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D'ÉTUDES PROGRESSISTES

Queries

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ASIA: WHAT'S NEXT? AN INDIAN PERSPECTIVE

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About **Queries**

Isaac Newton's famous book Opticks concludes with a set of "Queries".

These Queries are not questions in the ordinary sense,
but rather rhetorical questions intended to stimulate thinking.

This was Newton's mode of explaining "**by query**".

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"Queries" is the scientific magazine of the Foundation for European Progressive Studies.

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Queries

ASIA: What's Next? An Indian Perspective

Foreword



Dr. Ernst STETTER
FEPS Secretary General

While there is a great deal of literature which focuses on the place of China in the world, India is sometimes neglected in European discourse. In the European Union, this has sometimes led to a lack of understanding of India, its neighbourhood, and the issues facing this emerging power in Asia. As the largest democracy in Asia, and indeed the world, India ought to be of interest to us in terms of shared values and aspirations. We need to highlight why multilateralism is important in the Asian context, not just in terms of protecting our interests, but so as to reflect the fact that Asia is not a monolith. Rather it is a hugely diverse continent which encompasses many different perspectives, concerns and needs.

The present edition of *Queries* marks an important international example of the FEPS policy of “bridging the gap”. This time, the gap in question is one of understanding, between continents, political systems and ways of viewing international political life. Therefore, FEPS seeks to open a type of intellectual dialogue which will offer particular perspectives on our strategic partners. This edition, entitled “*Asia: What's Next? An Indian Perspective*” offers a facility to outstanding Indian experts to demonstrate their analyses of the issues affecting Asia, both broadly and in specific case studies. In following this approach, FEPS seeks to demonstrate how European policymakers could benefit from multiple perspectives when dealing with international partners.

In terms of defining its own place in the world, leaders in the European Union would be well advised to observe the circumstances and political context of an emerging power like India, especially given the hegemonic tendency towards a “G2” of China and the USA. The locus of global economic might is shifting from West to East and, in this light, the importance of India becomes increasingly clear as a partner with shared values of democracy and multilateralism. However, relations have not always reached their potential.

“*Asia: What's Next? An Indian Perspective*” is a culmination of a process that began in 2009 with the first FEPS studies on Indian politics and analyses of India's neighbourhood. Some of the experts in this journal

previously contributed to analyses on such case studies as the NATO intervention in Afghanistan and have participated in many FEPS events. Indeed, earlier this year, FEPS led a delegation to New Delhi to build links with sympathetic think tanks, foundations, civil society organisations and research institutes.

A major result of this process of cross-fertilisation is that FEPS has access to very eminent high level experts from whom to draw written contributions and good counsel. This is reflected in the pages that follow as the reader is treated to articles from authors at the top of their respective fields: in politics, academia, journalism, and the think tank world, to name but a few. It is hoped that it will help to foster a convergence of progressive forces for the good of both India and the European Union.

I would sincerely like to thank Dr Klaus VOLL, who has done the utmost on site in India to bring together this impressive collection of distinguished authors. FEPS is very grateful to him for his work and commitment.

Biography notes

Ernst STETTER was nominated as Secretary General of the newly created Foundation for European Progressive Studies (FEPS) on January 30th 2008. Ernst STETTER worked for the Friedrich Ebert Stiftung from 1980 to 2008 in various positions, which included amongst others, the offices in Dakar, Paris and Brussels. Ernst STETTER is an economist and political scientist. He obtained his Ph.D in political science in 1980. In 2003 he received the Chevalier de l'ordre national du Mérite.

Focus on Asia



Dr. **Klaus VOLL**, FEPS Special Consultant on Asia

This issue of "*Queries*" focuses on Asia, not through European eyes but through the assessments of noted Indian experts, also to understand how they view the contemporary problems and scenarios in this complex continent. It enables Readers to comprehend positions and interests from a culturally different democratic country, which is situated in a geopolitically quite tense environment. The articles indirectly permit insights into some internal and external problems of a major Asian power like India with its increasing global reach.

In the past, various European governments paid attention to the People's Republic of China with its ever increasing economic and geo-political might, for a long time neglecting democratic India. These orientations are changing slightly, given the rise of India with its growing economy and increasing political influence.

Since it seems to be common knowledge that a shift of economic and political power is taking place from the West to the East and therefore to Asia in the 21st century, it is a challenge for European political decision-makers, other functional elites but also the public in general, to adequately understand these on-going processes and adapt to them. There is a need to increasingly interact with Asian countries in areas like politics, economics, culture, civil society, but also with regard to international challenges like climate change and terrorism. There is a need for coordinated knowledge in Europe about countries like China and India as well as other major Asian states and regional processes.

Therefore, the aim of this issue is also to contribute in a modest way to a wider world-view of its readers. Europeans in particular should look beyond their own continent and its immediate neighbourhood and periphery, in order to understand the complexities and evolving scenarios in this vast continent called Asia. Thus, Focus on Asia, is an appeal, to be ready to engage intellectually with Asia and its challenging developments in future.

The articles, with two exceptions all written especially for "*Queries*", try to give an overview of how Indian experts, many of whom are well-known opinion-makers in printed and electronic media, assess the major powers and developments in Asia. They contribute, with their rich professional experiences, together with some younger scholars, to this mosaic of Indian views on the contemporary and evolving Asia.

"Asia: What's Next? An Indian Perspective" is structured in four different sections:

1. International and geo-political dimensions

Simran SODHI-GARG reflects on the plea for a stronger Asian presence in the UN Security Council, whereas C. RAJA MOHAN analyzes scenarios for a new geo-strategic balance in Asia, in which China, the US and India will play a major role. This article serves as a key to understanding the evolving security structures in Asia. C. UDAY BHASKAR scrutinizes the relevance of the Indian and Pacific Oceans for the evolving power structures in Asia.

2. China and other major players in Asia

China's importance in international affairs and especially in Asia is undisputed. Srikant KONDAPALLI analyzes not only in a reconstructive manner the strategies adopted by the People's Republic of China in Asia. Prem SHANKAR JHA outlines China's quest for hegemony and correlates it with aspects of its internal situation. Manoj JOSHI highlights the increasing dangers of cyber warfare, especially in Asia, between major international actors, not the least China.

Indrani Bagchi assesses the role of the United States, once the predominant power in Asia, in a changing framework. Joyce Sabina LOBO and Rajorshi ROY highlight efforts of the Eurasian power Russia, to regain relevance in the Asian context. Kanwal SIBAL reflects in a general way on India's relations with the US and Russia and in particular on its military and defence relations with both these powers. C. RAJA MOHAN focuses on differences between India and Europe and how to resolve them for their mutual benefit.

3. Regional scenarios in South-East and West Asia

India's North-East, in many ways neglected in the past, could be a gateway to its immediate neighbourhood and to ASEAN, according to Sanjoy HAZARIKA. Baladas GHOSHAL scrutinizes the connections between multiculturalism and democracy and here particularly the role of Islamic forces in various South-East Asian countries, especially in Indonesia and Malaysia.

Based on a profound knowledge of the history of the partition of the Indian subcontinent, Mani SHANKAR AIYAR proposes steps to peace for the antagonistic neighbours and nuclear powers India and Pakistan, which would benefit both their aspirations. K. C. SINGH follows the recent developments of the "Arab Spring" and its repercussions for India's wider interests in West Asia.

4. Financial and Water Crises

Sukanya NATARAJAN analyzes how Japan, China and India coped with the global financial crisis. Uttam Kumar SINHA reflects on the impact of hydro-politics in the wider Asian and South Asian regional context. Water will be essential for the future of Asia and especially of South Asia.

Naturally, this issue cannot be exhaustive, for example the important political roles of Japan, South Korea, Turkey, Iran, the Arab states and Israel could not be dealt with. But it covers a wide range of topics and contributes to the necessary task, to present nevertheless a fairly holistic picture on major developments in Asia, which Europeans should take cognizance of. A larger presence and role of Europe in Asia and an increased knowledge base could indirectly contribute to a better European sense of unity and coordination vis-à-vis Asia.

Does Europe really have the political will to truly assess the geopolitics of Asia as a whole and of South and West Asia – the latter are existentially important regions for Europe - with their internal and external shear

forces? An informal alliance of democracies, irrespective of shortcomings as for instance in India, is necessary, so that Europe can play an adequate political role in Asia.

Which are the areas, where India's foreign policy (aside from its relations with European nation states and the EU as a whole) is of a particular interest for Europe? :

- The quality of India's relations with the United States of America and the existing differences, also in retrospect.
- An understanding of the dynamics of Indo-Chinese relations, the bilateral economic upswing but also the increasingly "assertive" Chinese strategies vis-à-vis India, South Asia and the Indian Ocean as well as India's perception of threat.
- India's policy vis-à-vis the West, Central Asia and the Gulf countries, as well as ASEAN, Japan and Korea.
- From a European point of view it is also essential to assess the quality of the relations between India and the Euro-Asian power Russia.

European social democratic decision-makers should be conscious of the ideological influences of Europe on Indian political and ideological thinking in the past, as for instance Fabian Socialism, Marxism, Willy Brandt's North-South Commission as well as dialogue among Indian socialists and their British, French, German, Austrian and Scandinavian counterparts. Progressive European parties should pick up the thread of these erstwhile intensive international contacts and traditions. The efforts of the Swedish Social Democrats (SAP) to network with Asian political parties deserve wider attention.

FEPS has initiated a dialogue on foreign and security policy issues between European and Indian experts in 2009 and facilitated a round table between Members of the European Parliament and Indian experts in 2010 in New Delhi. Analyses on major political and foreign policy developments in India and the visit of a FEPS delegation in April 2011 in New Delhi with meetings of Indian Members of Parliament, experts in think tanks etc. are further examples of this consistent approach.

In 2000 the European Union and India entered into a Strategic Partnership and summits are regularly taking place. Yet, Salman HAIDAR, a former Secretary in the Ministry of External Affairs, describes a still prevalent impression in India with regard to the European Union. *Europe as an entity does not generate much excitement in India. It's a different matter when it comes to individual countries of Europe: here, many relationships are well established and highly valued. But collectively, Europe remains amorphous. This has long been the case, and while matters have advanced, the diffused policy processes and administrative structures make Europe hard to deal with.*

According to the late Dr. K. SUBRAHMANYAM, India, as a relatively open society, could profile itself vis-à-vis the European Union in the following manner: *In overall terms as an emergent power, pluralistic, democratic, globalistic and non-threatening to the international system, a contributor to knowledge and culture in international terms.*

Will Europe and its member states be able to project a holistic mosaic with all the existing differentiations, so that the Indian political, economic, cultural and civil society leaders will be able to figure out, how to interact with this entity for mutual benefits? K. SUBRAHMANYAM, once the doyen of India's security policy, stated: *After the Lisbon Treaty, there will be an increase of contacts of India with the newly established European positions. It remains to be seen, whether the EU will seek to strengthen the Union's ties with India, and whether India*

will respond positively to such initiatives. Non-binding consultations with European countries and with the European Union are plentiful and useful – but unrelated to the geo-political power rivalry that continues to dominate the relations between states in this part of the world. It involves also active relations with Iran and with Central Asian states and last but not least with China.

One cannot yet recognize a gradual renunciation of national interests and a more systematic build-up of the European Union with all its *soft power*, which could perhaps even lead to a more constructive European role in India and South Asia.

At the end, let me thank all the Indian Authors for their articles. I am sure, that their views will be of interest for a wider international audience but in particular for Europeans and Indians alike, in order to comprehend the dynamics of change in Asia.

I also thank the FEPS team of Dr. Ernst STETTER, Dr. Ania SKRZYPEK and David KITCHING and for their constructive cooperation in editing this volume.

Dr. Klaus Julian VOLL is one of the few European political experts on India. Nearly 30 years of presence in India with access to politicians and various strata of society, combined with academic analyses and professional experiences as diplomat, university lecturer (*Freie Universitaet*, Berlin), representative of the Friedrich-Ebert-Foundation and currently as Special Consultant on Asia to the Foundation for European Progressive Studies (FEPS) in Brussels, guarantee realistic assessments. He has various articles and book publications to his credit, ranging from foreign and domestic policy issues to Hindu nationalism and child labour. He has co-edited the standard-work *“Rising India – Europe’s Partner? Foreign and Security Policy, Politics, Economics, Human Rights and Social Issues, Media, Civil Society and Intercultural Dimensions.”* Weissensee Publishers, Berlin, 2006, 1 162 pages



01

Asian Spring: promoting diversity and democracy

The “Arab Spring” marks the beginning of a new era for the people of Northern Africa and Middle East. The protests one by one have been bringing along changes; overthrowing oppressive regimes and encouraging hopes for democracy, prosperity and stability. This first opening Chapter of “Queries” offers a new perspective on these developments: it recapitulates the meaning of the “Arab Spring” for Asian countries. K.C. SINGH inaugurates this debate stating that – though each uprising is unique – from a historic perspective the same causes, as unemployment, poverty, lack of freedom, are likely to stand at their heart. In his deliberations, SINGH considers if the recent developments would not qualify to constitute the 4th wave of democratisation and if ‘yes’ then what, from Indian perspective, would mean it for the contemporary short-termism of Western Policies. B. GHOSAL’s article seems to be very much complementary to these deliberations. He states that democracy is in fact not only a system, but a culture that recognises diversity. B. GHOSAL develops this thought analysing contemporary Indonesia and Malaysia. Both the articles put the Islamic religion at the core of their reflections, restating that the “Arab Spring” shows that an alternative transformation in the Muslim countries is possible.

Arab spring and India



By **K.C. SINGH**

Background

The forces unleashed by the maltreatment of street vendor Mohamed Bouazizi in Tunisia in December 2010 spread like an evil spell all over the lands dwelled by Arabs, uprooting authoritarian rulers in Tunisia and Egypt, destabilising hereditary monarchs of Morocco and Jordan, panicking the rulers of Arabia and the Gulf into making token political gestures or defraying huge hand-outs (USD 130 billion in Saudi Arabia or increased army pensions, subsidised bread and rice in UAE). The four exceptions were Libya, Syria, Bahrain and Yemen, where the regimes decided to dig-in and resist change.

Though each story was different and played out uniquely, what was common were the root causes of the spontaneous eruptions all across the Arab countries. First of all is the youth bulge in most of these nations, with a huge mass of the population below the age of 25. Related to this was the even higher percentage of these youth amongst the unemployed. It is estimated that 90% of the unemployed in Egypt are in the age bracket 15-24. Therefore, paradoxically, while overall unemployment fell over the last decade, amongst the youth it ballooned to double digits in countries other than the members of the *Gulf Coordination Council*. Finally, while these factors constituted the conditions for a mass uprising, what made it so universal or even successful has been the connectivity provided by internet, social media and twitter.

The *Mukhabarat* or intelligence wings of the states tried dealing with a 21st century revolution by methods honed over the second half of the previous century. There was no way of choking off the information flow and thus cauterising a mushrooming defiance of the regimes that was largely peaceful. *Tahrir Square*, Cairo became a reality show broadcast around the world, thus influencing the supporters of President Hosni Mubarak in the West, particularly in USA. Initial reticence of President Obama soon began changing to gentle and then not so gentle nudging of a dictator who had been a steadfast ally for three decades. New rules were being framed on how information loops start influencing events, empowering armless but defiant, though peaceful multitudes.

Democratisation or chaos

The question that arises is whether this is the fourth wave of democratisation globally? The third wave commenced in the 1970s with democracy flowering in Southern Europe, i.e. Portugal and Spain and then in Turkey. It spread then to East Asia and was back in Europe again after the fall of the Berlin Wall in 1989, leading to the liberation of Warsaw Pact countries from the stranglehold of authoritarian regimes. It appeared at one stage that Western liberal values, having vanquished their rival narrative of socialism in communist garb, were to be the universal norm. Francis Fukuyama called it the end of history. A uni-polar world, under the unmatched leadership of US, appeared inevitable.

In retrospect, two of the three forces that upset this scenario were born out of the very struggle that resulted in US ascendancy and the rout of the communist alliance, namely the Soviet incursion into Afghanistan in 1979 and their withdrawal a decade later. Radical Islam was born from the opportunistic alliance of US, furnishing weapons and intelligence, Saudis, the money and *Wahhabi* Islam and the ever compliant Pakistani military and their hand-maiden the ISI, providing the foot soldiers and the training. Osama bin Laden and his Islamic fighters were born in the crucible of this fight that was a surrogate combat for the Cold War. China used US preoccupation with the Soviet Union to first open the door to detente in 1971 and then in the post-Mao period begin its economic liberalisation under the pragmatic Deng Xiaoping in the 1980s. By 1990, when US seemed triumphant, both radical Islam and China were ready to challenge it in the not so distant future.

The third is the contemporary reassessment of the role of liberal democracies and the very future of global capitalism, which while increasing productivity and wealth generation, quadrupling world economy since the 1970s, has been unable to control recurrent volatility in the financial sector. The saga began with the Asian financial crisis of 1997-8, followed by one in Russia and Brazil the next year and then in Argentina in 2001 and eventually the 2008-9 US financial crisis. Clearly assumptions that the market will self-regulate have been wrong and a failure of oversight, at the national and the global levels, has been obvious.

Thus the citadels of liberal democracy are themselves wrestling with political logjam stymieing their ability to find solutions to endemic socio-economic problems like long term fiscal stability in case of US and the sustainability of the welfare state in Europe besides the viability of unified currency alongside fiscal *laissez-faire*. **Along the non-European shores of the Mediterranean are blowing the winds of Arab Spring, in the hope that long cloistered socio-political systems can now emerge from decades of authoritarian shackling. Their impact has been felt all across the Arab world though with disparate effect.**

In case of Tunisia and Egypt, the military remained neutral, thus allowing the demonstrators the space to build up pressure on the ruling elite as also their supporters in the West. The ejection of the ruling factions has been easier than making a transition to a participative and electoral system. In Morocco and Jordan the hereditary rulers, who had greater legitimacy and charisma, have been able to channel the demand for change in the direction of a promised move to constitutional monarchies, though on a step by step basis. In Yemen and Bahrain, the GCC and particularly the Saudi ruling family, have drawn the red lines and thrown their weight behind the ruling dispensations, more so behind the latter. **The US and Saudi interests also converge as Yemen is seen as a potential sanctuary for Al Qaeda and its affiliates, whereas Bahrain is viewed as a vital pawn in the battle for supremacy between Saudi Arabia and Iran.**

The cases of Syria and Libya were unique. Syria is led by the minority Alawite group in a Sunni majority country. It also is an ally of Iran and provides it a vital bridge to Lebanon, where their common ally *Hezbollah*

becomes a frontline asset against Israel. However the initial response of both Israel and US was cautious on Syria as neither wanted a known entity like the Assad family to be replaced by unknown and perhaps hard-line Sunni elements, which could also stoke the situation in Iraq. However with mounting brutal action by Syrian forces against their own population and their inability to douse the uprising the US stance began to evolve, as did that of Turkey. There are reports of Iran having offered US cooperation in controlling Shia militias in Iraq in exchange for US not pressurising Syria. The Indian stance on Syria became important as India chaired the UNSC in August and was thus forced to take a call on the Western urgings to apply pressure. A presidential statement was the compromise solution, in lieu of a fresh resolution. A delegation of India and Brazil, both UNSC members, also visited Damascus. A fresh diplomatic onslaught can be anticipated as the UN gears up for its September session, when world leaders address the UNGA. Undoubtedly a change of regime in Syria will have far reaching implications for the relative power play between Iran and the Sunni countries led by Saudi Arabia.

Libya is winding down to a final face-off between the rebels and Gaddafi supporters. Indian vote at the UNSC, when it abstained alongside Brazil and Germany, showed the fractures in the European position as indeed a persisting Indian tendency to sit on the fence despite its rising international profile. The outcome leaves France and UK vindicated, although the German dissociation left a question mark over the future role of NATO. Debate in India centred on its compulsive non-interventionist mind-set. It ignored the developing principle of "Responsibility to Protect", which is beginning to be accepted as applicable when there is regional consensus, imminent danger of humanitarian calamity and a UNSC resolution. As a nation seeking a permanent seat in the UNSC India needs to start being more assertive in aligning its behaviour with emerging consensus amongst the great powers of the world, even if it at times breaches its non-aligned proclivities.

The impact of the Arab Spring was felt beyond the region of its origin. In Iran, the regime reacted with panic after initial jubilation over the difficulties of arch enemy President Mubarak when it was realised that the dormant Green Revolution, caused by the controversial 2009 re-election of President Ahmadinejad, was threatening to resurface. Now, at least Ahmadinejad is distancing himself from the Syrian regime, trying to balance the Iranian position between the Syrian government and the popular feelings spilling out in the streets. Shia sympathies aside, it could not ignore its standing in the Muslim world, where it competes for space with Saudi Arabia. In China there was paranoia that disparate demonstrations over ethnic or economic issues should not coalesce into a larger anti regime outburst. In India there was smugness that as a democracy the new virus had no relevance to the Indian context.

The *Freedom House Report* of 2009 indicates that in the preceding four years there had been a decline in freedom across the world. For instance there had been slippage in Russia, Venezuela and Iran. Francis Fukuyama in his book "*Origins of Political Order*" talks of "democracy recession" in the first decade of the 21st century. He explains that liberal democracy is a *complex set of institutions that restrain and regulate the exercise of power through law and a system of checks and balances*. Many countries are, however, in what he terms "gray zone".

Universal relevance

The relevance of the *Arab Spring* thus is that it compels a stocktaking of the state of freedom and liberal democracy, with all its variations, in the world. The anti-corruption agitation launched in India by Anna Hazare, in the manner of Mahatma Gandhi, caught the imagination of the Indian middle class and found the

government stumbling in response. It highlighted that even in a vibrant democracy governments can fail to understand that institutions can stultify and thus need constant attention to ensure that accountability of a government is maintained. Failing that even elected governments can lose touch with the people.

The outcome in the Arab world would be vital as most countries in the world would be in Fukuyama's "grayzone", i.e. imperfect or regressed democracies, with elements of a liberal democracy trapped in structures derived from authoritarian states. Afghanistan and Iraq demonstrate that mere dislodging of a dictator does not usher a functioning constitutional system imposed artificially from the top. Hugo Chavez of Venezuela and Evo Morales of Bolivia prove that their rise was the consequence of inequality perpetuating in their nations despite democratic structures. In the Arab world what happens in a large country like Egypt would influence the outcome say in Tunisia. Can the Egyptian army guide the nascent democratic forces into a Turkey like Islamic nation or will it panic and clamp down or roll over and succumb to the rise of *Muslim Brotherhood* and thus lurch the country towards radical Islam?

Radical islam and the Arab spring

The transition is being closely monitored by the *Al Qaeda* leadership ensconced in the tribal areas of Pakistan as their message has been that the US and its allies have foisted leadership on Islamic countries and the only way to depose them is through violence. ***Arab Spring has shown an alternative and peaceful methodology.*** Two top leaders of *Al Qaeda*, Jamal I.I. Misrati and Abu Yahya al Libi, both Libyans, sent messages of support to the rebels in Libya but were not able to put it in any historical context as none of an Islamic nature exists in that country. Therefore, the narrative nurtured by the *Al Qaeda in Maghreb* (AQIM) has been overtaken, at least for now, by the reality of a popular revolt that is devoid of ideological focus. That US and the West became its facilitators has complicated the militant's ability to rant against them and obtain popular endorsement. In the latest video message of *Al Qaeda*, Ayman al Zawahiri, its current head, has tried to take credit for the uprisings in the Arab world. It is true that were it not for the last ten years of US experience or even fatigue of dealing with the Islamic world, their reaction may have been to defend the status quo. However, *Al Qaeda* has been so late in commending the movement that it now appears as crass opportunism. The challenge, however, now is to ensure that the outcomes do not give the process a bad name.

Harnessing the power of Arab spring

Both Iraq and Afghanistan are examples of how ill equipped US and its allies are for nation building following the ouster of the ruling dispensation. Moreover once the grasp of a totalitarian regime is lifted then fractures in those societies surface, often accompanied by violent intervention by those who have suffered privations for decades. There is the additional concern that many nations in West Asia are the by-product of colonial redistribution of areas following the retreat of the *Ottoman Empire*. Ethnic groups spill across borders. The Shia-Sunni divide complicates it even more. Kurds, for instance, are split amidst Iran, Iraq, Turkey and parts of the Caucasus.

These nations would need resources and commitment – both in short supply at the moment due to West's own financial distractions. The G 8 at their June meeting in 2011 offered USD 20 billion as aid and an equal amount from the IMF. Most of these countries have had economic liberalisation degenerate into crony

capitalism. There would be vast governance deficit and misuse of resources. Protracted agitation or open civil war, as in Libya, has resulted in economic disruption or even destruction of infrastructure. There is an opportunity here for structural change, planned transition to economic models that are sustainable in terms of resources and burgeoning populations. **Can the emerging countries like China, India, Brazil and South Africa as well as Russia and GCC be roped in for a shared vision of reconstruction, which would be the condition precedent for stabilising an entire region stretching from the Indian Ocean to the Mediterranean?**

Elections have been announced in Morocco and Egypt [in November] and Tunisia [October]. The situation in Yemen and Libya is still uncertain, as the future shape of leadership or institutions is unclear. The mob in Cairo over-running the Israeli embassy in early September only muddies the scenario. The approach of the Palestinians to seek recognition of their statehood in September, as the UN commenced its high level session, raised some dilemmas for the US when it came to the effect its reaction might have had on the gains it made from supporting the Arab Spring. There were also concerns over the potential to cause a serious breach with their Saudi allies.

Indian approach

Indian approach to the Arab countries has been divided into two parts: one, how to deal with the Gulf countries, i.e. the GCC members; and two how to balance relations with those in West Asia and North Africa after India's establishment of diplomatic relations with Israel in 1992.

The Gulf has been by far the more important since the oil crisis of the 1970s as it led to an explosion of oil revenues for the GCC countries and job opportunities for Indian labour and white collar workers. From the 1990s as the Indian economy opened up and trade was liberalised, smuggling of gold became legitimate and diversified trade, Indian demand for imported oil escalated and the remittances of the Indians became a major foreign exchange earner, particularly in the 90s. In this century, Indian trade with the GCC has mushroomed, in billions of dollars, from 16.9[2004], 19.6[2005], 47.4[2006], 66.9[2007], to finally touch 91.6 in 2008. It is expected to exceed USD 130 billion by 2013/14. Concomitantly, the share of OPEC in global oil production is likely to go up from 38.4% [2007] to 41.8% [2015] and 46.7% [2020]. Add to this remittances calculated from USD 4 billion to a much higher figure per year and the relevance of the Gulf to India and China becomes obvious.

There are three issues at play threatening the stability in this critical energy producing region. One is the stand-off in Bahrain between the minority Sunni ruling family and their Shia subjects. In reality, the face-off is between Iran and Saudi Arabia. Second is the Iranian nuclear issue and Iran's obduracy in persisting with their enrichment programme, in defiance of even UNSC resolutions. Though the possibility of armed intervention by US has receded, the same cannot be said of Israel. Third, is the effect that *Arab spring* may have on the ruling families of the six founder members of the GCC, who so far have used handouts to stem the resentment of their populations.

West Asia and North Africa bring different dilemmas for India. The paradox is that the one country with which India has the closest defence or high technology relationship is Israel. But because of the impact this may have on the Muslim population of India, about which the current Congress led government frets more than did the right wing BJP. India would react to the developments on the Palestinian or popular uprisings issues from that narrow perspective. As a non-permanent member of the UN Security Council till end 2012, India would be constantly watched by its old non-aligned mates and the emerging and developed countries, which now constitute the G20.

