rice and James Baker and former Secretary of Defence Bob Gates, CNN quoted sources as saying.

Trump and Tillerson possess similar deal-making business backgrounds and similar views of the world, sources said, and there was a level of comfort that Trump hadn't found with anyone else. Tillerson's nomination could face intense scrutiny in the Senate, considering his years of work in Russia and the Middle East on behalf of the multinational petroleum company.

Tillerson is considered one of the faces of Big Oil globally. In 2011, Exxon signed a deal with Russian oil giant Rosneft to provide access to oil resources in the Arctic. Rosneft's largest shareholder is the Russian government.

Putin attended the Exxon signing ceremony and later awarded Tillerson the country's Order of Friendship.

India-Iran Continue To Differ On Gas Field Development Costs

India and Iran continue to differ on Ferzad-B gas field development cost of \$ 5 billion submitted by Government owned companies OVL and IOC and have been asked to reduce the development and production costs of \$ 10 billion to develop 12.5 tcf reserves along with LNG conversion plant. Iran has also asked India to revise the gas price formula by March next, failing that the gas field could be awarded to other

international bidders. The lifting of sanctions against Iran has given it the leverage to introduce competition as now more global companies, especially from the western world are ready to exploit the reserve that had no buyers during the sanctions period.

The 18.75 trillion cubic feet (tcf) gas reserve is prestigious project in India-Iran relations and its success has the potential of both making and marring ties between the two countries. Iran had cancelled the \$ 10 LNG deal it had signed with India, in retaliation to her vote against Teheran at International Atomic Energy Agency, more than half a decade ago and since then it has been vacillating over awarding of the Ferzad-B gas field which analysts believe it wants to award to western companies. Termination of this contract could prove to be detrimental to the fate of other economic projects India has offered to Iran to set up at the Chehbahar Industrial and commercial complex which has also been hanging in fire for quiet some time as it has seen no progress. While New Delhi expects a friendly treatment to its companies in Iran to build an enduring partnership in the region, Teheran seems to be resisting attempts to exercise political influence on commercial agreements. Of late, experts have been noted that in order to forge stronger economic ties with European countries for strategic reasons, Iran has been given preference to companies from Britain, France and Germany at the cost of their counterparts from India and China.

The field is estimated to hold 18.75 trillion cubic feet (tcf) gas reserves, discovered by Indian companies who have also spent \$ 900 million on studying the block in 2002.

Analysts said this was not the first time that Iran had warned of calling global bids for the field. However, with several global players keen to exploit oil and gasfields in the Islamic nation following the lifting of sanctions, Tehran may be more inclined towards a better deal rather than sticking it out with India for maintaining trade ties during the hard times.

Iran is reportedly unhappy with the \$10-billion plan submitted by OVL to develop 12.5 tcf reserves in the Farzad-B field and an accompanying plant to liquefy the gas for transportation in ships.

India, however, feels that Iran is not correct in comparing the Farzad-B field with the South Pars field. The former is more complex and has a high sulphur content, which adds to the production and handling costs.

The consortium had spent \$900 million in the Farzad-B field to study the block following a 2002 preliminary pact with the Iranian authorities. The two

sides did not sign any formal contract to exploit the resources till date because of the US sanctions. A consortium of ONGC Videsh Ltd, Oil India and Indian Oil Corporation had discovered gas in the block in 2008. OVL and IOC hold 40 per cent interest each in the block, while the remaining 20 per cent is with Oil India.

Saddam Should Have Been Left To Run Iraq: CIA

Both President Barack Obama and President-elect Donald Trump believe the United States never should have invaded Iraq in 2003. The war in Iraq and its chaotic aftermath in many ways prefigure the present moment in the Middle East; it triggered a sectarian unraveling that now haunts both Iraq and Syria and looms large in the minds of an Obama administration wary of further intervention in the region's conflicts.

In a new book coming out this month, John Nixon, a former CIA officer who interrogated Iraqi dictator Saddam Hussein after he was captured by coalition forces in December 2003, details his encounter with the toppled despot and the varied discussions that followed.

Early on, Hussein warned that the occupation of Iraq wouldn't be as much of a "cakewalk" as Washington's neoconservatives assumed at the time. From an excerpt published on Time magazine's website:

"When I interrogated Saddam, he told me: 'You are going to fail. You are going to find that it is not so easy to govern Iraq.'"

Aleppo Evacuations Resume

The evacuation of thousands of civilians and fighters stranded in eastern Aleppo resumed on December 18, after hours of delay and a new deal reached between the rebels and Syrian government, leading to evacuation of an estimated 3,000 people from rebelheld pockets on December 19. Six buses en route to Foah and Kefraya in Idlib province were burned by rebels, the United Kingdom-based Syrian Observatory for Human Rights reported. Syrian state media said "armed terrorists" attacked five buses, burned and destroyed them, according to a BBC report. Shortly after midnight, Robert Mardini of the International Committee of the Red Cross, said on twitter five buses and one ambulance had just left "dark & cold" eastern Aleppo.

United Nations humanitarian adviser Jan Egeland confirmed on Twitter. the first "limited evacuations"

from eastern Aleppo and the towns of Kefraya and Foah began, United Nations humanitarian adviser Jan Egeland said on Twitter.

Residents had continued to sleep on the streets and in bombed-out buildings in subfreezing temperatures since December 16, when earlier evacuations also halted.

Buses had begun entering several neighborhoods on December 18 under the supervision of the Red Crescent and the International Committee of the Red Cross, Syrian state media, SANA, said.

After two days of negotiations, a new deal was reached for safe passage, according to a statement by Osama Abazid of the the Free Syrian Army rebel alliance. In exchange, those loyal to Syrian President Bashar al-Assad's regime will be evacuated from four cities held or besieged by U.S.-backed rebels.

Syrian state media reported only civilians and fighters will be allowed to leave eastern Aleppo once families in Fua and Kefraya are evacuated.

A source in Aleppo told Al Jazeera 4,000 people will evacuate the Shia-majority towns of Fua and Kefraya, and 1,500 people in the government-besieged Madaya and Zabadani and everyone in eastern Aleppo will also be allowed to evacuate as part of this deal.

As many as 9,000 people were evacuated from east Aleppo in nine convoys on December 15-16. But the process was suspended when the two sides accused each other of violating an earlier agreement. SANA has said some evacuees were found to be transporting weapons and advanced communication devices.

The International Committee of the Red Cross reported on December 18 that "thousands of people -- including women, children, the sick and injured -- remain trapped in eastern Aleppo city waiting for the evacuation operation to continue. They waited throughout the night in freezing temperatures, close to the front line and in constant fear and anxiety."

Last week, the Syrian government claimed victory in Aleppo, which had been partly under rebel control since 2012.

Reports differ on how many people remain in eastern Aleppo, with numbers ranging from 15,000 to 40,000 civilians, along with an estimated 6,000 fighters.

