



**OBJECTIVE
IAS**

INDIA AND WORLD AFFAIRS

For OCS Mains 2018 | www.objectiveias.in



CONTENTS

1. India's Nuclear Facilities under IAEA Safeguard	Page-5
2. CPEC and Pakistan	Page 6
3. Nepal Withdraw from first ever BIMSTEC military drill	Page 8
4. India has signed a deal for five S-400 Triumf air defence missile systems with Russia	Page 9
5. India and China signed their first ever internal security cooperation agreement	11
6. India has announced successful completion of its nuclear triad capability	13
7. 13th India-Japan summit	Page 17
8. Moscow format	Page 19
9. A new European Union strategy for India	Page 22
10. India's Neighbourhood Policy	Page 25
11. India- Maldives new Relationship	Page 27
12. Political Crisis in Srilanka	Page 30
13. Indo-Bhutan Relationship	Page-33
14. Bangladesh's unexpected Development	Page 35
15. Russia-India-China (RIC) trilateral	Page 38
16. Indian Ocean Region and World Affairs	Page 41
17. Strategic Partnership between India and South Africa	Page 42
18. USA Pulls out of INF treaty	Page 45
19. Important Arms Control Treaties	Page 47
20. India-UAE relation	Page 49
21. India- Soudi Arabia	Page 51
22. Indus Water Policy Shift	Page 54
23. India-Pacific Regional Dialogue	Page 57
24. FTAF's blacklisting of Pakistan	Page 60
25. UNSC sanctioned Masood Azhar	Page 62
26. US-Israel relation	Page 65
27. BBIN Project	Page 67
28. US ends waiver of Iranian oil	Page 71
29. Generalized System of Preferences (GSP)	Page 73
30. Venezuela Crisis and India	Page 76
31. Afghan Peace Process	Page 79



INDIA'S NUCLEAR FACILITIES UNDER IAEA SAFEGUARD

Government of India has decided to place four more nuclear reactors under the IAEA safeguards. The four reactors will include two Russian-designed Pressurised Light Water Reactors and two Pressurised Heavy Reactors built with Indian technology. With the addition of four new nuclear reactors, a total of 26 Indian nuclear facilities will be under IAEA, the nuclear energy watchdog. These reactors are eligible to import uranium to generate nuclear energy for civilian purposes.

Background: As India is not a party to **Non Proliferation Treaty (NPT)**, it has classified its nuclear facilities into two types under **Separation Plan:**

- a. Unsafeguarded-** where domestic uranium can be used anywhere India wants
- b. Safeguarded-** where imported uranium would be used for civilian nuclear energy.

Since India's use of domestic uranium could not anyway be restricted, this was seen as a balance between the benefits of nuclear energy in emission reduction and the risks of increasing India's military capability. A special set of India-specific safeguards, negotiated with the International Atomic Energy Agency (IAEA), a UN body, ensures that imported uranium was not diverted for military use. **New reactor plants established with foreign collaboration are automatically placed under the IAEA safeguards.**

Safeguards and what role they play:

Safeguards are activities by which the IAEA can verify that a State is living up to its international commitment of not using

nuclear programmes for nuclear-weapons purposes. The global nuclear NPT and other treaties against the spread of nuclear weapons entrust the IAEA as the nuclear inspectorate. Within the world's nuclear non-proliferation regime, the IAEA's safeguards system functions as a confidence-building measure, an early warning mechanism, and the trigger that sets in motion other responses by the international community if and when the need arises.

The safeguards system consists of several, interrelated elements which includes

- a.** IAEA's statutory authority to establish and administer safeguards
- b.** Rights and obligations assumed in safeguards agreements and
- c.** Additional protocols; and the technical measures implemented pursuant to those agreements.

India and IAEA safeguards:

The IAEA safeguards in the country are implemented in accordance with the agreement entered between Government of India and the IAEA. In 2014, India ratified the **additional protocol**, a commitment given under the Indo-US civil nuclear deal by the government to grant greater access to the IAEA to monitor country's civilian atomic programme. In India, IAEA applies safeguards under agreements that cover only the nuclear material, facilities, equipment and/or materials specified in the agreement.

Significance for India:

Given the ambitious scope of its peaceful nuclear energy activities, India could gain considerable benefits through making use of the variety of IAEA's peer reviews and safety services

From security point of view:

Safeguards mechanism ensures extensive safety reviews, pursuant to which necessary measures to further augment safety of India's operating nuclear power plants.

Complementing the reviews of nuclear power plants in India by the Nuclear Power Corporation and the regulatory agency, Atomic Energy Regulatory Board (AERB).

Enhances collaboration of India and IAEA in nuclear safety matters through the various activities under the IAEA Action Plan for Nuclear Safety.

Strategic point of view:

Safeguards mechanism gives credibility to India as a reliable nuclear country in front

of international community. It makes India's case of permanent member to Nuclear Suppliers Group (NSG) strong despite of not signing NPT. Safeguards mechanism ensures India's easy access to nuclear fuel like uranium from uranium exporting countries.

The government of India has signed several nuclear agreements with countries including the United States, Russia, the UK, South Korea, Canada and Australia. IAEA safeguards act as a surety to these nuclear exporting countries that India will use the nuclear technology and fuel for peaceful purposes. It also helps in seeking ground for India's increased interest in technological co-operation, and influence at the international level.

Energy point view:

Nuclear Energy is renewable, reliable and least carbon intensive source of energy. Increasing number of nuclear power plants India and their recognition under IAEA guarantees India a sustainable source of energy in the near future.

CPEC AND PAKISTAN

China has rejected accusations that its financial backing for the China Pakistan Economic Corridor (CPEC) was a "debt trap" that could compromise Islamabad's sovereignty. China maintains it provides no-string attached backing to CPEC, which is the key to its 'One belt, one route' initiative.

China-Pak Relations: Pakistan was one of the first countries to establish diplomatic

relations with the People's Republic of China (PRC), even when the U.S.-Pakistan relationship was strong. They define their present friendship as "higher than the mountains, deeper than the oceans and sweeter than honey".

CPEC is a politically charged \$46 billion economic project that aims at bolstering Pakistan's economy by constructing special

economic zones including 3,218-kilometer long route consisting of highways, railways and pipelines. It runs through Baluchistan province and GilgitBaltistan. It also passes through Pakistan occupied Kashmir, to which India has expressed strong opposition.

a. Among the 22 projects within the framework of CPEC, 18 of them are directly invested or offered aid by the Chinese side, and only four of them used China's concessional loan.

b. \$19 billion had been invested in the CPEC, which had generated 70,000 new jobs. Through it, Pakistan's growth rate is expected to be pushed by 1% or 2%.

Debt trap diplomacy:

Through its \$1 trillion "One Belt, One Road" initiative, China is supporting infrastructure projects in strategically located developing countries, often by extending huge loans to their governments. As a result, countries are becoming ambushed in a debt trap that leaves them vulnerable to China's influence. It can be considered as China's neo-colonial design of hegemony.

Over the years, China has mastered the use of economic tools to advance its country's geostrategic agenda. It has undertaken similar economic model in Africa and many Asian countries such as Maldives, Sri Lanka, and Malaysia. In economic sense, extending loans for infrastructure projects is not inherently wrong, but the way China is using it to encroach on countries' sovereignty is. Projects supported by China are often intended not to support the local economy, but to facilitate Chinese access to natural resources, or to open the market for

low-cost and shoddy Chinese goods. Similarly, the current Chinese development model in Pakistan has little to do for the local economy. China prefers to use its own companies and employees rather than hire locally. For all the China-funded projects in Pakistan, China determines the contracts, thereby burdening Pakistan with a high interest loan. Trade provisions are also unfairly tilted towards Chinese companies and many Pakistani businessmen worry of being wiped out by this unfair competition. Some developing economies are regretting their decision of accepting Chinese loans. Burdened by their debts to China, many are being forced to sell to it stakes in Chinese-financed projects or hand over their management to Chinese state-owned firms. New governments in several countries, from Nigeria to Sri Lanka, have ordered investigations into alleged Chinese bribery of the previous leadership.

Indian concerns:

For its 70 years history, Pakistan has heavily relied on foreign aid from international monetary agencies, however, CPEC as an economic project, has become worrisome as the debts it causes, may crash Pakistan's financial system, consequently reducing it to be a 'vassal state'. This will most definitely create national security threats for India. Currently, Pakistan and China are in primary alliance at strategic, economic, military and political level. India remains their focus country. The more dependent Pakistan become on China, more difficult it will be to have a bilateral agreement between India and Pakistan without Chinese influence.

NEPAL WITHDRAW FROM FIRST EVER BIMSTEC MILITARY DRILL

Nepal Army backed out of BIMSTEC military exercise (MILEX 2018) citing internal political pressure over the participation in the event, as the reason. All members of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) sent its troops barring Nepal and Thailand, which sent only observers. Following this, Nepal has also declined Indian army's invite to attend Conclave of Army Chiefs. India has conveyed its disappointment over the developments.

Initiated by India during 4th BIMSTEC summit at Kathmandu in August 2018, MILEX 2018 was first of its kind by the regional grouping. Adding substance to the group, it was focused on boosting interoperability among the forces and exchanging best practices to contain terror-related activities.

Political pressure in Nepal: Opposition and many influential members of the ruling party in Nepal argued that no political or military agreement was made before deciding to participate in the exercise and that it was, thus, only part of military dealings among the armies with no formal agreements.

Background: BIMSTEC: Founded in 1997, it is the bridge between South Asia and Southeast Asia. It comprises of Bangladesh, India, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal. The grouping accounts for 22 per cent of the global population, and has a combined gross domestic product of USD 2.8 trillion.

Military exercises with BIMSTEC: As a purely developmental forum, BIMSTEC has not until recently prioritized military drills.

However, the long-term goal of the initiative is to explore possibility of creating viable regional security architecture to deal with the challenge of terrorism and transnational crimes. India is the torch bearer country within BIMSTEC on issues relating to counter terrorism and narcotics control.

India-BIMSTEC: India, along with other members of BIMSTEC, has given little political attention to the grouping in almost two decade of its existence (Only four summits, including the recent one, in 20 years). However, the situation is changing after India's revived interest in BIMSTEC which is free of India-Pakistan bickering unlike SAARC.

India- Nepal relations: India and Nepal enjoy a distinctive relationship. At the political level, their closeness can be gauged by the open border they share. However, the relations have soured a little over the years. Nepal has consistently criticised India's interference in its domestic politics and India's overall big brother attitude.

China factor: There is growing economic and security cooperation between Nepal and China. Nepal's current Prime Minister KP Sharma Oli is largely known to be 'pro-China.' In recent developments, Kathmandu has sought access to Chinese ports to reduce dependence on India since a prolonged blockade of its border crossings with India in 2015 and 2016 left the country short of fuel and medicine for several months. Nepal finalised the Transit and Transportation Agreement with China, which will end India's monopoly on the country's transit and allow Kathmandu vital access to Beijing's sea and land ports. Nepal

and China conducted their first military exercise in April 2017, and the second edition took place in September 2018.

India's Concern

Nepal's decision shows that it is not completely on board with Indian efforts to promote defense and security cooperation with BIMSTEC nations.

The situation is worrisome, especially in context of India's renewed effort to revive BIMSTEC as a vibrant regional collaboration against SAARC which has Pakistan's participation.

Thailand too has sent observers and not a complete military contingent to the BIMSTEC exercises. However, India-Thailand military relations are not of the same nature as those of India and Nepal.

Distinctive features of India- Nepal military relationship

a. Nepalese citizens serve in the Indian Army, mainly in the Gorkha Regiment, where they can rise to 3-star level. Currently, over 30,000 Nepalese Gorkhas

are serving in Indian army's seven Gorkha Rifle and other paramilitary forces.

b. The chief of the Indian Army is also the honorary chief of the Nepalese army and vice versa.

c. Two armies regularly conduct bilateral military exercise, known as Surya Kiran, every 6 months alternatively in India and Nepal. Its 13th edition was held in last June.

Why it is just another blip in the relations?

Nepal maintains that it is committed to "equal relationship" with both India and China as it follows a policy of keeping equal distance from its neighbours, without ever being part of a regional bloc militarily.

Experts believe recent development should not be read too much and it does not negatively affect relations. BIMSTEC worked on a consensus basis, and Nepal had every right to refuse.

India-Nepal relations has matured over the years, they have faced many bilateral disagreements, but have overcome all with political dialogues.

INDIA HAS SIGNED A DEAL FOR FIVE S-400 TRIUMF AIR DEFENCE MISSILE SYSTEMS WITH RUSSIA

India has signed a deal for five S-400 Triumph air defence missile systems with Russia during the annual summit between the two countries led by Prime Minister Narendra Modi and visiting President Vladimir Putin.

The deal has been inked despite concerns registered by the US, which has slapped sanctions on Russia, related to purchase of the missile systems capable of knocking

down jets, missiles and unmanned aerial vehicles at a range of 400km.

India is seeking a sanctions waiver, given that Russian-origin weaponry is in widespread use in the Indian armed forces.

About:

S-400 defense system: It is a missile defence system intended to act as a shield against incoming ballistic missiles. Made

operation in 2007, it is the fourth generation of long-range Russian SAMs. Currently, it is identified as the world's most dangerous operationally deployed modern long-range surface-to-air missile system. It was deployed in Syria in 2015 to guard Russian and Syrian naval and air assets. Turkey and Saudi Arabia, too, are negotiating deals with Russia, and Iraq and Qatar have expressed interest.

CAATSA: It is a US federal law aimed at taking punitive measures against Russia, Iran, and North Korea. It deals with sanctions on the Russian interest such as oil and gas industry, defence and security sector, and financial institutions, in the backdrop of its military intervention in Ukraine and its alleged meddling in the 2016 US presidential elections. Section 231 of the Act empowers the US President to impose sanctions on persons engaged in a “significant transaction” with Russian defence and intelligence sectors. He is authorized to suspend export licenses related to munitions, dual-use and nuclear related items; and put a ban on American investment in equity/debt of the sanctioned person. Thus, with strong transactional defense engagement between India and Russia, it has the potential to adversely affect India-Russia trade, besides putting to test India's growing defence and security relations with the United States.

India-Russia Defense Relations: Indo-Russian trade is largely defence driven. The bulk of India's military equipment is of Soviet/Russian origin, making it Russia's biggest weapons buyer. In the past, India acquired—nuclear submarine INS Chakra,

Kilo-class conventional submarine, supersonic Brahmos cruise missile, MiG and Sukhoi fighters, Il transport aircraft, T-72 and T-90 tanks, Mi helicopters, and Vikramaditya aircraft carrier—from Russia.

India's need S-400

India has volatile borders. The two of India's biggest security treats come from Pakistan and China. China has already bought six battalions of the S-400 system in 2015, deliveries for which has begun from January 2018. With current acquisition, India is at a stronger ground as S-400 can play a crucial role in case of a two-front war. The Indian Air Force intends to use S-400 in the 'offensive air defence' role rather than its designed role of protecting high-value targets like Delhi, for which it was originally proposed.

Other gains from the deal

Bilateral: India's defense engagements with Russia become deeper. Russia has managed to secure one of the biggest arms deals in recent times. It is apparent that Russia commands a massive lead over its competitors in the Indian defence sector, and is a crucial supplier of advanced weapons for India

Strategic: Russia is no longer coy about selling weapons to Pakistan. But by making big-ticket purchases, India hopes it discourages Russia from selling any advanced weapons to Pakistan.

Significance of the deal vis-à-vis sanction threat

The US recently sanctioned China for buying the S-400 and Su-35 fighter jets from Russia. But, India is likely to get a

waiver from the US. If India gets it, it will signify how strategically important India is, for both Russia and the US.

India had been pursuing for this deal since 2015, well before Donald Trump became the US president and CAATSA was legislated. India has spent a lot of political capital to get a waiver. It was one of the main talking points during the 2+2 dialogue between India and the US.

Sanctions can also be taken as a coercion tactic to stop India from buying the S-400, and also to push US air defence systems, like the PAC-3, in India. The US is willing to

gain from a potential 200 fifth generation fighter jet requirement of India.

It is believed that, with the deal, India has displayed strategic autonomy. However, as a country which imports majority of its critical weapons, it will always limit India's strategic autonomy.

Although, India has come a long way since the days of NAM, given the volatility of Indian neighbourhood, it is critical that India maintains balanced relations with major powers instead of pushing its luck with one. In the process of doing so, there will be many cases of walking on a tight rope, like the current one.

INDIA AND CHINA SIGNED THEIR FIRST EVER INTERNAL SECURITY COOPERATION AGREEMENT

India and China signed their first ever internal security cooperation agreement marking a new beginning in bilateral relations.

Through the agreement, both ensured support to each other in dealing with problems of terrorism, human trafficking, and smuggling of drugs and arms beside others.

The move comes just a year after a two-month-long border stand-off between the India Army and the China's People's Liberation Army at Doklam on the India-Bhutan-China tri-junction.

11 About:

During the meeting, India has also asked China-

To support its pending application in the UN to designate Pakistan-based Masood Azhar, leader of the Jaish-e-Mohammed terror group, as a global terrorist. In the past, China—a veto-wielding permanent member of the UN Security Council—has opposed India's proposal to list Azhar as a global terrorist.

To not give shelter to hardline ULFA leader Paresh Baruah. India's mention of Baruah to China comes in the backdrop of reports stating that United Liberation Front of Assam (ULFA) leader Baruah had been making frequent trips to China. During the seventies, when insurgency was at its peak in the north-east, the extremist leaders often got training and shelter in China.

Chinese concerns included insurgency in Xinjiang by Uighur extremists. In the

absence of an extradition treaty with China, the two countries have not exchanged each other's sentenced prisoners, but this pact may change that. There are at least 10 Indians in Chinese prisons and an equal number of Chinese citizens in Indian prisons.

India-China Relations: India China relations are primarily defined by trust deficit between them. Relations have gone through a tumultuous phase in the last few years. There have been a series of disputes between the two countries, including China's fervent opposition to India's potential membership in the Nuclear Suppliers Group (NSG); Beijing's shielding of Pakistan and blocking Indian efforts within the UN to designate the Pakistan-based terrorist, Masood Azhar, head of Jaish-e-Mohammed (JeM), as a global terrorist; the Doklam crisis that went on for more than two months last summer; and India's open opposition to China's Belt and Road Initiative (BRI).

Wuhan reset: Prime Minister Narendra Modi and Chinese President Xi Jinping held an informal summit in Wuhan, China, in April this year which helped repair bilateral ties. The Wuhan summit has set the tone of the Sino-Indian relations in the current period. It is aimed at getting the two countries to manage the difficult areas of their relationship and find areas of convergence, and also promote better coordination between them. The summit also sends an important signal globally, that the two countries are quite capable of handling their differences through dialogue and discussion.

Significance of the pact:

Significantly, there is no record of India having ever signed an 'Internal Security' Cooperation Agreement with any country, albeit India has signed Social Security Agreement (SSA) with 18 countries. Such agreements are good on paper but the behavioral pattern of the Chinese of outright denial or cooking up stories about prisoners must be taken into account. However, realization of the current the pact may lead to the signing of a Mutual Legal Assistance Treaty in future.

How current reset is different from the past?

Similar to the current attempt, in the past too, efforts have been made to re-launch troubled India-China relations. Then Prime Minister Rajiv Gandhi's made a groundbreaking visit to Beijing in 1988. The summit proved a turning point which paved the way for a massive improvement in Sino-Indian relations in the 1990s and the early 2000s. While the Wuhan summit opens the door for improvement in relations, it is not a 1988-style reset. There are few fundamental differences between 1988 and 2018.

Firstly, the relationship between Beijing and Delhi is much more complex and difficult to manage in 2018 than it was in 1988. During 1998, the territorial dispute was the principal point of tension and the main obstacle to improved relations between China and India. In comparison, the present China-India relationship is troubled not by one but by a number of

serious issues. Together with the still crucial and destabilizing territorial dispute, such issues include China's growing influence in India's neighbors, Beijing's expansion in the Indian Ocean, India's increasing engagement with Chinese rivals such as the United States and Japan, the China-Pakistan axis and the emerging arms race between the two sides.

Secondly, the international conditions in 2018 do not favor a complete reset of relations as they did in 1988. The Cold War was coming to an end, the Soviet military intervention in Afghanistan, which had been supported by India and resisted by China, was drawing to a close and at the same time, U.S.-led globalization was forging ahead and integrating the world in a new international economic system. These changes removed many of the obstacles to improvement in bilateral relations. In contrast, in 2018, both sides face a complex international situation characterized by uncertainty and tensions which do not promote Sino-Indian amity. The existing order in Asia is in crisis, with China slowly building the foundations of an alternative international system while Washington,

Tokyo and Hanoi resist these efforts, producing tensions.

Thirdly, the power balance between China and India has shifted dramatically in the last 30 years, making negotiations and mutual accommodation much more difficult. In 1988, China and India had comparable levels of comprehensive national power and were both relatively weak in global terms. This state of affairs allowed the two sides to negotiate and cooperate on an equal basis. This is not the case anymore. Following its spectacular rise, Beijing, now essentially a superpower, has become much more powerful than India and more assertive.