Conclusion

Thus the world is poised at a critical juncture when globalisation and connectivity is causing a churning in disparate nations, particularly amongst the youth, for accountable governments. In democratic countries it is being asked whether, as Fukuyama says, there is a *disjunction between existing institutions and present needs*. In the Arab world there is rejection of the false power calculus that authoritarian regimes marketed to US and its allies that they were the bulwark against radical Islam. The Chinese are championing the success of their model based on an open economy but on an authoritarian socio-political control. It is a trade-off between economic well-being or even prosperity and liberties. Somewhere in between lies **the Indian model of democracy with Indian characteristics - looser, noisier and yet able to cope with diversity, growth, deep social fractures and the aspirations of a billion people**. History is not ending, but, as Zbigniew Brzezinski said recently, there is global political awakening from which a brave new world could emerge, with not only greater economic and political power redistributed to Asia, but Asian models of governance for myriad countries seeking accountable government and rule of law. **The European model of a welfare state needs to be made affordable for Europe, desirable for developing countries and the balm that US needs to reignite the optimism of their nation.**

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Multiculturalism and Democracy in Southeast Asia: Cases of Indonesia and Malaysia



By Baladas GHOSHAL

Multiculturalism and Democracy

The focus of this paper is to look at multiculturalism and democracy in Southeast Asia with particular reference to Malaysia and Indonesia, the two copybook cases where the two operate in somewhat uneasy balance in predominantly Muslim societies. **In a political context multiculturalism has come to mean the advocacy of extending equitable status to distinct ethnic and religious groups without promoting any specific ethnic, religious, and/or cultural community values as central.** Multiculturalism as “cultural mosaic” is often contrasted with the concepts of assimilationism and social integration and has been described as a “salad bowl” rather than a “melting pot.” To put it more concisely, multiculturalism refers to the belief and practice of giving equal importance to each of the different cultures in a society, and to the doctrine that several different cultures (rather than one national culture) can coexist peacefully and equitably in a single country. However, as the Nobel laureate Amartya Sen has pointed out, what some call multiculturalism is in fact “plural mono-culturalism”, *where each ethnic community exists in splendid isolation from other communities.*¹

One of the most pressing issues facing liberal democracies today is the politicisation of ethno-cultural diversity. Minority cultures are demanding greater public recognition of their distinctive identities, and greater freedom and opportunity to retain and develop their distinctive cultural practices. In response to these demands, new and creative mechanisms are being adopted in many countries for accommodating these differences. Liberal democracies have hoped that the protection of basic individual rights would be sufficient to accommodate ethno-cultural minorities. And indeed the importance of individual civil and political rights in protecting minorities cannot be underestimated. Freedom of association, religion, speech, mobility, and political organisation enable individuals to form and maintain groups and associations, to adapt these groups to changing circumstances, and to promote their views and interests to the wider population. However, it is

¹ See: A.Sen, *Identity and Violence. The Illusion of Destiny*, Penguin Books London 2006

increasingly accepted that these common rights of citizenship are not sufficient to accommodate all forms of ethno-cultural diversity. In some cases, certain “collective” or “group-differentiated” rights are also required. And indeed there is a clear trend within liberal democracies toward the greater recognition of such group-differentiated rights. Constitutional democracy is often said to be the most accurate response to increasing ethnic fragmentation. Democracy is the only regime that can handle ethnic cleavages in a manner that present any hope of political stability in a country with strong ethnic fragmentation. Hence the linkage between multiculturalism and democracy.


Having defined the meaning of multiculturalism and its relationship with democracy, let us now look at its practice in Southeast Asian countries, particularly in Malaysia and Indonesia. **The colonial policies and practices with its encouragement of bringing cheap labour from other colonies have led to the growth of plural societies in most countries of Southeast Asia, as in other parts of the world where the European colonizers ruled. As a consequence, when these countries achieved independence, they had to face, among others, the challenge of integrating the diverse ethnic and religious communities in the newly formed nation states. It was because of this phenomenon of colonial policies and practices that multiculturalism entered sociological discourse in the postcolonial period.** In practice, it has come to mean the state of accommodation of minority cultures differing in nationality, ethnicity or religion, so that the majoritarian culture is not imposed on the minority leading to its alienation from the state. J.S.Furnivall, the British administrator and political writer known for his work on colonial policies and practices, identified the Southeast Asian countries as the most striking examples of plural societies.² The countries of South East Asia are not only multicultural in composition, but their leaders had been taking pride in managing such societies with great success. In reality, however, there have been wide gaps in the profession of policy and practice, as the process of integration and assimilation is far from complete or peaceful. Even Furnivall was also of the opinion that Asian nationalism instead of bridging the divide within societies would only result in *pitting one ethnic community against another.*³

Multiculturalism in Singapore and Thailand

Singapore’s dilemma was to maintain a delicate balance between ethnic diversity and social cohesion. A multiracial nation in the British-inherited sense of “race”, it has an ethnically diverse population of 74.2% Chinese, 13.4% Malays, 9.2% Indians, and 3% comprising other groups. Being a city state and situated next to Malaysia from which it was expelled for demanding equal status for all ethnic groups it realized how diversity can be both a threat and a source of enrichment for society. Singapore, therefore, consciously sought to foster a “Singaporean Singapore” identity based on racial equality. A series of institutions, laws, policies and practices underwrite equality for all racial groups, Chinese, Indians and Malays; and promotes peaceful relations between the different faith communities. The choice of English language as a common lingua franca helped the process further. The Government also implemented proactive policies to encourage social integration and prevent growth of ethnic enclaves, and introduced in 1991 a set of shared values that include *nation before community and society above self*. The Singapore approach to managing ethnic pluralism has created some problems even as it has effectively resolved others. Its state-defined multiracialism and state-led social engineering overwhelmingly dominated by the ruling party, PAP (People’s Action Party) have come under

² R.Hefner (ed.), *The politics of multiculturalism. Pluralism and citizenship in Malaysia, Singapore and Indonesia*, University of Hawaii Press 2001, p.4

³ *ibidem*, p.6



criticism for deficit in democracy. The very formal and legal approach to multiculturalism while it could manage political and social stability through strict control over voice of dissent and public opinion but failed to create spaces for diverse citizens to exchange, build trust and achieve social cohesion, essence of democracy in a country. But the ruling elite in Singapore justifies its guided political system on the ground that multiracial peace is the very foundation of meaningful economic and political development, while all know that the creation of a cohesive society is always a “work in progress”.

Thailand’s approach towards cultural diversity has been one of assimilation. The result has been that both domestically and internationally, Thailand is perceived as Southeast Asia’s most ethnically homogeneous nation. Yet Thailand has always been an ethnically diverse

place, and in recent years has experienced a resurgence in expressions of ethnic culture and identity.

Cultural diversity in Thailand is generally represented by the Thai government in regional terms by dividing the country into central Thailand, northern Thailand, northeastern Thailand, and southern Thailand. Among the peoples of these four regions there is great linguistic and cultural diversity, but the official rhetoric has been that they are all “Thai” – where “Thai” is an ethnically and culturally loaded term. **For a century the Thai state has attempted to transform a multi-ethnic kingdom into a mono-cultural nation-state.** Vigorous efforts to construct a homogeneous national culture and impose a narrowly defined national identity were accompanied by a process of political centralization. Now the cultural revival in Thailand’s regions and among its minorities is taking place amid increasing calls for the decentralization of the aging state structure. Thailand’s new constitution recognizes these calls for the first time by including a number of clauses safeguarding minority rights and enhancing the powers of certain local administrative bodies. Yet some of the key demands, including local elections for the powerful position of provincial governor (currently appointed by the Ministry of the Interior), were ignored. It seems that multiculturalism in Thailand has yet to fully flex its political muscle. The result has been a festering Muslim insurgency in the Southern part of Thailand, which has not only affected the political stability of the country, but also challenged the government’s claim of a successful multi-cultural democracy

Indonesia’s Vision of Unity

Indonesia conceptualized and implemented a national vision of multi-ethnic coexistence by its national motto “Unity in Diversity” (*Bhinneka Tunggal Ika*) drawn from Sanskrit and attributed to rulers of the Majapahit Empire (a Javanese polity of the 14th century) evoking ancient ties between Javanese and other powerful Asian Kingdoms, articulates the diversity that shapes the country. The prominent use of this motto by Indonesia’s two post-Independence leaders, former Presidents Sukarno and Suharto, was designed first, to support a diversified multi-ethnic fusion rather than an American-style “melting pot,” and second, addressing the political challenge of cultural pluralism through the mass manipulation of cultural ideas about a glorious common history. **The Indonesian success in constructing a unified, multi-ethnic state is unique, having the fourth largest population in the world (after China, India and the USA), comprising approximately 300 ethnic groups with 650 local languages and spread out over 6,000 inhabited islands encompassing almost 2 million square kilometer archipelago.** On top of that the country’s population was distributed unevenly with approximately 60% of the population clustered on the central or “inner islands” of Java, Madura,

and Bali having only 7% of the nation’s land mass. Although Indonesia is predominantly Muslim having more than 85%, it also has large Christian and Hindu populations. Immediately after independence the new government under its first president, Sukarno, pursued public policies which engaged virtually all ethnic groups in the process of constructing new national identities through evolution of a common language in the form of Bahasa Indonesia, a national ideology called Pancasila (meaning “Five Principles” in Sanskrit: belief in a supreme God, humanitarianism, national unity, democracy, and social justice) and later under Suharto, through a stable and uniform economic development. Notwithstanding sporadic ethnic rebellions between 1950 and 1964, by and large Indonesia’s unity has never been challenged by any group or community until the separation of East Timor, an area ruled initially under the colonial rule of the Portuguese and later on annexed by Indonesia. By inserting the term *Tuhan yang Maha Esa* (“God who is the Great One”) into the Pancasila doctrine other than the Islamic term Allah, Sukarno deliberately laid the foundation of a secular state, encompassing the Hindu, Christian, and Buddhist minorities of the country to offset the potentially volatile majoritarian political power of the 90% Muslim majority.

Under the New Order regime of Soeharto, certain aspects of ethnic difference have been concealed while others have been promoted, co-opted, and even invented to serve the twin causes of national stability and economic development. Through its emphasis on the Pancasila philosophy the regime was able to ensure that any overt ethnic and religious sectarianism in public political forums did not raise its head. The Indonesian political parties and religious organizations were forced to acknowledge the Pancasila doctrine as the primary philosophical foundation for their organizations. Although Soeharto’s nation building project had set off brief incidents of Muslim rioting and terrorism, he moved swiftly to punish “extremists,” thereby assuring cooperation from the majority who were urged to avoid “tribalism” (*sukuisme*).⁴ Due to migration within Indonesia, as part of government transmigration programmes or otherwise), there are significant populations of ethnic groups who reside outside of their traditional regions. The programme was aimed at correcting the asymmetrical concentration of population, involving government-sponsored relocation of poor rural families from the overpopulated inner islands of Java, Madura, and Bali to sparsely populated regions on the outer islands such as Sumatra, Kalimantan, Sulawesi, and Irian Jaya. The policy most often created resentment amongst people who complained that the migrants dispossessed them from their lands and deprived them of jobs. One negative aspect of Indonesia’s race relations was the blatant discrimination against the minority Chinese community, who were not only forced to take up Indonesian names, but their cultural expressions were also banned in the country during the Suharto period. Many of their community members were victimized both during the 1965 turmoil and the social unrest that accompanied the fall of Suharto. Soon after the fourth Indonesian President, Abdurrahman Wahid came into power in 1999; he quickly abolished some of the discriminatory laws in efforts to improve race relationships. Chinese Indonesians are now in the era of rediscovery. Many younger generations, who cannot speak Mandarin due to the ban decades earlier, choose to learn Mandarin, as many learning centers open throughout the country.

Indonesia’s Hybrid Democracy

Indonesia’s record in creating the basis for a democratic structure within the period of a decade is not so insignificant if one takes into account two presidential change-over and the current president being elected twice through direct presidential elections, three fair national parliamentary and provincial

⁴ See: B. Anderson, *Imagined Communities: Reflections on Origin and Spread of Nationalism*, Verso Books London 1983

elections, a revived multi-party system, restored freedom of speech and association together with the emergence of a vibrant press, an amended constitution, creation of independent statutory bodies to oversee the activities of the state machinery, separation of powers between the executive, legislature, and the judiciary and finally a reduced political role of the armed forces (TNI) in the general affairs of the country. Ethnic, religious and sectarian violence also seem to be on the decline, particularly after the autonomy package to the long-festering Aceh separatism and the Poso accord brokered by Jusuf Kalla, the vice-president in Yudhoyono's first term of presidency. Corruption in public life and arbitrariness on the part of the government are still a common phenomenon, even though President Yudhoyono's recent decision to send one of his relatives to jail over charges of corruption in banking was welcomed by many as a sign of his determination to deal with the problem. But it is viewed by many others as too late and too little. Papua still remains a sore point for the government in Jakarta. Indonesia's infamous judiciary needs to be reformed to give real meaning to democracy in the country.

From a theoretical point of view, however, democracy in Indonesia is not yet consolidated. At best a new hybrid political order is settling into place, as Indonesia does not have a perfect democracy with full-scale civilian supremacy, human rights, effective law enforcement, social justice and the like. But nor is it a system where the military and central government bureaucrats determine the fate of the country like they once did. The masses and elites need to learn to adjust their political practices and institutions to modern liberal political behaviour. Democracy is not just a system of government but also a culture that recognizes diversity and need to be developed and institutionalized in the context of plural societies with ethnic, religious and linguistic differences enshrined in the constitution as well as in the institutions of the state. Democracy appears only on the surface, with power sharing still taking place through "pragmatic" politics. The Election Law of the country encourages a loose political party system under which no single party can dominate the arena leaving any elected president with no choice but to share power with others to survive. However, democratization may be more fruitful if it can be seen from an Indonesian context. Practically all the forces that were pushing for change during the anti-Soeharto agitation have joined the government, leaving the opposition quite weak and confused. This has led to the emergence of outside groups who are now taking the actual lead in laying down foundations for a civil society capable of pushing for change. Throughout Indonesia, previously uninvolved teachers, workers, journalists, poets and novelists are breaking away from the corporatism of the Soeharto regime, and are creating a whole range of new institutions. These aim to fight corruption, resist violence and work for human rights.

The Quasi Democratic Malaysia

The federal state of Malaysia located in maritime Southeast Asia is divided into two distinct parts, western or peninsular Malaysia protruding from mainland Southeast Asia south of Thailand, while eastern Malaysia comprises the other two states of Sabah and Sarawak in the island of Borneo. The country has a total population of approximately 28 million. Malays, the so-called *bumiputras* (sons of the soil) constitute about 53.3%, the Chinese 26%, indigenous or *orang asli* 11.8%, the Indians 7.7% and others 1.2%. In terms of religious composition of the people, Muslims constitute 60.4%, Buddhists 19.2%, Christians 9.1% and Hindus 6.3%. Throughout the last decades, Malaysians have enjoyed regular elections and political stability. However,

5 J.V.Jesudason, *The syncretic state and the structuring of oppositional politics in Malaysia*, [in:] *Political Opposition in Industrialising Asia*, G.Rodan (ed.), London 1996, pp. 128 – 160
in: Rodan, Garry (ed.): *Political Opposition in Industrialising Asia*, London 1996, p.128-160.

regular elections and political stability are not enough guarantees for a democratic political structure and ethnic minority rights and a sense of security for them. The Malaysian semi-authoritarian rule in a participatory political system has been labelled variously as "semi-democratic" or "quasi democratic". The leitmotif of the Malaysian state is its overriding concern for social stability in the multi-ethnic Malaysian society. Ever since the racial riots of 13 May 1969, when, according to official figures, some 196 people died, 9,143 were arrested and 753 buildings were damaged or destroyed by fire⁶, government actions mainly aimed at reducing tension and avoiding ethnic conflicts, the real basis for its political legitimacy, rather than from the compliance with democratic rules.

The Malaysian New Economic Policy or NEP serves as a form of affirmative action. It promotes structural changes in various aspects of life from education to economic to social integration. Established after the May 13 racial riots, it sought to address the significant imbalance in the economic sphere where the minority Chinese population had substantial control over commercial activity in the country. Over a period of time, however, the policy became an excuse for continuing Malay supremacy over other communities in every sphere of life in the country. This resulted in widespread resentment against privileges granted to the Bumiputra under the affirmative action policy of the government. Despite the protests against such discrimination of the minority communities and appeals for correcting step-motherly treatment towards them, the government, in general, increasingly used political pressure and repressive acts in order to stop ethnic and political discontent from being voiced in the public sphere. **Multiracial politics were supposed to guard national unity and to create a Malaysian national culture based on the traditional culture of Malays and other indigenous people. However; they turned out only to camouflage the real problems of race relations and national integration in Malaysia.** The detention of former Deputy Prime Minister Anwar Ibrahim in 1998 and the subsequent sentence of 15 years for charges of corruption, abuse of power, and sexual misconduct made the public lose its faith in the integrity of the government's aims. Side by side, a growing number of detentions under the Internal Security Act (ISA) and other repressive laws severely threatened political competition, participation, and civil and political liberties.

Ethnic resentment against the ruling coalition was expressed most explicitly in the March 2008 elections when the ruling party not only lost its two thirds majority in the Federal Assembly but also five constituent states. However, in February 2009 the opposition Alliance lost control of one of the states through defections of its assembly members, several members of the opposition and two from the BN (Barisan Nasional-National Front) became independent, bringing the opposition strength down to 79 members and the BN to 138 members. Prime Minister Abdullah, taking responsibility for his party's poor showing in the March 2008 general election, stepped down as Prime Minister in a carefully timed transfer of power to his deputy, Mohd Najib bin Abdul Razak, in April 2009. The Najib administration's cornerstone policy is the "1Malaysia" initiative, which emphasizes national unity amongst Malaysia's ethnically diverse population. Other initiatives include the Government Transformation Program to improve government services delivery systems, and the Economic Transformation Program to provide a framework to emphasize private investment and de-emphasize public investment. To reform the 1970s (and still current) the New Economic Policy the government initiated a modified policy called New Economic Model (NEM). The cosmetic change, however, did not alter the realities of race relations and the increasing Malayization of the polity, economy and society.

6 D.Brown, *The State and Ethnic Politics in Southeast Asia*, London 1994, p.230

Creeping Islamization in Malaysia and Indonesia

As a result, the pluralist policies have come under pressure from racist Malay parties, who oppose perceived subversion of Malay rights. The issue is sometimes related to the controversial status of religious freedom in Malaysia. **Over the years Malay scholars and politicians have been concentrating their energy and attention to restore pure and pristine Islam and to make it a part of the reassertion of a Muslim identity.**⁷ PAS (Parti Islam Se-Malaysia – Pan-Malaysian Islamic Party), the most conservative Muslim political party in Malaysia, as well as rather aggressive groups of Malay nationalists managed to gain support for their less tolerant stance towards non-Muslims, women, and unorthodox Islamic scholars, weakening the bases of multiculturalism and democracy in the country. This has led to creeping Islamization of the society and polity of the country. The inroads of Arab Wahhabi and Salafi variant of Islam into Southeast Asia and elsewhere have led to a growing assertiveness on the part of the fundamentalists. An open manifestation of this trend towards Arabization in Southeast Asia is the way the Malaysians and Indonesians have adopted Arab greetings (*assalam aleikum*) in place of customary Malay greetings (*selamat pagi*-good morning). The Javanese, while adopting Islam in the 13th century had devised their own architectural design replicating traditional sloping roofs on mosques. Now all that has changed and one sees only Arab version of Onion domes on all mosques in Indonesia. Farish Noor, an influential Muslim scholar from Malaysia feels almost a sense of betrayal from the disappearance of such cultural manifestations. To quote him: *What irks me the most, and pains me considerably, is the loss of what used to be referred to as the Indonesian-Malay mosque. The Indonesian-Malay mosque – examples of which include the Masjid Kampung Laut in Kelantan and the mosques of Malacca – was once the norm for all the mosques of Southeast Asia.*⁸

Headscarves are slowly becoming synonymous with Muslim women's identity and a sign of pure womanhood. Many men in South and Southeast Asia are also taking to Arab male dress of long robes to look more authentic Muslim. **In Malaysia, non-Muslims are concerned about the encroachment of Sharia law into civil law, particularly after the controversies surrounding the burial rights of M Moorthy, Lina Joy's conversion to Islam and the recent proscription of the usage of the term "Allah" amongst Christians.** Maniam Moorthy, also known as Mohammad Abdullah, was a corporal in the Malaysian Army and a member of the first group of Malaysians to successfully climb Mount Everest. A Malaysian Indian born and raised Hindu, a controversy about his religion arose after his death; he was buried as a Muslim against the wishes of his wife in accordance with a Syariah Court ruling that he had converted to Islam without the knowledge of his family. Lina Joy, a case that has become a battleground of Malaysian political and cultural identity, and of freedom of religion. The case highlights what some analysts believe are the Arabization of Malaysian Islam, a dynamic that can also be seen in Indonesia. Lina Joy tried to get herself deregistered as a Muslim and reregistered as a Christian. As a Muslim she is not allowed to marry a Christian man and any children she has must be brought up as Muslims. She appealed to the courts on the basis of Article 11 of the Malaysian constitution, which guarantees freedom of religion. Many Muslims believe apostasy - changing your religion - is not only a sin but should be punishable by death. A well conducted survey of Malay attitudes recently found that a majority of Malays think of themselves first as Muslims, rather than as Malays or Malaysians, the one civic identity that embraces all of Malaysia's races and religions. The same survey also shows that Malays tend to conceive of Malaysia as an Islamic state, and want it in the future to be more Islamic.⁹ Similarly, while supporting freedom

7 Ch. Muzaffar, *Islamisation of State and Society: Some Further Critical Remarks*, [in:] *Shari'a Law and the Modern Nation State*, N.Othman (ed.), Kuala Lumpur 1994, pp. 113-122

8 F. Noor, *Malaysia: Still Looking for Islam to Call Our Own*, [in:] *Malaysia Today*, 21 February 2008, <http://mt.m2day.org/2008/content/view/3161/84>

9 G. Sheridan, *Death of Religious Tolerance in Malaysia*, [in:] *The Australian*, 26 December 2006

of religion, there is little community support for the idea that a Muslim has the right to change their religion. Malaysia's former Prime Minister, Abdullah Badawi, himself an Islamic scholar, has pioneered the concept of Islam Hadari, by which he means a tolerant and inclusive Islam. But even Islam Hadari suggests a special role specifically for Islam in determining the constitutional relationship between the state and the citizen.¹⁰

Fearing loss of religious freedom, non-Malay and non-Muslim religious groups have come together to demand that the Malaysian government protect non-Muslim rights. The demonstration organized by the Hindu Rights Action Front (HINDRAF) demanding the government to protect the welfare of the minority Indian community is a manifestation of such fears. Demolition of many Hindu temples in recent years is another concern of the Hindu community in the country. To quote a report from an urgent appeal made by the Asian Human Rights Commission to the government of Malaysia: *The Asian Human Rights Commission (AHRC) has come to learn of several cases involving the demolition or at least partial damage of Hindu temples in Malaysia following orders by government authorities. Furthermore, in addition to such acts, which are a violation of domestic laws, those ordered to carry out the destruction have used force and caused injuries to the devotees of the temples.*¹¹ Over the past 15 years thousands of ancient and pre-independent Hindu temples have been unlawfully "cleansed" by the State and local authorities. On October 23 2009 when the Mathurai Veeran Temple in Persiaran Kerjaya in Shah Alam region of Selangor was demolished, even Samy Vellu, the chairman of the MIC (Malaysia India Congress) and a long time ally of the government, called it "an act of treachery".¹² Such fears found concrete expressions in their attempt to reject the ruling coalition BN and preference for the opposition parties in 2008 elections in Malaysia.¹³ The forces of Malay majoritarianism and Islamic fanaticism have put Malaysia's national motto of "unity is strength" under stress and are affecting the image of the country as a moderate Muslim country priding its multicultural background. The declaration of the country as an Islamic state is in itself a move away from its avowed multiculturalism.

In Indonesia, a few years ago, former president and influential cleric late Abdurrahman Wahid suggested that Indonesians revert to customary greetings, and conservative Islamic leaders in Indonesia were outraged. Mr. Wahid in many of his writings often criticized Indonesians' incapability to embrace Islam within their own local tradition and the tendency of some to imbibe Arab attributes as a sign of inferiority complex. To quote Wahid: *The teaching [suffered from] conventionalism. You were not allowed to go your own way.*¹⁴ Even Indonesia society, which is considered to be moderate and tolerant, is slowly undergoing major transformation in terms of inter-faith societal relationships.¹⁵ **There are abundant examples of a stronger presence of Islam in Indonesian public life today when one compares with even the immediate past. The number of women**

10 Islam Hadhari or "Civilizational Islam" is a theory of government based on the principles of Islam as derived from Qur'an. It was originally founded by Tunku Abdul Rahman, the first Prime Minister of Malaysia in 1957 (but under a different name), and has been promoted by the former Malaysian Prime Minister Abdullah Ahmad Badawi. See: M. Sherif Bashir, *Islam Hadhari: Concept and Prospect*, IslamOnline.net, 3 March 2005; also see: M.Periasamy, *Islam Handhari: Prospect from Non-Muslim Perspective*, Ministry of Information, Kuala Lumpur, 2004.

11 <http://www.ahrchk.net/uamainfile.php/2006/1781>, Also see: Hindu Groups Protest – "Temple Cleansing" in Malaysia, [in:] *The Financial Express*, London 23 May 2006

12 Sh. Sundarraman, *Cry for Recognition*. [in:] *The Asian Age*, New Delhi 27 October 2009

13 D. Lahiri, *Malaysian Indian Community: Victim of "Bumiputra" Policy*, [in:] *Issue Brief 12*, Observers Research Foundation, New Delhi, 15 February 2008

14 See: B. Stephens, *An Interview with Abdurrahman Wahid*, [in:] *Wall Street Journal*, 7 April 2007

15 B. Ghoshal, *The Rise of Extremism – Part II*, [in:] *Yale Global Online*, 3 April 2007

wearing zilbab (Muslim head scarf) has multiplied, private Islamic schools have quadrupled¹⁶, various books and CDs on Islam are everywhere, TV channels are filled with Islamic programs and new young da'i (preacher) stars, mush olla (smaller mosque) is "required" for every public facility including gas stations, recreation centers, etc.¹⁷ One sees "Islamic" ring tones and hand phones and other forms of "techno-Islam," and an increased concern with "Muslim" fashion, an increased use of Arabic loan words in everyday speech and other outward (lahir) symbols of Islam. The rise of political Islam has raised the stakes for women, as legislation increasingly focuses on controlling women's morality, as well as stimulating women's awareness of and engagement in the political arena. Islam has replaced local culture as the most significant deterrent to women's rights in Indonesia today.¹⁸ Not long ago, Indonesians of different faiths commonly participated in one another's religious ceremonies. Muslim clerics reportedly use "fatwas" against such inter-religious social mixing, even in offices. While in Malaysia one cannot marry a Muslim without conversion to Islam, such marriages were once common in Indonesia. Today, those marriages incur the wrath of the conservative Muslim groups.

Since the Indonesian Ulema Council (MUI) issued its much-criticized "fatwa" banning liberal concepts of Islam, secularism and pluralism, hard-line Muslim elements have been pushing for the eviction of JIL (Jaringan Islam Liberal), a cultural complex set up by progressive and moderate Muslims and headed by noted Muslim scholar Ulil Absar Abdalla, who himself received death threats for publishing articles criticizing the conservatism of some Muslim leaders in the country. For the past three years Indonesian politics have been roiled by an Islamist attempt to label anything they deem sexually arousing to be a form of "porno-action." Many moderate Indonesian Muslims see this as an assault on *pancasila*, Indonesia's secularist state philosophy from the time of its founding, as well as an assault on common sense.¹⁹

Conclusion

While the battle for the hearts and minds are welcome in a vibrant society, the growing influence of Islam and the attendant communalization of politics in Indonesia have planted seeds of social turmoil that threatens world's largest Muslim country, As Islam undergoes major transformation at the grassroots in Malaysia and Indonesia, pressures for "sharia" and the introduction of a more rigid Islamic way of life in these societies will mount, further impinging on the character of the state and inter-faith relationships, and, in turn, on multiculturalism and democracy. If the powerful, modern, ideas of "jehadi" Islamism are not met in the marketplace of ideas with an equally vigorous, contemporary, articulation of peaceful, syncretic and inclusive Islam, then "the centre of gravity" of public discourse will inevitably slide towards those ideas that appear most powerful and relevant to the modern world. The progressive interpretation of Islam developed by late Nurcholish Madjid and his friends, such as former president Abdurrahman Wahid in Indonesia, Anwar Ibrahim and Chandra Muzaffar in Malaysia, and Surin Pitsuwan in Thailand, who is now the current secretary general of ASEAN, represent a powerful alternative to "jehadi" Islamism. The need of the hour for the Muslims in Asia is to de-Arabize Islam from its exclusivist mould and promote a more inclusive Islam based on their own indigenous cultures and traditions blending with the universal message of Islam, as were the case in Malaysia

16 A. Rabasa, *Islamic Education in Southeast Asia*, [in:] *Current Trends in Islamist Ideology*, vol.2, Hudson Institute <http://currenttrends.org/research/detail/Islamic-education-in-southeast-asia>

17 See: A. Munjid, *Thick Islam and Dick Islam*, [in:] *Jakarta Post*, 16 August 2009

18 S. Nurjanah, *Grappling with the Rise of Political Islam: Threats or Opportunities for Women?*, Presentation of the National Endowment for Democracy on 25 June 2005, <http://www.ned.org/docs/Nur06-25-09.pdf>

19 See: *Jakarta Post*, 8 December 2008

and Indonesia in the period before the inroad of the Islam of the desert. If Malaysia and Indonesia are to retain their plural and multicultural character, they must avoid promotion of any one community, ethnic or religious, at the expense of the other and ensure equality among them under a democratic environment to lend true meaning to the motto of "unity is strength" or "unity in diversity".