Aleppo had been divided between government and rebel areas in the nearly six-year-long war, but a lightning advance by the Syrian army and its allies began in mid-November following months of intense air strikes, forcing the insurgents out of most of the rebel-held territory within a matter of weeks.

Death Sentence To Bhatkal, 4 Others In Hyderabad Blasts Case

A special court on December 13 held five operatives of the banned Indian Mujahideen including a Pakistani national guilty in the 2013 twin bomb blasts case which took place in Hyderabad on February 21, 2013, killing 18 persons including one unborn child and injured 131 others. All the five accused were awarded death sentence in the case on December 19, at Cherlapally Central Prison.

Yasin Bhatkal, Pakistani national Zia-ur-Rahman alias Waqas, Asadullah Akhtar alias Haddi, Tahseen Akhtar alias Monu and Aijaz Sheikh, all were found guilty of carrying out the blasts that killed 18 people.

All six were convicted under Sections 302, 307, 324, 326, 121, 122, 201 read with 120B of the IPC. Sections 3 & 5 of The Explosives substances Act and Section 18, 19, 20, 38(2), 39(2) of the Unlawful Activities Prevention Act, 1967.

The court observed that the case was rare because of the manner in which the accused conspired and planned to place bombs and “create mayhem and terror”. The main accused Riyaz Bhatkal is still absconding.

After the court convicted them on December 13, the five convicts had written separate letters to the judge alleging that they were wrongly framed by the NIA, and that the trial was biased. Just before the sentencing, the court asked the convicts if they had anything to say. “They showed no emotion, neither anger or remorse or regret. They asked to be given a copy of the judgement so that they can appeal further”.

Earlier on December 13, pronouncing the judgement, the National Investigation Agency (NIA) special court found guilty one of the IM’s founders, Yaseen Bhatkal alias Ahmed Siddibappa Zaraq, brother of Riyaz Bhatkal, the brain behind the blasts.

Riyaz, a resident of Karnataka’s Bhatkal town, is suspected to be hiding in Pakistan and NIA has already issued Interpol Red Corner notice for him.

Zia ur Rehman alias Waqas, a resident of Mustafabad of Pakistan’s Punjab province is among

the convicted. Others found guilty are Asadullah Akhtar alias Haddi of Uttar Pradesh, Tahseen Akhtar alias Monu of Bihar, and Aizaz Saeed Shaikh alias Aijaz Shaikh of Maharashtra.

“This is the first case in which any operative of the Indian Mujahideen have been convicted,” the NIA said in a statement. All five have been convicted for offences including waging war against nation, criminal conspiracy and murder. The NIA, which probed the case, arrested Bhatkal and Asadullah Akhtar from India-Nepal border in August 2013. Tahseen Akhtar and Rehman were arrested by Delhi Police from Rajasthan in March 2014. Shaikh was arrested subsequently.

The investigating agency filed three charge sheets in the case. Charges were framed against the five accused on July 16, 2015 and the trial commenced on August 24 the same year. The trial had been going on in the special court at Cherlapally Central Prison where the five accused are currently lodged.

The twin blasts occurred within a distance of 100 metres at crowded places in shopping area Dilsukhnagar on the evening of February 21, 2013.

The six were charged under various sections of the Indian Penal Code, Explosives Substances Act and Unlawful Activities Prevention Act, 1967.

The trial began on August 24 last year. By the time final arguments concluded last month, the NIA court had examined 453 witnesses and over 150 documents. The court reserved its judgment for November 21, and then posted it for December 13.

In its first chargesheet, the NIA accused Yasin Bhatkal alias Mohammed Ahmed Siddibappa and Asadullah Akhtar of conspiring to plant bombs at two places. Akhtar and Bhatkal were arrested by the NIA on August 29, 2013, from the Nepal border in Bihar. Akhtar was also accused of smuggling explosives from Mangaluru to Hyderabad.

The second chargesheet was filed after Zia-ur-Rehman and Tahaseen Akhtar were arrested in March 2014. The NIA said that Riyaz Bhatkal had

sent the explosives and money to Mangaluru, where Asadullah and Rehman took the consignment from an unknown person. They brought it to Hyderabad, where they joined Tahaseen and prepared two IEDs using pressure cookers. According to the charge sheet, they conducted a test blast at Abdullahpurmet on the outskirts of Hyderabad. On February 21, 2013, they placed the two IEDs on the two bicycles — purchased by them on February 20, 2013 — and parked them at the busy Venkatadri and Konak theatres in Dilsukhnagar. The IEDs exploded at 7 pm. Director General of NIA Sharad Kumar said this was the first conviction of IM cadres. “We will appeal for maximum punishment,” he said.

The IM which racked havoc by conducting serial blasts between 2005 and 2013 had attracted a large number of activists from different outfits, suspected to be helped by Pakistani intelligence outfit ISI. It comprised cadres from many other Pakistan based agencies, but mainly had misguided youth from India. They were driven by various factors including the communal riots in Gujarat in 2002, hatred against Muslim youth and anti-US sentiment following the accesses committed by American forces on soldiers in Iraq as well as the support they enjoyed from India’s hostile neighbor.

However, the group got liquidated with the Delhi Police Special Cell being successful in infiltrating its ranks, entering the communication system and foiling its plans to attack with 135 of its activities either being arrested, killed in encounters or arrested with the help of other agencies like IB and RAW. The mangled remains of the group are believed to have first joined Al-Qaeda in Af-Pak region and then ISIS in Syria and Iraq. Erstwhile members of the IM now claim to be part of the IS with many of them claimed to have been killed while fighting for the Deash in Iraq and Syria. The feeling among official agencies in India is that some of the group members who are still alive and have been operating while they are not sure whether they have been working under the Daesh command or are being helped by the Pakistani ISI to pretend doing so, apparently to avoid the censor. Some of the group members were announced to have been killed while fighting for the IS in West Asia, but radio or telephone conversation tapes point to their being alive and working to spread their influence in the Indian sub-continent, apparently with an idea to resurface with the same name or assumed in future.

Manipur On The Boil

Manipur continues to be on the boil as a group of protestors on December 18 burnt and damaged over 20 vehicles, carrying mostly Naga people from Imphal to Ukhrul even as the authorities imposed an indefinite curfew in Imphal East district and blocked mobile internet services in Imphal West and Imphal East districts to stop ‘rumours’, fuelling further unrest.

District administration officials said that the problem started when a group of people attacked vehicles of a convoy, which was carrying some of the stranded people in Imphal to Ukhrul. The angry mob defied the security escort and first vandalised vehicles and then set some of them on fire leading to panic and tension.