Finally, unlike in 1988 Beijing and Delhi have to deal with the legacy of three decades of false dawns, tensions and disappointments.

In sum, it is too early to credit the Wuhan meeting as a reset of 1988; however, it signifies a booster to relationship between China. Even though both sides continue to try to stabilize relations, complications are expected to continue. Current agreement is an important step in the right direction, and the first on a long road.

INDIA HAS ANNOUNCED SUCCESSFUL COMPLETION OF ITS NUCLEAR TRIAD CAPABILITY

In a major strategic development, India has announced successful completion of its nuclear triad capability, as stated in its nuclear doctrine, after indigenous ballistic missile **nuclear submarine INS**

Arihant completed its first ever "deterrence patrol."

India now joins an elite group of countries that have the capability to launch a nuclear

weapon from land, air and under water. The only other countries to have this ability are - the US, Russia, China and France.

Deterrent Patrol: It is a Cold War era (1945-1991) terminology and was the norm adopted by the US and the erstwhile USSR when their submarines trawled under sea for days. In practice, it is meant to "deter" an adversary from launching a first nuclear-strike as Indian submarines loitering under sea can then launch the retaliatory strike within minutes. A nuclear powered submarine is needed for such patrols due to its ability to remain submerged and undetected for longer periods—several weeks in this case.

SSBN: An SSBN runs on nuclear fuel and carries undersea-fired submarine launched nuclear missiles that can hit at targets thousands of kilometres away. Technology still does not effectively track or locate undersea vessels, more so in waters around India, which have high suspended particle or salt content. A submarine is capable of "pinning down" six-seven warships of the enemy just by installing the fear of the unknown.

INS Arihant: Launched in July 2009, it is first of the three ballistic missile submarines (SSBN) that India proposes to build indigenously.

Nuclear Triad

A nuclear triad is a three-pronged military force structure that consists of land-launched nuclear missiles, nuclear-missile-armed submarines and strategic aircraft

with nuclear bombs and missiles. Specifically, these components are land-based intercontinental ballistic missiles (ICBMs), strategic bombers, and submarine-launched ballistic missiles (SLBMs).

The purpose of having this three-branched nuclear capability is to significantly reduce the possibility of an enemy destroying all of a nation's nuclear forces in a first-strike attack. This, in turn, ensures a credible threat of a second strike, and thus increases a nation's nuclear deterrence.

Strategic Importance of Nuclear triad

The most common way of launching a nuclear weapon is through land-based systems. However, the drawback is that the movement can be tracked through a wide range of monitoring systems including satellites. And there is a possibility of the enemy taking out the nuclear system even before one launches it.

The alternate way of delivering a nuclear weapon is through fighter jets designed to carry such weapons. However, even though the advanced fighters are a great way of launching nukes, they also can be tracked and shot at.

The most deadly option is launching a nuclear weapon from under the water, through a submarine. Because of the submarine being powered by nuclear energy, the INS Arihant would be able to remain under-water for much more than the conventional diesel-electric submarines.

In any warfare where submarines are involved, it becomes the most deadly asset and the biggest threat to the enemy. Submarines are difficult to spot, especially nuclear-powered submarine.

The indigenous development of the SSBN and its operationalisation attest to the country's technological prowess and the synergy and coordination among all concerned.

India's Nuclear Doctrine

Post 1998 nuclear test, in 2003, India came up with a comprehensive nuclear doctrine to clear doubts and misunderstandings prevailing around the world regarding India's nuclear policy. The features of India's Nuclear Doctrine are as follows:

a) No first use: This is the basis of India's nuclear policy. According to this policy, nuclear weapons will only be used in retaliation against a nuclear attack on Indian Territory or on Indian forces anywhere.

b) Building and maintaining a credible minimum deterrent: This includes:

Sufficient and survivable nuclear forces to inflict unacceptable damage to the enemy.

Nuclear Forces operationally prepared at all times.

Effective intelligence and early warning capabilities.

A robust command and control system.

Communication of deterrence capability to the enemy.

- c)** In case of India being subjected to a nuclear attack by any country, the **country's retaliation to a first strike will be massive** and designed to inflict unacceptable damage.
- d)** Non-use of nuclear weapons against non-nuclear weapon states.
- e)** The right to take nuclear action against the enemy will only be taken by the elected representatives of the people, i.e. the political leadership of the country, although the cooperation of the **Nuclear Command Authority** will be necessary. In other words; the bureaucracy of India is not authorised to take decision of the nuclear attack on the enemy.
- f)** If there is any chemical or biological attack against India or Indian security forces, then India will keep the option of nuclear attack open in its response.
- g)** A continuance of strict controls on export of nuclear and missile related materials and technologies, **participation in the fissile material cut-off treaty negotiations** and continued observance of the moratorium on nuclear tests.
- h)** India will continue to **support the global initiative to create a**

nuclear free world and will push forward the idea of discrimination free nuclear disarmament.

Significance of India's Nuclear Doctrine

A nuclear doctrine serves multiple uses such as; it determines the nuclear posture, provides guidance for deployment and targeting, chain of command and control, communication and signalling to adversary.

Credible minimum deterrence along with "No first use" and "No use against non-nuclear states" clearly indicates that India's nuclear capability is for defensive purpose. Deterrence can be defined as the use of threats by one party to convince another party to refrain from initiating some course of action.

Political council chaired by PM will be the final authority to take decision, who will be aided by an executive council headed by NSA. Bestowing the decision on popularly elected political executive (in a vibrant democracy like India) earns India a lot of credibility.

Effective intelligence and early warning capability will be critical not only to counter an attack but also to retaliate. Organizations like NTRO, RAW provide 24×7 intelligence data to the authority in this regard.

NFU ensure that India will use its nuclear arsenal once deterrence has failed.

Pakistan has a 'First use' policy and China has maintained a 'no first use' policy since 1964 when it went nuclear, and the Chinese

leadership has always considered nuclear weapons as political weapons.

The recently acquired nuclear triad capability of India aims to counter threats from them.

Limitations of 'First Use' policy

First Use policy will lead towards the nuclear war as nuclear weapon will be seen as weapon of war instead of weapon of deterrence.

It would lead to greater instability as declaring a first-use policy would create instability for either side because of the 'use it or lose it' syndrome brought on by hair trigger alerts.

India has a potential military controlled nuclear neighbour, Pakistan, which does not hold any political share in the sense of deterrence. In this scenario, first use policy will not serve the desire sense of deterrence.

Conclusion

As a responsible nation, India has put in place a robust nuclear command and control structure, effective safety assurance architecture and strict political control, under its Nuclear Command Authority. It remains committed to the doctrine of **Credible Minimum Deterrence and No First Use**.

This is not to suggest that India's nuclear doctrine cannot be changed. It should be periodically reviewed and updated, possibly every decade or so, taking into

account technological developments and changes in the security environment. The completion of the deterrence patrol by INS

Arihant is a big jump in India's defence capability.

13TH INDIA-JAPAN SUMMIT

During the 13th India-Japan summit, on his visit to Japan, PM Narendra Modi engaged with Shinzo Abe on a range of issues including defence and regional security. The prominent outcomes of the summit are:

- a) **Currency Swap Agreement:** A \$ 75 billion Currency Swap Agreement which will allow the central banks of both the countries to exchange local currencies. In contrast, Japan has such an agreement in place with China as well, but only for \$ 30 billion.
- b) **2+2 dialogue:** Initiation of a new Foreign and Defence Ministerial Dialogue, termed '2+2', was announced to further strengthen the bilateral dialogue mechanism between the two countries.
- c) **Acquisition and Cross-servicing Agreement:** Beginning of negotiations on an Acquisition and Cross-servicing Agreement, (on the lines of LEMOA between India and USA). This will be a logistics-sharing pact, which will allow both countries to share defence capabilities and supplies including fuel and ammunition.
- d) **Investment commitment:** of 320 billion yen by Japanese companies in India.

India-Japan Relations:

India has the institutional mechanism of an annual bilateral summit with only two countries – Japan and Russia. Besides, PM Modi chose Japan as the first country to visit after being elected as the prime minister. Inter alia, this is an indicator of the upswing in the India-Japan relationship in recent times.

After the Pokhran nuclear tests in 1998, Japan imposed strict sanctions against India. However, India came up with its nuclear doctrine emphasizing a 'no first use' policy and maintaining only a minimum nuclear deterrent. This along with changing geopolitical dynamics, especially the rise of a belligerent China led Japan to lift the sanctions in 2001. Since then, regular prime ministerial exchanges have been held and resulted into various landmark agreements and initiatives, such as:

- a) A defence cooperation agreement was signed in 2006
- b) India became the first non-NPT country with which Japan signed a civilian nuclear agreement and also supported India's inclusion in NSG.
- c) In 2011, Comprehensive Economic Partnership Agreement (CEPA) was signed to facilitate growth in bilateral trade.
- d) In 2016, 'Visa on arrival' was extended by India to Japanese citizens.

- e) Japan continues to provide soft loans and investments in critical infrastructure projects of India like Delhi-Mumbai Industrial Corridor, Mumbai-Ahmedabad bullet train service, metro projects, etc.

Growth in bilateral relations:

Ties between India and Japan have been building up across all fields, particularly defence and security. This assumes significance in face of Chinese claims in South China Sea and Arunachal Pradesh along with threats from Pakistan and North Korea in the region.

For India, it is imperative to strengthen the bonds of friendship with Japan since the success of India's "Act-East Policy" largely depends on Japanese participation.

Japan also happens to be one of the biggest investors in India and Tokyo's financial and technological backing holds the key to building infrastructure in India's northeast. Traditionally, Japan has been the major economic development partner for most South Asian countries, but Beijing's expanding influence beyond the South China Sea and across the Indian Ocean region has left Tokyo feeling vulnerable.

The transactional approach of the current USA administration may be seen as an important factor contributing to growing rapport between India and Japan. With an aim to cut a deal with Pyongyang, Washington has been opening up to North Korean regime in recent months. However, this is unlikely to please Japan, which has

long-standing concerns about the reckless behaviour of the North Korean dictator.

Given the traditionally sound ties between the two countries coupled with growing strategic convergence between them, Japan finds it useful to elevate India's position in Japan's Indo-Pacific strategy.

There is a growing realisation of the significance of the Indo-Pacific region in fast-changing geopolitical landscape of Asia, which has challenged the existing security architecture. The US, Japan and Australia are faced with Chinese assertiveness in the Western Pacific. And in the Indian Ocean, India and the US are faced with an increasing Chinese presence.

Japan seeks to bolster cooperation with many Asian and African countries based on its 'Free and Open Indo-Pacific Strategy' aimed at keeping in check the growing maritime assertiveness of China.

Shinzo Abe argued in his 2007 speech in Indian Parliament that if India and Japan came together, the "broader Asia will evolve into an immense network spanning the entirety of the Pacific Ocean, incorporating the United States of America and Australia. Open and transparent, this network will allow people, goods, capital, and knowledge to flow freely."

It is therefore not surprising that upholding principles such as freedom of navigation and countering threats to Japanese shipping remains fundamental to Japanese foreign policy. Without any doubt, China is the elephant in the room when it comes to

defining close partnership between India and Japan. China's growing military strength and rising economic power have prompted other democracies, including India and Japan, to sit up and take notice. Amid growing concerns about China's Belt and Road Initiative (BRI), New Delhi and Tokyo have stepped up their cooperation for creating a viable alternative for infrastructure development and connectivity among countries.

Since bilateral cooperation between India and Japan is closely intertwined with trilateral cooperation with the US, it is but natural for Japan to expect India to play an increasingly active role in the Quadrilateral Security Initiative (referred to as the Quad) while affirming the importance of freedom of navigation and rule of law.

But India remains hesitant on the Quad, which is likely to cause confusion among other three partners – the US, Japan and Australia. It was this confusion which prevented India from allowing Australia to become a part of the Malabar naval exercises.

So far, India has also decided to stay away from a joint initiative launched by the US, Japan and Australia to fund infrastructure projects to counterbalance the BRI in the Indo-Pacific region. India's participation in this important infrastructure initiative would have reassured the other members of India's commitment to the grouping.

Conclusion

India's 'Act East' outreach fits well with Japan's vision for a 'Free and open Indo-Pacific'. Both countries realise that a strong India is in Japan's interest, just like a strong Japan is good for India, both economically and geopolitically.

Besides, the significant shift from 'Asia-Pacific' to 'Indo-Pacific' security arrangements being created by the USA are primarily focussed around India. At a time when India has been identified as a key player across the Indo-Pacific that Japan seeks to actively work with, it is imperative for India to develop a coherent approach on the Indo-Pacific and the Quad.

MOSCOW FORMAT

In a significant departure from India's stand on engaging the Taliban, the government for the first time **participated at a "non-official" level**, sending two former senior diplomats to attend talks on the Afghanistan peace process which was held and hosted by Russia. The talks, known as the "**Moscow format**" included a "high-level" delegation from the Taliban as well as a delegation of Afghanistan's "High Peace Council", along with twelve countries.

Moscow format:

It was introduced in 2017 on the basis of the six-party mechanism for consultations among special representatives from Russia, Afghanistan, China, Pakistan, Iran and India.

The Moscow format meeting's main objective is to facilitate the national reconciliation process in Afghanistan and

secure peace in that country as soon as possible.

The 2018 meeting in Moscow was second in this format. It was co-chaired by both Russia and Afghanistan.

Afghanistan Peace Process:

The idea of reconciliation with the Taliban has been around since Taliban insurgency grew 2005 onwards. The British started doing side deals with local Taliban commanders and with the help of the Germans and the Norwegians, they began to persuade the U.S. to work for a political outcome. After being elected in 2008, **President Barack Obama** ordered a full-scale review of the U.S.' Afghanistan policy.

Operation Enduring Freedom (US' Global war on terrorism which primarily started in Afghanistan but now covers other nations too) formally ended in December 2014, handing over primary responsibility for combat operations to the Afghan security forces even as the insurgency gained ground.

Insurgency could not be contained as long as sanctuaries existed in **Pakistan** and the carrot and stick policy with Pakistan had cost the U.S. \$33 billion but failed to change Pakistan's policy.

After prolonged negotiations, a **Taliban office opened in Doha in June 2013** to promote talks and a peace process, though **later closed** under pressure of USA and Afghan Government. A **new initiative, Quadrilateral Coordination**

Group, involving the U.S., China, Pakistan and Afghanistan was launched in January 2016 and as a roadmap Pakistan was to use its influence to get the Taliban to the negotiating table. The situation continues to worsen as the **Afghan government controls barely half the country**, with **one-sixth under Taliban** control and the rest contested.

S. President Donald Trump's South Asia policy announced in 2017 aimed at breaking the military stalemate by expanding the U.S. and NATO presence, putting Pakistan on notice and strengthening Afghan capabilities. Its failure can be seen as the violence this year has also put **2018 on course to be the deadliest year for Afghan civilians**, with an average of nine people killed every day, **according to UN data.**

Current Obstacles in Afghanistan Peace Process

Taliban: 2017 saw a spike in violence, with the Taliban carrying out a set of coordinated assaults around Afghanistan, rejecting an offer of a three-month ceasefire by President Ashraf Ghani and laying siege to Ghazni city.

Pakistan: Afghanistan government accuses Pakistan of treating the terrorists in hospitals close to the Afghan-Pakistan border, while Pakistani fighters, including from the Lashkar-e-Toiba were found to be among the insurgents operating on Afghanistan territories.

Saudi Arabia: It is using its power to influence Pakistan and Taliban and their activities to involve Iran its eastern frontier of Afghanistan.

USA: The **USA administration's collision course with Iran** is another hurdle to realizing its South Asia policy. As Iran is an alternative route for landlocked Afghanistan's trade routes to the sea, which would help India's desire to circumvent Pakistan by developing the Chabahar port.

Growing U.S.-Russia tensions are creating space for proxies for both on Afghan soil.

The attacks by al-Qaeda and IS-related terror groups have their roots in the larger war between **Iran and the Arab world**.

USA's policy towards Afghanistan: Based on its revised South Asia policy of 2017, it envisages more pressure on Pakistan, no early U.S. withdrawal from Afghanistan, robust military action on counterterrorism and a greater role for India.

India's approach towards Afghanistan Peace Process

India supports all efforts at peace and reconciliation in Afghanistan that will **preserve unity and plurality, and bring security, stability and prosperity to the country**. India's consistent policy has been that such efforts should be **Afghan-led, Afghan-owned, and Afghan-controlled** and with participation of the Government of Afghanistan. India

would have preferred a direct process between the Afghan government and the Taliban, but since that is less possible, a **regional process like Moscow format is the next best option**.

Way Forward for India:

It is necessary that the **Indian government spells out clearly its policy** towards talks with the Taliban. India must focus on assisting Afghanistan to ensure that the country's **elections are as peaceful and participative** as possible.

India could assist Afghanistan in training of National Security Forces as per their requirement and supplying much-needed spare parts and such equipment as is possible without deployment of Indian troops in Afghanistan.

The **energy basket of Asia** needs to be exploited for benefits of both the countries like TAPI pipeline **India's development assistance** has been the source of its considerable influence and goodwill among Afghan citizens so the outlay for 2017-18 which is far lower than its commitment in 2015-2016 should be revised.

Expeditious action on completion of the Chabahar port will help in increasing Afghanistan's contacts with India and the outside world. Defeating terrorism in Afghanistan needs every stakeholder to put aside differences, and acknowledge that the current situation is a danger to all.

A NEW EUROPEAN UNION STRATEGY FOR INDIA

European Union has released its strategy document on India after 14 years. The 2004 EU-India declaration on building bilateral strategic partnership, which current strategy document replaces, did not have much of a success in reconfiguring the relationship as was expected.

Strategy Document:

The new strategy underscores a transformative shift in Brussels vis-à-vis India and lays out a road map for strengthening the EU-India partnership. Key focus areas includes:

Consideration of broader Strategic Partnership Agreement: The EU-India relations are currently governed by the 1994 EU-India Cooperation Agreement. To be able to match the ambitions set out in this Joint Communication and tackle the global challenges of today, the EU and India should consider the negotiation of a broader Strategic Partnership Agreement.

Upgrade the yearly dialogue between the High Representative / Vice President of the EU and the Indian Minister for External Affairs to a regular Strategic Dialogue.

Intensify dialogue on Afghanistan and Central Asia in the appropriate settings.

Join forces on post-conflict institution building and reconciliation processes in third countries.

Strengthen technical cooperation with India on fighting terrorism and countering

radicalisation and violent extremism and countering terrorist financing.

Exchange expertise on cyber security and hybrid threats.

Conclude working arrangements to foster cooperation between Europol and Indian law enforcement institutions.

Identify common actions with India both at policy and operational levels to enhance maritime security. Work with India and other key regional players such as South Africa to help build the capacity of maritime nations in the Indian Ocean and East Africa.

Background:

In 1962, India was the 1st developing country to establish diplomatic relations with European community. The EU-India Enhanced Partnership Agreement in 1996 appreciated India's economic successes after the liberalization. EU-India Cooperation Agreement 1994 provides the legal framework for their relations. India and the EU have been strategic partners since 2004. The **14th annual summit** between India and European Union was held in October, 2017.

Areas of cooperation:

- 1. Natural Partners:** There is a new push in Brussels to emerge as a geopolitical actor of some significance and India is a natural partner in many respects based on

principles of democracy, human rights, tolerance and internal diversity.

2. Economic cooperation: EU is India's largest trading partner, accounting for 13.2% of India's overall trade. Further the trade in services has almost tripled in last decade. The EU is also the largest destination for Indian exports.

a) Major EU exports to India include engineering goods, gems and jewellery and chemical and allied products.

b) The primary EU imports include textiles and clothing, chemical and allied products and engineering goods.

3. Key source of investment and technologies: The EU is the second largest investor in India.

4. International scenario of protectionism and authoritarianism: They share common responsibilities to secure peace and stability because of the current uncertainties in the global arena. The EU and India are very stable and predictable partners. There is widespread disappointment with the trajectory of China's evolution and the Trump administration's disdain for its Western allies is highly disruptive.

5. Cooperation on multilateral forum: The EU and India have similar views on multilateralism, underlining their full support for the

United Nations and other multilateral forums, and EU is in favour of making UNSC more efficient and effective.

6. Counter Terrorism issues and Global Counter Terrorism Forum: During India-EU annual counter terrorism and political dialogue, both countries are working on establishing direct links between Europol and Indian agencies.

7. International Solar Alliance: The EU plans to join International Solar Alliance (ISA) by the year end. The EU has already financed the ISA secretariat as well as other programs. EU has invited India to escort World Food Programme vessels to transport food to Somalia.

8. International Law: Both EU and India are strong promoters of the respect for international law, in particular UN Convention on Laws of the Sea (UNCLOS).

9. Close coordination on regional issues: India coordinated closely with EU during the crisis in Maldives, while the two sides have intensified discussions on Sri Lanka, Bangladesh and Nepal.