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02

India in shaping its future

In the modern political discourse, India is being called “an emerging country”. Therefore it is also so fascinating to examine India’s own perspectives and the three articles gathered in this Chapter offer such an opportunity. S.HAZARIKA focuses on the region of North-East India, which in his opinion is *where India ends and South-East Asia begins* (or other way round). The text outlines the main concerns of the population of this region – being subjected to the legacy of colonial rule, non-inclusive global economy and failures of the national government as far as providing security. Describing in details the circumstances, S. HAZARIKA poses a question on what needs to be done to establish a solidarity-based society. The notion of mutual relations between communities and neighbours is a theme that M. SHANKAR AYAR examines, in macro-scale, looking at the India-Pakistan relations. He suggests four factors for reconciliation (generic, institutional, endemic, and episodic) and provides a 7 points action plan for an “uninterrupted and uninterruptible” dialogue. The necessity for peaceful coexistence is also a thread in the article by U. KUMAR SINHA. In his contribution he looks at the challenge of limited water resources in Asia, advocating for “hydro-solidarity” against “hydro-aggression”. He makes also a pledge for increased regional cooperation, warning against consequences of any other scenario in case of i.e. Tibet.

Where should India's North-East look?



By Sanjoy HAZARIKA

The North-East of India is Asia in miniature, a region where different races mingle and merge, where India ends and South-East Asia begins – and also the converse, where India begins and South-East Asia ends. It remains uniquely disadvantaged by Partition and the legacy of colonial rule but with new policies of economic opportunity and regional cooperation opening up, this could change dramatically in the next decades. Indeed, not less than 96 % of the region's borders are with other countries; only four % is connected to the rest of India, what is often described in this area as the "mainland" or the "mainstream".

Indeed, the region has been one of the most globalized parts of the subcontinent for well over a century. It was where the prosperous tea gardens and companies in the Assam and Barak Valleys were set up, connecting to the international markets especially in London. Steamers and ferries took goods and people from as far as Dhaka and Kolkata to Dibrugarh in Upper Assam and back. Large reserves of oil and gas were discovered here in the 19th century and still supply a substantial part of India's energy needs. Partition and the India-Pakistan wars shut down the river route and it is only in recent years that Bangladesh and India are negotiating legal instruments of reopening trade, commerce and navigation on what remain the lifelines of both Bangladesh and its neighbour, the North-East.

A sense of political, economic and historic alienation has added to the fault lines of geography and ethnicity; this in turn has ensured that distances have grown in every sense of the word between the North-East and the rest of India. In a number of cases, this alienation has taken the shape of violent movements against the State, seeking independence or much greater autonomy, although these appear currently to be winding down, as much as because of public fatigue and exasperation with frequent shutdowns, economic deceleration, compared to other parts of India as well as the security heavy-handedness that has come to characterize life in one of Asia's most ecologically diverse and rich areas.

Economic development has failed to keep up with rising expectations. The large majority of the population of the region is rural-based although there has been a sharp degree of urbanization in pockets such as Mizoram, on the border with Burma, where one-third of the entire state lives in and around the capital of Aizawl.

There has been a growth in the incidence of rural poverty although incomes in urban areas have improved substantially, leading to a sharp and visible spatial inequity. New malls, houses and construction are on an aggressive upward spiral in a handful of cities, indicating the growth of disposable incomes. In addition, local governments have become major sources of employment – such as for teachers and police recruits. The land-person ratio is falling and barring some areas, there has been a drop in farm productivity.

The primary sector has not grown for a number of reasons – not least linked to the lack of governance and the problems of conflict. More than 60 years after independence, infrastructure remains creaky at best although there has been an improvement in railways services and road transport connections. States like Assam suffer as much as 13% or more damage to their net sown area from floods and most states are net importers of food. Oil and gas are major economic drivers although the tea economy has suffered setbacks in the past years.

As they look at this region and the challenges for growth here, Indian planners take encouragement from the experience of the Association of Southeast Asian Nations (ASEAN) and hope that regional integration and closer cooperation with neighbouring countries can inspire growth and change in its North-East.¹

Taking cognizance of sweeping global political economic changes in the 1990s, the Congress Party Government led by the then Prime Minister P. V. Narasimha Rao proclaimed a "Look East Policy" (LEP hereafter). LEP marked a shift in India's foreign policy and was launched in 1991 in a post-Cold War global scenario. With the collapse of the erstwhile Soviet Union and thus India having lost a major supporter of its international policies, both political and economic, New Delhi embarked on the road to economic liberalisation, seeking new markets and partners abroad. LEP was a clear manifestation of India's interest to develop a closer relationship with the so-called "economic tigers of South-East Asia." In the long-run India wanted to emerge out of the confines of the stagnating and divided South Asian Association for Regional Co-operation (SAARC) to tap the economic potential of ASEAN, register itself as a regional power and to try and balance China's growing influence in the region.

Originally, the main focus of LEP was on South East Asia. However, during the course of time China, Japan, South Korea and other Asia-Pacific nations were included within the gamut of this effort. **What was initially an economic initiative has acquired political, military and regional dimensions.** Prime Minister Manmohan Singh stated that it is *not merely an external economic policy, it is also a strategic shift in India's vision of the world and India's place in the evolving global economy. Most of all it is about reaching out to our civilizational neighbours in South East Asia and East Asia.*

Yet critical questions remain about this approach, especially in the North-East of India where many scholars and political activists view New Delhi's approaches with a mixture of apprehension and suspicion, concerned about what they regard as the latter's campaign to embrace economic connectivity and growth without ensuring inclusiveness and protection for disadvantaged groups which are unprepared for the changes. There are those who question whether there is a "policy", which is structured with a specific

¹ R. Rasiyah, A. Quesem Al-Amin & T.Htoo Naing, *Integrating Myanmar with its Western and Northern Neighbours: A Shared Vision through the Promotion of Sustainable Agricultural Development, Research Paper 2011*

economic approach and legal framework that influences policies and programmes by all government departments dealing with South East Asia or whether it is really an “approach”, limited to occasional events, discussions and cultural and business exchanges.

Yet, it needs to be seen in the growth of a set of sub-regional initiatives in the region, aimed at strengthening sub-regional ties within the Eastern part of South Asia. These include the South Asian Growth Quadrangle (SAGQ), BIMSTEC, the Kunming Initiative (BCIM) and the Asian Land Transport and Infrastructure Development (ALTID) and they have gradually been given shape by efforts by various actors including governments, the private sector, civil society institution and international agencies.

Within India, efforts to ensure “development” of infrastructure in the North Eastern Region by increasing the flow of budgetary financing for new projects and schemes in the region have been stymied by inefficiency, lethargy, combined with extensive leakages, political unrest and lack of involvement (or interest, in several cases) by private parties in taking part in such projects. For example, a bridge which was to connect Bangladesh to Meghalaya and Assam states and speed up transport of coal and minerals from the Indian side has remained un-built for 10 years as no company has come forward to bid for the project.² Apart from this, the North Eastern Council was instituted for the matters related to the planning of education and monitoring of development schemes and projects of the North Eastern region. While progress on infrastructure projects remains slow, the long-running insurgencies and conflicts ranged against India by numerous groups began to abate in 2010 with the detention of top militant leaders in Bangladesh and their handing over to Indian authorities, followed by the renewal or creation of peace processes.

As visualised in the LEP the opening up of trade to South-East Asian countries could add some vigour to the landlocked economy of the area. Given the geo-political situation of the region, cross-border markets are likely to be more cost-effective business for surplus production in the North-East and also import of some consumer items, in comparison to dealing in far-away mainland markets. Some of the measures of the Government of India to improve cross-border trade with Burma include the declaration of a free trade zone at Moreh, on the Indo-Burma border in the state of Manipur. Yet, infrastructure and the export-import system remain primitive with men and women bringing “headloads” of goods from either side. In addition, the trade from Burma is dominated hugely by Chinese goods which flood into Burma’s Tamu side of the border, brought in by giant Chinese trucks that surge across highways from the PRC’s Yunnan Province.

The basic problems on the Indian side include the lack of adequate infrastructure in Assam, the largest state and the regional gateway. One area that could take off are **Special Economic Zones (SEZ) which could be set up at the appropriate places in the region to develop effective cross border trade so that the North Eastern region can get benefits from the emerging South Asian Free Trade Area** (SAFTA). In addition, the Government of India, taking up a handful of recommendations made by a team of north-eastern scholars³ in 2005, has decided to formalize border haats or traditional markets in the Garo Hills and Khasi Hills districts of Meghalaya. These modest steps, involving even more modest infrastructure and funds, were inaugurated by much local celebrations and media coverage in recent weeks by the Chief Minister of Meghalaya.

Both policy makers and scholars regard this as a harking back to a better time when relations between the communities on the borders were better than they are at present and when securitization and “national laws”

² 10 years on, hopes now for India, Bangladesh Bridge, [in:] *The Hindustan Times*, New Delhi, September 1 2011

³ *Final Report on Potential of Trade Relations between North-East India, Myanmar, Bhutan, China, Bangladesh and South-East Asia*, Ministry of Commerce and Industry, Government of India, New Delhi 2005

did not impede people-to-people connectivity. What the Commerce Ministry report⁴ asserted was the need to put in place simple, do-able steps that would win not just public confidence but also ease difficulties caused by Partition and its legacy, which divided countries, communities and neighbours as well as families. *In a way, it was undoing some of the harm of Partition which has affected people economically and socially for over 60 years*, said one senior Central government economic planner⁵ in Shillong, capital of Meghalaya. *What was legal before August 15, 1947, became illegal – now that has changed again*, he said,⁶ remarking on the excitement with which petty traders and villagers were flocking to these markets.

It is now a question of whether the Government will improve facilities and expand the number of such outlets or border haats, said Dr. Sanjib Kakoty⁷, who teaches at the Indian Institute of Management in Shillong, and has closely followed economic relations between his border state and Bangladesh. That, he said, would be a test of government commitment to better relations with its neighbour as well as to improving trade and people-to-people connectivity.

As far as Burma is concerned, a border trade agreement was signed between India and Burma in 1994. Moreh (Manipur)-Tamu (Burma) border trade began a year later in 1995. A plan was made to set up a composite check post at Moreh. An Indo-Burma border trade office is being opened at the office of Manipur Handloom and Handicraft at Imphal, capital of Manipur. In 2005-06, India’s exports to Burma were estimated to be USD 110.7 million and India’s imports during the same year were estimated at USD 525.96 million.

India is also helping Burma in the development of infrastructure. On February 13, 2001, the 160km long Tamu-Kalewa-Kalemio road was opened and this was used to connect by ferry across the Chindwin to Northern Burma and reach Mandalay. However, Burma has since built other alternative highways though the Kalemio highway remains a major piece in place in India’s relationship with its neighbour, especially as it reduced travel time between communities and the market at Tamu-Moreh from a week to a few hours: for the first time, Indian engineers laid down bridges across numerous streams and small rivers in the hilly tracts enabling people to travel quickly by private vehicles and in public transport for the first time in their lives.

National Highway 39, which terminates at Moreh was extended. A trilateral project was signed, which would connect Moreh (Manipur) to Mae Sot (Thailand), passing through Bagan (Burma). Again, as remarked earlier, this has remained on paper for over five years, raising questions about New Delhi’s capacity and ability to drive change and collaboration.

India has also undertaken the Kaladan River Project to connect the port of Sitwe in Burma to Mizoram, via river and road/rail; the Rail India Technical and Economic Services completed a Survey in June 2002 and the Inland Waterways Authority of India is designing connectivity plans although senior engineers say the proposed river-road-rail links are too complex since they would mean the creation of additional infrastructure and loading and unloading of goods several times, causing possible damage to goods apart from delays. *A businessman wants quick delivery of his goods, quick turnaround time for the investment as well as assurance that the goods and people will reach in good condition – with this process, it is not sure at all*, said one IWA engineer.⁸

⁴ The author led the research study, which involved eight scholars from different states of the region, who met with stakeholders, villagers, traders and business groups as well as officials and political leaders.

⁵ Interview with author, Shillong, July 2011

⁶ *ibid*

⁷ Interview in Shillong, August 24, 2011

⁸ Interview with author, New Delhi, February 2010

The project was delayed by over a decade because although India proposed it in the 1990s, Burma agreed only in 2008 to the plan, which would drastically reduce travel time and expenses, as envisaged, for goods from India to the NER. The idea was to avoid the current situation where all commodities to the North East must pass through the congested Siliguri corridor and then be transported to different parts including distant destinations on the India-China, Indo-Burma, Indo-Bhutan and Indo-Bangladesh borders at huge cost. Armed anti-State groups and corrupt officials often extort from truckers, especially in Manipur and Nagaland states, increasing the cost of goods and enhancing the insecurity of the region. The situation is complicated by protest from some hill states against rail networks with small ethnic groups fearing displacement and influx of immigrants and labour from other parts of the country.

The multi-nodal Kaladyne route suffers from other disadvantages: One official pointed out that presently trucks from Kolkata take 3-4 days to reach places such as Mizoram, but once this project becomes operational it could take up to 10 days. Other major concerns are border checks, customs formalities and the feasibility of navigation on the Kaladan river during floods and in the dry season in its upper stretches, given the poor infrastructure and connectivity in the region and the difficulties and costs involved in it. A gas pipeline is proposed along the Kaladan River from Nengpui in Southern Mizoram to Sitwe.

The quantum of transaction in informal and formal trade is substantial and researchers find it extremely difficult to measure the volume of informal trade, for what is informal is illegal. The insurgent factor is a major hindrance for the stable form of trade transaction. It affects not only the pricing of goods but also smooth and free trade practices but encourages smuggling.

Beyond India's Look East Policy

India's relations with ASEAN have intensified since the enunciation of LEP. India became a sectoral dialogue partner in 1992, in trade, investment, tourism and science and technology. India was invited to become a full dialogue partner during the Fifth ASEAN summit in Bangkok in December 1995. Subsequently, in 1996 India became a full dialogue partner and a member of the *ASEAN Regional Forum* in July the same year. All these demonstrate a continuous and increasing engagement of India in the Asia Pacific region, both in terms of politico-security and economic spheres. Since 2002, India has held annual summits with ASEAN along with China, Japan and the Republic of Korea. India initiated concepts like the Bay of Bengal Initiative for Multilateral Scientific and Technical Cooperation (BIMSTEC) while along with Surin Pitsuwan, current ASEAN Secretary-General and then Thailand's Foreign Minister, the *Swarnabhoomi Project* was conceived, seeking cooperation from the Ganga to the Mekong, which has developed into the Mekong-Ganga Cooperation (MGC) to strengthen its ties with these countries.

Yet, though the ideas are good, little has happened on the ground, complain officials from these countries, of moving programmes and projects from the ideas stage to one of design, development and implementation. This is where, scholars from SE Asia say, that China is scoring over India consistently and where its capacity, if not position, as South Asia's pre-eminent power is questioned.

...economic dynamism not only depends on guidelines or policy blueprints, but also depends on strong political desire and a common vision to seek integration. The integration of Northeast India, Burma, Bangladesh and Southwest China obviously will open the way for further integration of this region with other neighbouring provinces and countries. In other words, the market potential of such an integration process will geographically involve several countries. Without the desire and the execution, such an attempt will be doomed, which is very much the experience of the SAARC regional cooperation initiative where political disputes have undermined its evolution. Specifically, intra-SAARC trade has suffered because of political impediments to regional integration. Regional integration cannot be achieved unilaterally by any one of the participants. All the governments involved must participate equally to make it a success.⁹

India is well-placed with membership of major forums such as the annual *East Asia Summit*, of which it is a founding member, and which includes ASEAN and other countries like Japan, China, South Korea, Australia and New Zealand. In September 2004 a Free Trade Area (FTA) agreement with Thailand and ASEAN was signed. A Comprehensive Economic Cooperation Agreement (CECA) with Singapore was signed in June 2005. India is also an active participant in Thailand's initiative i.e., Asian Cooperation Dialogue (ACD).

Trade and investment links with the region have expanded steadily through LEP. Currently, ASEAN is the fourth largest trading partner of India after EU, USA and China. Indo-ASEAN trade has grown from USD 38.37 billion in 2007-08 to USD40 billion in 2009. India occupies the 14th place in terms of outward FDI stock among the developing countries. During 2001-2003 the annual average outward FDI was USD1.1 billion. Many companies like the Ranbaxy, Bajaj Auto, Aditya Birla Group etc., have expansions in the South East Asian countries, besides numerous other ventures in the field of synthetic fibres, handicrafts, garment, steel and textiles as well as in ICT, health care and education have been undertaken.

However, despite the appreciable performance in the outward FDI stock, India's per capita GDP (PPP) is still lower than that of ASEAN, although it has a slightly higher growth rate. India and China still fall behind ASEAN in the productive age group.

The greater influence of China with ASEAN is primarily due to cultural ties, economic strength and political influence China has. Moreover, the per capita income of ASEAN is about 2.5 times higher than that of India. The Gross National Income (GNI) of ASEAN is also much higher.

There remain however some major physical hurdles in the development of the NER, so that it can be connected to the other parts of South and South-east Asia.

Every year without fail, the rivers in the Northeast rise in spate and devastate large populated areas in the flood plains, carrying away people and livestock. At times, one-third of the population of Assam are displaced or otherwise affected by high water, suffering immense loss of property, crops and livestock, often a major source of livelihood and income. In 2006, researchers came across cases where as much as 10-15% of cattle

⁹R. Rasiyah, A. Quesem Al-Amin & T.Htoo Naing, *op.cit.*

head had perished. Not less than 336 embankments had collapsed. All 27 districts were hit by the floods, including the hill districts where landslides and rushing water snapped communications and disrupted life. The flood damage was estimated at some Rs 6,500 crore (about 10 billion Euro).

The rivers of Northeast India leap and bound over hills, they do not flow. There are not less than 33 major rivers which in turn flow into that greatest of all Indian rivers, the Brahmaputra; there are 22 which have already fallen upstream in Tibet and in Bangladesh three more join it, including the Ganga.

Much of the *“Look East policy”* and the thinking around it – connecting to Southeast Asia and our neighbours – overlooks one basic point. Without a water transport policy capable of moving large volumes of goods by river, the *“Look East policy”* will run into the sandbanks of the Brahmaputra. For it does not even consider the most basic of problems: when the region and its main road and rail corridor are under water or affected by water (either hit by it or recovering from it) for anything between five to eight months of the year, how can we have an economic policy that does not consider this very basic factor?

A simple look at the map of the region should suffice – can the collapse of Assam’s economy from the fourth place in India’s income order to fourth from the bottom in the company of Bihar and Orissa be attributed to a comprehensive failure to fashion a people-participative response to floods and high water? And high dams are not the answer. Certainly not in a highly geologically unstable and seismic zone like the NER.

If the LEP or Approach or Strategy has to grow and grow inclusively, several other issues would need to be addressed: The atmosphere of insecurity that permeates parts of the region: this is a problem that disturbs traders and disrupts their businesses and work as well as that of ordinary people in areas as sensitive and significant as Manipur, Nagaland, Assam and Arunachal Pradesh. The tension and fear is largely created by armed non-State groups which function openly and with impunity, intimidating and extorting as well as even kidnapping traders and others. Unless the Central and state governments provide good overall security and especially for trading groups, the implementation of trade and commerce policies would not be possible. It is not as if such groups are not known or action against them is not possible; the governments are reluctant to initiate action, concerned about political repercussions. However, without strong security measures, no international trade policy will work. Such action will send a strong signal to armed groups that venal practices will not be allowed.

This insecurity spills over onto another area: the North-East comprises of small ethnic groups, many of whom are unprepared for the sweeping changes that are coming as part of regionalism and globalization. They must be enabled to stand on their own and not be swept off their feet. Thus more traditional border haats, for example, on the Meghalaya-Bangladesh border should be formalized and supported: these affect the daily lives and incomes of tens of thousands of people. The form of trade remains to a large extent basic and even primitive.

Communication, technological up-gradation and improved staff facilities at border check posts, both of the customs and immigration, is another must. Research in Meghalaya and Manipur show that some posts do not even have phones! In addition, some officials do not want a proper mechanism in place because this would affect substantial illegal incomes from informal trade. Thus, strong infrastructure and governance must go together, with surprise checks to review performance and quality of structures.

A third point is that the much-talked of *“Look East Policy”* is barely understood by senior political leaders and bureaucrats. But the group which should be the best informed or briefed because they deal with trade

and business as their professional live is completely shut out of the picture: the traders. These have the least knowledge, surveys have shown, of the LEP even though they are supposed to be the biggest beneficiaries. The Commerce Ministry and the Ministry for External Affairs must conduct a series of workshops and training programs for officials as well as traders and business organizations across the North-East in association with the respective state governments and independent institutions to help them understand the issues and opportunities as well as take advantage of them.

There is a demand for uniform customs duties, simplification of customs and bank procedures especially by those trading with Bangladesh.

While growth in trade remains small and limited to a few products, compared to India’s trade with other countries, there are special sectors where the NER has a natural advantage: this includes value addition of fruit and vegetable produce through processing, tinning and exporting. In some cases, meat culling and processing also has a future, especially in states such as Sikkim and Arunachal Pradesh. This in turn underlines the need for basic services such as good roads, particularly from farm to markets, and infrastructure in the form of stable sources of power to fuel the processing plants. Local labour can be trained and involved along with professionals from outside. Unless this is done, the NER will continue to be a transit-route that produces little of consequence for its neighbourhood barring raw unprocessed goods. If this prevails, despite the best intentions of Government, it would remain a transitional market and route for goods produced in third countries or other parts of India. Thus, little economic growth can be expected if the issues of natural and locational advantage are not exploited.

The Government of India can adopt a multi-sectoral approach to specific parts of the North-east where different ministries can, in collaboration with state governments, work together to make a visible difference in one to five years. The following “growth poles”, a concept developed by the National Commission for the Unorganized Sector under the chairmanship of the late Dr. Arjun Sengupta, to accelerate economic growth in focused areas, can be considered:

- Sualkuchi-Hajo-Sartyabari (Assam): silk, bell metal products zone for domestic and international export; tour groups to visit centres of excellence; home stays and local hotels/lodges for travelers and tourists
- Silchar-Kolasib-Aizawl-Champai (Assam-Mizoram-Burma border)
- Dibrugarh-Tinsukia-Khonsa-Tirap (Assam-Arunachal Pradesh-Burma/PRC border)
- Jorhat-Mariani-Mokukchung-Burma border
- Dawki/Tamabil (Bangladesh border with Meghalaya)-Cherrapunji-Shillong: encourage border haats
- Goalpara-Dhubri-Bangladesh border: trade through Inland Water Transport
- (Bodo areas) Chirang-Kokrajhar-Bhutan
- Agartala-Bangladesh border (Tripura)
- Siliguri (West Bengal)-Gangtok-Nathu-la-PRC border: infrastructure, trade, international treks, home stays etc.

Internal connectivity, collaboration and inclusive growth, as well a strong focus on collaboration with Bangladesh rather than SE Asia (through Burma), are the key to a true LEP (*“Look Everywhere Policy”*) that will benefit the principal stakeholders of the region: its people.

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India-Pakistan: Retrospect and future Challenges



By **Mani SHANKAR AIYAR**

That is the central problem: the communalization of the mind, looking at our neighbours not as one of us, but as the Other, indeed, the Enemy Other.

The communalization of mindsets was the root cause of the division of the country as the price to be paid for Independence. Now that there are two countries, independent since more than six decades, is there no way the communalization of the mind can be eased in the direction of also recognizing the complementarities in our respective national destinies?

For we live in the same South Asian geographical space. Although many Pakistanis would deny it, we also occupy much the same civilizational space, diversity of every kind – racial, linguistic, ethnic, cultural, religious and even sectarian – being woven into the warp and the woof of our nationhood. History may have divided us, but geography binds us, and a shared inheritance holds as much the potential to keep us apart as to bring us together. The choice is for us to make.

For most of the last six decades, the best and the brightest of our countries – sants and ulema; ideologues and propagandists; terrorists and cerebral communalists; politicians and statesmen; scholars and the media; diplomats and the military - have done all they can to render us asunder. They have not entirely succeeded. For we remain hyphenated in the eyes of the world because we remain hyphenated in the minds of our people. And we remain hyphenated because we are hyphenated; we share too much to just turn our backs on each other and hope the other will go away. Siamese twins are not free to roam except with each other, even if they keep pulling away from each other.

There are four sets of factors that stand in the way of reconciliation. I would classify these as:

- generic
- institutional
- endemic
- episodic

Generic

Some in India and many in Pakistan would argue that the very reason for Partition having been the religious incompatibility between Hindus and Muslims, it is inevitable that the two nations would also find it incompatible to live together as good neighbours. The argument goes that the underlying hostility is generic, built into our genes as it were, and if it were not Partition would not have happened.

That, perhaps, is a somewhat fundamentalist way of putting it and, therefore, the point is generally made with greater sophistication and nuance as not so much a fundamental civilizational incompatibility but a lack of convergence in national interest or even a belief that hostility being the underlying reality, it is not so much a question of promoting friendship as protecting oneself from hostile intent.

Yet, there are several levels at which this argument breaks down. First, the Indian Muslim community: are they not living in harmony with their Hindu brethren? If there were no compatibility, how is it that almost every icon of India's 85% Hindu youth is unabashedly Muslim: the four Khans – superstars Shah Rukh, Aamir, Salman, and Saif; leading ladies like Katrina Kaif following Madhubala, Meena Kumari and Nargis of yore and Waheeda Rahman and Shabana Azmi more recently; the golden voice of Mohd. Rafi and Talat Mehmood; the lyrics of Sahir Ludhianvi and Javed Akhtar; music director A.R. Rahman (who was born Dilip Kumar and converted to Islam, where his renowned predecessor in the run-up to Partition, Dilip Kumar, the actor, was born Yusuf Khan in Peshawar and converted to Bollywood under an assumed Hindu name); the makers of *Peepli Live*, Mehmood Farooqui and Anusha Rizvi, India's sure-fire entry for this year's Oscars; ustads such as Bismillah Khan, Vilayat Khan, Bade Ghulam Ali Khan, Amjad Ali Khan and tabla maestros, Allah Rakha and Zakir Hussain; cricketers like Tiger Pataudi and Azharuddin, and tennis star, Sania Mirza, whom we share, besides a whole galaxy of highly influential opinion-makers of whom I need mention only three – the Group Editor of the India Today stable, M.J. Akbar; columnist Saeed Naqvi; and historian Mushirul Hassan, Director of the National Archives – and business barons, Aziz Premji and Anu Agha. The point needs no labouring.

Except that the Justice Rajinder Sachar report will immediately be thrown at those who suggest that the lived experience of secular India shows no incompatibility between the two alleged "nations" of Hindu and Muslim.

Yes, indeed, in many, many respects the denizens of the Muslim community are worse off than their non-Muslim counterparts in northern India. Equally undeniable is that while the North Indian Muslim elite largely took off for Pakistan at Partition, the vast majority of the ordinary Muslims voted with their feet to remain where they were.

Deprived of a middle-class and a political leadership, the community has striven to raise itself by its bootstraps and while there are success stories there is much leeway to be made up. This points to the need for more affirmative action; it emphatically does not mean that Hindu and Muslim cannot live under one national roof. Moreover, it needs to be recognized – in Pakistan, of course, but much more in India – that where population transfer did not take place, as in South India, the Muslim community is doing quite exceptionally well – and is not resented by the majority community for doing so.