“A convoy of 10 buses and over 30 small vehicles carrying over 300 people were on its way from Imphal to Ukhrul along with a police escort. However, the irate mob—seemingly angry over the United Naga Council sponsored highway blockade since November 1—attacked the convoy at Lamlong,” he said adding while 18 vehicles were damaged, the irate mob also set on fire three buses.

“The commandos and security personnel of 1st Manipur Rifles battalion escorted the people in the vehicles to a community hall immediately for safety. The people were later shifted to the headquarters of the battalion fearing further attack by the mob,” he said.

The senior police officials said that indefinite curfew have been imposed in the whole of Imphal East district from Sunday afternoon to ensure that the situation does not deteriorate. “The Government has sent additional forces to help the existing forces to contain the situation,” he said.

It may be mentioned here that the Manipur Cabinet on December 16 decided to ban Internet services in Imphal West district. The Cabinet decision was taken as ‘rumours’ were seen being circulated through social networking sites in the wake of a series of violent incidents, including a triple blasts on that day and the attack on Manipur’s biggest church in Imphal on the next day.

The tiny hill State in northeast has been reeling under problems since last one month after the United Naga Council (UNC) called for a blockade of National Highway 2 and National Highway 53 that serves

as the lifeline of the State. The Naga group called the blockade to protest against the ruling Congress Government's recent decision to create seven new districts—Kangpokpi, Jiribam, Noney, Kamjong, Pherzawl, Tengenoupal and Kakching—by bifurcating the existing nine districts.

The decision has enraged the Nagas, particularly over the elevation of sub-divisions, Sadar Hills and Jiribam, to full-fledged districts. The Nagas claim the Sadar Hills as the 'ancestral homeland' of the Nagas where 'migrant' Kukis are now in majority. The Naga organisations also accuse the Chief Minister Okram Ibobi Singh of trying to appeasing the Kukis by upgrading the Sadar Hills to a district.

Similarly, the Nagas are also anguished over the Government's decision to upgrade Jiribam to a district as it will be created by bifurcating Naga-dominated Tamenglong district.

Earlier on December 15, a Manipur Police commando and two police constables were killed while nine others were injured when militants ambushed road opening parties (ROP) at two different places in Chandel district of Manipur. Prior to that reports said four personnel were killed and another four injured in the ambush at Lokchao and Bongyang areas in the hill district of Chandel.

The twin attacks took place as United Naga Council (UNC) was gearing up for a mass rally in four Naga district headquarters against the creation of the seven districts in the state by the O Ibobi Singh-led Congress government.

The first ambush occurred at Lokchao, 21 km from the border town of Moreh, when the police team was heading for Tengenoupal where Chief Minister was scheduled to attend a programme in connection with the inauguration of the newly created Tengenoupal district, which was carved out of the existing Naga-dominated Chandel district.

The Chief minister was scheduled to attend another programme in connection with the formal inauguration of Kangpokpi district which was bifurcated from the Naga-dominated districts Senapati and Ukhrul districts.

Speaking to reporters in Tengenoupal, the chief minister said, "It is of no use to attack Manipur Police and all disputes must be resolved through dialogue".

The United Naga Council, which has been enforcing economic blockade on NH 53 and NH 39,

the lifeline of the landlocked state, since November 1 last, is also demanding imposition of President's Rule in the state.

Rijiju Refutes Corruption Charges

Union Minister of State for Home Kiren Rijiju, who is in the eye of a corruption scam, refuted the Congress' charges involving him and a contractor in a hydro-electric project in Arunachal Pradesh Denying that he had written to Power Minister Piyush Goyal last November to help his "brother", he said he had intervened after the local people told him their payments had been held up for two months. Rijiju said he did not have a brother and "anybody can be bhaiyya". And "those who are planting this news, if they come to where we are, they will get hit with shoes. Is it corruption to try and help your people?"

Congress chief spokesperson Randeep Surjewala released an audio tape of a purported conversation of his cousin, a contractor in the 600 MW power project, and Rijiju's letter recommending that held up payments be released.

"The role of Kiren Rijiju in this issue is under cloud. Kiren Rijiju has no right to stay in office. He should either be dismissed by the Prime Minister or asked to resign till an independent probe is complete," he told reporters.

Surjewala trained his guns on Prime Minister Narendra Modi saying his "tall claims" of bringing transparency have "fallen flat" as had happened with several other scandals in the past including Vyapam, Lalitgate and the Vijay Mallya issue.

He maintained that the Prime Minister's Office had not sought any explanation from him.

The Congress charged that Rijiju did not disclose in the letter to Goyal that a cousin, Goboi Rijiju, was a sub-contractor attached to the project.

Rijiju said Goboi "is not a blood relative", adding that in tribal communities and villages, "everyone is related to each other in some way". Rijiju also said that the contracts for the hydro-electric project were decided by the Congress when it governed Arunachal Pradesh and that "most of the payments were also made during the Congress' time".

Rijiju said his intervention was solely to assist the small-time daily contractors and workers in his constituency. "When I became an MP in 2014, some

villagers approached me requesting to get some pending payments cleared as they were small sub-contractors.

I forwarded their letter to Piyush Goyal,” he said.

“They were small bills pending since 2012, before we came to power, the contracts were awarded when we were not in the government, the payments were made when we were not in the government,” Rijju said.

Asked about reports that claimed the corruption was worth Rs 450 crore, Rijju said, “The entire project would not be (worth) that much.” “I was not even an MP then,” the Union minister said asking the Congress to apologise to him for its baseless charges.

“The Congress had government in the state and at the Centre during that period. They should explain if there was any corruption in the deals or if there were false or inflated bills,” Rijju said.

Kashmir Separatist Leaders Relax Protest Calendar

Coming under pressure from the business community, shopkeepers and tour operators who have lost their businesses as a result of over six months of shut down, the separatist leaders in the Kashmir Valley have issued a relaxed protest calendar for the next fortnight with five-day of normal life activities every week. As a result, the Kashmir valley has returned to complete normalcy after six months of unrest, the longest period of protest shut down. Earlier, there was a relaxation of 14 hours, beginning at 4 pm for a single or a couple of days every week. This was followed by two weeks with two days of full-day relaxation and last week it was extended to three days in view of the Eid on December. 12. In a newspaper interview, the State Chief Minister, Mahbooba Mufti has said, the protests that rocked Jammu and Kashmir after the killing of Burhan Wani in July have set back the process of reconciliation.

The separatist leaders, Syed Ali Geelani, Mirwaiz Umar Farooq and Mohammad Yasin Malik who were jointly spearheading the protest schedules, announced the five-day relaxation following which Srinagar and other parts of the Kashmir Valley are abuzz with normal life activities since December. 15. The shops and business establishments opened while vehicular traffic was playing normally throughout the Valley. There was a heavy rush of vehicles in the capital city

leading to traffic congestions at various places, mainly in the commercial hub of Lal Chowk where roads and footpaths have turned into daily flea markets.