10. People-to-People Contacts: The India-EU Forum has emerged as an important Track II forum for discussion between policy analysts on both sides. It is led by the European Union Institute for

Security Studies and the Indian Council of World Affairs and includes participation from academics and think-tanks.

11. ICT Cooperation: The EU and India aim to link the 'Digital Single Market' with the 'Digital India.' A new "Start-up Europe India Network" initiative was launched in 2016. Further, an EU-India Cyber Security Dialogue has been set up that focuses on exchange of best practice on addressing cybercrime and strengthening cyber security and resilience.

12. City to City Cooperation: There is city-to-city cooperation between European and Indian cities such as Mumbai, Pune and Chandigarh in a first phase and twelve more cities involved in the current phase. Now it is being formalized in an India-EU Partnership for Smart and Sustainable urbanization, which will support the Indian 'Smart cities' and 'AMRUT' initiatives.

Areas of conflict:

Issues in Broad-based Trade and Investment Agreement (BTIA): India EU relations have been defined by the collective failure to complete a free trade agreement.

EU's issues with India

EU demands elimination of India's duties on goods such as automobiles and wants

tax reduction in wines, spirits and dairy products. These are the areas that will affect Indian farmers and competitiveness of their product. It seeking a strong intellectual property regime.

EU is keen on finalization of an India-EU Bilateral Investment Treaty (BIT) before the re-launch of the FTA talks while India wants to make 'investment protection' a part of the negotiations on the proposed comprehensive FTA.

India's model BIT and its Investor-State Dispute Settlement Mechanism: It has become a contentious issue as it allows companies to seek international arbitration only when all domestic options have been exhausted.

India's Issues with EU

India is looking for data secure nation status to be granted by the EU. The country is among the nations not considered data secure by the EU. It will have a bearing on Indian IT companies wanting market access.

Non-tariff barriers such as sanitary and phytosanitary measures, and technical barriers to trade are also a major concern. The EU has been imposing stringent labeling requirements and trademark norms, which have dented India's exports.

Trade in services: India demands strong binding promises by the EU on liberalising trade in service particularly Mode-4 services. Two-way trade between India and the EU dipped to 88.4 billion in 2015-16

from 88.4 billion in 2015–16 to 98.5 billion in the previous fiscal.

Other areas of conflict:

1. Indian government finds it difficult to understand the bureaucratic structure of Brussels (EU) to navigate and in the process the EU was ignored as a collective.
2. Individual nations of the EU started becoming more pragmatic in their engagement with India, but Brussels continued to be big-brotherly in its attitude on political issues and ignorant of the geostrategic imperatives of Indian foreign and security policies.
3. The result is a limited partnership which largely remained confined to economics and trade.
4. Even as the EU emerged as India's largest trading partner and biggest foreign investor, the relationship remained devoid of any strategic content.

5. China–EU relations: Despite the two not having any ideological affinity, the EU-China relations carried greater traction.

Way forward:

In the past EU-India relations have been blocked by specific bilateral issues like the FTA or the Italian Marines issue, but foreign policy and security issues played an important role in the 14th annual Summit, with far-reaching statements on naval exercises, space cooperation etc which two years ago would have seemed impossible.

The new India strategy document unveiled by the EU comes at an appropriate time when both have to seriously recalibrate their partnership. India needs resources and expertise from the EU for its various priority areas, such as cybersecurity, urbanisation, environmental regeneration, and skill development.

INDIA'S NEIGHBOURHOOD POLICY

In the last few years, Indian government is seen to make the change from playing big brother in the neighbourhood to a more genial and avuncular version of its previous self.

Almost four years after Prime Minister Narendra Modi began his term with a "Neighbourhood First" moment, by inviting leaders of all South Asian Association for Regional Cooperation (SAARC) countries to his swearing-in ceremony, India's

neighbourhood policy is clearly adrift. New Delhi's connect with its South Asian neighbours is weaker than it has been for a very long time. It is argued that India is sliding towards a situation where it is neither feared nor loved by other South Asian countries.

Reasons for changed stance

One reason is certainly the backlash it received from some of its smallest neighbours like Nepal and the Maldives,

that didn't take kindly to being strong-armed, even if New Delhi projected its advice to be in their best interests.

Another could be the conscious rolling back of India's previous policy of dissuading neighbours from Chinese engagement to now standing back as they learn the risks of debt-traps and over-construction of infrastructure on their own. India's own rapprochement with China post-Wuhan in the spirit of channelling both "cooperation and competition together" has also led to this outcome.

How has it changed?

Nepal: With Nepal, the government's moves were a clear turn-around from the 'tough love' policy since the 2015 blockade. Then, the government seemed to want nothing more than to usher Prime Minister K.P. Sharma Oli out of power. In 2018, however, when Mr. Oli was re-elected, despite his anti-India campaign, the Modi government wasted no time in reaching out and, in a highly unconventional move, despatched External Affairs Minister Sushma Swaraj to Kathmandu even before Mr. Oli had been invited to form the government. Since then, Mr. Oli has been invited to Delhi and Mr. Modi has made two visits to Nepal, with a third one planned in December to be part of the "Vivaha Panchami" festival. The frequency of visits in 2018 is in stark contrast to the three preceding years, when Mr. Modi did not visit Nepal at all.

26

Maldives: Similar comparisons abound with India's reaction to major

developments in the neighbourhood. In the Maldives, when emergency was declared by the previous regime of Abdulla Yameen, New Delhi made no attempt to threaten him militarily despite expectations of domestic commentators and Western diplomats. When Mr. Yameen went further, denying visas to thousands of Indian job seekers and naval and military personnel stationed there, New Delhi's response was to say that every country has a right to decide its visa policy.

Bangladesh: With elections in Bhutan (completed) and Bangladesh (to be held in December), as well as the ongoing political crisis in Sri Lanka, India has chosen to make no public political statement that could be construed as interference or preference for one side over the other. Earlier this year, the government even allowed a delegation of the Bangladesh opposition to visit Delhi and speak at Bharatiya Janata Party (BJP)-affiliated think tanks, although it later deported a British QC lawyer for the Bangladesh Nationalist Party.

Afghanistan: Perhaps the biggest policy shift this year was carried out as a concession to the Ashraf Ghani government in Kabul. After a policy of more than two decades of refusing to engage with the Taliban, or even sit at the table with them, in November India sent envoys to the Moscow conference on Afghanistan, where the Taliban's representatives were present. The U.S. chose to send a diplomat based in Moscow as an "observer", but the Indian delegation of former Ambassadors to the region represented non-official "participation" at the event. The shift was

palpable. Earlier, the government had stayed aloof from the process, explaining that any meeting outside Afghanistan crossed the redline on an “Afghan-owned and Afghan-led solution”. While the change in position was eventually achieved by a high-level outreach by the Russian government, which has projected the conference as a big diplomatic success, India’s participation had been nudged by President Ghani himself. He had made a strong pitch for backing talks with the Taliban during a visit to Delhi in mid-September. Both in his meeting with Mr. Modi and in a public speech, Mr. Ghani had stressed that the Islamic State and “foreign terrorists” were the problem in Afghanistan, as opposed to the Afghan Taliban itself, and talks with them had the support of the Afghan people. Whatever India’s reservations may have been about the Taliban, the Modi government eventually decided to extend its participation to the Moscow event.

Pakistan: The government’s latest shift can be possibly seen, in sending two Union

Ministers to Pakistan to join Prime Minister Imran Khan for the ground-breaking ceremony for the Kartarpur corridor, as part of the larger pattern of softening towards the neighbourhood. No Indian Minister has visited Pakistan since the Uri attack in September 2016, and after the cancellation of Foreign Minister talks at the UN this year, it was assumed that the government would not pursue conciliatory proposals with the new government in Islamabad. It is also significant that the BJP and the Prime Minister have chosen not to make Pakistan an electoral issue in the current round of State elections, as they did during last year’s Assembly polls. While it seems unlikely that the larger shift required for a Prime Ministerial visit to Pakistan for the SAARC summit is possible before elections next year, it is not inconceivable that people-to-people ties, of the kind Mr. Modi spoke of in his speech comparing the transformative potential of the Kartarpur corridor to the falling of the Berlin wall, will be allowed to grow.

INDIA- MALDIVES NEW RELATIONSHIP

Ibrahim “Ibu” Mohamed Solih, the new president of the Maldives, on his first overseas trip since assuming the presidency visited India. Solih’s trip to India marks the beginning of a recalibration in the Maldives’ foreign policy back toward New Delhi, its closest historical partner, after a swing away from India during the tenure of former President Abdulla Yameen.

Maldives got independence in 1965, since then it has overall good relations with India. Maldives is important for India because of its geostrategic location on Sea Lanes of Communications, security of Indian Ocean, vast Exclusive Economic Zone, piracy issues, and cultural, historical linkage with India. Maldives is an Islamic country. Tourism and Fishing are its major sources of income.

In 2008, India helped it to obtain democracy. Before that, it was autocracy under Gayoom, then democracy under Nasheed, again recent autocracy under Yameen with final democratic election in September in which President Solih took the leadership.

Maldivian President Ibrahim Mohamed Solih defeated Abdulla Yameen in a surprise victory in the presidential elections in September and, since then, has recalibrated his country's ties with India. While Mr. Yameen had drawn the Maldives closer to China and brutally crushed the Opposition, Mr. Solih's victory has favoured strengthening democratic forces in the island nation.

Prime Minister Narendra Modi had attended the swearing-in ceremony of Mr. Solih as the President of Maldives in November, his first visit to the nation as Prime Minister and the first by an Indian head of state since 2011. Modi enthusiastically reached out to all of India's neighbours after his election in 2014, but he remained reluctant to engage Mr. Yameen. His planned visit to the Maldives, in March 2015, was cancelled as the political environment deteriorated under Mr. Yameen.

Highlights of the joint statement released

India's Neighbourhood First Policy: India announced a financial assistance package of \$1.4 billion for the Maldives in the form of budgetary support, currency swap agreements and concessional lines of credit

to fulfill socio-economic development programmes.

Maldives' India-First Policy: President Solih reaffirmed his government policy, and commitment to working together closely with India. He identified various areas for developmental cooperation, including private sector involvement in development of housing and infrastructure, water and sewerage systems in the outlying islands, healthcare, education and tourism.

Connectivity: The two leaders emphasized the need to improve connectivity between the two countries through the establishment of enabling infrastructure that would promote the exchange of goods and services, information, ideas, culture and people.

Visa Facilitation Agreement: Recognizing the importance of facilitating people-to-people exchanges and travel, the two leaders welcomed the new agreement on Visa Facilitation.

Indo-Pacific Region: The two leaders agreed on the importance of maintaining peace and security in the Indian Ocean Region. They reiterated their assurance of being mindful of each other's concerns and aspirations for the stability of the region and not allowing their respective territories to be used for any activity inimical to the other.

Terrorism: The two leaders reaffirmed their unwavering commitment and support for increased cooperation in combating terrorism in all its forms and

manifestations both within the region and elsewhere.

Global Issues: The two leaders reiterated the importance of an effective multilateral system as a key factor in tackling global challenges. They recognized the need to pursue reform of the main UN bodies, including the revitalization of the UN General Assembly and expansion of the UN Security Council.

Economy: The two leaders underscored the need for strengthening and reforming of multilateral financial institutions and enhancing the voice and participation of developing countries in international economic decision-making.

Areas of Cooperation between Maldives and India:

Maldivian President called India the island nation's "closest friend" and "reaffirmed his government's 'India-First' Policy", committing to working together closely with India.

Both have agreed to ensure that they would keep other's security interests in mind as they consolidate cooperation in the Indian Ocean Region (IOR). They have agreed to strengthen maritime security cooperation in the IOR through coordinated patrol and aerial surveillance, exchange of information and capacity building.

Maldivian government's vision of a transparent and rules-based approach to growth and development has given a boost to investor confidence in the country. Both sides agreed to enhance bilateral

cooperation on issues of common concern, including piracy, terrorism, organized crime, drugs and human trafficking. It was also agreed to intensify cooperation in the areas of training and capacity building of Maldives Police Service and Maldives National Defence Force. PM Modi also announced that India would provide 1,000 additional slots over next five years for training and capacity building in diverse fields.

Areas such fisheries development, tourism, transportation, connectivity, health, education, new and renewable energy and communications were earmarked for enhancing bilateral cooperation. Maldivian government's decision to rejoin the Commonwealth has improved bilateral relations between both countries. Maldives has joined the Indian Ocean Rim Association as its newest member. The two sides also signed four agreements – for visa liberalization for segments such as Indian investors, cultural cooperation, IT and electronics cooperation, and improving the ecosystem for agriculture business.

Areas of Conflict:

The Maldives had veered too close to China for India's comfort, welcoming Chinese money for major infrastructure projects and signing a controversial free trade agreement (FTA). GMR infrastructure contact was cancelled and it was given to Chinese companies.

China's loans to the Maldives total at least \$1.3 billion, or a quarter of the island nation's gross domestic product. Faced with this crisis, the new Maldivian government is

looking to India for more budgetary support to help meet its development goals and is also planning to revise the FTA with China.

Terrorism and radicalization has increased as Maldives sent maximum number of terrorists per capita sent to ISIS. Maldives has good relations with Pakistan and Saudi Arabia. Maldives had asked India to withdraw 2 helicopters, that is, advanced light helicopters (ALH) operating in Maldives. Maldivian authority refused to extend visas of 26 Indian navy personnels. An estimated 2000 Indian applicants for job opportunities were denied visa by Maldives.

Way Forward:

The Maldives is strategically important, given its geographical location in the Indian Ocean. India must deploy a lighter diplomatic touch that focuses on enhancing natural affinities, to deal with this important nation in its neighbourhood. The logic of geography dictates that India's role will be critical in determining the trajectory of political developments in the Maldives.

India accords the highest importance to its relations with Maldives and wishes to see a democratic, stable, prosperous and peaceful Maldives. Recent changes have provided an opening for both sides to recalibrate ties.

POLITICAL CRISIS IN SRILANKA

India has welcomed resolution of the political crisis in Sri Lanka. United National Party leader Ranil Wickremesinghe was sworn in as the prime minister of Sri Lanka, ending a 51-day power tussle in the island nation that had crippled the government. The UNP leader had refused to step down asserting that his sacking was illegal. His re-appointment comes a day after former strongman Mahinda Rajapaksa, who was installed as Prime Minister by President Sirisena, after two crucial Supreme Court decisions made his efforts to cling to premiership unacceptable.

Background:

The presidency of Mahinda Rajapaksa, from 2005 to 2015 was an increasingly authoritarian regime characterised by the diminishing human rights, nepotism,

weakening of government institutions, slow progress of national reconciliation in the aftermath of the Sri Lankan Civil War, and close ties to China.

In response to the degrading democracy in the country, the United National Party (UNP), along with several other parties and civil organisations, signed a Memorandum of Understanding and decided to field Maithripala Sirisena, as the Common Candidate for the 2015 Presidential Election. Sirisena, a former health minister under Rajapaksa, pledged to appoint UNP Leader Ranil Wickremesinghe as the Prime Minister if he were to win the election.

A national unity government was formed, which passed the Nineteenth Amendment to the Constitution of Sri Lanka on 28 April 2015, stipulating that the prime minister

should remain in office for as long as his cabinet functions, unless he resigns or ceases to be a member of parliament.

India's stand:

India remains committed to taking forward its people-oriented development projects in Sri Lanka. The Indian statement refrains from using the term 'constitutional crisis', clearly indicating that it does not want to be seen as taking any position on the 'political situation' in Sri Lanka. This is a deviation from New Delhi's tough statements on the Maldivian situation.

Outcomes of Political Crisis:

Political: The turmoil angered many Sri Lankans and weakened both the President and Rajapaksa ahead of the polls. The crisis saw a central role for the Supreme Court of Sri Lanka. Its significance was huge in restoring constitutional governance for democracy in the country.

Economic: The fragile Sri Lankan economy was badly hurt during the political upheaval with the steep loss in value in its currency, downgrading of its economy and loss in tourist revenue. In the wake of the political crisis and doubts about the future of democracy, the United States and Japanese governments froze more than a billion US dollars' worth of development aid. The European Union also warned that if it did not stick to commitments on national reconciliation, it could withdraw duty-free concessions for Sri Lankan exports. Credit rating agency Moody's released a statement downgrading the Sri Lankan Government's foreign currency issuer and senior unsecured ratings to B2 from B1 and

changed the outlook to stable from negative.

Social:

President Sirisena's betrayal of the 2015 mandate, which opened a democratic space for Sri Lankans, shook and angered many citizens who spontaneously mobilised to defend constitutional governance, democracy, and freedom. The crisis saw the resilience of Sri Lanka's democracy among its citizens amid multiple setbacks. Activism, participation and resistance was particularly large among young voters, whose political weapons were the use of political humour shared through social media.

Analysis

Sri Lanka is located strategically in the Indian Ocean and both India and China vie for influence in the island nation. The fluid situation exists in Sri Lanka as former Indian Ambassador Suresh Goyal remarked that unless the Parliament is convened, Wickremesinghe has no way of proving his majority and Rajapaksa will have a clear field to remain as the Prime Minister. Considering this possibility India has to be very cautious and watch the developments closely given the fact that previously under Rajapaksa Sri Lanka had clearly tilted towards China and was posing a direct threat to India's strategic interests in the region. As is evident, the crisis is an outcome of the uneasy coalition between Sirisena and Wickremesinghe which was formed with the main objective of defeating Rajapaksa in the previous elections. While the coalition government has failed on

many of its promises and has taken a strong stand on ensuring justice to war affected Tamil minorities, Rajapaksa has managed to whip up Sinhala Nationalism to fuel his return to power.

A provision in the 1978 Sri Lankan Constitution provided for the dismissal of the Prime Minister by the President after one year of Parliamentary elections but this was removed through a constitutional amendment in 2015. This has created a constitutional logjam with both sides claiming the validity of one over the other and it is likely to be hammered out through unconstitutional means which would be a big blow to democratic norms.

International Response:

China being a major investor with strategic stakes in the country has heartily welcomed the return of Rajapaksa as it considers him as a close ally who can resist India's overtures and help China instead to entrench itself in India's strategic backyard. This open embrace of Rajapaksa's return by China is viewed with suspicion by India which sees an external angle to the ongoing political crisis.

Western countries have kept a close watch on Sri Lanka since the days of the civil war and have expressed deep concern during the last phase of the civil war where the Sri Lankan armed forces were accused of committing gross human right violations.

32

Sri Lanka has failed to address this accusation effectively largely due to botched investigations, denials and cover ups of any war crimes.

European powers and US would side with India and would push Sri Lanka to restore normalcy and uphold democratic principles. The Commonwealth and the United Nations would also expect the same and would be critical of any further attempts to erode democracy in Sri Lanka.

Way Forward:

India's response should be non-intrusive in the internal affairs and at the same time should push Sri Lanka to protect democratic norms and ensure stability as this would also secure Indian interests in the region.

China would rally behind Rajapaksa or any other leader to protect its core investments in Hambantota and Colombo and similarly India should cultivate diverse assets irrespective of internal political considerations in order to protect its core interests such as – the wellbeing of Tamil minorities, strategic infrastructure projects in Trincomalee, Mattala etc.

It should counter adverse Chinese influence in the Indian Ocean Region and ensure implementation of the 13th Amendment which would devolve political rights and powers too minority ethnic Tamils.

Sri Lanka also needs India as it provides vital services in the areas of education, healthcare and even pilgrimage. So, India needs to leverage this unique advantage to help advance the cause of democracy in Sri Lanka without affecting its sovereignty.

While India has returned to the settled principle of 'non-interference' in the

internal affairs of another nation, more so in the immediate neighbourhood, the Sri Lankan situation seems to remain unclear and unsure even after the return of 'near-normalcy' in political and constitutional terms. India should continue with the wait and watch policy and be willing to engage with any leader who will emerge to hold

power. India's actions in the Sri Lankan turmoil will be closely watched by other neighbouring countries in South Asia and India can use this opportunity to send out the right signals to Nepal and Maldives which hold suspicions against Indian interests in their respective internal political and constitutional turmoil.

INDO-BHUTAN RELATIONSHIP

Recently, Prime Minister of Bhutan, Lyonchhen Dr Lotay Tshering was on visit to India. This is his first visit abroad after assuming office, which shows the importance Bhutan attaches to relations with India. The year 2018 celebrates the Golden Jubilee of the establishment of formal diplomatic relations between India and Bhutan. Marking the completion of 50 years, Bhutan opened a Consulate in Guwahati. The primary objective would be to conclude discussions over development assistance package for Bhutan's 12th Five Year Plan (November 2017-October 2023).

Background

The Himalayan kingdom of Bhutan's graduation in 2007 from an Indian protectorate to a constitutional monarchy has happily translated into a more substantive equation between Thimpu and Delhi. Bhutan, since 2008, is a constitutional monarchy, with powers apportioned between the king and the democratically elected government. Bhutan has been following a five-year plan system since 1961. These plans articulate the government's socio-economic development

priorities that are implemented over a five-year period.