I do not want to make a polemical point. I simply want to assert that whatever might have been the argument for a Muslim majority State on this South Asian sub-continent at the time of Independence and Partition, now that Pakistan has been in existence for sixty years and more, the generic argument for Hindu-

Muslim incompatibility has lost its sheen and transmuted more into national hostility than communal animosity.

Reciprocally, it is little known in India, and little bruited about in Pakistan, how many members of Pakistan's non-Muslim minorities hold positions of distinction and responsibility in Pakistan, not only in the higher echelons but in the grassroots institutions of local government, in the civil services, in the judiciary, in agriculture, in business and the arts. Partition over, as the Quaid-e-Azam said before Pakistan was suddenly and unexpectedly emptied of its minorities in the fortnight after its creation:

You are free; you are free to go to your temples, you are free to go to your mosques or to any other place of worship in this State of Pakistan. You may belong to any religion, caste or creed, that has nothing to do with the business of the State... Now I think we should keep that in front of us as our ideal and you will find that in course of time Hindus would cease to be Hindus and Muslims would cease to be Muslims, not in the religious sense, because that is the personal faith of each individual, but in the political sense as citizens of the State.

It could have been Nehru speaking! Yet, six decades down the line, Pakistan is caught between what M.J. Akbar has described as the vision of the Father of Pakistan and the vision of its Godfather, Maulana Maudoodi, or what Sartaj Aziz has described as the triumph of the Deobandis over the Aligarhians and the Brahelvis.

The street demonstrations in favour of the assassins of Salman Taseer and in support of the blasphemy laws have shocked many of us – in India and the world at large but, let me assure you, having been in Pakistan in the immediate wake of the assassination, have also shocked and deeply disturbed millions upon millions of Pakistanis. It is easy enough to make the transition from seeing the public demonstrations to assuming that Pakistan's transition to a mediaeval Caliphate is but a matter of time.

To do so would, however, be a mistake because although the right-wing extremists are buying the silence of the majority at the point of a gun or, more accurately, at the threat of a suicide bomber, if such *Talibanisation* were to reach into the life and lifestyles of the Pakistani establishment and elite, the repulse would be short and sharp, as they showed when the Taliban started reaching into Buner, a hundred kilometres from Islamabad or at the Lal Masjid in the heart of Islamabad in 2007.

Pakistan is a modern nation-State now under serious threat from armed religious fanatics, but it is not about to succumb as a society or as a State to elements who even in a moderate democratic garb have rarely managed to win more than a tiny handful of seats in any election.

As Indian and Pakistani immigrants have shown in several countries across the world where they live and work together, while some do indeed carry their communal baggage with them overseas, by and large there is tolerance, even cordiality, between the two communities. Nothing in either Islam or Hinduism makes for incompatibility.

Our syncretic history, our symbiotic past of over a thousand years, beginning with Mohammad bin Qassim arriving on our shores in 711 AD, points rather to a composite heritage than to one that is irretrievably divided.

I would, therefore, emphatically repeat that **it is not communal animosity but national hostility that keeps India and Pakistan apart: a matter to be addressed by political and diplomatic action, not theology.** Indeed, if religious differences were the root cause, how does one explain Pakistan's excellent relations with the only avowedly Hindu nation in the world, Nepal, or India's excellent relations with virtually every Muslim country – except Pakistan?

The generic argument does not hold, but are the scars of history impossible to raze? Those who became Pakistani on 14 August 1947 had been Indians till the previous day. Therefore, there were many in India who argued, that since nothing in language or literature, culture or cuisine, history or even religion distinguished a Pakistani from an Indian, the only way a Pakistani could distinguish himself from an Indian was by asserting that he was emphatically not an Indian, by building the national identity of Pakistan not with positive building blocks but negatively by stressing that, above all, Pakistan was not India and Pakistanis were Pakistanis precisely because Pakistanis were not Indians.

I do not know whether this argument was always a parody, but today, more than sixty years after Pakistan became a reality, those who began life as Indians are a rapidly diminishing breed. I would imagine that some 90% of Pakistanis today have never known any nationality other than their Pakistani nationality, even as 90% of Indians have never known Pakistan as an integral part of India. Thus, history itself is taking care of history. There is no reason why the nationhood of contemporary Pakistan needs to be built with the cement of anti-Indian or anti-Hindu sentiment.

And that, indeed, is the reason for the affection with which most Indians are received in Pakistan – and, to a large if not reciprocal extent, Pakistanis are received in India. The political reality of 21st century India and Pakistan has substantially replaced the grievances that separated sections of the Hindu and Muslim community in pre-Partition India, especially after the outbreak of communal riots in the Terrible Twenties of the last century.

Therefore, I see no reason in principle why generic or historical factors need necessarily stand in the way of reconciliation between the two countries. If nevertheless progress in the direction of reconciliation has been slow, then does the problem lie in institutional hurdles on the road to reconciliation?

Institutional

From the Indian perspective – and perhaps also the perspective of a majority of Pakistanis – the overwhelming role of the military in Pakistan's approach to India is often held to be the principal institutional block to reconciliation. The argument goes that so long as the army, abetted by a complaisant civil service, is the effective political power in Pakistan, and so long as the *raison d'être* of the huge Pakistani military establishment and what Ayesha Siddiqi calls Pakistan's Military Inc. is founded on the assiduous propagation of the threat from India, the Pakistani military will never permit hostility between the two countries to be undermined for that would be to cut off the branch on which the Pakistani defence forces are perched.

On the other hand, in Pakistan it is often claimed that revanchist sentiment in the entire Indian establishment, including the Indian military, is so strong and persistent that the dismemberment of Pakistan in 1971 was only the prelude to the destruction of the rest of Pakistan, whenever this might prove possible; hence the need for eternal vigilance is the price to be paid for Pakistan's liberty.

Both these views appear to me to be a case of the wish fathering the thought. I don't believe that the actual course of India-Pakistan relations validates the view that India cannot deal with the Pakistani military; or that India is still hankering after a restoration of "*Akhand Bharat*" (Greater India).

Let us take first the Indian view of the Pakistan military. It is rooted, I think, in General Ayub Khan's coup of 1958. Please remember that in 1958, more than half a century ago, almost all top officers of the Indian military

were either General Ayub Khan's contemporaries or his seniors in the predecessor British Indian army. India, understandably, did not want Bonapartism to spread from the Pakistan army to their Indian counterparts. General Thimayya's resignation at about the same time as the Ayub coup was considered – perhaps erroneously – as an ominous and dangerous straw in an ill wind that blew no one any good.

But it was the Ayub regime that in its earliest days suggested a "Trieste" solution to Kashmir – that is, let the *status quo* lie and postpone resolution to a future generation - if I am to credit the story recounted to me here in Karachi by India's High Commissioner to the Ayub Government, Rajeshwar Dayal. And it was indubitably during the Ayub regime that the *Indus Waters Treaty* was signed, a Treaty that has weathered three wars and continues to offer a forum for the resolution of water disputes. Moreover, it was during that regime that Sheikh Abdullah, Jayaprakash Narayan and others were, by all accounts, on a successful or, at any rate, promising peace mission to Pakistan when Pandit Jawaharlal Nehru suddenly died.

Yes, the battle in the Rann of Kutch in April 1965, and "*Operation Gibraltar*" in August that year, followed by the September war, took place in the Ayub dispensation, but much of that seems to have been stoked as much by civilian political forces as by the armed forces. In any case, it was President Ayub Khan who signed the *Tashkent Agreement*, disagreement having been registered principally by his civilian colleagues.

Later, it was during the period of Zia-ul-Haq that a new impetus was given to people-to-people relations, the most important having been the opening of the Indian Consulate General in Karachi. And when in the winter of 1986-87 the temperature started building up over *Operation Brasstacks*, it was in Zia-ul-Haq that Prime Minister Rajiv Gandhi found a most effective partner in defusing the threat of war.

And although Gen Pervez Musharraf's coup was almost universally looked at with deep disapproval and suspicion in India, coming as it did in the wake of Kargil 1999, eventually it was under his aegis that the *composite dialogue* made more progress on the Tariq-Lambah back-channel than at perhaps any other stage of India-Pakistan relations. Equally, of course, the "*Nehru-Liaquat Pact*" of 1950, the *Simla Agreement* of 1972 and the "*Lahore Declaration*" were the handiwork of civilian governments.

Hence, I do not think the objective record makes for any insuperable difficulty in India dealing directly with the Pakistan military or in dealing with a civilian government or in dealing with a civilian government that has the military breathing down its neck. In any case, if Pakistan cannot get itself out of the military shadow, what can India do about it? We have to deal with whoever is in power in this country and while we certainly sympathise with the widespread Pakistani desire to become a full-fledged democracy, we have to make do with whatever is on offer – and I do not think we in India should postpone any amelioration in our relations with Pakistan till that nebulous day when we will have in Pakistan a democratically elected political authority that keeps its military in check. Peace is an imperative now, not a consummation to be postponed indefinitely.

On the other hand, the regrettably widespread view in Indian circles that Pakistan is a "failed" State or a "failing" one also needs to be countered. I do not think any nation, let alone Pakistan, which is so firmly anchored in history, civilization, ideology and spiritual belief, with



one of the largest populations in the world, with the high degree of political and philosophical sophistication which one encounters in that country at every turn, a resilient economy and a burgeoning globalized elite, a strong bureaucracy and a stronger military, and an extremely lively and informed media, can ever be a pushover.

Pakistan, more than six decades after its foundation, is no war-time Afghanistan swirling in chaos at the time of the Soviet and American withdrawal and the political vacuum that followed the end of its "socialist" phase, and, thus, sucked inexorably into the vortex of religious extremism assiduously egged-on from outside. Yes, Pakistan has its difficulties. But so do we. So any strategy built on the assumption that Pakistan cannot hold is misconceived, misplaced and dangerously misleading.

Equally unrealistic are doomsday prophecies of Pakistan falling into the maw of fanatical terrorists or disintegrating irretrievably into a congeries of nations. Pakistan is here to stay and it would best to deal with it on those terms. While it is the duty of the intelligence community to conjure up farfetched scenarios and prepare for them, statesmen are required to handle the here and now. And that calls for an engagement with a Pakistan that will last, not a Pakistan on its last legs.

That accounts too, in my view, for no one in India harbouring any illusions any more about a return to "Akhand Bharat". That was a slogan in the immediate post-Partition period, a cry from the heart of those who had been deprived of their hearths and their homes. That generation has gone, the refugee in India is well-integrated into India society, and there is no nostalgia for return except perhaps in the fading memories of some eighty-to-ninety year olds. Moreover, what on earth are we going to do with 18 crore seriously angered malcontents if ever anything so stupid happened as the end of Pakistan? No, there is nothing, nothing at all, to be gained by promoting any disintegration of neighbouring Pakistan, and I would advise any Pakistani who doubts us on this score to consider how steadfast a series of Indian governments, of every hue and colour, were in standing up for the unity and integrity of Sri Lanka through thirty years of a vicious civil war caused by gross discrimination against the Tamil minority despite the strong ethnic links that bind the Sri Lankan Tamil to the Indian Tamil.

There being no insuperable institutional obstacle to a sustained Indo-Pak effort to resolve simmering differences, let us now turn our attention to those differences, which, for convenience, I have divided into the "endemic" and the "episodic".

Endemic

The endemic issues between Pakistan and India are, from a Pakistani perspective, Kashmir and water; from an Indian perspective, doubtless it is cross-border terrorism based on Pakistani soil. I have no readymade answers. I doubt that anyone has. But is that cause enough to despair of any solution ever being found? The historical record would appear to disprove any military solution to the argument over Jammu & Kashmir. The attempt to annex the Maharajah's state when he and Sheikh Abdullah were readying to throw their lot in with India failed; so did "Operation Gibraltar"; so did the attack on Akhnuar that followed; as did the hostilities on the Western Front in 1971; as did the Kargil misadventure; as did the proxy war of the Nineties. And while there are those in India who maintain that the war of 1948 should have been pressed forward to a conclusion, I think Pandit Jawaharlal Nehru was sensible in listening to wiser counsel. There is no military solution, and subversion will not work.

On the other hand, is jaw-jaw impossible? The United Nations, once the forum for grand forensic battles between Krishna Menon and Feroze Khan Noon and, later, Zulfikar Ali Bhutto and Swaran Singh, has in effect washed its hands of the issue; the question of Jammu and Kashmir remains on the UN agenda but lies dormant ever since India and Pakistan agreed at Shimla in July 1972 to discuss bilaterally all issues related to J&K. Notwithstanding the Naysayers – and there is no dearth of them in either country – progress has indeed been made. These issues are an integral part of the Composite Dialogue initiated in 1997. And, to go by available records, a framework for resolution had reached an advanced stage under the aegis of President Musharraf and Dr. Manmohan Singh through the Lambah-Tariq back-channel. Even if that progress is not being acknowledged now, it does seem feasible to hope that the resumption of upfront and back-channel contacts might yet move matters further forward even on J&K.

As for waters, when I was in Pakistan in March 2010, the drying rivers of the Indus basin were on everyone's lips. When I was again there in October, devastating floods were on everyone's mind. **Water is a most serious issue and upper and lower riparians, whether within our respective countries – such as Punjab and Sind, Karnataka and Tamil Nadu, for example - or between our respective countries**, will have to find answers in 21st century technology, not in the polemics of the 20th century. The total availability of water has run so low that where India and Pakistan started in the 1950s with a per capita availability per annum of about 5000 cubic meters, water availability in both countries has since declined to under 2000, in Pakistan rather more sharply than in India, down to about 1200 as against India's 1800. The problem of water shortage is, however, common to both of us and is, indeed, a global problem common to virtually every country in the world. Some would call it the most important universal challenge of our times. Israel has shown the way to the conservation of water through drip and sprinkler irrigation and I imagine that it is in such technology rather than in the 19th century technology of large dams and command area channels that the answer lies.

But while technology may hold the secret, there is no denying the fact of water deprivation or the politics that flow from it. That is where the "Indus Waters Treaty" has proved its immense worth. The numerous mechanisms it has for finding acceptable ways of resolving agonized issues, as was demonstrated over Baglihar recently and as is being demonstrated over Kishangana now, are solid examples of India and Pakistan being able to discover forums of settlement in preference to the vapid aggravation of real problems and real issues. At the same time, creating pondage must take into account the availability of water at the required time in Pakistan: that was not done in the immediate past and needlessly gave cause for a public outcry in Pakistan.

I now turn to the Indian priority issue – terrorism. Till 9/11, cross-border terrorism was one of several subjects under discussion in our bilateral *composite dialogue* notwithstanding the proxy war in Kashmir nor the *jihadi* strategy of bleeding India with a thousand cuts. The attack on our Parliament on 13 December 2001 led to the armed confrontation of "Operation Parikrama" but did not stall either the "Agra Summit" or the "Islamabad Declaration" of January 2004 or the dramatic progress made between May 2004 and March 2007 when the going was never better.

Meanwhile, the Al-Qaeda attack on the Twin Towers brought the American retaliation to the borders of Pakistan. Ever since, terrorism has become a global issue, perhaps the most important issue before the international community. In that war against terrorism, Pakistan, willy-nilly, has become a front-line state, with horrific consequences for itself. **No state has suffered as much from terrorism as Pakistan itself. There needs to be much wider appreciation in India than there is at present of how terrible is the daily threat**

of terrorism striking any day and anywhere in Pakistan and, therefore, how steely is the will of the Pakistani people to not let their country be taken over by suicide bombers and pathological killers.

I do believe that while the Pakistan establishment might at one time have been complacent regarding terrorism directed at the West or terrorism directed against India, while being extremely vigilant against terrorism directed at Pakistan, there is now an increasing realization that all three networks are inter-connected and, therefore, the counter-attack on terrorism has to be holistic, taking on all three components without distinction.

Indeed, that is the message that came through in President Zardari's initial reaction to 26/11 2008. That brief flicker of hope of a joint India-Pakistan front against those undertaking, sponsoring or abetting terrorism was snuffed out over the offer, first made and then withdrawn, to send the ISI chief to India to initiate a cooperative approach to the joint threat of terror. However, subsequent developments over the next two years were most disturbing. Now there is once again a flicker of hope as the Home Minister of India and the Interior Minister of Pakistan have agreed on an agenda for action in Pakistan, which the Interior Minister of Pakistan has subsequently confirmed is being acted upon in earnest.

I am optimistic enough to believe that when the Pakistan Foreign Minister visits us in a few weeks from now we might get a report card on progress that gives cause for at least mild satisfaction. I certainly hope that will happen because, bluntly speaking, the Indian establishment and almost all Indians remain unconvinced that India-directed terrorism is, indeed, seen in Pakistan as an unmitigated evil that must be stamped out. But while that hurdle looms large on the road to the resumption of normalcy in our mutual dialogue, I do believe **only a joint strategy to counter terrorism will enable both India and Pakistan to overcome what is, in effect, a joint threat to both our peoples.** We either hang together or hang separately. The challenge is to set the stage to being together on this issue instead of languishing in confrontation, thus giving the edge to the terrorist. There is little sign of this happening, but I remain persuaded that the threat to both of us is so great from what is in practice a single undifferentiated source of extreme danger to both countries that sooner than later a joint process will have to be set in motion.

Episodic

In a relationship as turbulent and accident-prone as that between India and Pakistan, it is only to be expected that there would be diurnal disturbances to any equilibrium we might establish or strive to establish. There are any number of issues on which troubles arise. If not tackled, they persist - and when they are resolved leave one wondering what all the fuss was about.

Episodic disturbances are par for the course in almost everything that affects the life of the *aam admi* (common man): from visas to newspapers to cultural exchanges to pilgrimages to trade, to investment. I would also add as a casualty of "episodic" disturbance the Iran-Pakistan-India gas pipeline which I initiated as Minister of Petroleum and Natural Gas, but which is, alas, withering on the vine. The initiation of the TAPI pipeline, that is the gas pipeline running from Turkmenistan through Afghanistan to Pakistan and thence to India, shows, that there are no insuperable political or security concerns relating to transit through Pakistan. If TAPI is acceptable, then why not IPI? India needs every cubic meter of gas it can lay its hands on if it is to sustain its high rate of GDP growth. The stalling of the IPI, especially when the Iran-Pakistan sector now stands agreed, needs to be overcome with all deliberate speed. For the loss on this account and, cumulatively, the

loss to both countries on account of all episodic disturbances is huge, almost incalculable. Yet, we persist in scratching at the scab. And we call this "diplomacy"!

At the same time, there are also larger political issues: Siachen; Sir Creek; the Wullar Barrage or what we call the Tulbul navigation project. In the frozen wastes of Siachen, "*General Frost Bite*" kills hundreds of "*jawans*" (soldiers) in the never-ending battle which both armies wage against nature. Siachen has almost been solved several times. It awaits no more than signatures on a piece of paper readied virtually 20 years ago between Prime Ministers Rajiv Gandhi and Benazir Bhutto.

The Lambah-Tariq back-channel seems, by all available accounts, to have reached near conclusion on all important issues, including J & K, till, first, the stand-off between the judiciary and the Presidency took these issues from the back-channel to the back-burner and 26/11 then extinguished the back-burner.

Confirmation of the unprecedented progress made during 2004-07 has been publicly forthcoming from then Pak Foreign Minister, Khurshid Kasuri, and on Pakistani soil at that. What does this show? That engagement leads to solutions; stand-offs lead nowhere but to the aggravation of problems. So where do we go from here?

Uninterrupted and Uninterruptible Dialogue

Fifteen years ago, I had first suggested a process of "uninterrupted and uninterruptible dialogue" as the only way forward. My suggestion had no takers then. It has no takers now. Yet, I see no alternative to structuring such a dialogue if we really are to effect a systemic transmogrification of our relationship. I hope that such a systemic transformation is both desirable and feasible. I know that most in the Establishment of both countries would seriously disagree. They would argue that differences are so fundamental and intentions so hostile that to be tricked into talking without knowing where such talk would lead to would amount to compromising vital security concerns, jeopardizing national interests and rendering diplomatic initiative hostage to a meandering dialogue from which there would be no escape. Better to keep the guard up, look reality squarely in the face, and leave romanticism to soft-hearted poets - and out-of-work Consuls General.

There is also the other argument, growing more strong in India by the day, and possibly here too among the younger generation in Pakistan, that we have lived in simmering hostility for the last six decades and can do so indefinitely, there are other things to do than engage in fruitless interchange, best to let matters simmer while we get on with other things.

I belong to that minority that thinks there are three compelling reasons why India should pro-actively engage with Pakistan. First, for the domestic reason that a tension-free relationship with Pakistan would help us consolidate our nationhood, the bonding adhesive of which is secularism. Second, for the regional reason that regional terrorism can be effectively tackled only in cooperation with Pakistan and not in confrontation with it. Third, for the international reason that India will not be able to play its due role in international affairs so long as it is dragged down by its quarrels with Pakistan. Equally, I believe it is in Pakistan's interest to seek accommodation with India for three counterpart reasons. First, the Indian bogey has harmed rather than helped consolidate the nationhood of Pakistan. Second, Pakistan is unable to become a full-fledged democracy and a sustained fast-growing economy owing to the disproportionate role assigned to alleged Indian hostility in the national affairs of the country. And, third, on the international stage, Pakistan is one of

the biggest countries in the world and instead of being the front-line in someone else's war perhaps deserves to come into its own as the frontline state in the pursuit of its own interests.

So, what is the way forward from today's impasse? I do not think the impact on the Indian mind of 26/11 is fully comprehended in Pakistan, even as I do not think Indians are sufficiently aware of the extent to which Pakistanis are concerned about terrorism generated from their soil, whoever the target might be, India, the West or Pakistan itself. I suspect that the least positive movement in the direction of determinedly going after the perpetrators of 26/11 will generate a disproportionately positive reaction in India, enabling the stalled peace process to resume its forward movement.

Should the Pakistan government assist the Indian government in this manner to return to the negotiating table, then the first task would be to consolidate the gains of the 14-year old *"Composite Dialogue"*. Irrespective of whether progress on the back-channel is acknowledged or not, **the official position of the two governments has grown so much closer to each other's than has ever before been the case that even by returning to the front table and taking up each component of the *"Composite Dialogue"*, including, above all, issues related to Jammu & Kashmir, we could dramatically alter the atmosphere in which to pursue the outstanding matters, even outstanding matters relating to the *"Composite Dialogue"*.**

In such a changed atmosphere, it would be essential to immediately move to the next phase of what I hope and pray will be an "uninterrupted and uninteruptible" dialogue. This means that even as we proceed with consolidating the outcomes of the *"Composite Dialogue"*, we get on with "talks about talks" to structure the "U&U" dialogue.

Let me place before you, in outline, what I envisage as the essential elements to be structured in to an "uninterrupted and uninteruptible" dialogue:

One, **the venue of the dialogue must be such that neither India nor Pakistan can forestall the dialogue from taking place.** Following the example of the supervision of the armistice in Korea at Panmunjom for more than half a century, such a venue might best be the Wagah-Attari border, where the table is laid across the border, so that the Pakistan delegation does not have to leave Pakistan to attend the dialogue and the Indians do not have to leave India to attend.

Two, as in the case of the talks at the Hotel "Majestic" in Paris which brought the US-Vietnam war to an end, **there must be a fixed periodicity at which the two sides shall necessarily meet.** In the Hotel "Majestic" case, the two sides met every Thursday, whether they had anything to say to each other or not. Indeed, even through the worst of what were called the *"Christmas bombings"* – when more bombs were rained on Vietnam than by both sides in the Second World War – the Thursday meetings were not disrupted. In a similar manner, we need to inure the India-Pakistan dialogue from disruption of any kind in this manner.

Third, **the dialogue must not be fractionated,** as the *"Composite Dialogue"* has been, between different sets of interlocutors. As in the case of Hotel Majestic, where the US side was led by Kissinger and the Vietnamese by Le Duc Tho (and both of them won the Nobel prize), Ministerial-level statesmen should lead the two sides with their advisers perhaps changing, depending on the subject under discussion, but the two principal interlocutors remaining the same so that cross-segmental agreements can be reached enabling each side to gain on the swings what it feels it might have lost on the roundabouts. Thus, the holistic and integral nature of the dialogue will be preserved.

Fourth, instead of there being an agenda agreed in advance, which only leads to endless bickering over procedure, **each side should be free to bring any two subjects of its choice on the table by giving due notice at the previous meeting and, perhaps, one mutually agreed subject could thereafter be addressed by both sides.**

Fifth, **half an hour should be set aside for each side to bring its topical concerns to the attention of the other side.** This will persuade the general public in both countries that the dialogue is not an exercise in appeasement.

Sixth, **there should be no timeline for the conclusion of the Dialogue.** This will enable both sides to come to considered, and therefore, durable conclusions without either feeling they have been rushed to a conclusion against their better judgment.

Seventh, and finally, as diplomacy requires confidentiality, **there will, of course, have to be some opaqueness in the talks; at the same time, we cannot afford to swing the other way and bring in total transparency.** So, what I would suggest is a translucent process where spokespersons of the two sides regularly brief the media but without getting into public spats with each other. Dignity and good will must be preserved to bridge the trust deficit.

I commend this seven-point programme to your consideration. I cannot guarantee that such a dialogue will lead to success, but I do guarantee that not talking will lead us nowhere. Let us give peace a chance. We have nothing to lose but our chains. We have a world to gain.

Mani SHANKAR AIYAR, born in Lahore in 1941, MA in Economics at Cambridge University, from 1963 till 1989 diplomatic career, close to former Prime Minister Rajiv Gandhi, three times elected to the *Lok Sabha* (Lower House), since 2010 nominated Member of the *Rajya Sabha* (Upper House) for six years. Aiyar has been Minister for Gas and Petroleum, Rural local self-government, Youth Affairs and Sports and for the Development of the North-East Region. He has several publications to his credit, amongst them *"A Time of Transition: Rajiv Gandhi to the Twenty-First Century"*, Penguin India, 2009 and *"Confessions of a Secular Fundamentalist"*, Penguin India, 2004



Water issues in South Asia and the Hydropolitics



By Uttam KUMAR SINHA

Introduction: value of water

There is an adage that says that you don't know the true worth of water till the wells run dry. For that matter even the "Blue Planet", as the Earth is referred to, has an instructive irony to its description, telling us the value of water which we often tend to ignore. **While water covers 73% of the planet only 3% is fresh water, of which 2% is held in ice caps and glaciers. The remaining 1% in the form of rivers, streams, lakes, ponds, swamps and marshes, is non-frozen, salt-free and accessible for human consumption.** While there is limited availability it is also unevenly distributed. It is this amount that truly matters in sizing the future water challenge. More importantly, there is approximately the same amount of water on Earth today as there was when it was formed.

Since we cannot create more water than what nature provides us or discover it like oil, the "Blue Planet" teaches us not to be wasteful and manage water optimally.

Hydropolitics

Cross-border rivers are a significant part of the freshwater biome and contribute to 60% of world's freshwater excluding the Antarctica.¹ There are about 260 river basins of which 200 are shared by two or more countries with roughly 145 sharing treaties in existence.² These rivers physically link upstream and downstream users. Since most of the rivers are cross-border in nature originating from, flowing through and draining into territorially defined boundaries, riparian relations will be critical. **Given that states as actors operate within**

¹ Claudia Sadoff, Thomas Griebler, Mark Smith and Ger Bergkamp, Share: Managing Water Across Boundaries, IUCN Report, Gland, 2008, p.6

² Ibid., p.6. Also see, Transboundary Freshwater Dispute Database, Oregon University. <http://www.transboundarywaters.orst.edu/database/interfreshwat-data.html>

the constraints of an international system that essentially remains anarchic and that states are not only "guardians of their own security and independence"³ but also "rational egoists",⁴ water can assume hegemonic attribution. As major parts of the globe experience high levels of water-stress, the water sector is likely to get contentious. The possession or capture and control of water resources can easily lead to aggressiveness and can equally translate into power and dominance.

While undoubtedly the basins offer ample opportunity for harnessing development benefits serving as a cornerstone for cooperation, it equally, given the competitiveness of the users (riparian states) and the uses of rivers (primarily in terms of consumptive utilisation), can potentially trigger tension and strife. With population increase and corresponding consumption patterns, it is projected **that by 2030 the demand for water will be 40% more than at current level and 50% higher in the most rapidly developing countries that include India and China.**⁵ It is further projected that 2 out of every 3 people on the planet will live in water-stressed conditions by the year 2030.⁶ According to UN estimates the bulk of population increase (roughly 7.5 to 9 billion by 2050) will be in countries that are experiencing water shortages.