The brunt of the current unrest that began following the killing of militant commander Burhan Wani and his two accomplices in an encounter with security forces in South Kashmir on July 8 was borne by the traders, including those associated with tourism trade and the vital education sector. The turmoil has claimed the lives of at least 89 persons, including some policemen while over 12,000 others, including civilians and security forces personnel have been injured in the clashes between protesters and the police forces.

Clashes between Police and protesters, however, broke out in some places in Budgam and Baramuula districts on December. 16 in which several persons were injured after the Friday prayers.

Most of the protesters, mainly stone-throwers since the killing of Burhan Wani, were injured after being hit by pellet guns. The Supreme Court has now demanded an assurance from the Central Government that pellet guns should not be used indiscriminately and excessively against the people of Kashmir and has sought a report on whether this could be replaced by any other non-lethal means of crowd control in the militancy-hit State. The Court gave its ruling on December. 14 during a hearing of an appeal filed by the JK High Court Bar Association.

The Supreme Court, in another ruling has, stressed that there can be no sovereignty for Jammu and Kashmir outside the Constitution of India. Snubbing the J&K High Court for asserting the State “sovereignty” and “sovereign powers”, the Supreme Court said on Dec 16, the State “has no vestige of sovereignty outside the Constitution of India”. A two-member bench of the apex court rejected the J&K High Court’s view that the State’s Constitution was equal to the Constitution of India.

In the counter-terrorism operation meanwhile, atop operative of the LeT and an engineering student from the Valley, who joined militancy recently, were killed in two separate encounters by joint teams of police and Army on December. 14. Signaling a major setback to the LeT, a divisional commander of the outfit, identified as 25-year old Pakistani national, Abu Bakr, was killed in an encounter near Sopore town. And in another operation on the same day near Bijbehara town, police and army killed another militant

identified as Basit Rasool Dar, a BTech student who joined the militant ranks two three months ago. The son of a bank manager, Dar was considered close to Hizbul Mujahideen commander Zakir Rashid who took charge of the outfit 's local operations after the killing of Burhan Wani on July 8.

The Army this year lost 60 soldiers, twice the number of servicemen killed as compared other annual toll in the last two years. While this was mainly due to increase in ceasefire violations by Pakistan there has also been increase in the number of soldiers killed in counter-terrorist operations in the State. According to Defence Ministry sources, 60 soldiers were killed in Jammu and Kashmir till December 15 year – as compared to 33 in 2015 and 32 in 2014. While 23 were killed in operations at the LoC, 37 died in counter-terrorist operations.

In 2016, up to December 18, the number of personnel killed stood at more than 80 with more than 210 injured. This is by far the highest casualty number among security forces in the last three years. Last year, the number of personnel killed in J&K stood at 39. In 2014 it was 47 while it was 53 in 2013.

Till date, 6,275 personnel have been killed in terrorist violence in J&K in the last 28 years with the peak recorded in 2000 when 638 were killed. During this 28-year period, 23,131 militants have been killed.

Despite the army being on high alert, there has been more than 300% increase in infiltration of militants from across the Line of Control (LoC) in Jammu and Kashmir in 2016.

According to Multi-Agency Centre (MAC) figures, till November, 116 militants, mostly from the Lashkar-e-Toiba (LeT), have infiltrated into Kashmir. In 2015, the number of militants who infiltrated was just 35.

The MAC, responsible for counter-terrorism operations, consists of representatives from the army, police, paramilitary and intelligence agencies.

While infiltration has increased, so has the number of casualties. According to official figures, 148 militants have been killed this year compared to 97 in 2015. Similarly, this year the number of casualties in the security forces so far has been 71, compared to 41 in 2015.

Experts believe the number of militants who infiltrated into Kashmir this year could be higher than the MAC estimates. "The MAC figures are a conservative estimate. Some of the recently infiltrated

groups are yet to come under security forces' radar and others are still in the forests along the LoC," they say.

"There are 19 militant camps active in PoK where ultras are receiving map reading, GPS use, weight, weapon and tactical training". Infiltration attempts by militants were falling steadily for several years before rising sharply this year.

A record number of militants were killed by security forces this year. Militants were desperate to infiltrate in more numbers to fill the void. Over 200 militants are still waiting at launch pads to infiltrate before heavy snowfall closes the mountain passes, the officer added.

Meanwhile, at odds with the Army, the J&K Government has decided to provide monetary compensation to the family of the slain militant commander, Burhan Wani for the killing of his brother, contradicting the Army's claim that it had killed a terrorist in South Kashmir's forest last year. The State Government has approved the case of Khalid Muzafar Wani for compensation, implying that he was a civilian.

Khalid's name figures in the list of 17 persons killed in militancy related incidents, whose next of kin will receive ex-gratia relief. Defending the decision to pay compensation, Chief Minister Mehbooba Mufti has reiterated there is need to distinguish between militants and their families. She said, the local militants should be brought back into the mainstream instead of getting killed.

Khalid, the brother of Burhan Wani, was killed in April last year in Kamla forest near his home town Tral. The Army had claimed he was a Hizbul Mujahideen underground worker and it had seized weapons and ammunition from the site of the encounter where Khalid was killed. His father claimed he was tortured to death.

Three soldiers Martyred In Kashmir

Three soldiers were killed after militants opened fire on an Army convoy in Pampore in Pulwana district on Srinagar-Jammu National Highway on December 17.

"Terrorists attacked, security forces retaliated. Public was present so we couldn't fire openly but terrorists were forced to run away," said IG (Operations) CRPF. There were reports that the

Army bus was part of the convoy and was coming from Jammu.

A police official said two soldiers were also injured in the attack that took place at the place crowded with civilians at Kadlbal in Pampore town of Pulwama district on the same day.

Preliminary investigations suggest that the militants might have used motorcycles to carry out the deadly attack, the official said, adding search operations were going on in the surrounding areas to track down the assailants.

Observers point to a shift in militant policy from attacking security forces on LoC to those in the hinterland. The Pampore incident was the first since heavily-armed militants stormed an Army camp in Nagrota on November 29, killing six Army personnel. The LoC, which witnessed a series of ceasefire violations for close to one month before the Nagrota attack, became peaceful afterwards due to stiff retaliation by the Indian Army.

The Indian Army changed its tactics and carried out fire assaults on Pakistan Army posts along the LoC as these posts were providing covering fire to militants trying to sneak into Kashmir.

ISIS Planning Maoist-type Attacks In India

The declaration by the head of the Bangladesh unit of the ISIS, Shaykh Abu Ibrahim al-Hanif, in the ISIS propaganda magazine Dabiq in April 2016, that the terror outfit was contemplating guerrilla attacks in India like those of the CPI (Maoists), seems to be confirmed by the National Investigation Agency probing into the pipe bomb conspiracy.