India has closely been associated with them since the beginning: it solely financed the nation's first three five-year plans and has continued to play a major role in financing the others. The 11th Five Year Plan ended and the 12th Plan is now approved in principle. According to the Gross National Happiness Commission, Bhutan's equivalent of India's erstwhile Planning Commission, the total indicative outlay for the 12th Plan is expected to be about 38% more than the 11th Plan (2013-2018) outlay.

The recent visit

The new Bhutanese Prime Minister had four main agendas during his visit, and these, in order of priority, are:

- a) A fair tariff for the 720 MW bilateral Mangdechhu project;
- b) seeking India's support for Bhutan's 12th Five Year Plan (FYP);
- c) starting the 2,560 MW Sunkosh Reservoir project and waiving off the Central GST for Bhutan.

Positive developments in Bhutan:

The new government's vision is ambitious with economic diversification, more robust tertiary healthcare system, and a self-reliant Bhutan.

The new prime minister sees tourism as the next big thing and wants to re-energise the sector through a diversification of services and products. Emphasis is on the need to move from subsistence to commercial farming. Some fresh impetus is being provided to growth in the private sector, which is seen as a major employment provider.

Challenges for Bhutan:

Bhutan's geographically disadvantaged location that has made its economy hugely dependent on India, giving India an undue advantage over Bhutan's trade and commerce. 60 percent of Bhutan's expenditure is on imports from India; 90-95 percent of what Bhutan borrows from India finds its way back to India, tilting the relationship more in favor of the latter.

The country's economic growth has shrunk to 5.8% in 2018 from 7% in 2017.

As of March 2018, Bhutan's external debt stood at \$2.6 billion or 115% of its estimated gross domestic product. Of the total rupee debt, 94.1% was outstanding public debt on hydropower projects.

The economy has failed to create jobs and exports have declined. The youth unemployment rate has now reached

13.2% from 10.7% just a couple of years ago.

There are concerns about Bhutan's total dependence on hydropower, a sector that is becoming increasingly vulnerable to climate shocks.

There are other problems that need to be tackled such as external debt, crime, disaster management, rural poverty, and trade deficit.

The **World Bank** has identified four key risks facing the Bhutanese economy:

- a) delays in hydropower construction that could lower exports and revenue,
- b) possible constraints on government spending because of limited financing sources,
- c) policy uncertainty in the aftermath of the 2018 elections, and climate shocks to the hydropower and agriculture sector.

Areas of cooperation:

Bhutan has been central to India's two major policies – the 'Neighborhood First Policy' and the 'Act-East Policy'. Both sides will focus on development and infrastructure projects. India's budgetary grants have been critical for the success of Bhutan's five-year plans, more so in the face of declining donor financing.

Bhutan's focus on hydropower for the past five decades has been mainly because of Indian support and its assurances to buy back the electricity generated. The new government's vision of economic

diversification needs more Indian engagement, and the possibility of expanding engagement beyond the Indian borders to Bangladesh and Nepal. Bhutan government has decided to soon launch the RuPay cards which will further strengthen people to people relations between the 2 countries.

Areas of conflict:

After the implementation of the Indian Goods and Services Tax (IGST) in July 2017, Bhutanese products became more expensive for Indian importers. India remains Bhutan's largest creditor with 73.53% of overall external debt. All this points to a moderate risk of debt distress.

After the 2017 Doklam standoff between Indian and Chinese troops over a piece of territory disputed by China and Bhutan, the issue of Bhutan's perceived sovereignty and independence overall from India rose to the fore in the lead up to the 2018 National Assembly elections.

Last year, Bhutan decided to withdraw from the BBIN Motor Vehicle Agreement for the reason that it would adversely affect its environment and sovereignty.

India's subsidized imports to Bhutan comprising of almost all essential goods have hurt the growth of domestic sectors within Bhutan while helping India exercise its hold on Bhutanese market.

Way forward:

PM Modi said that the ground station being built by Indian Space Research Organization in Bhutan is expected to complete soon which would benefit Bhutan in tasks such as weather information, telemedicine and disaster relief in the far-flung areas of the country. Bhutan is already a major exporter of energy to India and the new hydropower project will expand that capacity. India's current priorities in the country focus on expanding trade and connectivity.

India and Bhutan enjoy exemplary ties of friendship and cooperation, based on utmost trust, goodwill and mutual understanding at all levels. The upcoming visit of the Prime Minister Dr Lotay Tshering will provide an opportunity to the two sides to review the progress in the multifaceted partnership and to discuss ways and means to expand the enduring ties of friendship and cooperation for the benefit of the citizens of both the countries.

BANGLADESH'S UNEXPECTED DEVELOPMENT

The United Nations Committee for Development Policy announced that Bangladesh had successfully met the criteria to graduate from a "least developed country" (LDC) to a "developing country" (DC). From an inauspicious set of adverse

conditions including mass poverty, low human capital, few natural resources and a horrific exposure to devastating cyclones and famines, Bangladesh has become a Cinderella success story in terms of human development.

At the time of independence in 1971, Bangladesh was one of the world's poorest countries — on par with Rwanda, Mali, Burundi, Somalia, Ethiopia and Upper Volta (as Burkina Faso was then called). With a population of 67 million, an estimated 71% of whom lived below the national poverty line, it produced barely 10 million tonnes (mt) of rice and was the second largest food-aid recipient after Egypt from 1975 to 1992.

Bangladesh's achievements:

Decline in poverty: The country's poverty headcount ratio was 56.6% even in 1992, falling only gradually to 48.9% by 2000. But since then, this has declined dramatically to 24.3% in 2016.

Agriculture growth: While Bangladesh's population has risen 2.5 times to 165 million since 1971, its rice production has soared 3.5 times to over 35 mt, enough to feed its people.

More impressive is the improvement in social indicators.

Fertility rate: In 1971, Bangladesh's total fertility rate — the number of children women bear on an average during their lifetime — was 6.94.

That rate had, by 2016, dropped to 2.1, below the 2.33 for India (which actually had a lower rate of 5.52 in 1971).

Increase use of contraceptives: Defying the so-called "Muslim" stereotype, the

proportion of Bangladeshi women aged 15-49 years using contraceptives has increased from a mere 7.7% to 62.4% between 1976 and 2014.

That figure for India was 53.5% in 2016, up from 35.3% in 1980, but indicating less impressive progress.

Infant mortality rate (IMR): The success in population control has come alongside a massive fall in infant and under-five year mortality rates, from 147.9 and 221.4 per thousand live births respectively in 1971, to 26.9 and 32.4 in 2017.

Increase in average life expectancy: The same period also recorded a jump in the country's average life expectancy at birth — from 47.14 to 72.49 years (India: 68.56 years), and in the adult female literacy rate from under 10% to 70%-plus (India: 63%).

Nutrition indicators (relating to prevalence of stunting (low height-for-age), wasting (low weight-for-height), and underweight (low weight-for-age) amongst children under 5): Between 1997 and 2017, these ratios for Bangladesh have dipped from 59.7%, 20.6% and 52.5% to 31%, 8%, and 22% respectively.

Bangladesh, once considered a basket case, is today a country that can impart to all its neighbours including India, some excellent lessons in development.

Reasons for such good indicators:

Focus on health sector: Parents are likely to produce fewer children when they are sure about their survival.

Women literacy: education makes women more aware of the need for family planning, apart from delaying the age of marriage.

Immunisation coverage, which for the four standard vaccines — BCG, DTP, oral polio and measles — was 1%-2% in Bangladesh until 1985. That coverage is now near 100%.

Open defecation, which Bangladesh practically eradicated by 2015. That was around the time India had launched the Swachh Bharat Mission, with roughly 40% of its population still practicing what is a major source of waterborne diseases from cholera and dysentery to hepatitis.

Oral Rehydration Solution (ORS), a simple electrolyte blend of salt, sugar and clean water that Bangladeshi women were taught to make and administer to children suffering severe dehydration from diarrhoea. This homemade solution, later upscaled to pre-packed oral rehydration salts, proved much cheaper and more effective in rural areas than saline intravenous drips.

Institutions involvement: Behind these accomplishments are institutions that include not just the big NGOs such as Sir Fazle Hasan Abed's BRAC (which really pushed ORS on the ground), Social Marketing Company (which popularised contraception in Bangladesh), and Nobel Peace Laureate Prof Muhammad Yunus's Grameen Bank (which pioneered microfinance), but even the likes of LGED or Local Government Engineering Department.

The LGED, under its first chief engineer Quamrul Islam Siddique (a Verghese Kurien or E Sreedharan-like figure), was instrumental in building and managing Bangladesh's rural roads network of some 360,000 km, one of the densest in the world.

Investments in rural electrification and shallow tubewell irrigation making it possible for farmers to grow an additional high-yielding winter season Boro paddy crop, have contributed to Bangladesh becoming self-sufficient in rice.

Country's policymaking

Clarity with regard to setting goals and a quiet pragmatism in meeting these. A culture of independent evaluation of programmes too was established, expanding the ones that worked and scrapping those that didn't. The same pragmatism, perhaps, explains Bangladesh going ahead with commercial cultivation of genetically modified Bt brinjal, a technology that India has rejected despite being developed by an Indian company.

Religion: The clerics could do nothing to stop family-planning efforts in Bangladesh, unlike in Pakistan, where the total fertility rate is still 3.5 and contraceptive prevalence among women of reproductive age is just 35.4%. A World Bank policy research paper points out that the most important factors for the decline of poverty in Bangladesh were higher real wages and higher productivity, while lower

dependency ratios and a big increase in international remittances also helped.

Bangladesh has successfully used its low-cost advantage to become a base for garment manufacturing. This has led to the migration of millions of people from rural areas into the manufacturing sector, with women being the biggest beneficiaries. Significantly, the share of employment in the formal sector in Bangladesh is 27.9%, well above that in India, and the proportion of working women in formal employment is even higher.

Lessons India can learn from the growth story of its neighbor are:

Separation of religion and governance/policy making: The biggest lesson India can learn from Bangladesh today is to keep religious fundamentalism at bay and not allow so-called defenders of faith to dictate policy.

Focus on health and education sector: Special focus should be given to health and education of women apart from others.

Eradication of poverty and inclusion of women: Jobs for the masses are the surest means of pulling people out of poverty. Contrast India's jobless growth. Manufacturing sector should be developed

and participation of women workforce should be increased.

Inclusive growth: Growth should be inclusive and more focus should be on the pro-poor policies so that people living below and near poverty can be included in the India's growth.

World Bank 2010 report that the role of the state has been critical through its pursuit of a six-point plan: by creating sound macroeconomic policies; improving disaster management; making sound investments in public health and education; partnering with NGOs; supporting family planning; and encouraging labour migration should be adopted in letter and spirit.

Conclusion:

The popular portrayal of Bangladesh in India is frequently unflattering — patronising at best and contemptuous at worst. Bangladeshis are “ghuspaithiye” — infiltrators and illegal immigrants — “termites” eating through India's resources, and the alleged stealers of India's cows and contributors to crime in the country. More than anything else, what this discourse betrays is ignorance. India should learn lessons from ‘Lesser’ tigers like Bangladesh and Indonesia from its neighbourhood only.

RUSSIA-INDIA-CHINA (RIC) TRILATERAL

38

Recently, at the G-20 Summit held in Buenos Aires, the newly-forged **Japan-USA-India (JAI)** trilateral meeting hogged everyone's attention. However, there was

another equally important meeting which took place on the side-lines — that of the **Russia-India-China (RIC) trilateral**, a much older grouping.

RIC was the first meeting of the heads of government of the three Eurasian powers in 12 years. Conceived by the then Russian foreign minister *Yevgeny Primakov in 1998*, much before BRICS, the idea of the RIC never really took off unlike the BRICS, despite occasional meetings on the side-lines of the UN General Assembly and other multilateral meetings. However, this time, the three countries have agreed to hold regular summits from now on at all levels to jointly promote peace and stability. They emphasised on the need to promote multilateralism, reform institutions of global governance like the UN and the WTO and highlighted the need to work together to steer global economic governance.

About Russia-India-China (RIC) trilateral

Together, the *RIC countries occupy over 19 percent of the global landmass* and contribute to over *33 percent of global GDP*. All three countries are nuclear powers and two, Russia and China, are *permanent members of the UN Security Council*, while India aspires to be one.

Importance of RIC

For Russian President Vladimir Putin, the RIC meeting on the side-lines of the G-20 was a message to the West that despite their shunning him, he still has friends like India and China.

For China, the RIC provides a platform where it can push its interests in Eurasia.

Further, any holistic, stable security architecture on the Eurasian landmass cannot develop without having Beijing,

Delhi and Moscow on board and the RIC offers the ideal forum for this.

Importance of RIC for India

Though apparently an unlikely troika due to the historical differences between New Delhi and Beijing, what binds the group together is the now strong partnership between Beijing and Moscow and the time-tested relations between Moscow and New Delhi. So, in this sense, Russia becomes the bridge between India and China, since it enjoys strong relations with both. Moreover, the RIC forms the core of both the *Shanghai Cooperation Organisation* (SCO) and the

India is in a geostrategic sweet spot today. It is being wooed by everyone -- from the smaller powers in East Asia to the bigger powers like the US, Russia and China. The RIC summit is a reflection of this new found status. India would do well to give RIC the same importance as the JAI group.

The drawback if India focuses only on groupings like the Quad and the JAI is that these groupings essentially revolve around the Indo Pacific and will confine India to being only a maritime power when it is actually both a maritime and continental power.

It is important for India as an aspiring power to be able to thwart China's aspirations of being a hegemon in both the maritime and continental spheres.

India cannot cede geostrategic space in the Eurasian supercontinent to China if it wants to be a great power and it understands that

Russia alone will not be able to prevent the emergence of China as a hegemon in Eurasia. Moreover, the RIC is important for India's ambitions for a variety of reasons.

Strategic importance of RIC

Even though India, China and Russia may disagree on a number of security issues in Eurasia, there are areas where their interest converge, like, for instance, on Afghanistan. Primarily, none of them wants an Afghanistan, which is a haven for terrorist activities. So, they could work together as part of the RIC **to ensure stable peace in Afghanistan** and by extension, in Central Asia.

Regular RIC interactions could also help the three countries identify other issues where they have congruent views like the **volatile situation in the West Asia**, particularly on issues like the **sanctions on Iran**.

As the Eurasian supercontinent regains its primacy in world affairs and as the interests of India, Russia and China deepen and clash in the region, it would be useful to have a platform to discuss areas of cooperation and understand the differences.

Economic importance of RIC

The trio could also contribute to creating a **new economic structure for the world**. The US, under President Trump, apparently wants to break down the current economic and political order. While the existing structure is not satisfactory, the RIC could

offer some suggestions which could be acceptable to the US.

With Russia being a major exporter of energy and India and China being major consumers, the three countries could discuss the **creation of an Asian energy grid**, which could go a long way in **ensuring energy security for the region** as well as allow these countries to determine prices suitable to them.

RIC importance on Climate Change issue

The RIC countries could work together on **disaster relief and humanitarian assistance**. With the **Northern Sea Route** opening up due to climate change, the RIC has a common interest in ensuring that it is not left to the West and Russia alone and that India and China make the transition from rule followers to rule makers by helping formulate some of the rules governing the **Arctic route**.

Conclusion

The Russia-India-China (RIC) trilateral is a significant multilateral grouping, because it brings together the **three largest Eurasian countries** which are also incidentally geographically contiguous. This year's RIC summit is a continuation of the turn-around in India's foreign policy after Modi's summit meetings with Chinese President Xi Jinping in Wuhan and President Putin in Sochi earlier this year. It is an assertion of India's strategic autonomy, which will hopefully continue well after the general elections to be held in the country in 2019.

INDIAN OCEAN REGION AND WORLD AFFAIRS

At recently concluded Raisina Dialogue, Australia's foreign minister highlighted Indian Ocean as a key emerging region in world affairs and strategic priority for Australia and India. Among minister's announcements was A\$25 million for a four-year infrastructure program in South Asia (The South Asia Regional Infrastructure Connectivity initiative, or SARIC), which will primarily focus on the transport and energy sectors. She also pointed to increasing defence activities in the Indian Ocean, noting that in 2014, Australia and India had conducted 11 defence activities together, with the figure reaching 38 in 2018. Furthermore, Australia's 2017 Foreign Policy White Paper seeks to support IORA in areas such as maritime security and international law.

The Indian Ocean region comprises of the ocean itself and the countries that border it. These include Australia, India, Indonesia, Bangladesh, Madagascar, Somalia, Tanzania, South Africa, the United Arab Emirates and Yemen.

How Indian Ocean region is an emergent power in world affairs?

Demographically, the average age of people in the region's countries is under 30, compared to 38 in the US and 46 in Japan. The countries bordering the Indian Ocean are home to 2.5 billion people, which is one-third of the world's population.

Economically, some 80% of the world's maritime oil trade flows through three

narrow passages of water, known as choke points, in the Indian Ocean. This includes the Strait of Hormuz – located between the Persian Gulf and the Gulf of Oman – which provides the only sea passage from the Persian Gulf to the open ocean.

The economies of many Indian Ocean countries are expanding rapidly as investors seek new opportunities. Bangladesh, India, Malaysia and Tanzania witnessed economic growth in excess of 5% in 2017 – well above the global average of 3.2%. India is the fastest growing major economy in the world. With a population expected to become the world's largest in the coming decades, it is also the one with the most potential.

Politically, the Indian Ocean is becoming a pivotal zone of strategic competition. China is investing hundreds of billions of dollars in infrastructure projects across the region as part of its One Belt One Road initiative. For instance, China gave Kenya a US\$3.2 billion loan to construct a 470 kilometre railway (Kenya's biggest infrastructure project in over 50 years) linking the capital Nairobi to the Indian Ocean port city of Mombasa. Chinese state-backed firms are also investing in infrastructure and ports in Sri Lanka, the Maldives, and Bangladesh. Western powers, including Australia and the United States, have sought to counter-balance China's growing influence across the region by launching their own infrastructure funds – such as the US\$113 million US fund announced last August for

digital economy, energy, and infrastructure projects.

Challenges:

In **security** terms, piracy, unregulated migration, and the continued presence of extremist groups in Somalia, Bangladesh and parts of Indonesia pose significant threats to Indian Ocean countries.

Ecologically, the reefs, mangroves, and marine species that live in the Ocean are under imminent threat. According to some estimates, the Indian Ocean is warming three times faster than the Pacific Ocean.

Overfishing, coastal degradation, and pollution are also harming the ocean. This could have catastrophic implications for the tens of millions of fishermen dependent on the region's marine resources and the enormous population who rely on the Indian Ocean for their protein.

Way forward:

The Indo-Pacific is a natural region. It is also home to a vast array of global opportunities and challenges. Its future is intertwined and heavily dependent on how nations cooperate on these challenges and opportunities. As of today, there is a logical leadership role for India, being the largest player in the region. India could focus more on how to promote the Indian Ocean. Notwithstanding India's energy and organisational growth, Indian Ocean cooperation is weak relative to Atlantic and Pacific initiatives. Other countries in the region too need to proactively collaborate to build economic strength and address geopolitical risks in the region. Thus, India must continue to strengthen its ties in the region – such as with Australia and Indonesia – and also build new connections, particularly in Africa. Although, more than previous Indian Prime Ministers, Modi has travelled up and down the east coast of Africa to promote cooperation and strengthen trade and investment ties, and has articulated strong visions of India-Africa cooperative interest.

STRATEGIC PARTNERSHIP BETWEEN INDIA AND SOUTH AFRICA

South African President Cyril Ramaphosa's state visit to India, as chief guest at the 70th Republic Day parade presents an opportunity to renew and reinvigorate the near-quarter century of ties between the two countries of Asia and Africa. India and South Africa has revised 20-year old Strategic Partnership and also signed a three-year strategic partnership agreement to boost relations.

This is the second time a South African Head of State is Chief Guest for Republic Day, the first occasion was in 1995 when the late Nelson Mandela visited India. A comprehensive document outlining the road map for cooperation was exchanged by External Affairs Minister Sushma Swaraj and Foreign Minister (South Africa) Lindiwe Sisulu. The agreement signed will cover defence and security, blue economy cooperation and sustainable development.

PM Modi also asked for the simplification of the existing visa regime for businessmen and tourists, and direct connectivity for further easing business and people-to-people exchanges. This has been an attempt to deal with the complaint of African nations that India's interest in the continent remains episodic. As China's economic engagement in the region comes under growing critical scrutiny, there are new opportunities for India to enhance its profile with a more equitable partnership with African countries. The trade between India and South Africa is on the up-swing, and had crossed the \$10-billion mark in 2017-18.

3-year Strategic Partnership Agreement:

Both the countries have entered into a three-year pact to boost cooperation in areas such as agro-processed goods, defence procurement, mining equipment, and technology and financial services, including insurance, start-ups, health care and pharma, bio-tech, IT and IT-enabled sectors.

Both countries will cooperate in the gems and jewellery sector and could explore avenues for direct procurement of diamond. It will ensure economies of scale, and also reduce the cost for both buyers and sellers.