These facts are challenging. First, water is indispensable and the ultimate renewable resource. Second, water is being severely impacted by global population increase and economic growth. Together they are extracting and polluting it faster than it can be replenished. Third, the ever-expanding gap between demand and supply will potentially make water a contested issue particularly in densely populated countries. Fourth, since disputes over water are inevitable because of the changes, as described above, understanding the processes of resolution and framing new mechanisms and approaches becomes a necessity.

Water in South Asia

Water is now being increasingly viewed as an issue of urgency in South Asia. The Subcontinent with its rising population, increasing urbanization and unchecked poverty has added enormous pressure to the existing water sources and with no proportional increase in availability, water challenges seem imminent. The cross-border nature of water as seen through the rivers that crisscross the South Asian states makes it intensely political and contentious while simultaneously creates opportunities for hydro-cooperation. Hydro-politics will increasingly factor in state dynamics both *between* (inter) and *within* (intra). While there exists no internationally binding watercourse treaty, the allocation of river water at the bilateral and regional level assumes great significance. The shared nature of these challenges requires both macro and micro-level collaborations such as integrated water management efforts between governments.

South Asian states will have to juggle competing and conflicting food-energy-water (FEW) concerns, yielding a set of difficult consequences. A "perfect storm" of food-energy-water shortages by 2030 has already been predicted.⁷ These sets of critical drivers will present difficult-to-manage outcomes and will

³ J.Spanier, *Games Nations Play: Analysing International Politics*, New York, Praeger Publishers 1978, p.11

⁴ According to Joseph Grieco: "...Neoliberals see states as "rational egoists" interested in their own utility, while realist view states as what I describe as "defensive positionalists" interested in achieving and maintaining relative capabilities sufficient to remain secure and independent in the self help context of international anarchy. See: J.Grieco, *Understanding the problems of International Cooperation: The Limits of Neoliberal Institutionalism and the Future of Realist Theory*, [in:] D.Baldwin, *Neorealism and Neoliberalism*, New York, Columbia University Press 1993, p.303

⁵ Mckinsey Report: *Charting Our Water Future*, November 2009, http://www.mckinsey.com/App_Media/Reports/Water/Charting_Our_Water_Future_Exec%20Summary_001.pdf

⁶ As noted by J.Beddington, UK Chief Scientist on March 18 2009, See: <http://www.guardian.co.uk/science/2009/mar/18/perfect-storm-john-beddington-energy-food-climate>

⁷ As noted by John Beddington, UK Chief Scientist on March 18, 2009. See <http://www.guardian.co.uk/science/2009/mar/18/perfect-storm-john-beddington-energy-food-climate>

reinforce each other as never before. First, as population grows, competition for food, energy and water will correspondingly increase. Increasing demand for food grains will claim larger areas of cropland and greater volumes of irrigation water. Second, with the risks that climate change attaches, FEW will be subject to various stresses and strains. Clearly, for South Asian countries food security cannot be achieved without water security. India for example feeds 17% of the world's population but has only 4% of water.

South Asia is home to about 34% of Asia's population (one sixth of world's population) and has about 4% of world's annual renewable water resources that flows through several river basins.⁸ Almost 95% of water in the region is consumed by the agriculture sector as compared to the world's average of 70%. Except for Nepal and Bhutan, the per capita water availability is falling below the world average. It is projected that the per capita water availability in India is rapidly declining. For the year 2025 at a projected population of 1.3 billion, the water availability will be 1341 cubic meter/person/year.⁹

Of significant importance is the fact that planning any water resource utilisation policy will have to take into account the assessment of the impact of climate change in terms of seasonal flow and extreme events. In both direct and indirect ways climate change is related to water as is evidenced through floods, drought and glacial melt.

Himalayan hydrology

It is fast being established that the Himalayan hydrology will be one of the critical frontlines in the global battle against climate change and water scarcity. **The Himalayan mountain system is of crucial importance to the river system of South Asia not only in terms of influencing the monsoon but also in terms of the glaciers which are the source of many of the great rivers in Asia.** Geologists often regard all the rivers, including those originating from Tibet, collectively as the "circum-Himalayan rivers".¹⁰ The Himalayan glaciers, regarded as the "Third Pole", contain one of the largest reservoirs of snow and ice outside the Polar regions. Ten major Asian river systems – the Amu Darya, Indus, Ganga, Brahmaputra, Irrawady, Salween, Mekong, Yangtze, Yellow and Tarim have their sources in the Himalayan glaciers contributing to almost 70% of water resources. Almost 2.0 billion people stretching from Afghanistan to the Ganga-Meghna-Brahmaputra basin in South Asia to the Mekong Delta in Southeast Asia are dependent on the flows of the rivers from the glaciers of the Himalaya that includes Tibet. The impact of global warming and climate change, as studies indicate, will gradually shrink glaciers resulting in the decrease of water runoff in the long-term. In the short-term earlier water runoff from glaciers when combined with seasonal rains can result in flood conditions.

Of all the evidence showing the impact of global warming, perhaps none is more visible than or as acutely dangerous as outburst flooding in the Himalayas. According to the latest assessment of the Centre for Integrated Mountain Development (ICIMOD) in Kathmandu there are about 200 glacial lakes in the Hindu Kush Himalaya region that are "potentially dangerous": (25 in Bhutan, 77 in China, 30 in India, 20 in Nepal, and 52 in Pakistan). The ICIMOD keeps an inventory of 8,700 glacial lakes in the region. Glacial lakes are recognized

8 Freshwater Under Threat: South Asia, UNEP Report 2008

9 Population Growth and Per Capita water Availability in India. 1951, 1955, 1991, 2001, 2025 and 2050. Details available at: <http://www.indiastat.com/table/percapitaavailability/24/watersupply/18198/365176/data.aspx>. Also see, ... 2005" by "Also see: Water: India Story, Grail Research and World Bank 2005

10 Geochemistry of the suspended sediments of circum-Himalayan rivers and weathering budgets over the last 50 years, <http://adsabs.harvard.edu/abs/2003EAEJA...13617G>

as a threat to mountain areas worldwide. The lakes form as glacial melt-water collects behind ridges of loose rock debris called moraines that were deposited by the glaciers themselves. Over the last few decades there has been an upsurge in glacial lake outburst floods (GLOFs) in the Himalayan region resulting in widespread devastation down terrain.

Over the next 20 years, perceptions of a rapidly changing ecosystem in all likelihood will prompt nations to take unilateral actions to secure resources and territorial sovereignty. Any willingness to engage in greater river basin cooperation will depend on a number of factors, such as the behaviour of other competing countries, the economic viability, and other interests that states are reluctant to either compromise or concede.

In the last two decades, the impact of climate change on water resources cannot be discounted. In fact as a precautionary approach, the awareness to the dangers of climate change on water resources should frame future water policies in the region. Some of the studies indicate increased precipitation in some areas, increased drought in some others and increased variability of precipitation. Long-term trends for Himalayan glaciers under conditions of continued warming clearly point to melting though some reports have tended to exaggerate the situation. The melting in the short term will help liberate melt-water which can be used for agriculture and industry. However, de-glaciation will also lead to rapid destabilization of mountain slopes causing landslides, rock-falls and mudslides. This would directly impact the livelihood of the people who live on the floodplains of the major rivers spread across Nepal, India, Bhutan and Bangladesh.

The risks and uncertainties over the impact of climate change on water resources are potentially high in many South Asian countries. For example, Bangladesh given its location and geography is extremely vulnerable to any variations in water flow. Being the lowest of the riparian states it shares 54 rivers with India. Bangladesh, geographically speaking, is in a double trap. While on the one hand rivers flow in making it increasingly water dependent on the other it is witnessing sea-level rise. According to a modelling study, the mean global temperatures for Bangladesh may rise by 1.5 to 1.8 degree centigrade by 2050 and correspondingly sea levels may rise by about 30 cm accompanied by an increase in annual rainfall.¹¹ For India, the middle riparian, decreased snow cover will affect the flows in the Indus, the Sutlej, the Ganges and the Brahmaputra all originating from Tibet. 70% of the summer flow of the Ganges comes from the melt-water and thus can potentially impact the agriculture sector. India's National Communications (NATCOM) in 2004 has projected a decline in wheat production by 4-5 million tonnes with even a 1 degree centigrade rise in temperature. Pakistan, like Bangladesh a lower riparian, is vulnerable to access of clean water. The western Himalayan glaciers act as reservoirs that release water into the rivers that feed the plains in Pakistan. The glacial retreat is increasing the flow and the recent devastating flood in Pakistan in July-August 2010 is a stark reminder of the perils of climate change. In the next decade erratic rainfall combined with glacial melt will exacerbate the already serious problems of flooding and draining. After the glacial has receded it is projected that there will be a 30-40% reduction of flow in the Indus basin critically impacting food production.¹²

11 N.J.Ericksen, Q.K.Ahmad & A.R.Chowdhury, Socio-economic Implications of Climate Change for Bangladesh, Dhaka, Bangladesh Unnayan Parishad 1997

12 J.J.Briscoe & U.Qamar, Pakistan's water economy running dry, The World Bank Report, Oxford University Press 2008, p.27, <http://www.hec.gov.pk/Inside-HEC/Divisions/FPD/cwf/Dokuments/pakistan's%20Water%20Economy%20Running%20Dry%20Oxford%20University%20Press%20202006.pdf>

Importance of China's hydrological position

From a hydrological perspective China cannot be ignored from the South Asian regional configuration. While China is not member of the SAARC (South Asian Association for Regional Cooperation) it gained observer status along with Japan, South Korea and the US in 2009. **Increasingly, and as India's neighbouring countries like Bangladesh, Pakistan and Nepal would like, China is making its presence felt in South Asia and in the process competing directly with India which considers the region to be its sphere of influence.** From a hydrological position, India is a lower riparian vis-à-vis China and an upper riparian vis-à-vis Pakistan and Bangladesh. An emphasis that has not been correctly articulated is the fact that India is middle riparian and has concerns over water uses with China and responsibility of sharing waters with its lower riparian neighbours. China's hydrological position, on the other hand, is one of complete upper riparian supremacy. India's middle riparian position increases its dependency on the head waters of the rivers sources such as Indus, Sutlej and Brahmaputra which originate in the Tibetan plateau. Of the nine major tributaries of the Ganges that flow in from Nepal, the three principal tributaries Karnali, Gandaki and Kosi rise from Tibet.

China is equally water insecure but its insecurity relates to the disproportionate availability or uneven distribution of waters within its territory, the majority of which is in the south (Tibet Autonomous Region) with the north and west excessively water stressed. China suffers from an annual shortage of 40 billion cubic meters of water and is expected to face 25% supply gap for projected water demand by 2030.¹³ More than anything else, the water shortage becomes an impediment to China's goal of meeting food production and challenges the leadership claims to self-sufficiency in food grains. Electricity is equally crucial in China's economic development. With a GDP growing at the rate of 8-10% a year, China's energy requirement is projected to increase by 150% by 2020. While resource rich in coal and a net importer of oil, both climate-unfriendly, China is compelled to develop its hydroelectricity as a clean and renewable source of energy. China has already half of the world's large dams including the Three Gorges. China's dams and water diversions are an important component of its rise. Its "hydro-egoism" or "hydro-aggression" is intended to secure its massive water requirements in its northern and western regions. But importantly the control over such a valuable natural resource gives Beijing enormous strategic latitude with its neighbours.¹⁴

Question of Tibet

Tibet's water resources raise contesting questions. Should China alone be the stakeholder to the fate of the waters in Tibet? China has rampantly exploited all the rivers from the Tibetan Plateau. With historical disagreement over the territory, Tibet's unresolved political status will be of direct consequence to ways to sustainably manage the water resources. Lower riparian pressure and international attention to defining vital resource as "commons" would be significant to preserving and sharing the waters of Tibet. While such redefinition is politically sensitive, as it clashes with national jurisdiction, it nonetheless, merits attention keeping in mind future water requirement of the 2 billion people in South and Southeast Asia. International laws on allocating water within river-basin are difficult to implement and often contradictory. The UN Convention on the Non-Navigational Uses of International Watercourses approved in 1997 by a vote of 104-3

¹³ McKinsey Report: Charting Our Water Future, November 2009, http://www.mckinsey.com/App_Media/Reports/Water/Charting_Our_Water_Future_Exec%20Summary_001.pdf

¹⁴ U. Kumar Sinha, *Tibet's watershed challenges*, [in:] *The Washington Post*, June 12 2010

(but not yet ratified) requires watercourse nations (Article 5) to participate in the use, development, and protection of an international watercourse in an equitable and reasonable manner.

It will be fundamentally important to counter China's "hydro-aggression" with down riparian "hydro-solidarity". The rapidly changing Himalayan hydrology will require genuine willingness of states to engage in greater river basin cooperation. However, China the dominant upper riparian has taken unilateral actions to secure resources and territorial sovereignty. The lower-riparian states extending from Afghanistan to South Asian and Southeast Asian countries should form a lower-riparian coalition and show hydro-solidarity to overcome China's hydro-egoism and unwanted resource exploitation in Tibet. It is of existential importance to draw China into a water dialogue and evolve new mechanisms and approaches to solve water problems. The stability of the region will greatly depend upon the stable flow of waters.

Conclusion: Enhancing regional cooperation

South Asia exhibits political tensions and historical mistrust on the one hand and on the other there exist tremendous water interdependency. While there has been a great deal of bilateral understanding, with India playing a prominent role, on water sharing particularly between Pakistan, Nepal and Bangladesh as well hydroelectricity cooperation with Bhutan; political bickering however has prevented a greater momentum towards regional or basin cooperation in terms of joint water resources management and development. Also it is important to view South Asia in terms of an "exponential function": increasing population leading to greater food demand that increases dependency on water for irrigation and energy. The Food-Energy-Water (FEW) connect, as explained earlier, is critical. It's evident – without water as part of the equation, there can be no long-term solution to climate change. Therefore the challenges of water in the region have to also correct the gross mismanagement of water.

Disturbing inefficiency and wastage along with rapid pollution has made water supply unsafe and unreliable in the region. The urban areas and lopsided urban planning have largely failed to take into consideration the protection of the water resources. As a result, rivers have become polluted streams and aquifers have reached unsustainable levels of contamination and depletion. The irrigation system and new water projects which earlier ignored ecological consideration, efficiency and human insensitivity in terms of displacement and rehabilitation also need a complete turnaround. The role of enforcement and monitoring agencies like the EIA (Environment Impact Assessment) needs to be effectively enforced in respective countries. The purposeful participation of the civil-society will be equally crucial for greater awareness and balance of development and water resources.

In the Himalayan region the GLOF problem, as explained earlier, is compounded by the fact that there is a lack of long-term data. Research on climate change impact on glacial needs to be intensified at a regional level and cooperation should entail sharing of data. The present state of knowledge is inadequate in identifying and assessing the magnitude of potential outbreaks of glacial lakes. GLOF risks has to be soberly assessed and not heightened therefore leading to misperception. Countries in the region with a trust deficit can easily misinterpret overstated risks – particularly downstream countries. Regional cooperation will need to factor in enhanced and updated forms of an automated early warning system. Also upgraded remote sensing projects are important for flood warning systems because they can detect small changes in lake levels and send immediate signals to alarm systems near villages. Research and risk evaluation will also require ground-level surveys.

Another important feature which each individual state has to consider is to integrate and harmonize external water policies with internal water resource management. **Such an approach would require treating river systems, particularly the Ganges-Brahmaputra-Meghna (GBM) and the Indus in a holistic way and reorienting hydro-diplomacy on a multilateral basis than just a bilateral format. This would entail a shift from “sharing waters” to “sharing benefits”.** Ecological considerations should be the overarching perspective. This would easily allow a far greater understanding on the nature and impact of climate change on water resources. In the past the dominant perspective was engineering and economics now the emphasis should be on ecology and climate change.

Keeping the principle of just and wise-use of water, sensible riparian policies in South Asia can be framed and that also includes the effective participation of China.

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03

A world player in the making

The latest economic crisis has increased doubts about the post-war global order and its applicability in the contemporary reality. This Chapter offers “food for thought” on that matter. To begin with, G. KHANDEKAR and C. RAJA MOHAN elaborate on the EU-India relationships. G. KHANDEKAR describes them as a *loveless arranged marriage*, pointing out challenging discussion points as: security, climate change, multilateralism. The author proposes a new 4 Ps strategy for partnership: perceptions, processes, priorities and politics. C. RAJA MOHAN shares that there is a need to redefine the relationship between EU and India, which have been more of a sum of bilateral relations of EU member states with India than a collective EU engagement. Among the essay’s conclusions is that India searches its new place on the global stage and naturally shifts attention to the relations between India and other powers. K. SIBAL examines India-Russia and India-US relationships. Similar angle of interest can be seen in the paper by R. ROY and J. S. LOBO, who look at Russia’s Foreign Policy in Asia. Their observation is that the Russia’s engagement with India is a matter of a two-folded strategy: to create a balance in West-East politics and to remain a player that can balance the growing influence of China. Next to the bilateral and regional relations, this Chapter also touches on international governance issues – S. SODHI considers hopes and obstacles connected with the eventual presence of India in it. Finally S. NATARAJAN complements it with a brief examination of the responses given by certain countries to the crisis, emphasising the clear need for common, global reactions.

Semantics of the EU-India Strategic Partnership



By **Gauri KHANDEKAR**

The EU-India Strategic Partnership as a whole has been slow-moving and fragmented. The EU and India partner on a wide range of economic, political, development and security issues: the EU-India Joint Action Plan agreed in 2006 is a never ending wish-list but with little link to implementation targets. Nonetheless for a partnership between two seemingly natural partners and prominent global actors of the multipolar world, the EU-India relationship as a whole remains distraughtly sub-optimal. Some of the biggest bilateral undertakings of the EU-India relationship remain in a “cul-de-sac”: a comprehensive Free Trade Agreement (FTA), maritime cooperation or a civil nuclear agreement. A similar fate is predicted for various other important issues like a putative Europol Agreement and a memorandum of understanding on competition, science and technological issues. Collaboration on security and counter-terrorism lacks flesh. Simply calling on the commonality of democratic and shared values and conjoined histories has become rhetoric: the EU has a far more functioning relationship with authoritarian China. The EU-India Strategic Partnership is one of the most underperforming of the EU’s list of ten Strategic Partnerships. Well matched but with no spark of chemistry, the EU and India appear tied together in a loveless arranged marriage.

The contours of the new world order are visibly beginning to take shape, the foundations of which are laid on new age geo-economics. Bilateralism and free trade agreements are circumventing multilateralism and the Doha rounds which remain stuck in perpetual gridlock. Trade and economics will be the moral fibres through which new partnerships for the future will be formed and time is of essence. The 2008 financial crisis hit the West hard, but also saw Asia emerging as the clear geo-economic hub of the world. Emerging powers like India and China have already taken centre stage and economic integration within Asia as such is rife. According to the Asia Regional Integration Centre, the Asian noodle bowl of FTAs currently stands at around 245 FTAs either proposed, under negotiation or concluded.² India has existing FTAs with South Korea, Japan, and the Association of South East Asian Nations (ASEAN) and is eager to expand the list. These FTAs will be

¹ This article is an extended version of a policy brief by the same author. See: G.Khandekar, *The EU and India: A Loveless Arranged Marriage*, FRIDE Policy Brief N°90, August 2011, www.fride.org

² Asia Regional Integration Centre, Table 1. FTA by Status (Cumulative), <http://aric.adb.org/1.php>

huge trade multipliers once they enter fully into force. Added to this, India has far-reaching bilateral commercial accords with other key players and is courted strongly by big international players like China, US, Canada³, Australia and the EU’s own Member States. Within this context, the EU still grapples to secure a far-reaching comprehensive free trade accord with India after nearly five years of negotiations. This impasse has brought a certain lethargy to the overall relationship, as cooperation on other issues remains trifling in comparison to India’s other partners. Europe has to adopt itself to the new rhythm of the global world order. The EU-India strategic partnership has now reached a strategic match-point, and a rapidly agreed FTA will be the game setter.

The panacea

The FTA emerges as a clear and urgent redeemer to save the EU-India relationship from triviality. Trade still remains the primary focus and the FTA is now vital before anything else for the survival of the relationship. But fifteen rounds and four years later negotiations, launched in 2007, will drag on into 2012 as mutual confidence continues to wane. The EU seeks nothing short of a comprehensive agreement. But Indian diplomats confirm India is willing to sign now even if the accord is imperfect with the aim of amending details as relations progress. In a dynamically changing environment, flexibility appears practical.

Important impediments need to be solved. Politically, human rights, environmental and non-proliferation clauses form roadblocks. India still rejects any place for human rights and environmental issues in a trade deal, despite having endorsed conventions covering these issues at an international level. It admits to being unprepared to enforce international labour standards. Furthermore, consenting to EU intellectual property rights (IPR) requirements which affect the Indian drug industry would amount to political suicide for any Indian politician. Besides being deeply affected by HIV itself, India is also an exporter of cheap HIV drugs to third countries especially in Africa. India is unwilling to sign on a dispute settlement mechanism clause under which private enterprises would be able to sue the state.

Agriculture remains a sensitive issue for India. Nearly 70% of the Indian work force is still dependent in some form on the agricultural sector, which is in dire need of techno-institutional reforms. Liberalisation would be damaging if it led to surges of EU goods coming into the country helped by the heavily subsidised Common Agricultural Policy. The FTA will not sweep away non-tariff measures like subsidies, standards and technical barriers to trade (TBTs) which must be addressed at the multilateral level. Conversely, new TBTs would be added for instance in the form of the stricter sanitary and phyto-sanitary standards pushed by the Union. Tariff cuts would be WTO-plus; this would entail an asymmetric tariff reduction that would be detrimental to millions of poor subsistence farmers in India. Debt ridden farmer suicides are a heart rending reality in India, and a reminder of the poverty India encompasses within the veil of her emergence.

Lifting alcohol tariffs too would be socially difficult in a conservative Indian society. India and the EU face further asymmetries in IP recognition systems. Other hurdles relate to public procurement and the free movement of people. The FTA is much needed. While the EU is India’s largest trading partner, India’s share of EU trade is only 2.4%: a staggering 11.5% lower than China.⁴ European FDI flows to India are still low: €3bn in

³ Canada and India launched negotiations on a FTA called the Comprehensive Economic Partnership Agreement (CEPA) on 16 November 2010. Canada and India have also signed a breakthrough Civil Nuclear Cooperation Agreement on 28 June 2010.

⁴ Bilateral Relations, Country Factsheets, DG Trade, European Commission, available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113390.pdf

2010 compared to the €4.9bn that went to China.⁵ The FTA would offer the EU tariff advantages over India's other existing FTAs with South Korea, Japan and ASEAN. Quantitative benefits of free trade between the EU and India would be vast: according to a European Parliament report, bilateral trade would reach € 160.6 bn by 2015.⁶ Other sources are even more optimistic.⁷ At a time when Europe is in much need of jobs and growth, a less than perfect FTA could also re-boost the economy. Emerging India could be Europe's gateway to Asia, given India's massive drive for reintegration into Asia's economic vortex through a seamless web of FTAs. Trade and the FTA are indeed a top priority but deadlock here is leading to lethargy in overall relations. Concessions made in the short term will pay off greatly later on.

A post-Lisbon EU aims to be more of a political actor than a trading partner, but it must essentially figure out first, what kind of trading partner it wants to be instead of oscillating between bilateralism and multilateralism. If the EU chooses to pursue a bilateral FTA with India, both partners must also ensure that they not only lose focus from, but also make use of their strategic partnership to advance the multilateral path and resolve the Doha round. Phasing out of the EU's Common Agricultural Policy (CAP) through ongoing reforms would foster and ease cooperation. Besides the wedged FTA, the Eurozone crisis also provides an opportunity for both India and the EU to coordinate their policies to avert an even bigger impending crisis. India has a stake in the economic wellbeing of its largest trading partner. New Delhi and Brussels have a joint responsibility and common interest in overcoming this crisis together. Lessons can also be learnt from Asia and the 1998 Asian financial crisis.

Relational Bottlenecks

Despite the FTA, other important avenues of cooperation too remain congested. The proposed EU-India Maritime Agreement is deadlocked. Despite the EU and India being physically present in the Indian Ocean and the Gulf of Aden, and that this domain falls centrally in both the EU's and India's foreign policy interests, bilateral maritime security cooperation is negligible. They share information, but do not conduct operations together. The official 2004 strategic partnership document between the EU and India provides a robust structure for engagement, but bears no particular reference to maritime security, and no indication to the Indian Ocean as a geographical location either.⁸ Moreover, there is no working group on this issue. This is despite two thirds of India's oil and 90% of EU imports being transited by sea, and both being active in anti-piracy efforts in the Gulf of Aden. Maritime security provides an opportunity for EU and Indian navies to work together preferably through institutional arrangements, just as India conducts joint operations with the US or French navies. The EU and India need to build up an agenda to work in concert possibly expanding cooperation from anti-piracy to joint exercises, humanitarian disaster relief, climate security at sea and the conditions affecting small states like the Maldives for instance.

On **security issues**, collaboration is still limited to a few rather un-operational meetings: a working group on terrorism, visits from the EU's Counter Terrorism Coordinator to India, and one security dialogue per year.⁹ The Europol-India Agreement is still in the pipeline after two years and would anyway not be very far-reaching; it would not grant India access to sensitive material. It also provides no evident added value to India's existing

⁵ Ibidem

⁶ S. Karim, Report on an EU-India Free Trade Agreement (2008/2135(INI)), European Parliament Report, 12 March 2009

⁷ The Federation of Indian Chamber of Commerce and Industry (FICCI) approximate bilateral trade to reach 572 billion US dollars by 2015.

⁸ V. Sakhuja, Presentation at the 3rd EU-India Forum on Multilateralism, New Delhi, 28th September 2011

⁹ The last EU-India Joint Working Group on counter terrorism took place in June 2009. The next one will take place in 2012.

Interpol membership. For India, Europol is not the best forum for information-sharing in the EU given member states' preference to share intelligence bilaterally. Cyber security although is a welcome new avenue for extending cooperation as the EU and India explore further into the domain.

Energy cooperation remains similarly limited. An EU-India Civil Nuclear Energy (Fission) Agreement has been under consideration for two years. Compare this stagnation with the US's signing of the historic Civil Nuclear Agreement with India, Canada's decision to start uranium sales to India and Russia's construction of 12 nuclear plants across India. President Sarkozy has been aiming to sell French nuclear reactors to New Delhi on a bilateral basis outside the terms of any common EU accord. EU-India cooperation on renewables must be enhanced rapidly. The Indian market in renewables provides limitless opportunities and can create much needed jobs in Europe. Targeted investment could help develop this sector much more and European firms could be encouraged through specialised educative seminars to venture into India, with assistance from the EU chambers of commerce in India.

On **climate change**, EU-India cooperation vaporised during the 2009 Copenhagen summit; this is a sphere where the Strategic Partnership should clearly have kicked into action. Clearly the EU and India had diverging paths to take at the Copenhagen Summit, but the fact that the Swedish Presidency had made climate change the clear priority of their presidency, fed also into the strategic partnership and the 10th EU-India Summit organised around that time (6 November 2009). Indian leaders rebuke non-compliance with more ambitious targets to contain climate change citing that more than 400 million people in India live without electricity. According to them, growth is a must to lift millions out of poverty and darkness. Differences could be narrowed and India's current situation could be seen as an opportunity for generating economic growth by guiding the highly populous country towards firmly green energies.

On **multilateralism**, EU-India interaction and coordination within UN bodies is not robust. Although the EU and India share many common views, one hardly ever hears of the EU-India Strategic Partnership having made an impact on multilateral affairs. India is present in 43 out of 64 UN peace-keeping operations, contributing 10% of total troops.¹⁰ The EU currently covers 40% of the UN peacekeeping budget. This reflects the fact that the EU and India have the same vision of a stable, democratic world. But India still prefers to operate under the Non Aligned Movement umbrella, and increasingly along BRIC-IBSA lines in challenging elements of the old western world order. India must actively deepen its cooperation with the EU in the multilateral sphere, especially within the UN, through regular meetings and an effort to converge positions.