The NIA's Mumbai unit, following the pipe bomb conspiracy case, had arrested the alleged masterminds in January 2016. It had also filed the charge sheet against the accused.

In a charge sheet filed against city-based ISIS terror suspect Md Nafees Khan (Accused No. 2) of Tolichowki and others, the NIA has said: "In September 11, 2015, during the coordination meeting in Sahranpur in Uttar Pradesh regarding expansion of base of the ISIS in India, one of the accused Md Azhar Khan alias Ikrama (Accused 16) of Madhya Pradesh has suggested that, since their fight was against the security forces, they should adopt the guerrilla tactics

as done by the Maoists. "In the said meeting, it was discussed that they should purchase a piece of land in a remote area to operate in clandestine manner".

Maharashtra-based ISIS suspect Mudbabir Shaik (Accused No. 3) also took part in the meeting, the chargesheet says. Around 17 persons were named as being part of the module, including four Hyderabadis.

To train themselves in guerrilla warfare the terror suspects led by Nafees Khan visited Vikarabad and Narasapur forest area in Telangana state, according to the chargesheet.

Home Ministry Renews Teesta NGO's FCRA Licence

In a surprise move, the union home ministry has renewed the FCRA or foreign contribution regulation account licence of activist Teesta Setalvad's NGO, Citizen for Justice and Peace (CJP). The non-government organisation (NGO) run by Setalvad and her husband Javed Anand was under the scanner for alleged misuse of grants to survivors of 2002 Gujarat riots following which it was put under the prior permission category by MHA in July last year.

Interestingly, the renewed licence did not mention whether the NGO is still under the prior permission (PP) category. Under the PP category, an NGO cannot accept funds from any donor and needs to seek clearance from the home ministry each time. Speaking to The Indian Express, the main trustee of CJP, Javed Anand, confirmed, "We have received the renewal licence for CJP and there is no mention that the trust is under PP category anymore."

Anand also said that the NGO had applied for the renewal of the licence early this year and provided MHA with all the necessary documents as required. Teesta is secretary of CJP and her two other NGOs — Sabrang Trust and Sabrang Communications & Publishing Pvt. Ltd — are already under investigations by the Central Bureau of Investigation (CBI) and Gujarat police, said officials.

While Sabrang Trust's FCRA licence was cancelled by MHA in June this year, Sabrang Communication is facing a CBI probe for receiving and allegedly misutilising the funds from Ford Foundation. Setalvad had denied the allegation and said in a press statement, "Sabrang Trust will explore legal options to challenge the cancellation of its FCRA licence."

ECONOMIC REVIEW

GDP Growth Prospects Worry Economists

Now that the nation is approaching December 30, the 50-day deadline given by the prime Minister for implementation of the demonetization scheme, economists have started assessing the damage the extent of disruption the scheme may have cost the country and the adverse impact it may have had on the growth of the economy. The optimists are suggesting that growth in the third and fourth quarters would be 5.5-6% whereas the pessimists believe in the second half of the fiscal year (October 2016 to March 2017), it could as low as sub-five per cent, thus dragging down the overall GDP growth rate in the range of 6 to 6.5% in the current financial year. The first half had grown at 7.2% and to reach the projected GDP growth of 7.6-8%, the second half should have seen a 8% growth. "The effects of the transition are expected to be short-lived and the Indian economy is expected to grow at 7.8 per cent in 2017," ADB said.

From all accounts it appears that the nation is heading to clock a growth rate of 6 to 7 per cent in the current financial year. All eyes are on an early recovery from the currency crisis and on growth prospects for the next year. Meanwhile, foreign investors have also set their eyes on developed economies like the United States where growth prospects are improving with the US Federal Reserve increasing the interest rates, which normally results in the capital flight from emerging economies. A 25 basis point hike in Fed rate has already been announced and that has already triggered a flight of funds by investors who seek better returns in more attractive markets ..

Foreign Portfolio Investors have taken out over \$ 8 billion in November and the rupee has depreciated by 2.4% during the period. There is no major impact on stock indices due to aggressive buying by Domestic Institutional Investors. Credit growth fell by Rs. 650 billion or 0.8% during the fortnight ending November 25 though the positive effect has been that defaulters wanting to get rid of the old currency paid back Rs. 660 billion. Bank deposits rose by 4% to over Rs. 1.05 trillion. The absence of buyers has affected the sale of groceries, cosmetics, FMCG (fast-moving

consumer goods) and dry fruits by an alarming 40-65 per cent. Traders fear if the trend continues, it will become difficult for them to meet the fixed operating expenses, including building rent, salaries and electricity bills. This could eventually lead to closure of shops and retail outlets. Data shows that there has been a slump of 23 per cent in employment generation through the MGNREGA post-demonetisation as compared to the previous month. Those who could not manage to get jobs under this scheme jumped to 234 million, almost twice the number in October. The worrying aspect for economists in India is that while the capital outflow triggered by the increase in Fed rates cannot be prevented, the domestic scenario is deteriorating due to disruption in economic activity and the loss of appetite for the government to under take more structural reforms as the ruling party has entered the second half of its current five year term when its electoral worries are rising. A series of state elections are to be followed by the national elections in early 2019 for which the government needs to divert attention from fiscal management to social welfare spending. There is an amount of uncertainty over implementation of the GST law which the government has been trying to push forward, but the Opposition not cooperating with the possibility of its deferment by about six months beyond April 1, 2017. If the law is not implemented before September 2017, the government would be required to get a constitutional amendment and that would not be possible without Opposition support.

The ruling party has been projecting a scenario that after the expiry of December 30, deadline for depositing of currency notes, the situation would return to normal as by that time the RBI would have replaced at least half of the recalled currency notes and the cash situation would have improved by the end of January 2017. However, experts believe the situation may not ease over the next quarter or two and therefore, production losses may still continue. Already, the Commerce Secretary has announced that exports may take a temporary dip due to demonetization and the real extent of the damage will be known only on the basis of performance when the actual results come after March 31st, 2017.

The S&P has scaled down its forecast for GDP growth projections to 6.9%, the Asian Development Bank to 7% and the Reserve Bank of India to 7.1% with dooms predictors like the Ambit having taken the back seat as their projections are considered to be unrealistic. The down side effect cannot be ruled out in the given scenario with both industrial as well as the farm sector believed to have taken a hit due to the cash crunch which has forced many small factories and commercial establishment to reduce labour. Government, apparently in anticipation of a shortfall in food grain production have allowed duty free wheat imports to stabilize prices, if the situation goes out of control.

April 2017: Earliest India Will Get Its Cash Back

An extrapolation of 2016 Reserve Bank of India (RBI) data on the capacity of Indian printing presses and currency distribution indicates that, at current rates, the Prime Minister's deadline of December 30 to normalize the cash situation will not be met. In fact, the BJP has started saying that December 30 is the deadline for depositing old currency notes after which currency withdrawal limits will be lifted, but the situation would normalize only by January end. Getting sufficient money to banks and ATMs nationwide will depend on how many bank notes the government wants to put back into circulation.