On security cooperation, trade and investment, tourism, harnessing the 'blue economy', maritime cooperation, agriculture, science, and technology projects.

India and South Africa:

India's relations with South Africa go back centuries and have a powerful emotional component. It is here that Mahatma Gandhi began his political career, and over the decades of the 20th century, India stood solidly behind the ANC's struggle against apartheid.

According to the official note on India-South Africa relations on the website of India's High Commission in Pretoria, India was the first country to sever trade relations with the apartheid government, and subsequently imposed a complete — diplomatic, commercial, cultural and sports — embargo on South Africa. India worked consistently to put the issue of apartheid on the agenda of the UN, NAM and other multilateral organizations and for the imposition of comprehensive international sanctions against South Africa. The African National Congress (ANC) maintained a representative office in New Delhi from the 1960s onwards. India actively worked for the AFRICA Fund to help sustain the struggle through support to the frontline states. India's has had fairly flourishing commercial relations with South Africa since the establishment of diplomatic relations in 1993.

A partnership between India and South Africa both advanced developing countries and emerging economies, seeks to fulfil larger goals of political freedom, economic development and social justice, not just of the two countries but of their respective regions.

Bilateral relations between India and South Africa:

They also reviewed bilateral relations between India and South Africa as encapsulated in the strategic partnership between the two countries. The two countries have set a target of \$20 billion for trade and investment to be reached by 2021. Some of India's biggest corporations, such as Tata, Mahindra, and Vedanta, are among the 150 odd Indian companies that have invested in South Africa. India also invited South Africa to join the International Solar Alliance (ISA) and congratulated it on securing the non-permanent membership of the UN Security Council for 2019-20. A joint statement acknowledged the growing interaction between the Navies of the two countries, and the Indian leader welcomed the South African participation in the India-Africa Field Training Exercise next March.

Beyond the bilateral, the two nations are engaged in a number of plurilateral initiatives:

These include not only the much talked about BRICS grouping along with Russia, Brazil, and China, but also the India-Brazil-South Africa trilateral, the Commonwealth, and the Indian Ocean Rim Association. The BRICS agenda needs to evolve in a manner that emphasizes the voices of New Delhi and Pretoria. It is for this reason, perhaps, that the IBSA, which involves three democracies — India, Brazil and South Africa — needs to be revived. The Commonwealth also needs a more proactive engagement from India and South

Africa if its future is to be viable. Given the centrality of the Indian Ocean in emerging geopolitics and geo-economics, IORA needs full support from India and South Africa too to strengthen its institutional underpinnings.

Defence deal: The two sides are expected to explore new defence deals in the backdrop of the lifting of a 13-year old ban on South African defence firm Denel that was barred from doing business in India since 2005.

Denel was finally removed from the blacklist in September 2018 after the Central Bureau of Investigation filed a closure report and the Supreme Court subsequently dismissed corruption charges against the company.

How this engagement will help India:

Strengthening the India-South Africa partnership is vital in the context of Africa's development, especially to provide a viable alternative to the China model. The fast-growing and fast prospering population of Africa will present itself as a major opportunity for the rest of the world. India has historic ties with several countries of the continent, such as the nearly 1.5 million people of Indian origin in South Africa, which would help India make good on that opportunity.

Their problems and aspirations put India and a variety of African countries on the same side of multinational attempts to tackle global challenges such as climate change, keeping trade open and avoiding big power domination. India and South Africa give these efforts an institutional

framework through forums such as the G20, the Indian Ocean Rim Association, BRICS and IBSA. Robust maritime security in the Indian Ocean is not of just bilateral significance. The defense relationship, with a focus on joint production as well as maritime security, is also going to be a priority in the future.

Conclusion: It is perhaps time for the two nations to think big and start having a conversation about the larger trends in global politics. As a new order evolves, two friends with a longstanding historical relationship should now start talking about the future of Asia and Africa. At a time when strategic geographies are getting redefined with the rise of Eurasia and the Indo-Pacific, key players like India and South Africa need to move beyond their comfort zones.

USA PULLS OUT OF INF TREATY

USA has suspended (Not terminated the treaty) its obligations under the *Intermediate-Range Nuclear Forces (INF) Treaty*, effective from February 2 and will withdraw from it in six months. On December 4, 2018, the United States announced that the Russian Federation is in material breach of the Intermediate-Range Nuclear Forces (INF) Treaty, an assessment shared by all NATO Allies. The United States also provided notice that unless Russia returned to full and verifiable compliance in 60 days, the United States would suspend its obligations under the Treaty as a consequence for Russia's material breach. Russia has not taken the necessary steps to return to compliance over the last 60 days. It remains in material breach of its obligations not to produce, possess, or flight-test a ground-launched, intermediate-range cruise missile system with a range between 500 and 5,500 kilometers. The United States first alleged in its Compliance Report 2014 that Russia is in violation of its INF Treaty obligations.

Intermediate-Range Forces Treaty

The treaty was signed in Reykjavik, Iceland, in 1987 by President Ronald Reagan and Soviet leader Mikhail Gorbachev, and led to the destruction of more than 2600 missiles by 1991. It originally banned only the U.S. and the Soviet Union (later Russia) from deploying all ground-launched nuclear and conventional missiles with a range of 500 to 5500kms. After 1991, treaty also covered Russia, Belarus, Kazakhstan, and Ukraine under it. Through the treaty, the superpowers for the first time, agreed to reduce their nuclear arsenals, eliminate an entire category of nuclear weapons, and utilize extensive on-site inspections for verification.

Why to pull out from treaty?

Since the treaty came into force, both Russia and the US have alleged each other for violating the treaty.

Russia: In the past, Russia has raised the possibility of withdrawing from the INF Treaty. It contended that the treaty unfairly prevents it from possessing weapons while its neighbors, such as China, are developing and fielding weapons. Proposed U.S. deployment of strategic Anti-ballistic Missile Systems in Europe might trigger a Russian withdrawal from the accord, presumably, to deploy missiles targeting any future U.S. anti-missile sites.

United States: The present context of US pulling out of the INF treaty is based on the allegation that Russia has developed and deployed Novator 9 M 729 missiles, also known as the SSC-8, that could strike Europe at short notice. However, Russia has repeatedly denied the allegations. Further, noncompliance has jeopardized the United States' supreme interests, and the United States can no longer be restricted by the Treaty while Russia openly violates it. If Russia does not return to full and verifiable compliance with the Treaty by eliminating all 9M729 missiles, their launchers, and associated equipment in this six-month period, the Treaty will terminate.

Other motives for USA : Cold War-era treaty did not address new missile threats from countries such as China, Iran and North Korea, therefore, it's redundant. In the recent past, China's growing military might has become the strategic centre point of US nuclear strategy. A withdrawal will allow the U.S. to have new weapon options, which are not bound by the INF treaty, in the Pacific region where China is challenging its dominance.

The existence of the INF Treaty creates hindrance in establishing complete domination and supremacy of U.S. across the world.

Previous Examples: (a) Former President George W. Bush withdrew from the Anti-Ballistic Missile Treaty (ABM), 1972. **(b)** Former President Jimmy Carter withdrew from the Mutual Defense Treaty with Taiwan.

Significance

With increased military and economic influence of China; Russia's reassertion as powerhouse meddling equally in Middle East Crisis; and emergence of regional alliance systems based on close proximity such as Shanghai Cooperation Organisation; United States is no more a lone super-power in the world to reckon with. For USA, to re-impose its dominance and reassert its hegemony over Indo-pacific and Middle East would need its nuclear weapons and arms industry to counter the influence of China, Russia and Iran.

Implications of US pulling out

US may deploy intermediate-range nuclear missiles in Europe to counter Russia and in the retaliation Russia may deploy in its exclave of Kaliningrad. This could once again turn Europe into one of the potential nuclear battlefields.

It will adversely affect embattled U.S.-Russia arms control enterprise. The U.S.-Russia New START treaty, governing strategic offensive nuclear weapons, was concluded on the assumption that

Washington and Moscow would refrain from deploying systems of intermediate range. Any change to the nuclear balance would destabilize the strategic calculations that underpin New START, potentially placing that treaty in jeopardy.

US may deploy ground-based missile system in Asia and the Indo-Pacific region. This could embolden China to speed up its missile installation in the strategic areas of the region including South China Sea.

It would be a bad precedent for the nuclear power countries like North Korea, Pakistan,

Iran and Israel. These countries may accelerate the process of acquiring more nuclear weapons by resorting to an excuse that responsible nuclear powers like US and Russia do not even adhere to their own treaties of non-proliferating of nuclear weapons.

The abrogation of treaty will further accelerate the nuclear armed race. INF abrogation will raise questions regarding the United States' commitment to arms control in general, lending further weight to the sense that the 21st century will be an era of arms racing rather than negotiation.

IMPORTANT ARMS CONTROL TREATIES

Limited Test Ban Treaty (LTBT), 1963

It bans nuclear tests in the atmosphere, outer space and under water. It does not ban tests underground, but does prohibit explosions in the environment if the explosions create debris outside the territory of the responsible state.

Nuclear Non-proliferation Treaty (NPT), 1970

It is the only multilateral treaty with a binding commitment of disarmament by nuclear-weapon states. It seeks to promote cooperation in the field of peaceful nuclear technology and prevent the spread of nuclear weapons and weapons technology. More states have ratified the NPT than any other treaty on arms limitation and disarmament. IAEA verifies compliance with the Treaty.

Strategic Arms Limitation Talks (SALT I), 1972

The United States and the Soviet Union negotiated agreements on limits and restraints of their strategic armaments. Attempts to reach an agreement failed on the ABM systems and more proposals were made. After over two years of negotiation, SALT I ended, but an Interim Agreement for five years was established for certain major aspects of strategic weaponry. SALT II never came into being.

Anti-Ballistic Missile (ABM) Treaty, 1972

It restrict and locate only two ABM deployment areas in such a nature that they cannot become the basis for developing a nationwide ABM defense. Every five years, the United States and the Soviet Union/Russian Federation would hold

meetings in Geneva to review and modify the Treaty arrangements. In 2001, U.S. president George Bush submitted a formal notification of intent to repeal the treaty and in 2002, the United States withdrew from the ABM Treaty.

Biological Weapons Convention (BWC), 1975

It is the first multilateral disarmament treaty that bans the development, production, and stockpiling of this category of weapons of mass destruction.

Missile Technology Control Regime (MTCR), 1987

It is an informal association of governments with common interests in missile, unmanned air vehicle, and related technology of non-proliferation. Its goal is to limit risks of proliferation by controlling transfers to delivery systems capable of weapons of mass destruction. States must follow laws and procedures which include information-sharing. There is no formal mechanism to ensure compliance.

Strategic Arms Reduction Treaty I (START I), 1994

It was the first treaty that required U.S. and Soviet/Russian reductions of strategic nuclear weapons. It was indispensable in creating a framework that ensured predictability and stability for deep reductions. The dissolution of the Soviet Union caused a delayed the treaty, as the classification of states as nuclear or non-nuclear had to be determined, among other things. START II ceased START I.

Chemical Weapons Convention (CWC), 1997

It is the first multilateral framework that seeks to eliminate chemical weapons as a category of weapons of mass destruction. The Preparatory Commission for the Organization for the Prohibition of Chemical Weapons (OPCW) was established in 1997 as the entry-into-force of the CWC in order to lay out standard operating procedures and implement the regime of the CWC. The provisions of the CWC create a transparent regime that can verify the destruction of chemical weapons, prevent the re-emergence in any party, and provide protection against chemical weapons. It also encourages cooperation on the peaceful uses of chemistry.

Comprehensive Test-Ban Treaty (CTBT) (Yet to come into force)

It is composed of three parts: Part I details the International Monitoring System (IMS), Part II focuses on the On-Site Inspections (OSI) component, and Part III is on Confidence-Building Measures (CBMs). The Comprehensive Nuclear Test Ban Treaty Organization (CTBTO) is an international organization with two organs: the Provisional Technical Secretariat (PTS) which coordinates with countries to develop and maintain an international network of monitoring stations and radionuclide laboratories, and the Preparatory Commission which is designed to help achieve the object and purpose of the Treaty.

INDIA-UAE RELATION

Recently Christian Michel, a British National, wanted in Agusta Westland Chopper scam, was extradited to India from Dubai. Deepak Talwar and Rajiv Saxena were also extradited to India from UAE. Rajiv Saxena is a co-accused in AgustaWestland Scam. Deepak Talwar is a lobbyist accused of economic offences in India. UAE offered to provide financial assistance to India during the Kerala floods in August last year.

India-UAE relationship:

UAE is India's third largest foreign trading partner with bilateral trade at around 53 billion USD. India is UAE's largest trading partner. UAE is the second largest export destination of Indian Goods and Services. Indians form the largest Foreign Diaspora in UAE with over 3 million people. It is also largest population of Indian expatriates anywhere in the world. They form the soft power of India and the most important element in bilateral relationship – people to people tie.

UAE is one of the important crude oil suppliers to India and important for India's energy security.

Recent Attainments:

Crown Prince of Abu Dhabi Sheikh Mohamed bin Zayed Al Nahyan was the Chief Guest of 2017 Republic Day of India. India was designated as the Guest of Honour country at Abu Dhabi Music and Art festival 2018. India and UAE signed an MOU for cooperation in Africa.

India UAE had their first bilateral Naval exercise in March 2018 named 'Gulf Star 1', which took place off the coast of Abu Dhabi. India UAE signed a currency swap agreement in December last year which will boost trade and economic relationship between two countries and reduce India's dependence on US Dollar.

Abu Dhabi National Oil Company (ADNOC) has signed agreement to explore storing Crude oil in Indian Strategic Reserve in Padur. ADNOC also filled up 1.5 million tonnes of crude oil in Mangalore strategic reserve, the only foreign and private player so far to have invested in storing in Indian strategic reserve.

Abu Dhabi government allotted land for construction of first Hindu Temple in Abu Dhabi. There are two Hindu temples in UAE, both in Dubai. UAE and India signed an MOU in field of manpower exploring the possibility of linking their respective e-platforms for the benefit and welfare of Indian workers going to UAE.

India and UAE is fast-tracking food corridor. This will entail investment by UAE in Indian agriculture sector benefitting farmers and creating additional jobs in food processing logistics etc. It will also help in food security for UAE. The UAE is one of the biggest overseas markets for Indian cinema apart from the UK and USA.

Why is relation with UAE important to India?

UAE is geographically located at Strait of Hormuz. This is world's most important oil artery and strategically important for India's energy security. Over 3 million Indians live in UAE. This is the biggest Indian Diaspora anywhere in the world. They contribute to Indian economy through large remittances. Safety of Indians is priority of Indian government for which it needs support of UAE government.

UAE has one of the largest Sovereign Fund in the World. UAE wish to invest fund in India particularly in National Infrastructure and Investment fund (NIIF). India needs fund for its infrastructure sector.

India needs UAE to contain Terrorism and Radicalization. UAE is influential nation in Middle East and Muslim World. Of the 24 extraditions from Middle East in last few years, 18 had been from UAE and Saudi Arabia.

With US sanctions on Iran, India needs to import crude oil from other sources to meet its energy need. UAE and Saudi Arabia have offered India with additional crude oil supplies to meet India's growing needs.

UAE has a substantial influence over Pakistan. It deposited 3 billion USD in account of Pakistan's central bank. India can use this influence to bring Pakistan to negotiating table for talks on terrorism and bilateral relations.

Tight Rope for India:

India has robust defence and energy ties with Qatar. Qatar is the largest long term Natural Gas exporter to India. With

diplomatic relationship between Qatar and other countries in Middle East coming to a boil; and the former leaving OPEC recently, India will have to tread a very difficult line. UAE and other Gulf Cooperation Council countries have severed diplomatic ties with Qatar. Given India's expanding economic political and strategic interests, it will have to engage more vigorously in developments of the region.

Deposit from UAE sovereign fund to State Bank of Pakistan shows that former's relation with Pakistan are not based on India's concerns only. While UAE envoy has clearly stated that UAE's relation with India are not dictated based on third country, India needs to make sure that these funds are not used for anti-India activities.

India has strategic relations with Iran which is locked in a kind of existential battle with Saudi Arabia and UAE led Gulf Cooperation Council and USA. A World order where India cannot afford to choose sides, it has to walk on a very tightrope skillfully without a miss.

Recently, UAE hosted Taliban-US talks for political solution in Afghanistan. Though the talks have moved to Qatar, this indicates UAE still holds influence over Taliban. With USA, openly advocating its diminished role in Afghanistan and an eventual withdrawal of force, and Pakistan still trying to call shots, if India wants to protect its interest in Afghanistan, it has to coordinate with friendly countries like UAE.

What lies ahead in India-UAE relation?

With India's growing economic, political and strategic interests, it cannot stay aloof

for long with current geopolitical environment in Middle East, whether it is war in Yemen to strained ties of UAE and others with Qatar and Iran. India will have to engage more vigorously with developments in the region. Any kind of extended crisis in region will not just affect India's energy security but also create insecurity among large Indian Diasporas. This has to be a priority for India's foreign policy makers.

Indian Diasporas has been an important driver of UAE's economy, from labour force to investments. India should use them as soft power for furthering Indian interests.

India UAE relationships are indeed going through golden phase but the former needs to maintain an incremental approach in furthering the interest of both. Short-term and long-term interest should form a proper mix in this approach.

INDIA- SOUDI ARABIA

Mohammed bin Salman's recent visit to India was seen as a watershed moment in boosting defense and security cooperation. Apart from these two broad themes, it appeared that India and Saudi Arabia are trying to move beyond energy relationships. Saudi Arabia has long been an important Indian trade partner. The Kingdom remains a vital source of energy for India, which imports almost a fifth of its crude oil requirement from Saudi Arabia.

Background

For years, the Saudi Arabia-India relationship had always been shadowed by the Kingdom's close ties with Pakistan. That has changed, while Riyadh retains strong ties to Islamabad, there is no longer an "either-or" element, and the Kingdom has demonstrated geopolitical diversification in its relations with South Asia. The rise of jihadist extremism, the gradual decline of American power, and the rise of China have brought about transformational changes in India's engagements with the Gulf region.

India's Prime Minister has demonstrated an increased willingness to cooperate with Saudi Arabia on a variety of security issues such as joint military exercises, intelligence sharing, counterterrorism, anti-money laundering, and terror financing. On the face of it, much of the deliberations have been shrouded over "terror talks": The historic visit of King Abdullah to India in 2006 had laid solid ground for the India-Saudi relationship.

The "Delhi Declaration," signed between the two countries during his visit, stressed that terrorism was a scourge that "the governments would closely and actively cooperate" to fight against. The "Riyadh Declaration" signed in 2010 during then Prime Minister Manmohan Singh's visit to Saudi Arabia emphasized cooperation on information exchange on terrorism. Enhanced security cooperation has added a new dimension in the bilateral ties between New Delhi and Riyadh.

Counterterrorism has emerged as a key area of cooperation between the two countries. One cannot forget the fact that

the Gulf region was used as a safe haven by India's many home-grown extremist and terrorists groups, such as the Student Islamic Movement of India (SIMI) and the Indian Mujahideen (IM). Due to the large migrant population in the Gulf, frequent visits of South Asian Muslims for economic purposes did not arouse much suspicion among the security agencies. But jihadist and terrorist outfits leveraged such opportunities to mobilize funds for terror activities. Saudi Arabian intelligence agencies did not take long to notice this disturbing trend and began acting against these individuals and groups. Another dynamic has been the emergence of the Islamic State, which has spread turmoil and uncertainty in the region. Being a dominant power in the region, Saudi Arabia has been trying to tackle these security challenges.

What is the precise nature of the India-Saudi Arabia relationship?

The kingdom is India's fourth largest trading partner, and India is the fourth largest market for Saudi exports. Bilateral trade is in the region of \$28 billion, most of it crude oil exports to India, which imports around 19% of its oil requirements from Saudi Arabia. The Saudi Arabian oil major **Aramco** and a partner UAE company had decided to invest half in a planned \$ 44 bn in a refinery-cum-petrochemical project in Maharashtra billed as the world's biggest. But that project is on hold for now as the Shiv Sena has objected to its proposed location in Ratnagiri. India has the world's third largest Muslim population (after Indonesia and Pakistan), and there is inevitably a religious-cultural aspect to the

ties with the custodian of Islam's holiest sites. Plus, there are more than 2.7 million Indians working in Saudi.

Is the equation that simple as it seems?

Despite the Saudi connections to al-Qaeda and other terror groups, its relations with the US have remained solid. Shia Iran views the US-Saudi-Israel alliance as an existential threat. India has stronger ties with both Israel and Iran and looks towards USA and Saudi to meet its energy and security related aspects. Iran, like India, does not like the emerging US-Taliban "peace agreement" that could leave the Taliban in the driving seat in Afghanistan by the middle of 2019. The Saudis, who back the talks, fear Iran may undermine it. The only country that has more influence over Pakistan than China is Saudi Arabia, but its own irons in regional fires would prevent it from helping India on this front.