The EU as such still does not support India's demand for a permanent seat on the United Nations Security Council (UNSC) while some member states such as the UK and France do support the claim. In reality, the EU position can only come about on consensus between its member states, but intra-EU differences give a confusing image if complex decision making processes within the EU are not known in detail. Could the EU manage to get consensus in order to gain India's affections? In contrast, President Obama's endorsement of an Indian permanent seat at the UNSC won him accolades during his visit to India. With the changing global order, the EU must think in terms of long term projections, where in order to be a credible and prominent global actor, the shift must be made towards one voice and one opinion.

The EU and India have diverging views on sustaining international stability and democracy promotion. Eschewing a missionary style, India still acts along Nehruvian lines of non-interference in the sovereign

¹⁰ L.Peral, Report and Policy Options. EU-India Relations: In a Search of Paradigm, 2nd EU-India Forum on Effective Multilateralism 2010, http://www.digibundesverband.de/cm3_cust/fckeditor_files/File/Artikel/EUISS%20+%20ICWA%20Report11.pdf

matters of a state, believing that democracy must come from within and cannot be imposed. India in effect does not preach about democracy and deems that it promotes the democratic system of governance best by example. India does not believe in sanctions, conditionality or isolation either, but stands ready to assist if a country requests assistance. The EU in contrast has a more active approach and offers little ground for partnering with India. The EU like the US would like India to adopt a stronger role especially within her neighbourhood: Nepal, Myanmar/Burma, Sri Lanka; but a reluctant India shuns lengthy discussions on regional issues limiting them to swift bilateral talks within a half-day summit.

The EU and India have disparate views on **regional** security matters like Afghanistan and Pakistan. While the EU is convinced that reintegration of the Taliban is a viable policy option for stability in Afghanistan, India remains sceptical. The EU also sees Pakistan as strategic to EU interests, but India insists that for any progress on relations with Pakistan, Islamabad must first bring the perpetrators of the Mumbai 2008 terrorist attacks to justice. The EU and India could endeavour to enhance dialogue and concrete cooperation on South Asia's regional issues especially in light of the impending US drawdown in Afghanistan, and the revival of the Indo-Pak composite dialogue; an area where the EU is interested, has a presence and can be a positive factor. For this, trust needs to be built up.

The EU-India strategic partnership remains a reluctant relationship. Why is this so? There are four clear identifiable aspects which tend to slacken relations. These stumbling blocks, if rectified, can render the partnership truly strategic.

The four Ps of Partnership

Perceptions

The EU-India relationship fails to acknowledge each partner's individual realities. The EU seems enamoured by the glitter of India's emerging power status. It no longer sees India as a poor developing country – even though it still contains more poor people than the whole of Africa. India cannot fathom the post-modern complexities of the EU in what New Delhi sees as a Westphalian world. An abyss of understanding separates the two. The EU would also like to see itself more as a political actor than as a trading partner. This is a hollow approach, since trade does form the backbone of the relationship and India currently still ranks 67 out of 84 on the Global Hunger Index.¹¹ Besides, it is already hard for the EU to sell itself if what it can realistically offer is only added value to its own member states' relations with India, without any ambition of replacing them.

Perceptions are further shaped through the political component of relations with India which are principally overshadowed with an over-focus on human rights and a mismanagement of sensitive issues, which EU member states are more than happy to delegate to the EU. India refused to negotiate an EU Partnership and Cooperation Agreement (PCA), rejecting clauses covering human rights and non-proliferation as Western moral preaching. Pressure on the Commission from smaller EU member states like the Netherlands to persist with a human rights focus has deepened the stalemate. While India was perceived as a rather difficult partner, the EU displayed its customary incoherence, some member states more flexible than others on relaxing normative preconditions. Diplomatic coolness also crept in through the December 2008 Council conclusions on the Mumbai terror attacks gave New Delhi the impression that the EU took Pakistan's side by increasing its aid to that country rather than sympathising with India's victims.

¹¹ Global Hunger Index 2010, International Food Policy Institute 2010

The EU wants to strengthen the political dimension of the partnership to address common challenges such as Afghanistan, terrorism, climate change, the financial crisis and non-proliferation. But it is not clear whether the EU sees India as a regional leader, global actor or merely a trading partner. On the other side, the largely bureaucratic Indian administration does not currently see the EU as a credible political actor. Rather, India sees in the EU a partner only for sustainable agriculture, development, commerce and as a source of technology transfer.

Processes

The EU-India relationship is institutionally cumbersome and fragmented. Technical issues do not seem to further the political process, as advocates of a functional approach would have hoped. The EU-India partnership is rather summit-based, and the health of the partnership is measured by the number of deliverables each summit manages to register. The last summit registered only a general declaration on culture and terrorism. Summits are formal and last not more than a full day. A long list of agenda items for discussion prevents an in-depth review – items discussed range from bilateral to multilateral to regional issues demonstrating confusion at how the EU sees India – a bilateral partner, a regional actor or an affiliate on multilateral issues. An analysis of the partnership shows that India shows most interest with the EU on bilateral relations rather than cooperation within its region and as multilateral collaboration remains little. There is a real and urgent need for changing thought-processes on both sides if a truly profitable partnership is to be realised. Much depends on increasing mutual understanding.

To the lament of Polish diplomats in Brussels and New Delhi, 2011 will fail to register a Summit. The absence of a Summit should be a cause for concern. The EU-India summit is the only time of the year when the apexes of political leaderships of both sides meet, even though briefly. Could this mean that the partnership has failed to progress during 2011 marred by failure to seal the FTA in Spring 2011, or that there is an absence of a certain set of deliverables to be presented at the summit, or that there is simply a deep lack of political will? Whatever the reason, such meetings are necessary: they offer visibility vis-à-vis the public on both sides, to other global actors, and to diplomats who work behind the scenes on strengthening bilateral relations. The challenge now is to raise this dialogue to a higher plane which better the quality and content of the EU-India strategic dialogue.

Greater political will is crucial. Frequent high level bilateral visits are needed to unlock potential. The visibility in India of senior EU figures has been insufficient to establish familiarity. EU High Representative Catherine Ashton postponed her visit several times before finally making it to India only in June 2010. Indian leaders need to visit Brussels more often too. Young leaders from India in particular can create synergies between a modern Europe and an emerging India. In this regard, summits must not be the sole focus. Besides, there are few day to day work processes. A day to day working relationship should instead be the priority.

On the business front, major Indian enterprises like Tata, Birla or Reliance haven't yet realised the impact that lobbying Brussels could have on their business despite annual EU-India business summits. They lack representation in the EU capital, one of the most lobby-intensive cities in the world. Businesses have a key role to play too. Major Indian firms should be the driving force behind EU-India relations. This would also enable the EU and India to bypass as well as address economic disparities and political deadlock.

Priorities

India was acknowledged as a strategic partner in 2004. But seven years on there is still no concrete, jointly agreed set of mutually beneficial priorities. Such priorities are only inferred and have changed with each EU presidency – another Indian gripe. The Joint Action Plan signed during the 2006 Summit (and revised in 2008) as a roadmap for economic, political and development cooperation does list priorities. But the list, as mentioned previously, is an exhaustive wish list with no link to implementation targets. The EU and India must instead jointly agree on a shorter list. The EU's top priorities with India can be easily deduced: trade, security, energy and climate change, and multilateralism. But, is India on the same page? Given that nearly 40% of India's 1.3 billion people still live below the poverty line, India still needs a partner in development as its top priority. According to sources, only around 25% of Indians have running water in their dwellings. It is according to these priorities that Summit deliverables were prepared by rotating Presidencies. With the Lisbon Treaty change should come about with 3 or 4 constant priorities adopted by the Council.

Only if each side takes into account the other's concerns can the Strategic Partnership deliver and move faster with a short, realistic priority list over, say, a three year period. A mutually beneficial relationship is there for the taking. India seeks cooperation in agriculture and vocational training, where the EU has expertise. A second green revolution in India will not only feed its own population, but also address global food shortages. Technology transfer to India will ultimately help the EU generate growth in indigenous green technologies. On security, India's biggest threat comes from Naxalism, far left radical communists who identify with Maoist political ideology. This can mainly be addressed through a social welfare-development-security triangle where the EU can concretely contribute, more so than on the hard-security dimensions of counter-terrorism. For Indian officials, the EU's deliverables do not match its rhetoric. India in fact sees the EU as "Europe" in a general and non-institutionalised sense, and constantly compares it to other major actors like the US, expecting it to accommodate India's requirements by creating new competences. In the meantime, India remains focused on its bilateral relationships with key EU member states.

Politics

The EU delegation in India is steadily addressing the problem of understaffing by increasing its team in New Delhi, a welcome sign. But public diplomacy efforts are still required at large to boost EU visibility in India, especially amongst Indian politicians.¹² Currently, political coverage of the EU in India remains negligible. The EU has been a reliable partner in India's development, partaking in crucial endeavours like "Operation Flood" (milk cooperatives) or "Sarva Shiksha Abhiyaan" (universal education). Yet hardly any Indians know of the EU's role. Basic awareness amongst the Indian population of the EU remains shockingly low. The first and only real contact Indians have with the EU today is while applying for a Schengen visa. Despite being India's biggest trading partner the EU does not make its presence widely known.

On the Indian side, the strength of Indian participation in high level meetings tends in general to be considerably lower than on the EU side. While this may be interpreted as a lack of interest from India, the fact is that the Ministry of External Affairs (MEA) remains chronically understaffed. Given the EU's highly complex political organisation, protocol problems are often experienced as India places high emphasis on the level of political representation. Furthermore, the focus of the MEA remains largely restricted to India's immediate neighbourhood, Africa and key countries like the US.

¹² Four years into her term, EU delegation head Daniele Smadja has yet to meet Congress President Sonia Gandhi.

India's relations with the European Parliament (EP) remain poor. Multiple visits organised by the EP's India Delegation chief, MEP Sir Graham Watson, are not reciprocated, and the absence of an EU friendship group within the Lok Sabha is noted. A push from inside the Lok Sabha could indeed give a major boost to EU-India relations. Sensitive European Parliament public declarations, parliamentary questions and pronouncements on sensitive issues in India (human rights abuses like the persecution of Christians in Orissa, or corruption or other internal matters) further generate diplomatic tensions. But on human rights, a modern democratic India must adopt a more constructive approach. To this extent, the EU-India Human Rights dialogue must not be seen as a West-East blame-game, but a productive discussion between two mature democracies. The FTA's human rights and sustainability clauses too do not go beyond those international conventions which India has signed. Acknowledging these can only increase goodwill internationally. The EU's focus on human rights is nothing for India to be repelled by, but an avenue for improving its own international profile.

In India, relations with the EU are increasingly caught up in Indian domestic political debates. The Congress Party-led United Progressive Alliance (UPA) is strongly focused on India's internal development. Prime Minister Singh is dedicated to maintaining two digit growth rates. To this end, the government sees key bilateral trade deals as motors of such growth. The BJP opposition has criticised the government for moving away from multilateral arrangements under the WTO rubric. It has called for an immediate halt to the EU free trade talks.¹³ At the same time, BJP president Nitin Gadkari has recently travelled to the UK to encourage British and European investments in BJP-governed states in the field of green technologies.¹⁴

Conclusion

The EU-India partnership does matter. While potential remains low and unfulfilled, shortcomings can be rectified. **Commonality of values offers much clear ground to build relations on. But without political impetus, overall relations will continue to remain below-potential.** The EU-India strategic partnership can become truly strategic with greater momentum. To this extent, political interactions must be stepped up. Trade concessions should be made by both sides with the view of securing a dynamic future relationship as trade forms the basis of the EU-India strategic partnership. Understanding must be enhanced and a small list of mutually beneficial priorities, agreed upon. Cooperation within multilateral organizations and on issues of global and regional issues too must be enhanced. The EU and India are natural partners with common interests and a vested interest in peace and global progress. A real human rights dialogue must have less finger-pointing by both sides and more deliberation between two of the biggest democracies with a view to solving issues, the causes of which at most times are politically unrelated.

India must realise the potential in furthering relations with an evolving EU. **New Delhi still needs to see that the uniqueness of the EU lies in its construction of an identity apart from the colonial past of its member states. The EU holds much potential as an important actor of the future world order. Similarly, the EU should balance its Asia focus equally on India without remaining absorbed with China.** As the EU integration story continues, the more the member states act under the EU umbrella, the bigger the benefits for Europe. The partnership between these two major international powers is not only bilaterally strategic but also has great global significance, but to date it remains one of the world's most below-potential relations.

¹³ BJP Demands Halt to FTA Talks with the EU, Financial Express, 22 April 2011, <http://www.financialexpress.com/news/bjp-demands-halt-to-fta-talks-with-eu/779651/1>

¹⁴ Gadkari Pitches for UK, European Investment in BJP-ruled states, Andhra News. Net, 20 July 2011, <http://www.andhranews.net/Intl/2011/Gadkari-pitches-UK-European-investments-BJP-ruled-12530.htm>

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India and Europe: Resolving Differences



By **C. RAJA MOHAN**

Given India's traditionally sound bilateral relations with Britain, Germany and France, there is inadequate focus on Europe as a collective entity in India's strategic horizon. This is beginning to alter amidst a new and expansive strategic dialogue with Europe and the prospect of Europe developing common security and foreign policies. **Even as it emerges as a more coherent actor on the world stage, I believe, Europe will have to confront significant differences with India's worldview.** I also believe it is better for both sides to recognise these differences and find ways to address them if they seek to build a genuine partnership.

The first set of differences is about the nature, management and consequences of globalisation. Globalisation has begun to change the geographic distribution of economic production and consequently the power distribution among the various entities. India is in the process of an upward adjustment of its power capabilities in the international system. Europe will have to cope with its relative decline. This is an uncomfortable fact we cannot get away from.

The second set of issues is about the nature of the international order. It is interesting to observe, that many Europeans today argue much like the Indians some twenty years ago, with the emphasis on fairness, justice, equity, rule of law. Today the Indian establishment is no longer talking in these terms. **The important difference between India and Europe today is that India is a revisionist power in the international system. It is seeking a fundamental change of its status and its aspirations in the international system, whereas Europe is the satisfied power.** Europe is defending the existing international order, while India seeks a fundamental change of rules which is necessary for accommodating its interests in the current system.

A third set of issues consists of the European emphasis on international law. India is acutely conscious that these rules have been devised by the rich and powerful. Any system of rules or laws that does not adapt to changes in the distribution of power does not survive for long. India has no problem with the notion of "rule of law". It however wants those rules to respect India's interests and also to have a say in making those rules. The most significant example of this tension is the nuclear issue. Recognising the rise of India, the Bush

Administration was willing to modify the global non-proliferation regime in favour of New Delhi. Many European countries, including Austria, believed the NPT system should not in any be tampered with, especially for the sake of one country.

A fourth set of differences emanates from a historic reversal of Indian and European attitudes to the United States. As Europe unifies and begins to differentiate itself from the US, New Delhi is drawing closer to Washington. "Atlanticism" is an idea that has gone out of favour in Europe these days. In India, positive ratings for the US as a whole and the Bush Administration in particular were a few years ago at historically high levels. This had some policy consequences. On many international issues, for example on global warming, International Criminal Court, etc, India has often found itself surprisingly closer to the US than Europe.

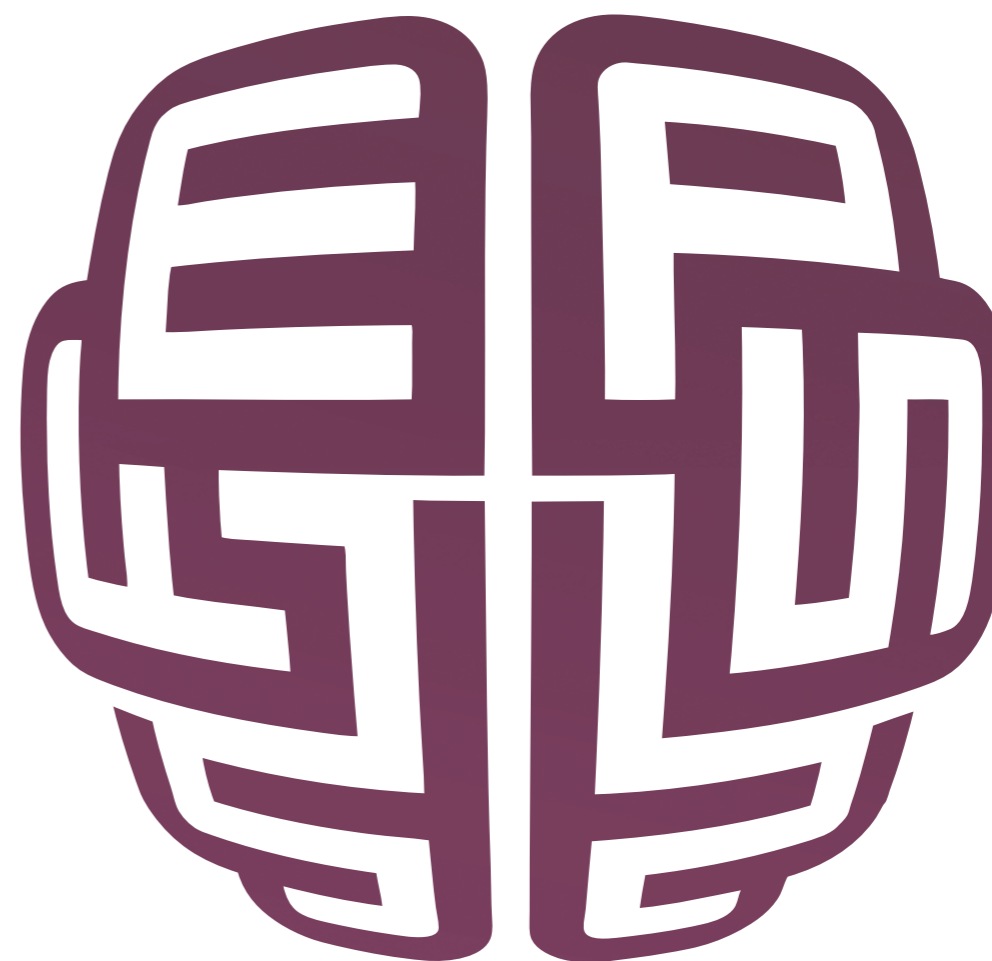
The fifth set of issues relates to the understanding on how we organise the world today. The European emphasis is on multilateralism. After its independence, India has been one of the strongest champions of liberal internationalism, multilateralism and global institution building. Yet as a newly independent country India has also tended to be attached to the notion of absolute sovereignty. It remains steadfastly opposed to subordinate itself to build supra-national structures at least in the realm of security as traditionally conceived. Two factors are at work. One stems from big power sensibility. Much like China, or for that matter the United States, India is not willing to cede power over its national security decisions to a multilateral organisation. Indian decision makers are perfectly at home with the dictum of great powers, articulated by the Clinton Administration – *multilateralism where convenient, and unilateralism where necessary*. The other factor is memory. For decades since it took the Kashmir question to the UN, Indian diplomacy has sought to fend off great power intervention in its own internal affairs. India's insistence that the Kashmir question must be resolved entirely within the bilateral framework with Pakistan and its relentless opposition to third party intervention is largely similar to the reluctance of China to accept international intervention in Tibet and that of Russia in Chechnya. **India, like China, might be a rising power on the Asian stage but it is also acutely aware of its internal vulnerabilities and has a long memory of past international attempts to manipulate their domestic conflicts. Both states are also yet to complete their territorial consolidation.** This in turn leads to an obsessive defence of the concept of national sovereignty and puts it in opposition to European notions of international security through multilateralism.

Europe believes it has reached a post-modern stage, in which power politics, nineteenth century balance of power concepts are "passé". But in Asia we live on the notions of balance of power. How we deal with a rising China or how we deal with a whole range of threats, remains the core driving force, irrespective of the rhetoric, that we indulge in multilateral forums. The Europeans believe that institutions or norms will secure international peace and stability, whereas India is reflecting more the classical European 19th century view, that power is the key to doing good and that institutions alone will not be able to achieve those objectives.

Despite these sharp differences in the core concepts that animate the strategic visions of India and Europe, they have no option but to find common ground and expand political and security cooperation. This is not impossible given the shared tradition of Enlightenment. **Despite the new attractions of post-modernism in Europe, the struggle in many parts of the world is still between modernity and pre-modernity. In dealing with the new international security threats of terrorism and religious extremism, the war is between ideas of modernity and Enlightenment on the one hand and the forces who want to take the world back to pre-modern age.** India and Europe must also come to some understanding on where, when and how we

use force in international affairs. The last few years have seen an intensive debate across the Atlantic on these issues. There have been no winners in this debate, but the issues remain as difficult as they have ever been in the history of international relations.

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India's Relations with the United States and Russia



By **Kanwal SIBAL**

From history to current times

During the Cold War when US and the Soviet Union were acknowledged as superpowers, with monstrous nuclear arsenals at their command, vying with each other internationally, with competing ideologies and alliances, making a comparative analysis of India's relations with each of them had significance that went much beyond the bilateral dimension. Both the US and the Soviet Union were seeking the support and allegiance of the third world countries, in particular of those who rejected both power blocks and opted for the nonaligned movement. India, as the founder member and the largest nonaligned country, therefore had a special importance in their larger political calculus. India had a moral weight in addition to a political one, and the direction in which India leaned buttressed the diplomacy of the concerned superpower. This is why India's perceived leaning towards the Soviet Union was intensely resented in the US, to the point that the memory of this and persisting reflections of nonalignment in India's foreign policy rankles many US policy makers even today.

With the collapse of the Soviet Union and the emergence of the US as the only global superpower, the bipolar world no longer exists, and, therefore, equations between India and, respectively, the US and Russia (the state succeeding the Soviet Union) no longer have the same international relevance. Russia, although still a major power, is a diminished one, and is aware of this. It has withdrawn from many parts of the world; it is no longer challenging the US, and even if the relationship continues to have its sharp edges and misunderstandings, the cooperative element in it is not negligible either. Russia has now to cope with strategic challenges to its political, military and economic interests with the emergence of many of the erstwhile constituent states of the Soviet Union as independent states that have carved out policy space for themselves outside Russian control. With NATO and the EU expanding into the former Soviet heartland, Russia's periphery has narrowed, and demands on it for a successful neighbourhood policy have grown greatly, detracting from the country's larger international role.

Changing roles of Russia and the United States

Russia has not been able to compensate for its reduced political status by building a modern, dynamic, rapidly growing economy of the kind China has. Its immense oil and gas resources and its huge mineral wealth provide Russia with revenue, but its growth is not taken as a striking economic success story, despite its inclusion in the BRIC quartet. Russia has slipped technologically compared to the West; its manufacturing sector has declined; it is lagging in innovation.

Militarily it has been weakened too, with long neglect of its conventional forces and absence of sufficient investments in the defence production sector, though with its massive nuclear and missile holdings it remains capable of warding off any security threat to it. The prodigious military base Russia inherited from the Soviet Union has enabled it to keep a share of the global arms market, and use military sales for foreign policy objectives. But with a greatly contracted internal market, the disappearance of the Warsaw Pact- as against the survival and expansion of NATO- and many countries spinning out of the Russian orbit, the competitive challenge to Russia is serious.

With the end of the Cold war the world moved from bi-polarity of sorts to uni-polarity under US primacy. But the US overplayed its hand, over-extended itself militarily and, in an effort to permanently shape the world according to its longer term strategic needs, got embroiled in debilitating wars. With the seeming triumph of its unrestrained capitalized ideology relying on the magic capacity of the market mechanism and individual entrepreneurship to spread prosperity globally, its financial sector moved from profits to greed, from dynamism to recklessness, from freedom from excessive regulation to license to seek disproportionate rewards from heedless risk-taking.

China's ascendancy

By pursuing self-damaging economic and financial policies, the US has not only weakened itself, it has opened space for China to grow at a whirlwind pace, inundating the US market with its cheaply produced goods, its voluminous earnings swelling China's dollar reserves to figures unprecedented in history, which, invested in US securities, has financially fused the US and the Chinese economies, making the two countries unhealthily interdependent. The proposition of the G-2 managing global affairs is as much a reflection of the shift in global power as a product of US mismanagement of its own economy, leading to an accelerated rise of China that now threatens US power.

The space vacated by a weakened Russia has been filled increasingly by China. The superpowers of the globalized world, freed from the Cold War ideological confrontation, are not those with military might but those with an economic one. Russia is seeking to compensate for its weakness vis-à-vis the West by developing closer strategic ties with China. Aware no doubt that a de facto G-2 would be at Russia's expense, Russia is building equities with China that will enable it to remain a significant player in the developing international scenario.

Both Russia and China have an interest in reducing US global primacy and promoting multi-polarity. Both oppose the aggressive world-wide propagation of US (Western) values described as universal, as well as military intervention by the West to change unfriendly regimes that seek to limit its political and economic penetration into their territory. Both are subject to military and other pressures because of the active US

presence in their immediate neighbourhood. Both question the status of the dollar as the world's reserve currency. It is not clear whether the decline of US power will necessarily play to Russia's advantage vis-à-vis China in the longer term, as the Russia-China relationship has undercurrents of suspicion linked to Russian vulnerabilities in Siberia, the disproportionate demographic balance between the two countries and the inevitable erosion of Russia's Asian profile with China's continuing rise.

India's policies towards the United States and Russia

It is in this broad background that India has to conduct its policy towards the US and Russia. The end of ideological confrontation between the US and Russia after the Soviet collapse means that if India leans in favour or against either of the two countries it is no longer in the context of communism versus democracy or state control versus free enterprise in the economic field. **India has much more room for manoeuvre in its relations with the two countries because US and Russia, no longer out and out adversaries, have a constructive relationship in many areas, even if the democratic and market economy promise of Russia post the Soviet collapse has not lived up to US expectations.** If the US and Russia are constantly trying to place their relationship on a more productive footing, despite difficulties, India has every reason to arrange its relations with both countries in accordance with its own needs and the potential of the individual relationship.

India itself has vastly changed in the last two decades. India's economic rise, stemming from its economic liberalization policies initiated in 1991, coincides with the Soviet Union's collapse. The political and economic equations between India and Russia have changed radically since then. Politically, on issues like Jammu & Kashmir, India is no longer as dependent on Russia's goodwill in the UN Security Council as in the past, with improvement of its ties with the US and Pakistan's image as a terrorism spawning state, Pakistan's capacity to mobilize the US/West against India has got eroded. Pakistan is now being looked at as a potentially failing state, a problem state, whereas India is being seen as a rising global power. The negative hyphenation with Pakistan has been replaced by a positive hyphenation with China.

India's candidature for a permanent membership of the Security Council has now received a carefully formulated US endorsement, neutralizing in the process the ground gained by Russia in being the first P-5 country to do so. In the civilian nuclear field, with the Indo-US nuclear deal and the lead taken by the US in obtaining an exception from the Nuclear Suppliers Group for civilian nuclear cooperation with India without it adhering to the NPT, Russia lost its exceptional status as the only country actually engaged in civilian nuclear cooperation with India.

In the security field, post-Soviet Russia under President Yeltsin's westward lurch revised the 1971 *Indo-Soviet Treaty*, removing its vital defence clause. This ended the special security relationship between the two countries. President Putin, on coming to power, and realizing, including in the face of US pressure, the value of a strong relationship with an independent minded country like India, tried to recast the "special" relationship into a new "strategic partnership", including in its ambit the assured transfer of advanced Russian defence equipment and select sensitive technologies. This served also to secure orders for the out of work Russian defence industry, preventing its rapid decline and preserving the Indian market for Russian defence equipment. India, hugely dependent on Russia for its defence needs, had its own serious anxieties about maintaining the level of preparedness of its defence forces in the face of a real prospect of disruption of supplies from a collapsed Soviet Union.

An off-shoot of the post-Soviet scenario for India-Russia defence cooperation has been friction over inadequate product support for Russian equipment procured by India. Commercial pricing without commercial level servicing, erratic pricing by Russian suppliers aggravated by privatization of sections of the Russian defence industry, delay in supplies of spare parts because of procedural problems on both sides, documentation and training shortfalls, non-adherence to delivery schedules etc. have been the underside of an otherwise valued and reliable partnership. The problems associated with the aircraft carrier Admiral Gorshkov are symptomatic of this.