If the government wants to introduce Rs 9 lakh trillion (\$135 billion) - or 35 per cent less money than it pulled out - it will take up to May 2017, and if it wants to reintroduce the entire Rs 14 trillion (\$210 billion) that it withdrew, that could take up to August 2017.

The crux of the problem is change, specifically the Rs 500 note, which India's presses cannot, currently, print in adequate numbers.

Here are the facts:

The RBI has four presses at Dewas (Madhya Pradesh), Nashik (Maharashtra), Salboni (West Bengal), and Mysuru (Karnataka).

- The printing capacity of these presses is roughly 26.7 billion notes a year, according to the RBI's 2016 annual report (page 90). Or approximately 74 million notes a day

- If the presses worked three shifts a day instead of two, their daily production capacity could be raised to 111 million notes a day

- However, less than half of the machines in the presses have the ability to print the security features required for high-value notes (Rs 500 and above)

- This means that even if all the machines that print high-value notes in all four presses printed only Rs 500 rupee notes 24 hours a day, they would at best be able to print 55.6 million Rs 500 notes every day

- This translates to about Rs. 27.78 billion (\$418 million) in value printed every day in Rs 500 notes

Before the announcement of demonetisation, the government had already arranged for the printing of 2 billion currency notes of Rs 2,000 denomination, or roughly about Rs 4 trillion (\$60 billion) in value. So, these were the first set of notes to be circulated. This is why there are so many pink notes in circulation.

The remaining of the currency notes need to be available in lower-denomination notes. The total value of Rs 100, Rs 50, Rs 20, and Rs 10 notes is Rs 2.19 trillion (\$33 billion), according to the RBI's annual report. Printing of these notes is likely to take longer and that is the reason the situation would take longer than the expected time frame. Presently, the Government has emphasized on printing of Rs. 500 notes so that circulation of Rs. 2000 or breaking it becomes easier to popularize to make it more user friendly or acceptable to the people. The crisis would ease to a great extent once the availability of Rs. 500 currency notes is increased. The government has also asked for printing of more currency notes in lower denominations like Rs. 50, Rs. 20 and Rs. 10 whereas the Rs. 100 note seems to be available in adequate numbers.

Bank Credit Crashes

The demand destruction unleashed by the November 8 demonetisation drive saw the bank credit shrinking by a whopping Rs 610 billion, or 0.8 per cent, during the fortnight to November 25, show the latest RBI data.

But at the same time, the note ban also had a positive effect, as borrowers, including some default accounts, paid back as much as Rs 660 billion during the same period.

In sharp contrast, during the same fortnight, banks received huge inflows as people deposited as much as Rs 4.03 trillion into the accounts, which as of December 9 crossed Rs 12 trillion, putting all

calculations of the Government into a tizzy. Analysts supporting the cash recall move initially claimed that at least 20 per cent, or a little over Rs 3 trillion — out of the total Rs 15.4 trillion of the banned banknotes — would not come back to the banking system, helping the Government net a windfall from the exercise whose stated aim is to root out black money and curb corruption. This, they claimed, would be achieved by writing off a similar amount from the balancesheet of the central bank and then transferring the same to the Government as surplus. But with the near total return of the banned notes, all these calculations have gone out of the window.

The outstanding credit of banking system stood at Rs 72.92 trillion as of November 25, according to the Reserve Bank data. The year-on-year credit growth was just 6.6 per cent, down from 9.3 per cent a year ago. Bankers say there has been a sharp plunge in credit demand as the economy began to feel the adverse effects of the decision to withdraw legal tender status of old currency notes of Rs 500 and Rs 1,000.

This plunge in bank credit came after another Rs 590 billion dip in the previous fortnight to November 11, showing the initial impact of the November 8 announcement to decommission high value notes.

The deposits of banks rose by 4 per cent in the fortnight to Rs 105.177 trillion, pushing the annual growth to 15.9 per cent as against 9.8 per cent a year ago. In the fortnight to November 11, deposits grew by Rs 1.31 trillion or 1.3 per cent, according to the RBI data.

Hit On Consumption To Weaken State Govts' FY17 Tax Revenues.

With consumption being affected by the demonetisation of higher currency old notes, tax revenues of the state governments for the current financial year is likely to be weaker than budgeted, according to Icra. "We expect the tax revenues of the state governments in the financial year 2016-17 to be lower than budgeted in the wake of the ongoing cash crunch and its impact on consumption," rating agency ICRA's senior vice president, Jayanta Roy, said.

The states may not be able to appreciably compress their revenue expenditure below the projected level, as a result of which their revenue balances may be weaker than they forecast, he said. Nevertheless, some state governments may choose to curtail their capital spending to an extent to ensure that the fiscal deficit remains in line with the cap of 3

per cent of gross state domestic product (GSDP), Roy said. He said due to the ongoing cash crunch, the consumption-oriented sectors, especially those which involved substantial cash transactions, such as trade, retail (including purchase of liquor), travel, tourism and gems and jewellery are likely to experience a temporary lull.

"Deferral of consumption would dampen the collections of sales tax and excise duty of the state governments in the third quarter of the financial year 2016-2017, before gradually normalising from fourth quarter onwards," Roy added.

He said the slowdown in activity in the construction and real estate sectors would impact the stamps and registration collections of the state governments, with the negative impact on this tax revenue likely to be more prolonged compared to sales tax and excise duty. A majority of the revenue expenditure of the state governments comprises salaries, pensions, interest payments, and power and food subsidies, which tends to be sticky in nature. Variance analysis suggests limited scope for compression of revenue expenditure despite the expected shortfall in tax revenues in the current year.

Open Skies Agreement With Six Countries

India has signed Open Skies Agreement with six countries at the International Civil Aviation Negotiations (ICAN), 2016 which were held in Nassau from December 5-9 including Sri Lanka, defenceaviationpost.com reported on December 16.

The other countries are Jamaica, Guyana, Czech Republic, Finland and Spain.

The open skies allows unlimited number of flights from Sri Lanka to six metro airports namely Delhi, Mumbai, Hyderabad, Kolkata, Bengaluru and Chennai.

The Conference was attended by 106 countries out of ICAO membership of 191 countries. India held negotiations with 17 countries and "Memorandum of Understanding" was signed with 12 countries.

India also renegotiated traffic rights with Oman increasing the entitlements with 6,258 seats effective from Summer 2017. India agreed with Saudi Arabia to increase the capacity by 8000 seats per week.

"This was in response to the needs of increasing traffic between the two countries where Indian carriers have been utilising open sky in Damman to mount more flights than the Saudi Arabian side," the aviation

ministry said. Indian also agreed with Ghana to increase the present allocation of 2 frequencies to 7 frequencies per week.