Strengthening of relationships:

A milestone happened in 2017, when direct flights between India and Israel became possible following Saudi Arabia giving consent to allow Air India use of its airspace. Since Riyadh and Tel Aviv have no official diplomatic ties, the over flight permission clearly signals Saudi willingness to treat India as a special friend. Mohammed bin Salman has been promoting a forward-looking and non-obscurantist version of Islam.

He has expressed his views publicly against terrorism and religious fanaticism, asserting that the Saudi-funded spread of Wahhabism was not the Kingdom's

brainchild. It began only due to requests from Western countries to help them counter the Soviet Union's ideological encroachment amongst Muslims countries during the Cold War. **Energy trade** has traditionally been the foundation of the India-Saudi relationship. The increased focus on security and counterterrorism cooperation points to a maturing relationship that has moved away from a mere energy partnership.

Saudi Arabian General Investment Authority (SAGIA) and Invest India:

To utilize the investment opportunities in both countries, especially in the fields of infrastructure, mining, energy including renewables, food security and technology transfer, and to further consolidate cooperation in the areas of skilled human resources in information technology, electronics and telecommunications.

Investments by Indian companies in the Kingdom for domestic and regional market access

Coalition on Disaster Resilient Infrastructure

India-Saudi Arabia Energy consultations:

The two sides agreed to transform the buyer-seller relationship in the energy-sector to strategic partnership focusing on investment and joint ventures in petrochemical complexes. Kingdom's participation in the India's Strategic Petroleum Reserves (SPRs). Saudi side would join the International Solar Alliance led by India and France.

Joint Working Group on Skill Development: two countries can benefit from each other's core competencies in important fields such as manufacturing, information technology, communications, and programming.

To work together with other Indian Ocean Rim Countries for enhancing maritime security, vital for the security and prosperity of both countries and safe passage for international trade.

The two sides are focusing on the need for concerted action by the international community against terrorism including through early adoption of the UN Comprehensive Convention on International Terrorism and underlined the importance of comprehensive sanctioning of terrorists and their organizations by the UN.

Sorting out the issue of "Iqamah" for the Indian Labour who were stranded in Saudi Arabia for no fault of their own, and resolving this humanitarian issue.

Way forward:

As China makes a massive investment in the future of Pakistan with its \$60 billion infrastructure investment drive, the geopolitical chessboard in Asia is shifting.

A new move is being made on that chessboard: The accelerating strategic ties between India and Saudi Arabia.

It's a move driven firstly by commercial considerations, but one that could

contribute significantly to regional stability and prosperity.

There have been reports that the Saudi Arabia is planning to get its own nuclear deterrent.

If that is the case, then Pakistan is the most logical source for technical expertise.

On the Afghanistan negotiations, Qatar has taken the lead for now. But it is unlikely that the Saudis will make an intervention against the Taliban.

The India-Saudi Arabia relationship is important for a variety of reasons but New Delhi should be careful not to make convergence on Pakistan and Afghanistan a litmus test for making further progress.

INDUS WATER POLICY SHIFT

From revoking Most Favored nation tag given to Pakistan to **working every possible way to utilize its full claim under the Indus Waters Treaty**, India is sailing through strained ties with Pakistan.

After the Uri terrorist attack (2016), the Government of India signaled that it is mulling over reviving several stalled projects on Indus branch of rivers (Indus, Jhelum, Chenab, Ravi, Beas and Sutlej). In 2016, the matter had escalated to such an extent that India had temporarily suspended regular meetings of the Indus Commissioners of the two countries.

Indus Waters Treaty

The treaty was signed on September 19, 1960, between India and Pakistan. It was brokered by the World Bank. This treaty fixed and delimited the rights and obligations of both countries concerning the use of the waters of the Indus River system. The Indus River rises in the southwestern Tibet Autonomous Region of China and flows through the Kashmir region and then into Pakistan to drain into the Arabian Sea. It is joined by numerous

tributaries, notably of those are—the Jhelum, Chenab, Ravi, Beas, and Sutlej rivers. The Indus River system has been used for irrigation since time immemorial. During the period of British rule in India, large canal systems were constructed, and old canal systems and inundation channels were revived and modernized.

In 1947 British India was partitioned, resulting in the creation of an independent India and West Pakistan (later called Pakistan). The water system was thus bifurcated. After the expiration of the short-term Standstill Agreement of 1947, on April 1, 1948, India began withholding water from canals that flowed into Pakistan. In 1951 David Lilienthal, former head of both the Tennessee Valley Authority and the U.S. Atomic Energy Commission, visited the region. He suggested that India and Pakistan should work toward an agreement to jointly develop and administer the Indus River system, possibly with advice and financing from the World Bank. After in principle approval by the World Bank, engineers from each country formed a working group, with engineers from the World Bank offering advice.

After six years of intense deliberations, Indian Prime Minister Jawaharlal Nehru and Pakistani President Mohammad Ayub Khan **signed the Indus Waters Treaty in September 1960**. The treaty required the creation of a Permanent Indus Commission, with a commissioner from each country, in order to maintain a channel for communication and to try to resolve questions about implementation of the treaty. In addition, a mechanism for resolving disputes was provided.

What has happened now?

India has decided to exert much greater control over the waters of the Indus basin, while continuing to adhere to the provisions of the 1960 Indus Waters Treaty. Under the stewardship of the Principal Secretary to the Prime Minister, a high level task force has been set up to ensure that India makes full use of the waters it is entitled to under the Treaty.

The Indus Waters Treaty gives India **full control over the waters** (11 cubic km is the annual flow before entering Pakistan) **of the three Eastern rivers, Beas, Ravi and Sutlej**. Pakistan can use whatever flows into its territory. Waters of the three Western rivers of Indus, Jhelum and Chenab (232.5 cubic km is the annual flow before entering Pakistan) flow “unrestricted” to Pakistan. India can use about 62.2 cubic km and 170.3 cubic km is reserved for Pakistan. It is to note that India is allowed to make some use of the waters of the Western rivers as well. It can do for purposes of navigation, power production and irrigation, but this can happen only in

accordance with the provisions of the Treaty.

The two countries have **permanent Indus Water Commissions** that meet regularly to share information and data and also to resolve disputes. So far, most of these disputes were resolved through this bilateral mechanism. The dispute over the Baglihar dam was the first one that Pakistan referred to the World Bank, which had brokered the Indus Waters Treaty.

Change in socio-economic - strategic-conditions

Historically, India has never made full use of its rights available under the treat. On the Western rivers, there was no pressing demand for creation of new infrastructure on the Indus rivers, either for hydroelectricity or irrigation. As a matter of fact, farmers in Jammu and Kashmir moved to horticulture from traditional crops, which further reduced the demand for irrigation. After the devastating floods of 2014, it was argued that storage infrastructure could have been built on these rivers as a flood-control measure.

Why has India not utilized its fair share?

Diplomatic sources who have worked closely on India-Pakistan ties, and experts who deal with water-sharing disputes, indicate that a possible reason for not having done so all these years was **to avoid an explosion of new water wars within the country**. Jammu and Kashmir, Punjab and Haryana have already locked horns over access to and use of water from these

three rivers, internally. It took nearly 40 years and the intervention of the Centre for the governments of Jammu and Kashmir and Punjab to finally sign an agreement on the implementation of the Shahpur Kandi dam project in September 2018.

Pakistan's position:

More than 95% of Pakistan's irrigation infrastructure is in the Indus basin which comprises about 15 million hectares of land. Three of Pakistan's biggest dams, including Mangla, which is one of the largest in the world, is built on the Jhelum river. These dams produce a substantial proportion of Pakistan's electricity. India's decision to change the status quo would hurt the interests of Pakistan. Why - because it had become used to the excess water and had built its infrastructure around it.

Pakistan has raised objections on many Indian projects, including the Ratle project, the Pakal Dul dam, and Sawalkot - India considers them as mere delay tactics forcing cost escalation and making them economically unviable.

What actions have been taken so far by India?

Several projects that were either suspended or had remained on paper for several years were put on fast-track mode and some were even declared national projects.

56 Bursar hydroelectric project (800MW) on the Marusudar River, one of the tributaries of the Chenab, in Kishtwar

district of Jammu and Kashmir: India's first project on the Western rivers to have storage infrastructure.

Shahpur-Kandi project in Gurdaspur district of Punjab: work was stalled for several years because of a dispute between the governments of Punjab and Jammu and Kashmir. In March 2017, the Centre summoned the representatives of the two states, brokered a solution, and directed that work be resumed.

Sawalkot project on the Chenab: 1,856-MW project in Jammu and Kashmir has received go-ahead.

Ujh project (Jammu and Kashmir): Union government has started work on this project as well

Way forward:

Despite hostile India-Pakistan political climate, the treat has survived all odds since its inception. However, the current climate paints a different picture with India determined to not let go of its rightful share. While the media and nationalist throat may condemn the treaty altogether, Indian diplomacy has to rise above and factor in "India's growing stature" and build its image of being a "rightful power". In other words, while Pakistan's duplicity on fighting terror is proof that it doesn't honor its own global obligations, calls to abrogate the Indus Waters Treaty are knee-jerk emotional responses that don't factor in long-term and wide-ranging consequences for India in the world. The treat is here to stay, albeit in a justifiable manner.

INDIA-PACIFIC REGIONAL DIALOGUE

In continuation of the process of **engaging the global strategic community in an annual review of India's opportunities and challenges in the Indo-Pacific region**, the second edition of Indo-Pacific Regional Dialogue (IPRD) - 2019 was held on 05 and 06 March 2019 at the Manekshaw Centre, New Delhi.

The idea of an Indo-Pacific Regional Dialogue (IPRD) was first conceptualized and conducted in 2018, as the apex level conference of the Indian Navy, organized by the National Maritime Foundation as the Navy's Knowledge Partner. Through this annual dialogue, the Indian Navy and the National Maritime Foundation, aim to provide a platform for substantive and insightful discussions pertaining to the geopolitical developments affecting the maritime domain of the Indo-Pacific, and provide policy-relevant inputs to the policy-makers and the public at large. The permanent theme of this annual dialogue is a review of India's opportunities and challenges in the Indo-Pacific region.

Highlights From the dialogue:

India's SAGAR doctrine is an enabler for free, open and inclusive Indo-Pacific.

India's opposition to OBOR because of the China Pakistan Economic Corridor which goes through Pakistan occupied Jammu and Kashmir.

Assistance has been offered for projects with suspect financial viability, limited local

participation, and unequal benefit for the recipients.

Projects have also, arguably, been undertaken solely to support political and strategic designs with almost no benefit to locals. Such projects have been further enabled by the lack of any credible alternatives.

Background:

The 2018 edition of the IPRD sought to highlight the opportunities that lay before India's maritime policy-shapers, policy-makers, and, the practitioners of the country's maritime policies. The aim of Indo-Pacific Regional Dialogue (IPRD) is to focus attention on the Indo-Pacific, as a maritime geographical-entity, while deliberating aspects of great relevance to regional geopolitics.

IPRD - 2019 examine five themes:

1. Practical solutions for achieving cohesion in the region through maritime connectivity
2. Measures to attain and maintain a free-and-open Indo-Pacific
3. A regional approach to the region's transition from a 'Brown' to a 'Blue' economy
4. Opportunities and challenges arising from the maritime impact of 'Industry 4.0'
5. How the twin conceptualizations of 'SAGAR' and 'SAGARMALA' might

best be made mutually-reinforcing on a regional level

Relevance of free-and-open Indo-Pacific

The core tenets of the concept include freedom of navigation, the rule of law, freedom from coercion, respect for sovereignty, private enterprise, and open markets, and the freedom and independence of all nations.

Transition from a 'Brown' (Carbon intensive) to a 'Blue' (carbon neutral and sustainable) economy:

1. As the single largest natural asset on the planet which represents some 99% of the earth's living volume, the ocean delivers numerous benefits to humanity.
2. It helps to slow climate change by absorbing 30 percent of carbon dioxide emissions and 90 percent of the excess heat trapped by greenhouse gases.
3. It serves as the highway for some 90 percent of internationally traded goods, via the shipping sector.
4. Millions of the world's poorest people depend heavily on the ocean and coastal resources for their sustenance and livelihoods.
5. If the ocean were a country, at several trillion dollars per year of economic activity, the ocean would rank 7th on the list of largest nations by GDP.

Blue Economy paradigm is a conceptualization and realization of sustainable human development. It mirrors the long-accepted definition of sustainable development as one that meets the needs of the present without compromising the

ability of future generations to meet their own needs. Simply put, it is the utilization of ocean resources for human benefit in a manner that sustains the overall ocean resource base into perpetuity.

This is in tune with the SDG 12: Responsible Consumption and Production.

Industry 4.0' and the linkage with the Ocean:

New digital technologies will have a deep impact on **four types of development: the first concerns the use of data**, computing power and connectivity, including for instance Big Data, Internet of Things and m2m (machine-to-machine) communication.

The second concerns analysis systems which allow to obtain value that is information, from the data collected.

The third development category concerns the interaction between man and machine, which requires increasingly intuitive interfaces, and augmented reality.

Finally there is this passage from digital to "real" which includes additive manufacturing, 3D printing, robotics, communication and new technologies to collect and use energy better.

Now, it is pertinent to link jobs that will be in demand by 2020 in maritime industry and greatly facilitated by application of Industry 4.0:

1. **Ship Automation Specialist:** Totally Integrated Automation and Totally Integrated Power concepts not only reduce component life-cycle costs and increase levels of system reliability and safety.
2. **Cyber Security Specialist:** The cyber security crisis is more rampant than ever, especially when it comes to maritime. Maersk and Clarksons cyber incidents during 2017 serve as examples. Shipping companies hire persons responsible for designing, testing, implementing and monitoring security measures for their systems in order to prevent potential cyber-attacks.
3. **Energy Efficiency Optimization Specialist**
4. **Demand and supply linkages** using Artificial Intelligence and faster transportation route when **ships "talk to each other"** (fuel and time savings)

SAGAR - Security and Growth for All in the Region:

Vision for the Indian Ocean Region to preserve its organic unity while advancing cooperation. Using capabilities for the collective well-being, and the mutual benefit of maritime neighbors and island states in building their capabilities. India envisages the Indian Ocean as an engine for growth and prosperity in the region and beyond, it is of utmost importance that these waters remain safe and secure.

SAGARMALA

The prime objective of the Sagarmala project is to promote port-led direct and

indirect development and to provide infrastructure to transport goods to and from ports quickly, efficiently and cost-effectively.

Kind of development projects that could be undertaken in Sagarmala initiative are:

1. Port-led industrialization
2. Port based urbanization
3. Port based and coastal tourism and recreational activities
4. Short-sea shipping coastal shipping and Inland Waterways Transportation
5. Ship building, ship repair and ship recycling
6. Logistics parks, warehousing, maritime zones/services
7. Integration with hinterland hubs
8. Offshore storage, drilling platforms
9. Modernizing the existing ports and development of new ports
10. Specialization of ports in certain economic activities such as energy, containers, chemicals, coal, agro products, Offshore Renewable Energy Projects with base ports for installations

This strategy incorporates both aspects of port-led development viz. port-led direct development and port-led indirect development. Given the importance of Industry 4.0, SAGAR, SAGARMALA and Blue economy and the assertive rise of China, the imperatives behind Indo-Pacific Regional Dialogue gains wider attention. The Indo-Pacific Region holds great promise but its future is mired in the shifting plates of global politics and the fault lines of history.

Way forward:

All countries must work to create an environment in the Indo-Pacific where multiple options are available to countries seeking financial assistance so that they are not entrapped by those with unscrupulous designs. In this context, India has aptly

pitched for its clear and explicit SAGAR led SAGARMALA approach. Though the intention is concise, what India has to work on is to ensure effective implementation of the ideology - something on which China has earned a greater credibility (the implementation factor).

FTAF'S BLACKLISTING OF PAKISTAN

India's security agencies had prepared a dossier nailing the **culpability of Pakistan** in the **Pulwama** terror strike. This was presented to the terror financing watchdog, Financial Action Task Force (FATF) to push for Pakistan's inclusion in the **FATF's black list**.

A delegation of the Asia-Pacific Joint Group (APJG), which is a regional association of the FATF, is scheduled to reach Islamabad, and following a review over the next two days, submit its report to the FATF. Pakistan has objected to India as being a Co-Chair of APJG and has asked FATF to appoint any other member country as co-chair "to ensure that the review process is fair, unbiased and objective.

Financial Action Task Force (FATF):

It is an inter-governmental body established in 1989 on the initiative of the G7 to develop policies to combat money laundering.

The objectives are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the

integrity of the international financial system.

It is a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

It monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally.

In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

Its decision making body, the FATF Plenary, meets three times per year.

It was not formed as a formal international organization. Rather, the FATF is a task force composed of member governments who agree to fund the FATF on temporary basis with specific goals and projects.

Analysis

The **FATF's 38 members** (36 member jurisdictions and two regional organizations, the European Commission and Gulf Cooperation Council), two observer jurisdictions (Indonesia and Saudi Arabia), and multiple observer organizations (mainly international banks and law enforcement bodies) attend the Plenary.

India is an FATF member; Pakistan is not.

In 2018, FATF approved the nomination for monitoring of **Pakistan** under its International Cooperation Review Group, commonly known as the '**grey list**'. The move backed by the US and the UK was passed by the body that works to combat money laundering and terrorist financing after China and the Gulf Cooperation Council withdrew their opposition. The action plan was forwarded to the **International Cooperation Review Group (ICRG)** of the Asia Pacific Group (APG).

The ICRG identified four key areas of concerns:

1. Deficiencies in supervision of anti-money laundering and counter-terrorism financing regimes.
2. Illicit cross-border movement of currency by terror groups.
3. Progress in terror financing investigation and prosecution.
4. Implementation of the UN Security Council resolutions 1267 and 1373 for curbing terror financing.

In June 2018, Pakistan submitted a 26-point action plan to the FATF, committing to implement it over the next 15 months. The action plan included a squeeze on the finances of Jamaat-udDawa, Falah-i-Insaniyat, Lashkar-e-Taiba, Jaish-e-Mohammad, Haqqani Network and the Afghan Taliban.

The failure to negotiate the action plan could have led to Pakistan being blacklisted.

In January 2019, the FATF decided to keep Pakistan on the grey list, based on a review that concluded that the country had made "limited progress" in curbing money laundering and terrorism. Pakistan was on the FATF watch list between 2012 and 2015 as well, but only for money laundering. Whether Pakistan remains in the grey list or is placed in the black list will be clear by October 2019.

India's stand at the FATF:

India has been an active member in the FATF and in its various sub-groups after 2013 following New Delhi's effort to introduce changes to the AML/CFT (combat money laundering and terrorist financing) systems and laws. India has been lobbying hard for the strict monitoring of Pakistan, and highlighting the funding of terrorist activities by that country. India has in the past provided evidence of the involvement of Pakistani officials in peddling fake currency, and planning attacks on Indian assets on foreign soil.

What happens if Pakistan gets blacklisted

The FATF black list means the country concerned is "non-cooperative" in the global fight against money laundering and terrorist financing. Currently, the list is populated by North Korea and Iran. If Pakistan lands on the list, FATF members could decide to restrict, target or even prohibit financial transactions with it. This spells serious consequences for Pakistan's financial sector and its economy. It may not only negatively impact foreign investor sentiment but also lead to a downgrading of the country by multilateral lenders like the International Monetary Fund (IMF), World Bank, ADB, EU and also a revision in risk rating by Moody's, S&P and Fitch. Pakistan's

all-weather allies China and Saudi Arabia have also refused to protect Pakistan at the FATF. The blacklisting will prevent institutions like IMF from financially supporting Pakistan, which is anticipating a financial crisis.

This could become a difficult circumstance for Pakistan given that Pakistan is likely to secure an IMF bailout soon to stave off a balance of payment crisis and help shore up its economy - the country's foreign currency reserves have reportedly dwindled to around \$8 billion, just enough to cover about two months of imports. Landing on the FATF black list might jeopardize such plans.

UNSC SANCTIONED MASOOD AZHAR

With Pakistan-based Jaish-e-Mohammad having claimed responsibility for the Pulwama terrorist attack, the focus is back on Jaish chief Maulana Masood Azhar. India considers China-Pakistan move of not doing enough against the terror outfit as brazen claim. India has failed multiple times to list him as a "global terrorist" at the United Nations Security Council.

The proposal to designate Pakistan-based Azhar as a global terrorist by the UN Security Council under the 1267 Al Qaeda Sanctions Committee of the UN Security Council was moved by France, UK and the US. China has blocked the move by India and other member nations three times in the past to designate Azhar as global terrorist. China has been insisting that the solution should be acceptable to all.

The JeM, headed by the 50-year-old Azhar, carried out many terror strikes in India and was also involved in the attack on Parliament, the Pathankot air force base, army camps in Jammu and Uri. Azhar was released by the A B Vajpayee government in December 1999, along with Mushtaq Ahmed Zargar and Omar Sheikh, in exchange for the release of the passengers of the hijacked Indian Airlines flight IC-814.