Even if the product support problems with Russia have eased, the changes in the international situation favour a diversification of India's defence acquisitions, the most notable change being the transformation of overall ties with the US. The Indo-US nuclear deal, with all its restrictions and political caveats, represents a change in US strategic thinking towards India. If the underlying purpose was to put the India-US relationship on a new footing, remove mutual distrust of the Cold War period, lift the obstacles to India's greater integration with the international system, recognize the value of the long term relationship with the next big Asian power to rise, exploit the market opportunities in a growing India, tie up India within evolving global structures superintended by the West, create a better strategic balance in Asia in the face of China's threatening rise, make India part of a hedging strategy against China etc., new breakthroughs in the India-US defence relationship had to be part of the equation.

India's defence relationships with the US and Russia

The India-US defence relationship has progressed slowly in view of the weight of the past marred by sanctions, technology denials, targeting of India's strategic programmes, arming of Pakistan etc. Fitful efforts have been made since the mid-1990s to establish defence cooperation. The Indian Navy has been ahead of the political establishment in organizing regular exercises with the US Navy, extended later to the Air-Force and the Army. These exercises did not create any mutual dependency, did not tie down India in any long term engagement, and therefore had low political cost, even as they had the advantage of signalling an opening towards the US. Even here the political reticence has not disappeared when it comes to durable engagement, which is why the Logistics Supply Agreement has not been signed as yet.

Significant progress has been made in sourcing defence procurement from the US, mainly in those areas where comparable Russian equipment is either not available or is inferior. In the last couple of years the US has bagged major multi-billion dollar contracts such as the supply of 6 C-130 J transport aircrafts, 8 P-8 maritime reconnaissance aircrafts and a number of VVIP planes equipped with advanced EW suites. Negotiations for acquiring 10 C-17 heavy lift transport aircrafts are likely to be concluded soon. The US should also bag the sizable order for supply of attack helicopters and of light howitzers as well.

India is steadily overcoming its inhibitions in acquiring US equipment because of fears of interruption of supplies in case of a conflict in the region or the emergence of strategic differences. These are not irrational fears as India has had experience of sanctions in the past. Even the Indo-US nuclear deal envisages sanctions if India tests again. Sanctions are an integral part of US law and practice. Whatever assurances against interruption of supplies are given at a particular point of time are in the nature of political comfort; so long as US laws exist the potential for sanctions remains. In this light India is displaying unprecedented confidence in its developing defence relationship with the US.

Concerns about the relationship, however, remain at political and practical levels. **It is easier for India to describe itself as a “natural ally” of the US on the basis of shared values of democracy, pluralism, human freedoms etc., but this natural alliance does not extend to the strategic domain because there India wants to distance itself from any impression that it is getting politically aligned to the US, or entering into any binding defence arrangements with it.** India and the US differ on several security issues in our own region, be it US policy towards Pakistan or Iran, or the China-Pakistan relationship. India is resisting signing some basic framework agreements with the US which the latter considers essential for raising the level of defence cooperation in terms of access to advanced US defence technologies, such as CISMOA, the interoperability agreement, and BASIC, the agreement on heightened technology protection. India signed the *End-Use Monitoring Agreement* with some resistance because of elements in it that encroached on the country's sovereignty.

The exclusion of US aircraft like the F-16 and the F-18 from the 126 combat aircraft mega-deal has caused severe disappointment in the US government and aircraft industry, as they expected to secure the deal as a “reward” for the Indo-US nuclear deal and for imparting concrete substance to the strategic partnership between the two countries. After the initial public expression of dismay the US side has adopted a more mature position, declaring that the relationship with India does not hinge on the results of a single deal and that US defence companies will continue to actively seek to expand their presence in the Indian market. In any case, some big defence contracts are in the offing for the US under the FMS route, without international competition and the kind of price negotiation that goes on with other suppliers. The FMS route gives the US a distinct advantage over procurements from other countries as it insulates the acquisitions from the corruption scandals that have plagued purchases from other countries.

Concerns about reliability of supplies and imposition of sanctions are absent from the defence relationship with Russia. That relationship is time tested and based on trust built up over the years. The technical assistance Russia has provided for India's indigenous nuclear powered submarine, or the leasing of a Russian nuclear powered submarine to India to enable it to acquire experience of handling such platforms, is a vital contribution Russia has made to the development of India's strategic programmes. The agreement on joint designing and production of fifth generation fighter aircraft should give India access to design technologies, an area in which India lacks experience. The agreement to give access to military signals from Glonass, the Russian version of GPS, is significant. The Brahmos missile is another example of Russia beefing up India's missile know-how and capability.

Even if the decades old defence relationship with Russia has not adequately contributed to the development of India's indigenous defence industry, with actual transfers of technologies less than what should have been the case, the general thinking is that the US will be even less forthcoming than Russia in transferring technologies. The US conditions for such transfers are much more stringent, with its complex and restrictive export control processes. In the fulfilment of off-set obligations, a comparative evaluation of Russian and US performance cannot be substantially made for the present, as such programmes have not been implemented on the ground yet, but the US companies, with greater commercial flair and more enterprise, have shown greater dynamism in tying up with the Indian private sector than the Russian ones.

US arms transfers to Pakistan increase the threat to India's security. The US minimizes the problem, claiming that India is much stronger militarily and that such supplies do not change the military balance in the sub-continent. Our Defence Minister occasionally refers critically to these supplies, but in general the government

plays down the problem. Buying big ticket US defence equipment even when the US arms our adversary gives arguments to those lobbies in Russia that want arms to be sold to Pakistan undeterred by Indian sensitivities. They see no reason to shun the Pakistani market when the US can sell arms both to India and Pakistan, without much Indian protest. It can be argued that Russia too has helped arm both our adversaries – China and Pakistan. For some years Russia was China's biggest arms supplier, and it is the Russian RD-93 engine that powers the jointly developed Sino-Pakistan JF-10 fighter. Despite our demarches, the Russian government cleared the supply to China notwithstanding the diversion of these engines to Pakistan. India cannot take objection to Russian arms transfers to China as, unlike US arms supplies to Pakistan, the purpose and intention of the recipient country is not to build up capacity against India specifically. By its arms transfers Russia strengthens the Chinese capacity against the US, Taiwan, Japan etc., and incidentally India too. The case of the RD-93 engines is more ambiguous, linked to the Russia-China relationship, with negative consequences for us.

Conclusions

To conclude, India's defence relationship with Russia is a developed one whereas with the US it is a developing one. The Indo-Russian relationship is marked by trust; the one with the US is still overlaid with mistrust, our historical experiences with the two countries being different. India's dependence on Russia for defence supplies is overwhelming, whereas with the US such dependence is minimal at present. If the US had won the MMRCA contract, the US footprint in our defence sector would have become much heavier, but that will not happen, though with new acquisitions in the offing the US profile will become higher, opening India to pressures in the future linked to US's regional policies or differences that may emerge over strategic issues.

Russia is more willing to transfer sensitive technologies to India without onerous conditions like end-use monitoring that are sovereignty infringing. Russia, less involved in our region, does not have the same concern about a strategic balance in South Asia as the US has. After the Indo-US nuclear deal and removal of some Indian space and defence research organizations from its Entities List, the US has become more tolerant of India's strategic programmes, whereas Russia selectively assists us in improving them technically. Russia too lost out on the MMRCA contract, but it has obtained other major contracts, as for example, for the multi-role transport aircraft and the fifth generation fighter aircraft.

Oddly, while the defence procurement relationship with the US is weak, the military to military relationship is strong. In the case of Russia the opposite holds. We have had over 50 military exercises with the US in the last 7 years but only three with Russia. This is bound to weigh on the two relationships in the long run, especially as India-US relationship, which is much more broad-based, becomes deeper in different domains.

With India's expanding defence budgets and security needs, the Russian share of our defence acquisitions is bound to decrease relatively, and that of the US, with which a forward relationship is being built, should increase. **But the Russian weight in our defence acquisitions will endure for a few decades because of the high levels of existing dependence. This calls for a realistic appreciation of the solidity and reliability of our relations with Russia even as we diversify.** If strategic wisdom dictates the preservation of our defence ties with Russia, it also dictates building new partnerships, including with the US, the foremost military power in the world.

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Russia's Foreign Policy in Asia



By **Rajorshi ROY & Joyce Sabina LOBO**

Abstract

The global economic crisis of 2008 signalled limitations of Russia's regional policy. In recent years and particularly in the last two years, Russia has engaged in fruitful relations with the Asian region, thus attempting a balance and giving impetus to its "West to East" policy. In this regard the paper looks into Russia's role in Asia with emphasis on ASEAN, SCO, India, Japan and a rising China.

In recent years Russia has been looked upon as an important country which is now trying to play a more prominent role in global affairs. Russia is still major oil, gas and weapons producer and exporter, and a significant nuclear power. It is also a permanent member of the UN Security Council having the all important veto power and a global leader in advanced technologies.

Growing economic and military power of China (especially in Central Asia which is often referred to as Russia's "Near Abroad"), opening of new energy pipelines (East Siberian Pacific Ocean (ESPO)), the relative decline of US hegemony and NATO initiatives in extending its institutions to territories close to Russia's western borders have greatly influenced a new direction in Russia's foreign policy which is now focussed more towards Asia. In its foreign policy concepts of 2000 and 2008 Russia seeks to *achieve firm and prestigious positions in the world community, most fully consistent with the interests of the Russian Federation as a great power, as one of the most influential centres of the modern world*¹. This is to ensure multi-polarity within the international system.

¹ See: S. Blank, *The Implications of Russia's Recent Energy Deals in Northeast Asia*, [in:] *The Journal of East Asian Affairs*, 24(1) Spring/Summer 2010: 1-38. Here Blank has explained about the energy deals and the loans China provided to Russian oil companies Rosneft (USD15 Billion) and Transneft (USD10 Billion) to build the ESPO pipeline. He hints that Russia's Far East could end up being an economic colony of China, wherein Russia will be forced to accept the terms set by the Chinese due to lack of funds. This brings into question Russia's claim to being a great power and the kind of leverage it has over Asia. Also see: S. Blank, *At a Dead End: Russian Policy and the Russian Far East*, 17 (2), *Demokratizatsiia*, 2009, pp. 122-144 and B. Lo, *Axis of Convenience: Moscow, Beijing, and the New Geopolitics*, Brookings Institution Press 2008.

² Foreign Policy Concept Of The Russian Federation, Approved by the President of the Russian Federation V.Putin, June 28, 2000. <http://www.mid.ru/Bl.nsf/arh/1EC8DC08180306614325699C003B5FF0?OpenDocument>, accessed January 2011

With the newly defined boundaries post 1991, Russia has opted for an independent and constructive foreign policy as it lies in the centre flanked by Europe and Asia. It tries to balance its relations through “*an optimal combination of efforts along all vectors.*”³ The relations that Russia shares with Asia are on a different plane than that with the West or Europe in particular. It gives priority to the CIS region and then to Europe (EU) along with NATO (which brings in USA) before moving on to Asia in its foreign policy doctrines. The present scenarios – missile defence system, Georgia crisis, etc. – unravel the ongoing protracted suspicions that the West and Russia have with each other. Lilia Shevtsova rightly points out that Russia refuses to give up a part of its sovereignty to supranational European structures and the need to sustain personalized rule and its geopolitical ambitions will make all diplomatic “resets” temporary⁴ with the West.

Drift from West to East:

The fragmentation and weak cohesion of the elite in the new Russian Federation led to misguidance of Russia’s foreign policy. Andrei Kozyrev, Russia’s first Foreign Minister paid scant attention to Asia while pursuing a pro-Western foreign policy. This led to the weakening of ties with the Asian states particularly Vietnam, North Korea, India and Central Asian Republics⁵. In recent times, the economic crisis of 2008 has clearly highlighted the limitations of Russia’s regional policy. As a result of the global economic collapse, Russia was scrambling to protect its own economy from crashing and hence was in no position to influence global issues. It also highlighted the need to diversify its relations “Eastwards”. After the global financial crisis of 2008, Russia’s foreign policy has started focussing more on Asia than on any other region. This comes after years of Russia’s indifference towards the region on account of its foreign policy being primarily directed towards Europe, US and CIS regions. This new initiative has seen Russia establish a concrete relationship with the 10 member Association of Southeast Asian Nations (ASEAN) bloc, 5-member Shanghai Cooperation Organization (SCO), strengthen and boost ties with China and improve trade with both South Korea and Japan. In the last two years Russian high level visits have accelerated to Asia – President Medvedev attended the ASEAN-Russia summit in Vietnam 2010, G-20 summit in South Korea, 2010, Presidential visits to China and India in 2010, Mongolia and Singapore in 2009 and also chaired a significant meeting on Asia in Khabarovsk, 2010.

The new approach of Russia’s foreign policy towards Asia is governed by Russia’s close geographical proximity to the region. Russia’s Far Eastern (RFE) territories and East Siberia, which are extremely rich in valuable natural resources, lie in close proximity to the three major powers of the region: China, Japan and South Korea which together comprise of North-East Asia. Lack of economic development in the Far East has necessitated the need to initiate urgent steps to check the deteriorating situation there – a declining population comprising only 4.5%⁶ of total Russian population and a backward economy. The immigration of Chinese population into Russia’s Far Eastern Territory has been a major source of concern.⁷ It has led to a realization that the situation can only be tackled by integrating the area with other major powers of the Asia

3 L. Shevtsova, *Lonely Power. Why Russia Has Failed to Become the West and the West is Weary of Russia*, Carnegie Endowment for International Peace 2010, p.342

4 G. Chufirin, *The Asia-Pacific region in Russia’s Foreign Policy*, [in:] *Russia and Asia: Challenges and Opportunities for National and International Security*, G. Chufirin (ed.), Proceedings of the SIPRI, Japan Institute of International Affairs and Asian Shimbun Newspaper 1999 International Conference, pp. 158 – 164

5 Federal State Statistics Service: *Russia. Special Data Dissemination Standard, Number of de-jure (resident) population on subjects of the Russian Federation as of January 1, 2010*. http://www.gks.ru/bgd/free/b00_25/IssWWW.exe/Stg/d000/i000070r.htm, accessed May 2011

6 Lo has argued that China is interested in the region for abundant raw materials for its massive manufacturing industries, fresh water supply which China lacks and also has a source for gainful employment in a human resources deficit region. For a better explanation of the situation in Russia’s Far East, See: B. Lo, *China and Russia: common interests, contrasting perceptions*, CLSA Asia Pacific Markets 2006. <http://www.chathamhouse.org/publications/papers/view/108582>, accessed June 2011

7 National Security Strategy of the Russian Federation to 2020, approved by the Presidential Decree, 12 May 2009 No. 537. <http://rustrans.wikidot.com/russia-national-security-strategy-to-2020> accessed December 2010.

Pacific region. For this Russia needs partnerships with other countries apart from China. It can be said that Asia Pacific is a region where all the major powers in the global system have a stake.

Russia under President Medvedev has started in earnest the process of paying special attention to the needs of its Far Eastern Regions. In the “*National Security Strategy of the Russian Federation to 2020*” endorsed by President Medvedev in May 2009, point No. 62 directs the government to ensure *in the interest of ensuring national security in the medium term, competitive sectors are being developed and markets for Russian products are being expanded, the effectiveness of fuel energy complex is being enhanced, instruments of public private partnership being used to resolve strategic challenges to economic development and to the completion of a basic transport, energy, information and military infrastructure, especially in the Arctic zone, Eastern Siberia and the Far East of Russian Federation.*⁸

Therefore, some of the key objectives of Russia’s East Asia policy can be summarised as: to maintain and build a strategic relationship with China while fostering partnerships with other Asian economies, to ensure stability and promote economic development of Russia’s Far East and East Siberia, to contribute to finding a solution to the Korean crisis, to build a stable relationship with Japan wherein Russia can benefit from Japanese expertise in modernizing its own economy and finally play an influential role in the various regional economic and security organizations, be it Association of Southeast Asian Nations (ASEAN) or Asia-Pacific Economic Cooperation (APEC). This can at least ensure Russia a place in the Asian economic order, if not a great power status in the near future.

Russia’s Engagement with Key Asian Countries:

When bisected individually, Russia has attached great importance in nurturing and strengthening its relationship with China. Although irritants in the form of trade structure imbalance, intellectual property rights infringement, price of oil and China’s growing clout in Central Asia remain, yet China continues to be a major partner of Russia. The joint statement of the Sino-Russian summit held in China in September 2010 gave a glowing reference to the understanding and support for each other’s concerns on Taiwan, Tibet and Caucasus, their strategic partnership in Asia Pacific region and a vision of a non bloc security structure in the region.

China overtook Germany to become Russia’s largest trading partner in 2010. Chinese exports to Russia increased by 69% and amounted to USD 29.61 billion in 2010 compared with 2009 (USD 17.496 billion), while Russian exports to China increased by 21.7% to USD 25.84 billion. Trade in crude oil and natural-resource products accounted for 48.5% of the overall bilateral trade volume, compared with 50% in 2008.⁹ Russia has also provided China with some of the most advanced weapons. The first and now complete phase of the East Siberian Pacific Ocean (ESPO) pipeline, connecting Russia’s Siberian oil fields to the borders of China, has the ability to alter global oil dynamics and shifting them favourably towards Russia. Russia will no longer be forced to sell oil to Europe, as it has now an assured market in Asia thereby increasing its leverage over both Europe and Asia.

Russia has in recent times tried to build its relationship with Japan. However, the absence of a formal peace treaty, the unresolved status of the Kuril islands, President’s Medvedev visit to the disputed islands and the fact that Russian defence officials have proposed to position the Mistral class ship (which Russia will

8 W. Xing & W. Chenyan, *Russia beginning to look eastward more for trade*, [in:] *China Daily*, June 18 2011, http://www.chinadaily.com.cn/cndy/2011-06/18/content_12727577.html

9 Russia, *Japan double volume on Trade*, [in:] *The Voice of Russia*, February 2 2011, <http://english.ruvr.ru/2011/02/02/42435835.Html>

procure from France in 2013) in Russia's Far East, near the islands, has further compounded the problem. However, many believe that such tough posturing is meant to appease a domestic audience when Russia's Presidential elections are less than a year away. In the meantime, Russia's trade with Japan has increased by manifolds. In 2010, the volume of trade between Russia and Japan almost doubled as against the previous year. Last year's trade turnover exceeded USD 24 billion compared with the USD 12 billion in 2009.¹⁰ The two countries have been able to find an agreement on legal and customs assistance and prevention of export of illegal fish exports. Other areas earmarked for cooperation include high technology, space and infrastructure.¹¹

Apart from Japan and particularly China, the other country Russia gives great importance is its traditional partner India. Both countries share security concerns in terms of terrorism and believe in the peaceful use of nuclear resources. One of the areas in which India can play a positive role along with Russia is in terms of addressing stability within the Afghan region through Shanghai Cooperation Organization (SCO) since both countries want to engage with Afghanistan in a peaceful manner. India's joining SCO can be beneficial to other members, especially Central Asian Republics, to enhance security for better economic cooperation and safer trade routes and pipelines.

For the first time in 2008, Russia in its foreign policy concept gave importance to holding dialogues and utilizing structures with its traditional partners in the Troika (Russia, India and China) and the BRIC Four (Brazil, Russia, India and China). The RIC (Russia, India and China) institution has the world's largest democracy, second biggest economy and a big nuclear and weapons exporter. With an approximate population of 2.4 billion, i.e., comprising 40% of world's population, RIC promises vast manpower and huge market potential. Moreover RIC along with BRIC has been able to give voice to the developing nations and emerging markets in various aspects. This is in terms of establishing a multi-polar world, commitment to multilateral diplomacy with the UN, reforming governing structures of IMF and World Bank in terms of substantial shift in voting power in favour of emerging market economies and developing countries, to bring their participation in decision making in line with their relative weight in the world economy, reform of the international financial regulatory system, climate change, energy security, etc. This can go a long way in enabling Russia in improving its influence amongst the developing countries in particular and within the international system in general.

In terms of commerce and trade Russia stands at 25th position as India's trading partner with USD 3,566.79 million and is India's 37th exporting partner with USD 980.69 million. In this sense Russia does not figure even in the top 25 of India's trading partners. Yet due to the arms sales, the trade with India stood at USD 7 billion in 2008 and USD 10 billion in 2010. As per the estimations of Centre for Analysis of Strategies and Technologies, India's share of received arms deliveries in 2010 was 41%¹², the highest amongst all the importers. Out of the USD 8.59 billion worth of contracts signed by various importers with Russia in 2010, India's share was 56%. The contracts signed with India involved orders for additional 29 Mig-29K fighters for the Vikramaditya aircraft carrier, contract for the front-end engineering design of the Indian version of the FGFA fifth-generation fighter (worth 295m dollars) and for the development of the MTA military transport aircraft (600 million dollars).¹³

¹⁰ Ibidem

¹¹ Joint Press Conference by the Leaders of Japan and Russia by Taro Aso, Prime Minister of Japan and Vladimir Putin, Prime Minister of Russian Federation May 12, 2009. http://www.kantei.go.jp/foreign/asospeech/2009/05/12kaiken_e.html, accessed February 2011.

¹² D.Vasilev, Russian Arms Trade in 2010, [in:] Moscow Defence Brief 1(23)2011, <http://www.mdb.cas.ru/mdb/1-2011/item2/article1> These deliveries exclude transfers of spare parts, instruments and components due to non-availability of details regarding them.

¹³ Ibid.

Moreover, trade can occur through the International North-South Transport Corridor (INSTC) which connects Russia with India. This connectivity will include Central Asian countries and Iran apart from other countries like Turkey, Bulgaria, Azerbaijan, etc. INSTC will be 40% shorter and 30% cheaper compared to the Suez route for India. In this way India can increase its trade presence and participate in infrastructural development in the Central Asian region through its expertise and skilled human resources. India's participation in this region can be enhanced with its traditional partner i.e., Russia by joining SCO. Through Russian cooperation it can prevent the export of terrorism and drugs from Afghanistan. Russia made a commitment in the recent NATO-Russia summit in Lisbon, Nov. 2010 to provide aid and assistance to Afghanistan and provide a transit line for supplies. It has been a part international effort to bring in political stability in Afghanistan through the United Nations, the Collective Security Treaty Organization (CSTO), the SCO and other multilateral institutions.

Russia and ASEAN:

Russia's new foreign policy direction is most pronounced with regard to its relationship with the Association of Southeast Asian Nations (ASEAN) member countries. The first major push at further cementing ties with ASEAN was initiated in the year 2005 when President Putin attended the first ASEAN-Russia summit held in Kuala Lumpur in December 2005. A *Comprehensive Programme of Action to promote cooperation between ASEAN and Russia 2005-2015* was adopted with a view to strengthen the dialogue partnership and enhance cooperation especially in the economic sphere. ASEAN is a powerful regional organization. Having a strong relationship will help boost the concept of multi-polarity which Russia has always propagated especially in the backdrop of China's rise and America's dominance in the region. Therefore, in order to play an important role in the region, it became paramount for Russia to be a part of ASEAN framework. The new direction is also a part of Russia's policy of diversifying its energy supplies and be a part of an emerging economic market. The importance of ASEAN can be gauged from the fact that it has an aggregate GDP of USD 1.5 trillion and a developed system of zones of free trade with its key economic partners.¹⁴ Also, Mihoko (p. 145) points out that *Russia's foreign policy toward Asia-Pacific was shaped by four factors that directly serve Russia's national interests: the settlement of North Korea's nuclear development issue, the Siberian oil pipeline issue between Russia, China, and Japan, integration into the Asia-Pacific regional cooperation, and arms export.*¹⁵

There has been a flurry of activity as part of Russian-ASEAN dialogue partnership mechanisms. These include annual Russian and ASEAN foreign ministers meetings, joint working groups on trade, economic, scientific and technological cooperation, on countering terrorism and on transnational crime. The chief coordination bodies are the Joint Cooperation Committee and the Joint Planning and Management Committee. Russia also participates in dialogue and cooperation frameworks initiated by ASEAN, such as the ASEAN Regional Forum (ARF), the Post Ministerial Conferences (PMCs) 10+1, and the East Asia Summit, starting in 2011. For the first time the ASEAN Centre was opened in Moscow in June, 2010 at the Moscow State Institute (University) of International Relations (MGIMO) of the Ministry of Foreign Affairs of the Russian Federation as a landmark development in strengthening bilateral ties between the two.

One of the major projects has been to figure out ways to tap into Russia's energy potential. Various dialogues have led to the adoption of a Russia-ASEAN working program for energy cooperation 2010-2015. In

¹⁴ S.Lavrov, *Russia and ASEAN can do a great deal together*, [in:] *International Affairs* N°6, Moscow 2010, p. 15

¹⁵ K.Mihoko, *Russia's Multilateral Diplomacy in the Process of Asia-Pacific Regional Integration: The Significance of ASEAN for Russia*, [in:] *Eager Eyes Fixed on Eurasia: vol. II – Russia and Its Eastern Edge*, I.Akihiro (ed.), [in:] *Slavic Eurasian Studies* No. 16 (2), 152 Hokkaido University Sapporo 2007, p.145

September 2010, the Rosatom State Corporation held a seminar on the peaceful uses of atomic energy in Hanoi. The next stage is the launch of a Russia-ASEAN dialogue on renewable energy and environmentally friendly technology.¹⁶ Russia and ASEAN have also held talks in the form of Russia-ASEAN emergency response consultations in March 2010 to discuss ways to combat natural disaster emergency situations. The East Siberia-Pacific Ocean oil pipeline scheduled to be commissioned in 2014 will help ASEAN strengthen its energy security.

The two entities along with SCO have also been closely working towards combating terrorism and crime. In 2004, Russia initiated the mechanism of Russian and ASEAN Senior Officials Meetings on Trans-national Crime and in 2009, a Russia-ASEAN working group to counter terrorism and trans-national crime was established and a working plan of action was approved. They have also decided to work closely towards supporting ASEAN's efforts in achieving the Millennium Development Goals (MDGs), which include promoting innovation for improving the standard of living in the region.

Though the total trade between Russia and ASEAN group in 2009 stood at a miniscule USD 6.8 billion and FDI flows from Russia amounted to USD 157.3 million¹⁷ – i.e. Russia's share in ASEAN's total trade was a mere 0.4%¹⁸ – it nevertheless is attempting to increase its presence in this region. However, it has made up for its low volume of trade through arms sales. Russia has also used arms sales in a tactical way to build alliances in the region. It has signed multi-billion dollar weapons deals with Indonesia, Vietnam, Malaysia and Thailand. These include some of the most technologically advanced weapons systems in Russia's armoury including the Sukhoi and Mig 29 fighter jets, Kilo class submarines and advanced missiles.

Conclusion

It has been observed that Russia is not as powerful in Asia as it is in the Euro-Atlantic region. Russia realizes this fact and hence has tried to increase its presence in the ASEAN region. It has also improved its ties with India and China in particular. This way it can strike a balance between both the East and the West and stay true to its foreign policy concept. Russia needs to step in at a time when China's relative economic and military strength has increased manifold not just in the Asia Pacific region but also in Central Asia which has traditionally been under Russia's sphere of influence. **It is in Russia's interests to balance China's rise while peacefully engaging with it. There is no doubt that Russia's policymakers realize this and have initiated steps to engage consistently with Asian states. This has involved strengthening "privileged ties" with India and improving ties with South Korea and to an extent Japan. Through the SCO, ASEAN and RIC formats, Russia as a Eurasian power and India and China as Asian powers, can not only ensure the peaceful rise of their own states but also work towards the security and stability of the Asian region as a whole.** However, apart from being involved in various dialogue frameworks in ASEAN, Russia needs to do much more especially in the field of trade. For ASEAN member states, association with Russia will help them balance relations with China and Japan, more so in the backdrop of China's rise and a relative decline of the US. It is time for Russia to substantiate, draw up and start implementing joint projects in the region or else Russia will not be able to have any major say in the region's affairs. Russia's influence in the Western or the Asian world is not very significant. Moreover the ground that it has gained in Asia-Pacific needs to be retained by following a consistent policy or else its "West to East" policy will go adrift.