Negotiations were completed with nine countries to enable the legal framework between the governments of these countries to make possible code shares between the airlines.

"The negotiations have enabled domestic code shares with Czech Republic, Portugal and Malaysia, domestic and international code shares including third country airlines with Guyana, removal of restriction of counting of capacity in case of code share with 3rd country carriers and domestic code share to additional two points to Mauritius, code share with 3rd country carriers and 4 additional domestic code share points with Saudi Arabia and Spain and code share with 3rd country carriers with Sri Lanka."

Exports May Take Hit

India's exports are likely to witness a momentary "setback or slowdown" following the demonetisation and ensuing cash crunch, a top official has said.

"It is a fact that perhaps the demonetisation process, as was pointed out, it may cause a momentary setback or momentary slowdown (to India's exports)," Commerce Secretary Rita Teotia said on December 14.

On whether the government has assessed the extent of impact on shipments, Teotia said that Commerce Ministry has entered into a consultative process with all the export promotion councils to understand the level of adaptation to the effects of demonetisation.

"I think that we need...to take this as an opportunity for renewing the direction, for capitalising on the benefits that we can get from a far more transparent, far more open and let me say far less messy cash-based transactions," Teotia said.

"In the long run, we will all see the gain of this (demonetisation) as well as combining with the movement of GST that we should be seeing substantive strengthening of our status," she said.

Addressing an awards ceremony organised by engineering exporters' body EEPC India here on Tuesday, she expressed concern over the increasing agglomeration of the engineering exports at the lower ends of the value chain and the "somewhat unsettling" decline in the value addition. She urged the engineering exporters to introspect on the issue

and to focus on research and development to move up the value chain.

Teotia said the Commerce Ministry is focusing on facilitating technology upgradation for boosting exports by bridging the gap between the leading R & D laboratories in the country and the industry and identifying specific products through which value addition can take place.

"We have identified as part of this process several important industrial clusters," she said.

After recording negative growth for about two-years, exports have started recording positive growth. The outbound shipments continued to grow for the second month in a row, expanding by 9.59 per cent to USD 23.51 billion in October on healthy growth in shipments of jewellery and engineering products.

"The engineering sector is actually leading the reversal of the decline of exports over the last two years and has allowed us in October to register a growth of 9.6 per cent overall in the exports from India.

"It has been close to 36 months of decline and I think in that context a growth of 9.6 per cent is a great change and we hope that this will continue to be the direction that we are able to follow," Teotia said.

India's exports are expected to reach USD 280 billion by the end of this fiscal as against USD 261.13 billion in 2015-16

Teotia also launched a mobile app put together by EEPC India which contains information about various initiatives, policies, events and market index prices.

Current Account Gap Narrows

India's current account deficit narrowed more than a percentage point to 0.6 per cent of the gross domestic product (GDP) at \$3.4 billion in the second quarter of this fiscal following a lower trade deficit.

The current account deficit in the July-September period is lower than \$8.5 billion, or 1.7 per cent of GDP, in the same quarter of last fiscal.

The figure is, however, higher than the value recorded in the first quarter of the current fiscal. During the first quarter of this year, the deficit had narrowed to \$0.3 billion, or 0.1 per cent of GDP, lower than \$6.1 billion (1.2 per cent of GDP) in the same period of last year.

Current account deficit is the difference between the inflow and outflow of foreign exchange.

According to RBI data, private transfer receipts, mainly representing remittances by Indians employed overseas, amounted to \$15.2 billion, registering a decline by 10.7 per cent from the year-ago level.

“The contraction in the current account deficit on an year-on-year basis was primarily because of a lower trade deficit (\$25.6 billion) brought about by a larger decline in merchandise imports relative to exports,” the RBI said.

Net services receipts moderated on an annual basis, primarily owing to a fall in earnings from software, financial services and charges for intellectual property rights.

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Demonetization To Disrupt Economy In Short Term: S&P

Global ratings agency S&P today said on December 14 that demonetisation and a likely GST rollout from September 2017 are likely to cast a “higher

disruptive impact” on informal, rural, and cash-based segments of the economy. It further said corporates and banks are likely to face short-term downside risk as the demonetisation-induced cash crunch will curtail GDP growth.

“Indian government reforms will have long-term structural benefits, but carry short-term execution and adjustment risks,” S&P Global Ratings Credit Analyst Abhishek Dangra said in an article titled India's demonetisation and GST: Short-term pain or long-term gain, published today.

The rating agency recently revised downwards its estimated economic growth rate for 2016-17 by one percentage point to 6.9% to reflect the disruption caused by the surprise move of demonetisation.

It said the government's decision to cancel the legal tender status of high-value rupee notes has caused a significant physical cash crunch.

“Both demonetisation and GST, expected to be implemented by September 2017) are likely to have a higher disruptive impact on the informal, rural, and cash-based segments of the economy,” it said. It said these reforms could benefit India in the long run after short-term pain.

The credit and risk analysis firm believes that demonetisation and GST could result in a wider tax base and greater participation in the formal economy. This should benefit India's business climate and financial system in the long run.

“We believe such measures can promote greater economic flexibility, strengthen the business climate, funnel more wealth into the formal banking system, and help redress public finances over time,” said Kyran Curry, also a credit analyst of S&P Global Ratings.

“We expect lower private consumption in fiscal 2017, but expect demand to revive and growth to rebound in fiscal 2018.

India should shortly revert back to an 8% annual growth trajectory,” says Dharmakirti Joshi, Chief Economist of Crisil, a subsidiary of S&P Global.

“In our base case, we expect a short-lived disruption with demand revival in the next one to two quarters, limiting the impact on Indian banks and corporates.

In the short term, however, the rural and informal sectors are experiencing large-scale adjustments. Business sectors that often transact in cash, including jewellery and real estate, will also face some degree of upheaval, S&P said.

Digital banking and higher banking base could benefit the banks in the long run,” said another credit analyst of S&P Global Ratings, Geeta Chugh.

In a less-likely downside scenario, the shock of demonetisation will not be absorbed within the next few months and the economic disruption will spill over into fiscal 2018, and potentially coincide with the introduction of GST, the US-based agency said.

Investor Sentiment Weak

At a time when the demonetisation exercise has started impacting the economy, foreign portfolio investors (FPI) have pulled out over Rs 560 billion from Indian debt and equity markets since last month, casting a big shadow over the investor sentiment.

Foreign players have taken out Rs 182.44 billion from the equity segment and Rs 211.52 billion from the debt markets, pulling out a total of Rs 393.96 billion in November. In December till December 13, foreign investors have withdrawn Rs 176.37 billion from the debt market. However, the selling in equity seems to have abated with net inflows of Rs 4.73 billion in the current month so far.