Resolutions 1267 and 1373: The UNSC resolution 1267 was adopted unanimously on October 15, 1999. It is a consolidated list of people and entities it has determined as being associated with Al Qaeda or the Taliban, and laws which must be passed within each member nation to implement the sanctions.

Masood Azhar has been linked to Osama bin Laden and, hence, can be sanctioned under 1267 sanctions committee.

Security Council resolution 1373 (2001) requires Member States to “ensure that any person who participates in the financing, planning, preparation or perpetration of terrorist acts or in supporting terrorist acts is brought to justice”.

In order to comply with this requirement, it is essential that States establish fully functioning and professional law enforcement capacities. Because of the transnational nature of terrorism, these capacities must also be reflected at the regional and international levels.

Why the issue is important:

After India blamed Jaish for the attack on the Indian Air Force base in Pathankot on January 2, 2016, India put forward a proposal in February 2016 to designate Azhar as a terrorist under the aegis of the UNSC 1267 committee.

China intervened at Pakistan’s behest and placed a technical hold on India’s move in March 2016, and again in October 2016. It subsequently used its veto power to block the proposal in December 2016, a day before the technical hold ended.

Analysis

India has always raised the issue of listing of Azhar as a logical conclusion since JeM has already been designated as a terror outfit. Despite its “disappointment” over China’s decision to place a hold on the terror listing of Jaish-e-Mohammad chief

Masood Azhar at the United Nations, India has indicated that it would continue its efforts to convince Beijing, rather than adopt a collision course with it. France decided to freeze all assets of Pakistan based terror outfit Jaish-e-Mohammed, JeM chief Masood Azhar, in the application of the country’s Monetary and Financial Code.

China’s real intentions behind its ‘technical hold’ on Masood Azhar:

Masood Azhar-led Jaish-e-Mohammed (JeM) is one of the many terror groups Beijing considers as important cogs for security and stability in its restive Xinjiang province.

Masood Azhar is Beijing’s go-to man to ensure security of its geostrategic investments under the China-Pakistan Economic Corridor (CPEC), China’s flagship project under the Belt and Road Initiative (BRI) in the Af-Pak region.

China’s romance with terrorists in the Afghanistan-Pak region has a historical legacy based on its vested economic, security and geostrategic interests.

China’s Uyghur Muslim-dominated Xinjiang province came under religious and cultural influence of Pakistan as it was opened up post the reform period of 1978.

A brief history of this stated legacy:

Pakistani mullahs started teaching the fundamentals of Islam and their distorted interpretation of jihad to inflame the Uyghurs in the wake of the Afghanistan situation. Such misplaced religious

awakening created centrifugal tendencies among Uyghurs who started anti-China agitations in Xinjiang in 1980, 1981, 1985 and 1987. The situation changed after the collapse of the Soviet Union as the Afghan mujahedeen gained power in their country.

The tipping point for the Chinese was **the Baren incident**, where Uyghurs started mass protest in April 1990 to wage jihad against the Chinese and establish the East Turkestan state. Post USSR's disintegration, fears that foreign powers will use the Taliban and Pakistan-based terrorists against China grew in Beijing.

Beijing's response was two sided:

It resorted to a state response that was nothing short of an ethnic cleansing. Even today, over one million Uyghurs are reportedly imprisoned in re-education camps (concentration camps) across Xinjiang. China's devised a narrow approach and self-driven diplomacy when its senior diplomat had a meeting with the Taliban leader. Mullah Omar promised that Taliban will not allow Uyghurs to launch attacks on China in Xinjiang.

After the **Gulja incident of 1997**, Xinxiang has neither witnessed any major terrorist attack, nor have automatic weapons been used by the Uyghurs in the restive region.

Economic and geo-strategic interests behind the "Veto":

Located in northwest China, Xinjiang is the starting point of China's much-hyped BRI projects, especially the controversial CPEC. The motives behind CPEC are clearly to

serve China's own geostrategic and economic interests than helping Pakistan's ailing economy.

CPEC's infrastructure projects connect Kashgar in Xinjiang to Baluchistan's Gwadar port, giving China ready access to West Asia and Africa for its energy imports. CPEC greatly reduces China's dependency on the traditional route through the narrow Strait of Malacca, which, if cut, can choke Beijing economically.

To reiterate, China recognized Azhar's influence over radicalized elements and used him to safeguard its own strategic and economic interests in the region.

China is not happy with India's warm relationship with the Afghan government. Azhar's influence is therefore covertly used by both Pakistan and China to strengthen the Taliban, who are averse to Indian interests in Afghanistan as well as in Kashmir.

India's relationship with the US after 2001 and the signing of Logistic Exchange Memorandum of Agreement (LEMOA) are the other factors that have provoked China to appease Masood Azhar and also to court the Taliban.

Chinese Perspective: when India criticizes the world of double standards on terrorism, it has itself long supported separatist groups in Pakistan's Baluchistan province who launch terror attack in the country.

What is likely to happen?

Post the Pulwama carnage, there is a feeling in some sections that increased pressure

from the Indian government may force China to rethink its stand on Masood Azhar. However, considering Beijing's "narrow approach", such a move at this juncture will

only make China and the Chinese people living in Pakistan more vulnerable to terrorism. China's U-turn on Masood Azhar, therefore, seems unlikely.

US-ISRAEL RELATION

The United States of America came under sharp criticism from 14 other United Nations Security Council nations for its decision to recognize Israel's sovereignty over the Golan Heights in violation of international law.

President Donald Trump signed a proclamation which recognized Israel's annexation of the strategic plateau. Three Security Council resolutions call on Israel to withdraw from the Golan Heights, which it seized from Syria in the 1967 Six-Day War and annexed - a move not recognized internationally.

This US move appears to be normalizing "occupation", without attempting to leverage its authority and striving for collective consensus based peace solutions.

Background

Israel captured Golan, a strategically important plateau beside the Sea of Galilee, from Syria in the 1967 war.

Among the territories it captured in the war, Israel has returned only the **Sinai Peninsula**, to Egypt. Unlike Egypt in the 1970s, Syria had neither the military ability nor the international clout to launch a campaign to get its territory back.

The Syrian government, after fighting eight years of a civil war, is debilitated and isolated, and the U.S. move is unlikely to

trigger any strong response, even from the Arab world.

Repercussion of the proclamation:

1. Trump's proclamation that the Golan Heights was part of Israel, raises questions about the future of a UN peacekeeping force after its mandate expires on June 30, 2019.
2. The 1,000-strong UN Disengagement Observer Force (UNDOF) was dispatched to a buffer zone between Israel and Syria in the Golan in 1974, tasked with monitoring a ceasefire.

What are the geo-political considerations behind this move?

1. After **Syria** disintegrated during its civil war and its reemergence in the last year, the importance of the Golan Heights has become even more important because of the deep **involvement of Iran and Hezbollah**.
2. Secondly, in the American declaration, there is a **form of compensation** for the crack created in the inter-regional equation of the area, in consequence to the US declaration of its intention to end its military presence on the Syrian front.
3. Russia, who took "ownership" in the area, has low interest to keep Israel's national security interests.

4. USA's declaration on the Golan Heights signals to the Russians to not push Israel into corner.
5. Israel will be required to conduct a complicated legitimization battle, while increasing its effort to prevent an Iranian establishment on the other side of the Golan Heights.

What has been the response of UNSC and other UN members?

Speaker after speaker at the council session supported Syria's sovereignty over the Golan Heights and opposed Israel's annexation after Trump's proclamation.

South Africa: This unilateral action does nothing to assist in finding a long-term peaceful solution to the conflict in the Middle East. Syria's closest ally, **Russia**, urged governments to continue to view the Golan Heights as Israeli-occupied territory. **France** warned any attempt to turn from international law was "doomed to fail". **China** recalled that UN resolutions had declared the Golan as a territory occupied by Israel.

Is the recent move a categorical flip or a well calculated action?

It may sound ironic that a President who promised to facilitate a deal between Israelis and Palestinians has turned out to be the most pro-Israel President in U.S. history.

66 Trump has already recognized Jerusalem as Israel's capital, a city which was captured in parts in the 1948 and 1967 wars and which is claimed by both Israelis and Palestinians.

Of late, US State Department report had dropped the word 'occupied' in references to Golan Heights and the Palestinian territories of Gaza and the West Bank, hinting at where the US administration stood on the issue.

Creation of Israel

1. USA supported the Balfour Declaration of 1917, which favored the establishment of a Jewish national home in Palestine.
2. President Franklin D. Roosevelt assured the Arabs in 1945 that the United States would not intervene without consulting both the Jews and the Arabs in that region.
3. The British, who held a colonial mandate for Palestine until May 1948, opposed both the creation of a Jewish state and an Arab state in Palestine as well as unlimited immigration of Jewish refugees to the region.
4. On November 29, 1947 the United Nations adopted Resolution 181 (**also known as the Partition Resolution**) that would divide Great Britain's former Palestinian mandate into Jewish and Arab states in May 1948 when the British mandate was scheduled to end.
5. Although the United States backed Resolution 181, the U.S. Department of State recommended the creation of a United Nations trusteeship.
6. This Trusteeship was mandated to place limit on Jewish immigration and create a division of Palestine into separate Jewish and Arab provinces but not states.

7. On May 14, 1948, David Ben-Gurion, the head of the Jewish Agency, proclaimed the establishment of the State of Israel.
8. U.S. President Harry S. Truman recognized the new nation on the same day.

Six-Day War (1967)

1. The Six-Day War between Israel and its Arab neighbors was not about one particular concern or dispute. The war occurred, rather, after a series of events escalated tensions.
2. The Six-Day War ended with Israel capturing the Sinai Peninsula, the Golan Heights, the Gaza Strip, and the West Bank, including East Jerusalem.
3. Of these, only the Sinai Peninsula was returned, per the Israel-Egypt Camp David Accords peace treaty, while the Golan Heights and East Jerusalem were formally annexed by Israel.
4. Meanwhile, the Gaza Strip and the West Bank were placed under Israeli military occupation, while the Palestinians

sought to establish an independent Palestinian state in those territories.

5. The Six-Day War also marked the start of a new phase in the conflict between Israel and the Palestinians, since the conflict created hundreds of thousands of refugees and brought more than one million Palestinians in the occupied territories under Israeli rule.

Camp David Accords (Egyptian-Israeli History)

It was signed on September 17, 1978 between Israel and Egypt that led to a peace treaty, the first such treaty between Israel and any of its Arab neighbors. It was brokered by U.S. President Jimmy Carter between Israeli Prime Minister Menachem Begin and Egyptian President Anwar el-Sadat. Whatever be the paradigm, US President's decision flouts international norms and consensus in the similar fashion as of China's (UNCLOS and maritime islands/South China Sea 9 dash line claims), and sets a dangerous precedent for nations involved in conflicts.

BBIN PROJECT

Bhutan government is to again place bill for ratification of BBIN initiative at its upper senate after the failed previous attempt. Bangladesh, India and Nepal have implemented the agreement but Bhutan is yet to accord its ratification of the agreement.

67

Bangladesh, Bhutan, India and Nepal (BBIN) Motor Vehicle Project

One of the major policy initiatives among national governments in Asia in recent years is directed towards developing sub-regional, regional and trans-regional corridors with the aim to further connect and integrate their economies. One such initiative is proposed Bangladesh, Bhutan, India and Nepal (BBIN) Motor Vehicle Project. Signed in 2015, it seeks to facilitate seamless trade and travel by improving rail and road connectivity in the region. It is the

first sub-regional pact in South Asia with MVA as an umbrella agreement prepared along the European Union pattern. The South Asia Growth Quadrangle (SAGQ) is a precursor to the BBIN initiative. It is currently pursued as a diplomatic priority from the Indian side in an effort to showcase that Pakistan's intransigence has been the main roadblock to regional integration in South Asia.

The Asian Development Bank has been providing technical, advisory, and financial support to the BBIN MVA initiative as part of its assistance to the South Asia sub-regional economic cooperation (SASEC) programme, a projects-based economic cooperation initiative that brings together the BBIN countries, Maldives, Sri Lanka and more recently, Myanmar. Over five years, 30 road projects were to be implemented at a cost of \$8 billion – to fill in, and upgrade, connectivity gaps. Several trial runs of the BBIN Motor Vehicle Agreement are underway. One of the recent ones being Bangladesh-Nepal bus service through India.

Background

Formation: The BBIN project was conceived when SAARC at its 18th Summit in Kathmandu failed to sign a SAARC Motor Vehicles Agreement in November 2014—chiefly because of Pakistan. As an alternative, after the summit India re-packaged the agreement as BBIN forum together with other three countries of South Asia. It has kept the doors open for those outside to join when they felt comfortable to do so.

BBIN still is not projected as a breakaway group but a cohesive group, given the growing trade, economic and infrastructure connectivity that exist between these countries.

Need for the initiative from point of view of

Region:

1. South Asia, with its 1.8 billion population, is only capable of conducting around 5% intraregional trade as connectivity remains a constant barrier.
2. In addition to enhancing trade, connectivity can significantly improve people-to-people interaction leading to better understanding, greater tolerance and closer diplomatic relations in the region.
3. It is likely to yield maximum dividends for the two Himalayan land-locked countries of Nepal and Bhutan.
4. In strategic calculation, BBIN will promote regional and sub-regional cooperation which is essential to counter the compelling strategic challenge posed by China's muscular geo-economic and geo-political interventions in Asia, particularly in India's neighbourhood.

India:

1. Its operationalisation will showcase a regional success story of India's 'neighbourhood first' and 'Act East' policy.
2. It also has a deeper strategic dimension, as it provides options for shorter trade routes between the eastern and the

north-eastern parts of India. While granting transit to India has been controversial in Bangladesh in the bilateral context, Dhaka and New Delhi have managed to develop it under the cover of the BBIN framework.

Bhutan's apprehensions with the initiative

Bhutan, for decades, has pursued a policy of calibrated opening up to the world. But the pace of integration with the outside world has accelerated in the 21st century. Over the last 15 years, vehicle ownership in Bhutan has increased by 233%. At 91, it has the highest per capita vehicle ownership among SAARC countries. The road network has expanded exponentially – from just 1,500 kilometres to about 12,000 kilometres in 40 years. Upon ratification, due to the “principle of reciprocity” in the agreement, Bhutan will not be in a position to restrict vehicular movement from other countries. Currently, trucks from India are allowed to carry goods until Phuentsholing within a range of five kilometres. The goods are then lifted by local trucks and transported to the rest of the country. With traffic congestion becoming common occurrence in Bhutan, it fears that unrestricted vehicular movement through the country will bring forward concerns related to growth out-pacing infrastructure, and causing serious damage to Bhutan's green cover. Transporters and truck and taxi operators in Bhutan have been vociferous opponents of the BBIN MVA, worried about the impact on their business if there was an influx of motor vehicles from other countries.

Challenges

Within BBIN agreement

1. The MVA is a basic agreement with 16 articles, focusing only on the transport of cargo and passengers. However, such provisions are already present under the bilateral agreement with renewable permits. Further, the MVA also does not address regulatory bottlenecks.
2. India already has bilateral trade and transit treaties with all the three countries. Many of these bilateral treaties are yet to be implemented successfully. It is still not clear whether BBIN-MVA supersedes these bilateral agreements or reinforces them.

With implementation

1. **Infrastructure:** Sub-region is marred by dilapidated infrastructure. Many border crossing points do not have integrated check posts. Poor road conditions, the introduction of double-locking system on Nepalese trucks passing through Indian territory, technical issues related to customs and tariffs, etc., are likely to pose major challenges in this regard. If the border infrastructure does not improve, the corridor won't work as evident from cases from South Africa and Mozambique which had identified several trade corridors, but they remain non-functional.
2. **Convincing Bhutan:** In the past, the BBIN motor vehicles agreement (MVA) had a contentious passage through the national assembly. Now, the spotlight has moved to the national council. The

council, comprising of 25 'independent' members with no party affiliations, has never been a mere rubber stamp.

3. **Security threats:** Seamless transit increases chances of militants sneaking into India through rest of the nations. There is also concerns of undocumented migrations and related transnational crimes.

Way forward

As John F. Kennedy said, "Geography has made us neighbours. History has made us friends. Economics has made us partners, and necessity has made us allies." While working on the BBIN initiative, these words are relevant.

In the past, when Bhutan failed to ratify the agreement due to opposition from its parliament, instead of halting progress, the country asked other stakeholders to move ahead and expressed hope of joining the initiative if and once it gets clearance from the parliament. Bhutan's positive go-ahead not only demonstrated that it is possible to implement pragmatic plans even when all members are not able to participate at the same time.

BBIN agreement is gaining momentum again. On one hand, India-Bangladesh-Nepal will soon complete the internal approval processes for signing of the

passenger protocol, with more trial runs for cargo vehicles planned in the future, and on the other hand, there is increased political will in Bhutan to get parliamentary approval on BBIN. To sustain the momentum, Bhutan needs to be pursued using all diplomatic capital of member states. There are evidences from Luxembourg and Switzerland, the smaller countries in Europe that have gained greatly from regional economic integration. The same is true in East and South-East Asia.

This persuasion further needs to be supplemented through building and upgrading roads, railways and waterways infrastructure energy Grids, communications and air links to ensure smooth cross border flow of goods, services, capital, technology and people.

Looking at the bigger picture, currently, both China and India are pursuing regional initiatives on their own aimed to benefit all involved states. But these initiatives are competing rather than complimentary. If the BRI, BIMSTEC and BBIN were developed through coordination and consultation, led by the two Asian giants, the projects under the schemes could have been implemented more efficiently and faster. This would not only would be a win-win for the two giants but also enormously benefit smaller countries.

US ENDS WAIVER OF IRANIAN OIL

Trump administration has decided no longer renew exemptions for importing Iranian oil and has threatened sanctions on nations importing it after May 2, 2019. Six months of waivers, known as Significant Reduction Exceptions (SRE), was granted to Iran's eight biggest buyers (including China and India) of crude to continue to import limited volumes after the US pulled out of its n-deal with Iran in 2018. Among these eight buyers, Greece, Italy and Taiwan have stopped importing Iranian oil, while others, except China, are seeking waivers to be extended. China remains defiant.

Since beginning, Trump administration has maintained a hawkish policy towards Iran, designed to bring an end to Iran's destabilizing actions in the region, including its support for Hezbollah in Lebanon and Houthi rebels in Yemen. Targeting core areas of Iranian economy, in November 2018, after abandoning 2015 nuclear deal, Mr Trump re-imposed sanctions on Iran's energy, ship building, shipping, and banking sectors. It was done to compel Iran to negotiate a "new deal" that would cover not only its nuclear activities, but also its ballistic missile programme. Recently, Iran's Islamic Revolutionary Guards Corps (Presidential Guards) was designated as a foreign terrorist organization by the US administration.

The current decision is intended to bring Iran's oil exports to zero, denying the government its main source of revenue. Iran maintains that the sanctions are illegal and attaches "no value or credibility" to the waivers.

The sanctions have led to a sharp downturn in Iran's economy, pushing the value of its currency to record lows, quadrupling its annual inflation rate, driving away foreign investors, and triggering protests. The complete ban on Iranian exports raises the prospect of retaliatory measures by Iran, including blocking of oil tanker movements through the Strait of Hormuz, which has the potential to flare up oil prices.

Iranian oil exports are currently estimated to be below 1 million barrels per day (bpd), compared to more than 2.5 million bpd before the US abandoned the nuclear deal. The decision is expected to impact India's energy and economic security interests. On the up side, Trump administration has assured continuance of the exemption for development of the Chabahar port project.

Background

Joint Comprehensive Plan of Action: In 2015, Iran agreed a long-term deal on its nuclear programme with the P5+1 group of world powers - the US, UK, France, China, Russia and Germany. It came after years of tension over Iran's alleged efforts to develop a nuclear weapon. Iran insisted that its nuclear programme was entirely peaceful, but the international community did not believe that. Under the accord, Iran agreed to limit its sensitive nuclear activities and allow in international inspectors in return for the lifting of crippling economic sanctions.

Iran-US Conflict: It dates back to 1953 overthrow of the Iranian government by

the US. 1979-80 Hostage crisis during the Islamic Revolution that ousted Shah of Iran from power and established a clerical regime in Iran four decades ago, remains the defining moment of their relationship. Following which, Iran's nuclear program have cast a long shadow over any efforts at direct talks. Thus, their relations have been sporadic and marred by mutual distrust and debacles.

Why it matters to India?

Dependence on Iran: India is the third largest importer of oil globally, importing around 70-80% of its oil requirement. In 2014-15, India used to import a majority (18.4%) of its total crude oil requirement from Saudi Arab with Iran at a distance 7th position contributing only 6% of India's crude basket. However, Iran is now the third largest contributor to India's energy security, contributing 11.3% of the country's crude oil demand.

Special deals from Iran: Higher discounts, longer credit periods and better insurance and shipping deals by Iran has endeared it as India's reliable oil suppliers. The substitute crude suppliers — Saudi Arabia, Kuwait, Iraq, Nigeria and the US — do not offer the attractive options.