While the FPI pullout of Rs 565.61 billion since November is largely in anticipation of a rate hike by the US Federal Reserve, demonetisation of Rs 500 and Rs 1,000 notes has also weighed on the sentiment.

“The selling in India is comparable to emerging markets selling. From our discussions it has emerged that this has been done keeping in mind long term prospects. However, if the impact of demonetisation persists for more than three to six months then it may be a cause for worry for investors,” said Gautam Chhaachharia, head of India Research at UBS Securities India Pvt Ltd. The result of the US presidential elections was eagerly awaited by the financial markets. After Donald Trump beat Hillary Clinton to the presidential seat, equity markets witnessed selling pressure. Anticipating protectionist policies by Trump, most of the emerging markets suffered losses. US bond yields rose sharply and the dollar strengthened against other currencies. With the US GDP on an upswing, it is almost certain that the US central bank will increase interest rates in December. The rise in rates in the US can lead to selloff in emerging market equities.

“We are positive on the Indian market. We believe, when compared to Asia Pacific it will outperform in the next one year. The selling by foreign institutional

investors (FIIs) and FPIs can be attributed to broader context of outflow from emerging markets and expectation of a Fed rate hike. The impact of demonetisation in India is minor compared to other reasons for selling by FIIs,” said Vivek R Misra, strategist- Asian Equities, Global Research & Strategy at Societe Generale.

The markets managed to avoid a big selloff largely due to buying by domestic institutions. “FIIs were major sellers during the month, selling stocks worth \$2.6 billion. For the 11 months of the year so far, FIIs have purchased stocks worth \$4.15 billion. FIIs’ selling was offset by domestic institutions (DIIs), who bought equities worth \$2.7 billion during the month. Among DIIs, mutual funds were the major buyers, accounting for purchases of \$ 1.9 billion. On a year-to-date basis, domestic institutions have invested \$ 4.1 billion,” Kumar, head, Equity Funds, Quantum, said.

The Indian rupee depreciated by 2.4 per cent during the month against the US Dollar. Most of the other developed markets are witnessing economic stagnation. There has also been rhetoric of protectionism in large parts of the world, as can be seen by many election results. This is likely to hurt global trade, which itself hasn’t taken off since the global financial crisis.

As India is set to witness a slowdown in the near-term due to demonetisation, foreign investors are likely to go for a re-rating of Indian markets. “All the activity data we have available for the period post November 8 suggests that things are weaker on the ground. Not surprising, given effective cash in circulation has contracted 60 per cent over the last month. We expect GDP to grow 5 per cent in the current quarter and 6 per cent in the next, before it gradually normalises towards the 7 per cent ballpark,” said HSBC chief India Economist Pranjul Bhandari.

In November 2016, the S&P BSE Sensex fell by 4.56 per cent on total return basis. Mid-cap and small-cap stocks, which were doing quite well earlier, registered greater decline during the month. S&P BSE Mid Cap Index fell 6.68 per cent, while Small Cap Index dropped 8.32 per cent during the month.

WPI Inflation Dips To 3.15% In November

Reflecting weak consumer demand due to cash crunch post demonetisation wholesale inflation softened to 3.15 per cent in November - the third straight month of decline, according to data released

on December 14. Substantial decline in wholesale prices was witnessed in vegetables (-24.10 per cent), Onion (-51.51 per cent) and oil seeds (-5.05 per cent) last month.

Experts attributed the decline in vegetable prices to cash crunch following the demonetisation of `500 and `1000 notes on November 9 and the inability of Reserve Bank of India to pump in required currency into the system.

The Wholesale Price Index (WPI) based inflation, reflecting the annual rate of price rise, was (-)2.04 per cent in November 2015.

In October this year, it was 3.39 per cent.

Prices of pulses however continued to rule high in the wholesale market at 21.73 per cent last month, as per the Commerce Ministry data.

Potatoes recorded maximum inflationary pressure at 36.97 per cent. Inflation in fruits rose to 2.45 per cent during the month.

Overall, the food basket showed moderation with inflation at 1.54 per cent in November as against 4.34 per cent in October.

Industry chamber Assocham said the fall in WPI is in tandem with the expectation which is reflective of the depressive state in the economy owing to the demonetisation.

“Boost to industry is required from both monetary and fiscal policy, i.e. Lowering of interest rates by RBI and reduction in tax rates by Government in the coming budget to counter the effects of overall slowdown in economy,” it said.

ICRA Principal Economist Aditi Nayar said however that rising global commodity prices and a waning of the base effect would push up WPI in December. The decline in wholesale inflation coincides with a fall in retail inflation, based on Consumer Price Index, which hit a two-year low of 3.63 per cent in November.

ICRA further said that the decline in WPI inflation was milder than expected, with few categories displaying any impact of the note ban on wholesale prices.

Trump's Vow To End TPP

The impact of US president-elect Donald Trump's announcement to withdraw from the Trans-Pacific Partnership (TPP) after assuming office in January is being felt in India's trade pact talks with 15 other countries under the Regional Comprehensive

Economic Partnership (RCEP). The members common to the two agreements (TPP and RCEP), especially developed countries such as Australia, Japan and New Zealand, want talks at the RCEP trade bloc to move ahead full steam, indicating the need to stitch together more agreements before the US, under a Trump administration, pulls out of TPP.

“There were discussions on TPP and some common countries want RCEP to move forward. The developed countries say that it is an opportunity to fast track the talks,” said an official aware of the development on condition of anonymity.

The point was raised in the just concluded round of RCEP talks in Indonesia, the first to take place after Trump's vowed to pull out of TPP last month.

On November 22, Trump said: “On trade, I am going to issue a notification of intent to withdraw from TPP, a potential disaster for our country. Instead, we will negotiate fair, bilateral trade deals that bring jobs and industry back on to American shores.”

The other countries, according to the official quoted above, haven't opposed the RCEP's pace but are waiting for Trump to make a clear statement on the fate of TPP. Trump is scheduled to take over as US president from Barack Obama on 20 January 2017.

RCEP is a proposed free trade agreement between 10 Asean countries besides China, Japan, South Korea, Australia, New Zealand and India.

It aims to cover goods, services, investment, competition, economic and technical cooperation, dispute settlement and intellectual property rights.

“These are external countries with heavy dependence on exports and would certainly show interest in the RCEP. They have a strong export base which helps in their GDP growth,” said TS Vishwanath, principal advisor of APJ-SLG Law Offices.

However, experts feel that with TPP unlikely to move as expected, developed countries have pinned their hopes on RCEP for some preferential treatment and trade concessions. “With Trump's statements on trade, an anti-trade sentiment was engulfing everyone.

These countries now want to send the message that trade is still important and mega agreements are the new norm, instead of bilateral free trade pacts,” said a Delhi-based expert on trade, who did not want to be named.

The RCEP grouping comprises of over 45% of the world's population, with a combined GDP of about \$21 trillion.