Sanction on Venezuela: The US has also asked India to reduce oil imports from Venezuela. The US targeting "illegitimate" regime of President Nicolas Maduro, accusing it of violence and obstructing international humanitarian assistance to the citizens of the country undergoing a socio-economic crisis. In 2014-15, Venezuela was the third largest supplier

(12.1%) of crude oil to India. But by January 2019, it has dropped to fifth position (7.6%) mostly due to pressure from the US.

Status of international oil prices: International oil prices have already climbed \$20 a barrel in 2019 following an agreement between the Organization of the Petroleum Exporting Countries (OPEC) cartel and its allies, including Russia, to cut their output by 1.2 million bpd. The surging prices of oil has always been an Achilles heel for the Indian economy.

Impact of high oil prices on India

1. **Current account deficit:** Higher crude oil prices will widen the trade deficit and current account deficit for India. Every dollar increase in the price of oil raises India's annual import bill by over Rs 10,500 crore. Thus, any spike in global crude prices in the absence of the Iranian cushion will have a bigger impact on India's deficit numbers.
2. **Rupee:** The currency could be impacted if the trade and current account deficits were to widen. An increase in the import bill will put pressure on the rupee.
3. **Inflation:** There will be a significant impact on inflation based on how crude oil prices move and the extent to which the government allows the pass-through to the consumer.
4. **Fiscal impact:** There could be a two pronged impact on government finances — both on the revenue side and on the expenditure side. On the revenue side, higher oil prices mean more revenue for the states as tax is ad valorem; for the

Centre, though, it may not materially impact the fiscal math as the duty rates are fixed. In FY18, the government earned Rs 5.53 lakh crore, of which Rs 2.85 lakh crore was direct revenue as tax from oil products. In the case of states, it was Rs 2.08 lakh crore. Other incomes streams included tax payment by OMCs, dividend and profits. The expenditure impact would primarily be on account of fuel subsidy outlays.

India's past response

As part of the diversification after re-imposition of sanction in November 2018, and to reduce tension with the Trump administration, which highlighting the trade surplus that India enjoys has been accusing India of unfair trade practices, India imported crude from the US for the first time in 2017-18. India now imports 2.75% of its oil imports from the US. But the effort did not stopped Trump administration from withdrawing zero duty benefits worth \$5.6 billion to Indian exporters or ending the waiver from Iran sanctions.

Way forward for India

The challenge for India this time is to secure an alternative supplier at competitive terms in an already tightening global situation.

The projected drop in Iranian exports could further squeeze supply in a tight market — given the US has also sanctioned Venezuela, and the OPEC and allied producers including Russia have voluntarily cut output, which has pushed up oil prices more than 35% in 2019.

India claimsto be sufficiently prepared to deal with the impact of the US decision and a robust plan has been put in place for adequate supply of crude to refineries. Indian refiners are increasing their planned purchases from the Organisation of the Petroleum Exporting Countries (OPEC), Mexico, and even the US to make up for the loss of Iranian oil. India can further push Washington which has given its word to help India replace oil imports from Iran.

India can also leverage its improved relations with Saudi Arabia and the UAE to negotiate long-term alternatives to energy dependence on Iran.

This is not the first time that the conflict between Washington and Tehran is testing Indian foreign policy. India had managed to navigate the frequent crises around Iran with innovative diplomacy and much luck. India's ties with Iran are significant and historic, and New Delhi will have to work hard to maintain some links like in the past.

GENERALIZED SYSTEM OF PREFERENCES (GSP)

A group of 25 influential American lawmakers has urged the US Trade Representative (USTR) not to terminate the GSP programme with India after the expiry

of the 60-day notice. They urged to continue negotiating the deal as it protects and promotes jobs that rely on trade both imports and exports with India. Further, it

has been said that, American companies that rely on duty-free treatment for India under the GSP will pay hundreds of millions of dollars annually in new taxes. In the past, even temporary lapses in such benefits have caused companies to lay off workers, cut salaries and benefits, and delay or cancel job-creating investments in the United States.

Background:

The US last year announced that it will review the eligibility criteria of India currently benefited under the GSP.

US President Trump in a letter to Congress had said that India's termination from GSP follows its failure to provide the United States with assurances that it will provide equitable and reasonable access to its markets in numerous sectors. Hence on March 4, President Donald Trump announced that the US intends to terminate India's designations as a beneficiary developing country under the GSP programme. The USTR through a simple notification in federal register can formally terminate GSP benefits to India.

What is Generalized System of Preference (GSP)?

1. It is the largest and oldest United States trade preference program to provide opportunities for many of the world's poorest countries to use trade to grow their economies and climb out of poverty.
2. It is designed to promote economic development by allowing duty-free entry for thousands of products from

120 designated beneficiary countries and territories.

3. It was established by the Trade Act of 1974.
4. Besides India, some other beneficiaries are- China, Brazil, Indonesia, South Africa, Pakistan, Nepal, Sri Lanka and Afghanistan.

Why was it introduced?

1. It promotes economic growth and development in the developing world.
2. It promotes sustainable development in beneficiary countries by helping these countries to increase and diversify their trade with the United States. The program provides additional benefits for products from least developed countries.
3. The U.S. also benefits from this programme as it moves GSP imports from the docks to U.S. consumers, farmers, and manufacturers. It supports tens of thousands of jobs in the U.S.
4. The other benefit is that GSP boosts American competitiveness by reducing the costs of imported inputs used by U.S. companies to manufacture goods in the United States.
5. The GSP is important to U.S. small businesses, many of which rely on the programmes' duty savings to stay competitive.
6. The program also supports progress by beneficiary countries in affording worker rights to their people, in enforcing intellectual property rights, and in supporting the rule of law.

Why is USA removing India from its list of GSP beneficiaries?

1. The U.S. conducts periodic reviews of the programme. The review for India, taken up last year, focussed on whether it is meeting the eligibility criterion that requires a GSP beneficiary country to assure the U.S. that it will provide equitable and reasonable access to its market.
2. The Trade Representative accepted two petitions asserting that India did not meet the criterion: one from the National Milk Producers Federation and the U.S. Dairy Export Council, and the other from the Advanced Medical Technology Association.
3. India wants dairy products, which could form part of religious worship, certified that they were only derived from animals that have not been fed food containing internal organs. Other exporters such as EU nations and New Zealand certify their products, but the U.S. has so far not done so.
4. Second, India has recently placed a cap on the prices of medical devices, like stents, that impacts U.S. exports of such devices.
5. Hence, as India is not providing equal access of its market to some US products, it is considering to remove India from its list of GSP beneficiaries.

What will be the impact of this termination of GSP on India?

1. Some of the Indian export industries may not feel the pinch of the GSP removal for India by the U.S because the loss for the industry amounts to about 190millionoftotal190millionoftotal al5.6 billion exports falling under the

GSP category which is a small percentage.

2. But specific sectors, such as gem and jewellery, leather and processed foods will lose the benefits of the programme.
3. Producers from sectors may be able to bear 2-3% of the loss from the change, but not more. The loss, in export in these sectors like some kinds of rice, may even exceed 10%. Hence, it will impact their business.
4. The landed price of goods from India will now be higher than it was when GSP was in force. Hence, consumers of those products in the U.S. would gravitate to exporters that enjoy the GSP benefits and hence are able to offer lower prices. The customers of Indian product will get diverted to other nation and it is difficult to get back a customer that a competitor takes away.
5. The most potential competitor is China. Several specific products, such as bulk industrial bags, footwear, and plastics are likely to become less competitive against Chinese products without the GSP benefits. For instance, India and China are the two major suppliers of these FIBC bags to the USA, commanding an almost equal share of the market. Without GSP benefits, exported industrial bags will become less competitive vis-à-vis China, allowing the Chinese to increase their market share.

Way forward:

The basic philosophy behind GSP was to provide duty free imports to US from developing countries. India is still a

developing country, hence, USTR should continue to include India in this programme which is in line with its founding principle.

US should certify its dairy products. This is not something which is new neither it is something which is difficult to do. Some European countries and New Zealand are already certifying their dairy products. This certification will not cause any loss to the exporters of US, it will only increase their business and profits.

The issue of cap on costlier medical devices is reasonable seeing the poverty in India. However, India can allow costlier imports as the rich in India can afford it. Though this step will not benefit the larger chunk of population constituted by the middle and lower class.

Lastly, if India is removed from the GSP programme, the government should offer fiscal help to the affected sectors. This will save lay-offs and salary cuts for Indian employees.

VENEZUELA CRISIS AND INDIA

In an effort to weaken President Nicolas Maduro's government in Venezuela, the US has implemented sanctions against Petroleos de Venezuela (Venezuelan state oil company), and has been piling diplomatic pressure on nations to cut imports from the firm, deadline for which ended on May 10, 2019. India's efforts in cutting down its Venezuelan oil imports has been recently appreciated by the US.

Situation in Venezuela

Venezuela was once among Latin America's most prosperous nations, holding the world's largest proven oil reserves, but a recent fall in oil prices accompanied by corruption and mismanagement under two decades of socialist rule have left the economy in a historic economic and political crisis. Since the beginning of 2019, battle for legitimate President of the nation is underway.

as Venezuela's head of state, but President Nicolas Maduro retains the backing of Russia and China as well as control of state institutions including the military and judiciary. Rampant inflation, along with food scarcity and blackouts have gripped Venezuela under Maduro, while thousands of localities fled to the neighbouring countries as shortages, political turmoil, and crime rates have soared. Rejecting offers of assistance, Maduro government is spending its resources on Chinese-made military-grade crowd-control systems to thwart public protests.

Currently, it has installed an unconstitutional constituent assembly with full powers, deregistered the three main opposition parties, sacked elected mayors and deputies, and stolen three elections. Despite massive international diplomatic support, organized political opposition is weak. The US has slapped sweeping sanctions on PDVSA, Venezuelan gold, Venezuelan central bank with a view to put

76

The US and most Western countries have recognized opposition leader Juan Guaido

pressure on socialist President Maduro to step down.

Magnitude of the politico-economic crisis

1. **Wage rate:** The minimum wage, which is earned by the median worker, buys less than 900 calories a day—not enough to feed a person, let alone a family.
2. **Food scarcity:** A cup of coffee cost more than 2 million bolivars. The Catholic charity Caritas Venezuela projects that 280,000 children will die of hunger this year.
3. **Inflation:** The country is facing a major economic crisis, with projections that inflation could soar to a mind-boggling 10 million per cent this year sovereign bolivar," the new currency printed with five fewer zeroes in a bid to tame soaring inflation.
4. **Oil production:** Oil is the blood of Venezuela's crippled economy, accounting for 96% of exports. Venezuela produces around 1.57 million barrels of oil per day, half of what it produced two decades back.
5. **Excessive migration:** As a result, Venezuelans have been leaving for neighbouring countries like Colombia and Brazil on foot, creating a refugee crisis of Syrian proportions, the biggest ever in the Americas. The UN refugee agency (UNHCR) has been urging countries to grant Venezuelans refugee status. The 1984 Cartagena Declaration commits them to it. But countries in the region, fearing a large number of refugees and the impact they might have

on government budgets, have opposed such a move. Trinidad and Tobago has even deported Venezuelan refugees.

Indian Stand on Venezuelan crisis

1. Maintained neutrality, India has not, till now, officially recognised Guaidó.
2. India's position is based on the principles of non-interference and sovereignty.
3. However, the recent decision of not purchasing oil from Venezuela tilts the balance in favour of the US and its allies.

Factors contributing to high inflation level

The government used the oil boom that started in 2004 to disempower society and enhance state control over production and the market, while borrowing massively in international markets. By 2013, the government's excessive borrowing had caused it to lose access to international capital markets, triggering the start of the recession. In 2014, the price of oil fell sharply, making the previous import level unsustainable and triggering a much deeper collapse. Instead of more market-friendly policies and seeking international financial support, Maduro's government deepened distortionary controls on the economy.

Offers of humanitarian assistance were refused. With imports, output, and tax revenues collapsing, the government opted to print the money needed to cover the fiscal deficit, triggering hyperinflation.

India's stake in the crisis

Primarily economical: The trade between Venezuela and India is worth \$6 billion, of which exports from India comprise barely 1%. Crude oil imports mainly dominate the trade. Venezuela's import of Indian drugs, food and textile has fallen in recent years due to its financial crisis.

Oil needs- India importing over 80% of its oil needs and Venezuela is its third largest supplier of oil. India has also invested in oil assets of Venezuela.

Costlier- As US sanctions kick in Iran and Venezuela, Indian refiners will face costly crude prices. This will particularly hurt private refiners like Reliance Industries and Nayara Energy which are importing about 300,000 barrels of Venezuelan oil per day.

Outstanding payments- Doing business in Venezuela and payments against supplies to that country have turned out to be extremely challenging due to the Latin American nation's restrictions on transferring money out after it ran short of foreign exchange

Alternate payment mechanism- Given the massive American influence on the international financial system, as an alternative oil payment mechanism, India will have to make entire payment in rupees as approved by Venezuela.

Preferred destination- Indian refiners prefer the heavy sweet crude supplied by Iran and Venezuela, which helps them produce low-sulphur fuel oil ahead of new shipping emissions norms that kick in January 2020.

Partner- Venezuela has also joined the International Solar Alliance, cutting it diplomatically and economically will affect its engagement at the platform.

Solution to Venezuelan Crisis

Long term:

Re-empowerment of Venezuelans:

As both, the regime and the economic collapse, are the consequences of the elimination of basic rights. Venezuela's problems will not be solved unless and until there is a regime change. This will require coordination between the Venezuelan democratic forces and the international community

Short term:

International military intervention:

Venezuela's National Assembly (VNA) has formally started the procedure to rejoin the **Rio Treaty**, an international pact that would give legal ground to regional military action to oust Nicolas Maduro from power. Self-declared 'interim President' Guaido, on the other hand, has requested US military cooperation to oust Maduro. US has recently violated Venezuelan waters. In the past too, Simón Bolívar gained the title of Liberator of Venezuela thanks to an 1814 invasion organized and financed by Colombia.

Targeted sanctions:

Targeted sanctions, managed by the US office of foreign assets control (Ofac), have

not been highly successful. Earlier, such sanctions have failed to change regimes in Russia, North Korea or Iran. Apart from being too slow at best, in Venezuela, they have become a collective punishment and has worsening the on-going humanitarian

crisis. According to Centre for Economic Policy and Research, US sanctions has deprived Venezuela of lifesaving medicines, medical equipment, food and other essential imports and killed over 40,000 Venezuelans since 2017.

AFGHAN PEACE PROCESS

Afghanistan's High Peace Council Secretary and President Ashraf Ghani's Special Envoy Mohammad Umer Daudzai recently visited India. Speaking at the Indian Council of World Affairs (ICWA), Daudzai said that India's role is 'key' to the peace in Afghanistan. Also, India recently handed over two Mi-24 attack helicopters to Afghanistan. These helicopters are a replacement for the four attack helicopters gifted by India to Afghanistan in 2015.

There has been a continued 25 years of civil war in Afghanistan. An Afghanistan force and Taliban conflict has been sustained during this long time and damage social and economic life make peace elusive for Afghanistan. International efforts especially by US and NATO countries have been failed. They have spent hundreds of billion dollar and army services but no avail. However, today progress towards a peace process is increasingly seen as central to securing a just and stable future. At reconciliation meet in November 2018 by afghan authorities, India was present and the first time all stakeholders were present in the same room.

79 Role of USA in Afghan Peace Process:

S. and Taliban negotiators have concluded a draft peace framework. This draft

framework was built on years of direct and indirect talks between the two parties. Under the framework, the Taliban would be required to deny safe haven to international terrorist groups like al-Qaida and the self-proclaimed Islamic State, has to enter into direct talks with Afghan government and also agree to declare ceasefire. In exchange, the United States would withdraw forces from Afghanistan within eighteen months of a final agreement.

Contribution of other countries in the process:

The effort to achieve this draft peace framework was made possible with the help of Pakistan, Saudi Arabia, the United Arab Emirates (UAE), and Qatar at various stages. Yet the framework does not make clear what role regional states will play in achieving a final settlement. Just as regional competition fuelled Afghanistan's long war, regional states have a role to play in resolving it.

Pakistan: Pakistan has been a central participant in all phases of Afghanistan's long war. The US promised to pursue a pressure strategy aimed at punishing Pakistan for its malign behaviour, including by allowing Taliban leaders and fighters to freely live and organize from its territory.

But Pakistani civilian and military leaders feel optimistic about the current draft framework, as its pursuit delayed the escalation of this pressure campaign. The best-case scenario for Pakistan is likely a narrow agreement that does not force it to take responsibility for its past actions in Afghanistan.

China: China's interests in Afghanistan are most closely aligned with Pakistan, although Beijing's concerns about violent extremism and terrorism are out of step with Pakistani behaviour. S. and Chinese diplomats have worked together to support an Afghan peace process, and Beijing will want to be involved enough to account for its counterterrorism and border security concerns. China has much to offer in terms of inducements to support a peace agreement in Afghanistan, particularly economically through Belt and Road Initiative investments in Pakistan (the China-Pakistan Economic Corridor) or Central Asia (the Silk Road Economic Belt).

Russia: Russia hosted a second round of Taliban talks in February 2019 without participation of Afghan government. These talks risk easing pressure on the Taliban and further bolstering its standing, but could be leveraged to help the U.S. diplomatic effort. The U.S. and Afghan governments should find ways to take advantage of Moscow's efforts and show up to any Russia-hosted talks, even if only to deny the Taliban an uncontested boon.

India: With limited options of intervention in Afghanistan, India is playing a role of a

responsible democratic country and a true friend and neighbour to the Afghanistan.

Indian is engaged with Afghanistan by following ways:

1. Developing social infrastructure as hospitals, schools;
2. Public infrastructure such as Salma dam, and parliament building ;
3. Humanitarian assistance such as medical missions;
4. Training of military officer and soldiers;
5. Military warfare such as military helicopters and repairing the old soviet era helicopters.

India is likely concerned that any deal that could introduce the Taliban back into the Afghan government could dilute its political influence in Afghanistan. India's hedge toward Iran, by investing in the construction of the Chabahar port (the only Iranian port with direct access to the Indian Ocean), could pave the way for a continuing economic role. But India would probably see a peace agreement, particularly one championed by Pakistan, as a short-term setback to its interests in Afghanistan.

Afghan as an elusive benefit for India:

1. Afghanistan is a gateway for the north-south corridor for India.
2. Afghan have a rich source of oil can help India to full fill their demand.
3. India developed Chahbar port to increase import and export with Afghan and counter Pakistan in West Sea.
4. Elusive peace in afghan can help India project of TAPI.

5. Help India to overcome china one-road-one-belt initiatives.

Effect on India if Taliban comes to power:

1. Pakistan will gain huge strategic influence and India will lose the same.
2. India's access to central India will get affected.
3. After conquering Afghanistan Taliban may turn towards India to increase terror activities.
4. Pakistan will then focus on Indian border only.
5. As China has also raised its stakes it will use it against India.

Reasons for India to be part of reconciliation process with the Taliban:

1. **Regional Stability:** Security and Stability are foundations over which development can be built on. Peaceful neighbourhood and trouble free regional climate will provide space for the regimes to focus more on development as threats of violence by Taliban's in the region will be minimized.
2. **Counter China and Pakistan's vested interests:** India should play a considerable role through Quadrilateral group plus 2 talks to thwart the efforts of china to place puppet regimes which can play according to their own vested interests. This can be counterproductive for India's aspirations and concerns.
3. **Connectivity with Central Asia:** India's trade with Central Asia and reaping benefits from the enhanced connectivity will be largely dependent on

Afghanistan's domestic environment. A peaceful and cooperative Afghanistan will be a key pin in India's central Asia policy. The latest trilateral transit agreement between India, Iran and Afghanistan is a significant step in this direction.

4. **TAPI for Energy security:** Violence free Afghanistan is desideratum for finishing the project of TAPI and sustaining the benefits from it through energy supplies from Turkmenistan.
5. Gateway to "Link west" policy: Afghanistan will act as a gateway to India's increasing rigour on its west Asia policy.
6. **Minerals of Afghanistan:** The cost of access to minerals will be minimum and helpful in expanding the production of Indian Industries.

Way forward:

India needs to make stands tougher on Afghan issues. India needs to take other stake holders such as Russia and Iran together and make their stand clear. India should be more vocal to USA that leaving Taliban unfinished will leave the region in same or even worse state as it was earlier. Complete surrender of Taliban is good for USA's and region security.

India needs to use soft Image as weapon and it should highlight that Afghan people voice is most important so instead of handing power to any form of government US should try to stabilise region. It is a truth of U.S. policy on Afghanistan that there is no military solution to the conflict. But instead of putting the full power and resources of

the United States behind a diplomatic push, successive administrations have chosen to put the military mission first. They have often deployed just enough resources to have an effect on the ground, while minimizing attention from increasingly weary constituents in the United States. It is long past time for a different approach.

The U.S.-Taliban draft framework is exactly the type of high-stakes diplomacy needed to end Afghanistan's long war, or even just the U.S. period of that conflict, which is the longest war in U.S. history.

OBJECTIVE IAS

www.objectiveias.in