¹⁶ ASEAN, ASEAN-Russia dialogue relations, <http://www.asean.org/5922.htm>, accessed July 2011

¹⁷ *Ibidem*

¹⁸ ASEAN, ASEAN trade by partner country/region, 2009, <http://www.asean.org/stat/Table24.pdf>

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Stronger Asian Presence in the UNSC



By **Simran SODHI**

A change in the structure of the United Nations, especially that of the powerful United Nations Security Council (UNSC), has been the subject of debate for quite some time now. It is being argued that the UNSC is no longer reflective of the present world order where countries like India and Japan, among others, have grown powerful and challenge the UNSC structure which is reflective of the post World War II scenario. While India feels that with its growing economic clout on the world stage, it should now get a seat on the high table; Japan too feels justified in its claim as it is one of the largest aid donors to the UN. While India has to deal with neighbours like Pakistan who are against its election to the UNSC, Japan has an equally tough task at hand convincing neighbours like North Korea who have publicly opposed Japan's bid. India and Japan, along with some of the other candidates for a seat in the UNSC, have formed informal groupings and are trying to use them to showcase their growing influence. The reform of the UNSC however remains a tricky proposition with old powers unwilling to give up their seat of power and new powers eager to claim what they see as their right. This paper looks at some of the arguments being made for a stronger Asian presence in the UNSC and also looks at the stumbling blocks which these Asian candidates are likely to face in the pursuit of their ambition.

A new structure for the UNSC

The present structure of the UNSC, which was decided upon in 1945, has five permanent members, more commonly referred to as the P5 nations. The P5 nations are the United States, United Kingdom, France, China and Russia. The most important power that is enjoyed by the P5 is the right to veto. In effect, what this veto gives the P5 members is the ability to control any decision taken by the United Nations. In addition to the P5, the council holds elections each year to fill five of the 10 seats for non-permanent members.

The veto power or the enviable position enjoyed by the P5 nations is at the heart of the debate surrounding the reform of the UNSC. While the P5 members want to hold on to their positions, member states like India,



Japan from Asia; Germany from Europe; Brazil from Latin America and the African nations, too now want a share of the pie.

From an Asian perspective, India and Japan are the two states actively following an agenda on the world stage where they are lobbying for a permanent seat on the UNSC. India and Japan have joined hands with Germany and Brazil to form an interest group, G4, to promote their agenda for a permanent seat. And as expected the nation states that are opposed to the ambitions of the G4 states, have formed a counter club, called the Coffee Club. The Coffee Club has Pakistan which is opposed to India's candidature; South Korea opposed to Japan's ambitions; Italy primarily opposing Germany; Spain and Argentina opposed to Brazil's entry; and it also has Mexico and Canada on board.

Japan, post-World War II has indulged in multilateral diplomacy, particularly through foreign aid projects. Japan contributes twenty% of the UN's budget - making it the largest contributor at the moment and hence giving it a very valid argument for a seat on the UNSC.

The only Asian presence in the UNSC today is China. It would not be an overstatement to say that most of the world, not only Asia, while in awe of China's incredible growth, remains wary of its growing clout. In February 2011, China overtook Japan as the world's second largest economy, second only to the United States. While there can be little debate on China's position within the UNSC, it also has to be stated that Asia is too vast and different to have only one representation. The two top contenders from Asia, for sharing the seat with China in the UNSC, are again two Asian powers who struggle with China for influence within Asia too.

This internal struggle for a greater influence within the continent is also evident in the regional organizations that have mushroomed in the last few decades. Let us try and take a look at some of these regional organizations and the Asian struggle for supremacy within them.

SAARC and ASEAN are the two prime examples of India and China vying with one another for greater influence in the continent.

SAARC

The South Asian Association for Regional Cooperation (SAARC) is the most visible of the regional organizations in South Asia. It was established in 1985 and since its inception has sadly been high on words and low on content. India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, the Maldives and Afghanistan are members of SAARC which also happens to be one of the largest regional organizations in the world. Much to India's indignation, China entered SAARC in 2005 as an observer. Most member states supported China's entry into SAARC, despite the fact that SAARC is supposed to be about South Asia.

To understand the reasons behind member states supporting China's entry, one needs to take a closer look at the power dynamics being played out in South Asia. India is the largest country in the region and exercises a lot of influence too. The smaller member states, especially Pakistan, are however deeply resentful of this influence. Of late, this resentment seems to have travelled along and states like Nepal, Sri Lanka and Bangladesh, which traditionally have shared a strong relationship with India, are also now reaching out to China. Pakistan, Bangladesh and Nepal are now also supporting China's full membership of SAARC, which for India is a worrisome development.

ASEAN

The Association of Southeast Asian Nations (ASEAN) was formed in 1967 and currently has ten member states from South East Asia. Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Burma (Myanmar), Cambodia, Laos and Vietnam are the members of ASEAN.

In 1997, ASEAN joined hands with Japan, China and South Korea to form "ASEAN Plus Three". In 2005, East Asia Summit was formed which included the ASEAN Plus Three states along with India, Australia and New Zealand. Thus one sees an ASEAN enlargement which has finally brought in much of the countries of not just South East Asia but also the heavyweights of Asia. A growing concern that increasing US influence in the region needed to be countered was the rationale behind this enlargement.

India's entry as a part of the East Asia Summit is also seen as an attempt to check China's influence in the organization. ASEAN, like SAARC, is an excellent example of an Asian regional organization where one gets to see both India and China struggling for greater influence. Though on a more pragmatic note, there is no denying the clout that China has today and within Asia and also on the global stage, it can only be challenged by the United States of America. This has also led many to speculate that the world might be moving away from a uni-polar (USA) structure to a G2 structure (USA and China).

Stumbling Blocks

China

China and Russia have also expressed their concern at the "pace of reforms". This can also be a smart strategy on their part to delay the process of reforms for as long as possible. The rationale being, that if the process is dragged on for too long, then the argument for reforms will simply die out. This would serve China's purpose of keeping both Japan and India out of the Security Council.

Of late, China appears to be giving signals that it might be prepared to support India's entry into the UNSC but when it comes to Japan, the answer remains a formidable no. *There is widespread expectation that a reformed Council will have two additional members from Asia — India and Japan. China is at best lukewarm to the former and opposed to the latter.*¹

United States

The role of the United States is very crucial if any reform of the UNSC has to be achieved. Even though, under President Barack Obama, the US administration has been more open to the question of reforms, with Mr. Obama endorsing India's candidature, there is still scepticism regarding the sincerity of the US. Some of that scepticism originates from the leaked Wikileaks cable where Secretary of State Mrs. Hillary Clinton says India is a *self appointed front runner* for the seat². Even though the Hillary cable is dated much before President Obama's endorsement of India's seat, questions still remain whether the US will actually back the UN reforms or pay mere lip service to the issue.

Also, in this context, one must pay heed to the statement made by State Department spokesman P.J.

¹ C Gharekhan, *The Obama visit: How Successful*, [The Hindu], Hindu, New Delhi, November 2010, p. 8 http://www.thehindu.com/opinion/lead/article886250_ece?homepage=true

² Press Trust of India, *Wikileaks: Hillary called India a Self-Appointed Front Runner for UNSC Seat*, [The Times of India], Bennett & Coleman, New Delhi, Nov 2010, p. 6 <http://timesofindia.indiatimes.com/india/WikiLeaks-Hillary-called-India-self-appointed-front-runner-for-UNSC-seat/articleshow/7010909.cms>

Crowley only a day after President Obama's much applauded endorsement of a permanent seat for India. He said, *It is inconceivable that you could contemplate U.N. Security Council reform without considering a country like India. But we have to recognize ... this is a process that has been going on for some time, and it is a process through which we must consult with others within the U.N. and within the Security Council*³ In other words, the writing on the wall is clear and euphoria over such statements is simple hype. There can be no denying that reforms will be complicated, time consuming and will definitely also see a fair amount of horse-trading, the worrisome point is that the delay might make the whole debate irrelevant.

Then there are those within the US administration who worry that supporting India's candidature would further alienate Pakistan from the US. In light of the ongoing war in Afghanistan and the worrisome scenario in Pakistan, the US is keen not to aggravate Pakistan, which it regards as a vital ally, in its war on terror.

Europe

The position of Europe is a little complex as of today. Though in the present structure the continent is represented by France and Great Britain, many have raised questions on France's seat in light of its gradual decline as a global player. There have been suggestions that maybe France should vacate its seat on the Security Council and that will also help create space for new members, like Japan and India. A scenario unlikely to happen as France, though supportive of the reforms of the UNSC, is unlikely to give up its privileged position. Then there are those who have suggested that instead of individual European nations, it might be a better idea to give the European Union a seat on the high table. Again, it is an idea whose time has not come yet. But the troubling question here that needs to be addressed is that post 1945 Europe was the centre of the world, but now the centre seems to have moved towards Asia; but will that reality be accepted and appropriate changes be made in the institution of the United Nations Security Council?

Neighbours

Both India and Japan also face neighbours that are not comfortable with their growing stature on the world stage. They thus, are not enthusiastic about the two Asian nations pushing for a seat in a reformed and expanded Security Council. As mentioned before, China has made calculated inroads into regional organizations within Asia to ensure that neither Japan nor India attain a stature where they might challenge China's influence.

While North Korea has openly opposed Japan's bid, South Korea too has been hesitant about lending support. In the case of India, Pakistan has been vehement about its opposition to India's candidature. An interesting point to be made here is that Indian officials closely involved in the process of negotiating reforms within the UN argue that Pakistan is not opposed to the "reforms of the UNSC" (in the present scenario, it would be a precarious position to take for any state), and that should serve India's purpose in the long run. At the end of the day, the candidatures of new member states will have to be endorsed by a two thirds majority of the General Assembly and India is confident that it will get the numbers when it comes to that.

³ T.Karon, *India's Security Council Seat: Don't Hold Your Breath*, [in:] *Time*, New York November 2010, p.12, <http://www.time.com/time/world/article/0,8599,2030504,00html#ixzz1K37r4SjL>

Conclusion

In conclusion, it is important to remember the realistic and pessimistic view that while a reform of the UNSC must take place, the chances of it happening in the near future appear difficult. It basically boils down to a simple point: the present P5 members obviously do not want to see an expansion of the Security Council because that would dilute their own power. For example, the P5, especially the US, chooses the Secretary General and the General Assembly rubber-stamps the choice.⁴ This was evident in the last elections held for the post of the Secretary General in 2006. The United Nations, despite the constant critique of being inefficient and dysfunctional, remains the only truly international organization where members states from all over the world get together to discuss issues. It's functioning might be far from perfect but no one doubts the fact that the institution is worth keeping and strengthening. Even though it would be a pessimistic conclusion to draw, this paper concludes with the note that a reform of the Security Council is very unlikely to happen soon or in the near future. The P5 member states and their Heads of State might endorse the reforms in public forums but those should be treated as mere goodwill political gestures. Reading anything more into such gestures would be an act of immaturity. What we are likely to see in the near future will be an increased debate over an expansion and reforms of the UN, tensions over who will get what and how much, but in real terms, very little or no actual reforms.

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⁴ N.Sen, *Tharoor's is a Simplistic View of Superpower Diplomacy*, [in:] *Outlook*, New Delhi, April, p.16, <http://www.outlookindia.com/article.aspx?271376>

Global Financial Crisis: Evaluation of Policy Response from Japan, China and India



By **Sukanya NATARAJAN**

Introduction

The subprime crisis broke out in August 2007 and until September 2008, was viewed within the orbit of developed countries such as US, UK and other G7 countries resulting in a growth contraction to unprecedented levels. This metastasized into a global financial crisis in September 2008 when the largest bankruptcy in the US history was filed by Lehman Brothers, following which world output fell first in over six decades and so did international trade. Signs of a rapid decline in the global economy were evident as world trade flows dropped low and production fell flat, initially in the developed economies and then spread onto developing countries. The world economy dived into a recession causing widespread business contraction, increase in unemployment, and attenuation of government revenues.

This crisis was more global than any other time of financial mayhem in world history except for the Great Depression of the 1930's and World War II. This crisis is unique, not only in terms of its depth but also the extent of its global reach: virtually no economy remained unaffected. Investors plugged out capital from countries, even those with minimum risk, and resulting in stocks value and domestic currencies to sink. Slumping of exports and commodity prices added to the woes and pushed economies worldwide into a phase of slower economic growth. The adverse feedback loop between the real and financial sectors took its toll on the growth of the global economy. This crisis presents the obvious case to depict what extent countries across the world have become interdependent, therefore making it difficult for the countries to "decouple" from the global economic crisis, especially as the initial shock originated in the largest economy (US) and stunned the world.³

¹ R. Baldwin, *The Great Trade Collapse*, VOXEU, 2009.

² *Ibidem*

³ C. Akin & A.M. Kose, *Changing Nature of North-South Linkages: Stylized Facts and Explanations*, [in:] *Journal of Asian Economics*, no.19, 2008.

This crisis among developing economies resulted in a slowdown as opposed to a full-blown recession in developed countries. The economic recovery with the help of fiscal and monetary stimulus along with improving financial conditions is setting albeit in a slow pace. No one could predict a possible financial crisis when it hit Asian region either in 1997 or in the US in 2008. While the effects of the financial crisis ripple across the globe, for Asian countries such as Japan, China and India, this reflected a confluence of global credit crunch and weaker external demand.

The global financial crisis triggered by the subprime lending posed serious policy challenges. The need for an immediate policy response in order to stabilize financial markets and international capital flows, halt economic decline and initiate recovery was noticed. Major economies such as US, UK, China, Japan, EU and others announced fiscal stimulus packages and loose monetary measures to tackle the recession and bring back recovery. Apart from these measures, bailout operations through infusion of capital into weakened financial institutions and industrial firms and government guarantees for impaired financial assets and bank deposits have also been funnelled into economies severely hit by the crisis.

According to Truman (2009), serious financial crises go through seven distinct phases. First stage is the pre-crisis phase in which the authorities should be, and sometimes are, practicing crisis prevention. Too often, the crisis may be brewing, but the authorities are either in ignorance, or in denial, of that fact. Second is the outbreak of the crisis, which in retrospect is linked to a particular event, such as an action by a French financial institution to freeze access to funds it is administering. The action itself is irrelevant except for its use in dating the start of the crisis, which by that time was probably inevitable. Third is the crisis management phase, in which authorities and institutions grapple with an ongoing cascade of events with little time to chart their next move or to ponder the implications of their moves. Gelpern⁵ in her article on the crisis mentions the fourth phase, which she titles as "crisis containment". This is a phase in only the most crises like the present one, in which the rulebook is thrown away and the overriding objective is to stop the bleeding. Ultimately, the bleeding does stop and the fifth phase begins, the "mopping up" phase. In the sixth phase of a crisis lessons are, or are not, learned. Seventh and finally, preparations are made to prevent or minimize the virulence of the next crisis. **Generally, lessons are only partially learned and incompletely applied. At present, we are somewhere having crossed the containment phase and continuing in the mopping-up phase of the crisis. Consequently, it may well be premature to think that now is the time to learn and to apply the lessons of this crisis.**

The policymakers across countries reflecting the need for a coordinated monetary response had loosened monetary policies and slowly tightening the policy rates albeit slowly to avoid inflation and further bubble bursts. The monetary policy response has been substantial across countries. Apart from the national measures, as a coordinated global response, group of twenty evolved as a premier forum for international economic and financial cooperation in 2008. The global financial crisis has brought into prominence the role of G-20 as the premier forum for international economic cooperation as indicated in the recent Seoul Summit (2010), Toronto Summit (2010), Pittsburgh Summit (2009) and London Summit (2008). Despite coordination on various economic issues such as sustainable, balanced growth, financial sector reforms, reform of IFI's etc.. there still exists some significant differences of priorities amongst the G20 developed and developing countries.

⁴ E. M. Truman, *Peterson Institute for International Economics, Remarks presented at the Ninth Annual International Seminar, on Policy Challenges for the Financial Sector Emerging from the Crisis: Building a Stronger International Financial System*, Board of Governors of the Federal Reserve System, World Bank, and International Monetary Fund June 3, 2009.

⁵ Gelpern dates the start of the containment phase of the current crisis to March 13, 2008 when the US authorities confronted the issue of what to do about Bear Stearns. See: A.Gelpern, *Financial Crisis Containment*, [in:] *Connecticut Law Review* 41, no. 4 (May 2009), 493-549.

Positions taken by developed countries are relatively well established, but so far developing countries have had fewer opportunities to express their views and to promote their own expertise at the international level. The forthcoming G-20 summit in Cannes, France will focus on how the different countries can strategize and sustain the recovery in the post crisis scenario.

When the subprime crisis hit the US by the end of 2007, the existing assumptions were the countries in Asia can probably be decoupled⁶. These assumptions have been proven wrong judging by the extent of the impact on trade in Asia. The channel of transmission to Asia was through the real economy and not through the financial sector as was the case with US, UK and EU⁷. In Asia, looking at the selected economies of Japan and China, their export dependent economies were affected by the fall in external demand. Japan, China and India announced fiscal stimulus packages and loosened monetary conditions to revive their economies. Japan's GDP fell very sharply compared to US, UK and EU countries and has managed to come out of recession in the second quarter of 2009⁸. India and China face an economic slowdown and not a recession as their economies were growing at 9% and 13% in 2007 respectively

Asian economies benefited tremendously from export-led growth centered on the US and Europe in recent decades. This model can no longer be relied upon to sustain the region's growth in an inclusive manner through and beyond the crisis. Consumer spending in the US reached an unsustainable level in 2007 and subsequent to crisis, considerable period of sluggish growth of US imports will continue. Consumer spending in Europe is likely to remain weak for an extended period as well. The key issue for the sustainability of Asia's growth is the extent to which it can adapt to this more difficult environment and shift to greater reliance on domestic and regional demand. Despite these setbacks, according to the World Economic Outlook⁹, overall Asia is staged a vigorous and balanced recovery than US, UK and Europe.

Regardless of its limited direct exposure to the global financial crisis, Japanese economy had fallen into one of its deepest recession since World War II due to its dependence on exports.¹⁰ The output growth in Japan contracted at 5.2% in 2009, reflecting a plunge in exports and tight financial conditions. The Democratic Party of Japan soundly defeated the Liberal Democratic Party, which has been in power for virtually all of the past 54 years, and now faces severe problems centered on rebuilding the world's second-largest economy and dealing with record-high unemployment. Japan's Prime Minister Naoto Kan, after his re-election as president of the ruling Democratic Party of Japan (DPJ) is facing a tough challenge to bring back Japan to its knees especially hit by the earthquake and the nuclear disaster at Daichi.¹¹ The rehabilitation of the economy will be painfully slow and will depend how policy measures are taken to sustain the economy from worsening.

Japan, on the other hand, in terms of monetary policy should stay highly supportive and should be the first line of defense against any larger-than-projected weakening of activity as fiscal support diminishes as suggested by IMF. With policy rates already near zero, monetary policymakers may have to resort to further unconventional measures if private demand weakens unexpectedly as fiscal support wanes.

6 C. Akin & A.M. Kose, *Changing Nature of North-South Linkages: Stylized Facts and Explanations*, [in:] *Journal of Asian Economics*, no.19, 2008.

7 R. Kumar, *Global Financial and Economic Crisis: Impact on India and Policy Response*, UNDP, 2009

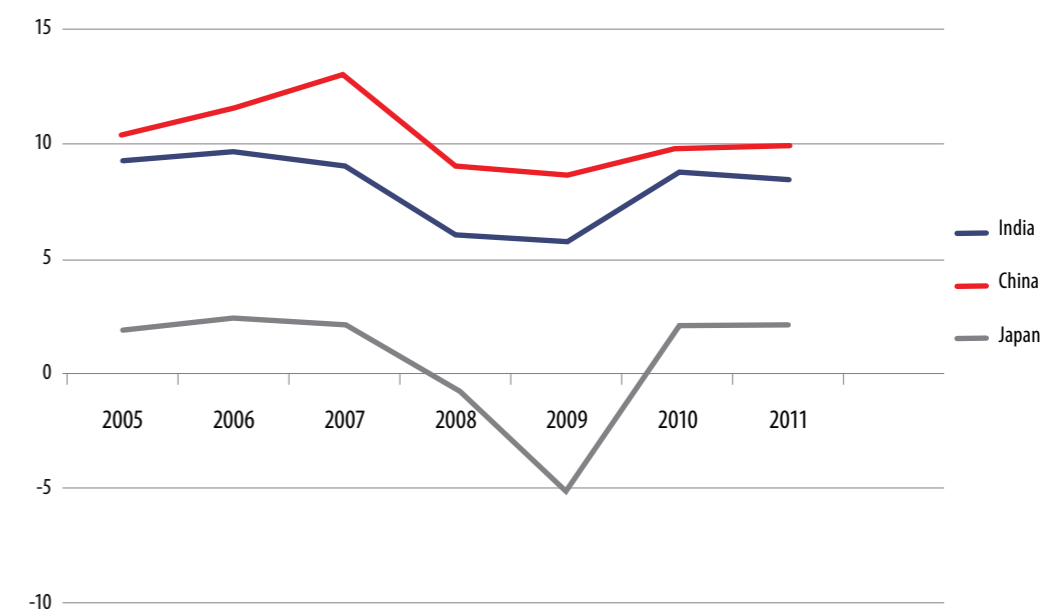
8 Bank of Japan accessed at http://www.boj.or.jp/en/statistics/pub/boj_st/index.htm/

9 *World Economic Outlook*, International Monetary Fund, April 2011.

10 *Economic Survey of Japan 2010*, OECD Report, Japan

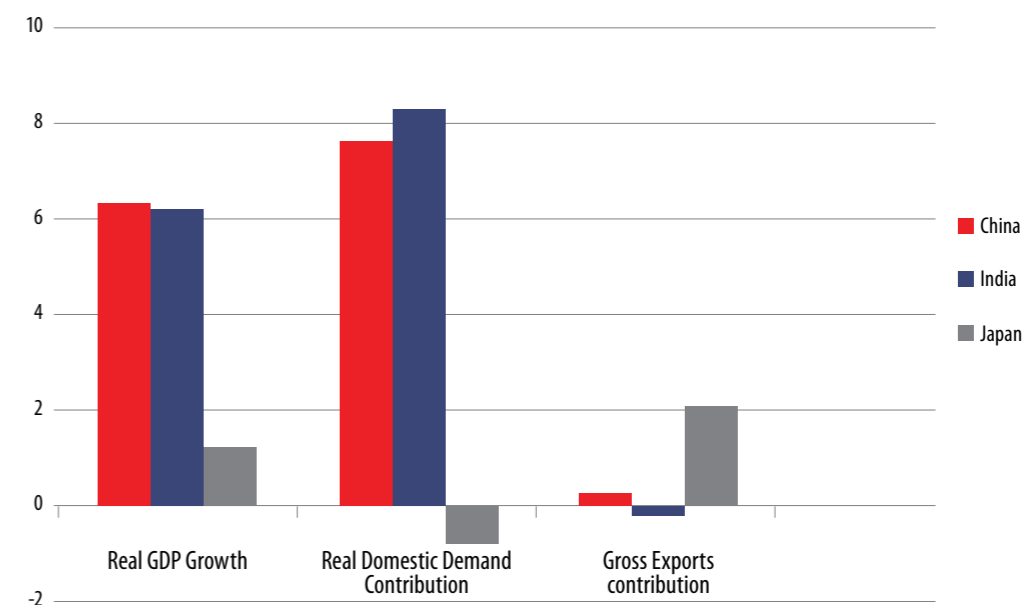
11 *Economic Survey of Japan 2011*, OECD Report, Japan

Figure 1: GDP Growth: Year-on-year (percentage)



Source: World Development Indicators 2009, *Regional Economic Outlook- April 2010* (2010 and 2011 data are IMF projections)

Figure 2: Contributions to Growth: India, China and Japan



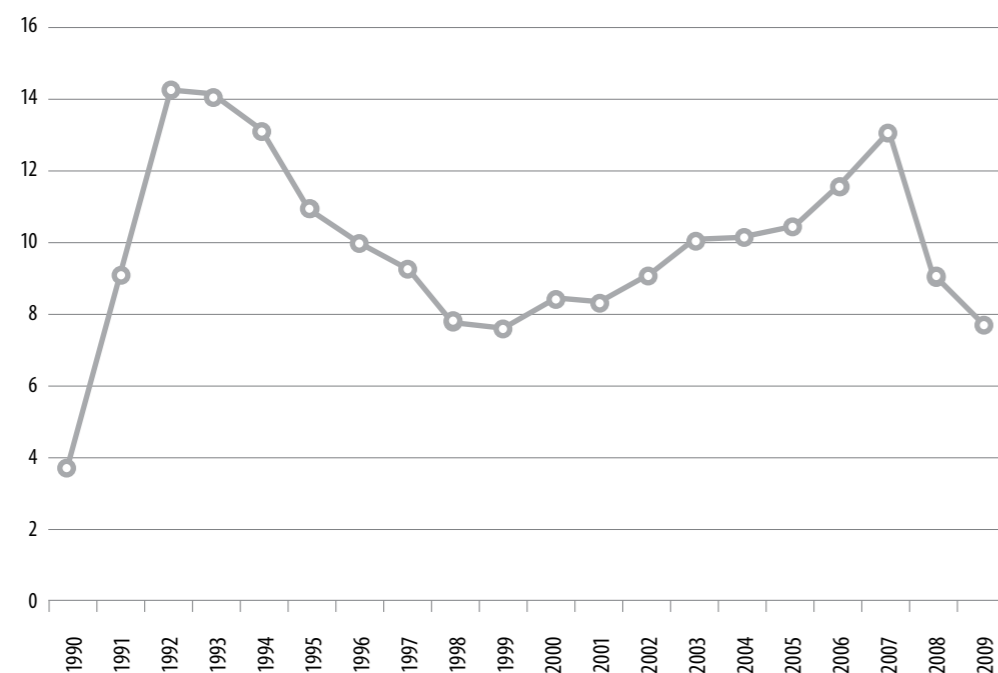
Source: *World Economic Outlook Rebalancing Growth*, April 2010

China overtook Japan as the world's second-largest economy in August 2010, a year after suffering one of its worst declines in growth levels for decades¹². China's economy has rebounded strongly, recording 9.1% growth in 2009 and 10.1% in 2010. The Chinese government's official growth figures for 2011 have exceeded earlier forecasts: largely due to government spending on infrastructure projects¹³.

12 BBC News Agency, Accessed at <http://www.bbc.co.uk/news/business-12427321>

13 National Bureau of Statistics, *People's Republic of China*, 2009, 2010 and 2011.

Figure 3: China's GDP Growth Rate (1990-2009)



Source: National Bureau of Statistics, PRC

China undertook series of steps to act in response to the effects of the global financial crisis. On 9 November 2008, China announced a fiscal stimulus package of two year 4 trillion yuan (USD 586 billion) to help stimulate its economy making it one of the largest fiscal stimulus packages announced across the world. This stimulus plan constitutes 6.9% of its GDP larger than other stimulus plans announced by any other country. China is expected to use a range of monetary policy tools and manage the intensity of monetary policy operations to enhance liquidity management, so that liquidity in the banking system will grow at a reasonable level and money and credit will grow properly, to satisfy credit demand for economic development and to create a sound monetary environment for keeping the general price level basically stable and for managing inflation expectations.

India's growth decelerated in the second half of 2008 when the crisis hit in September 2008 but later recovery set in early 2010. India is the third largest economy in Asia and the center of world economic growth after China. In India, although growth consolidated, inflationary pressures emanated forcing the Reserve Bank to initiate a process of calibrated exit from the accommodative monetary policy stance starting in October 2009¹⁴. While the growth outlook for 2010-11 remains robust, inflation has emerged as a major concern even after many attempts by the RBI to take stock of the situation. Going forward, as the monetary position is normalized, addressing structural constraints in several critical sectors is necessary to sustain growth and contain supply side risks to inflation. The fiscal exit, that has already started, will need to continue. Improving the overall macro-financial environment through fiscal consolidation, a low and stable inflation regime, strengthening of the financial stability framework and progress on structural reforms will help sustain growth and boost productivity. India has slowly increased the interest rate in mid 2011 due to raising concerns of as inflationary pressures and a surge in capital inflows have started worrying policy makers¹⁵.

¹⁴ M. Joseph, et al, *The State of the Indian Economy 2009-10*, ICRIER Working Paper No.241, October 2009.
¹⁵ Annual Report, Reserve Bank of India, 2010.

Figure 4: Policy Rates: India, China (In Basis Points)



Source: Regional Economic Outlook, IMF, April 2010

The policy challenges that lie ahead over the medium term is for the national and international policy makers to determine the adequate and proportionate pace for normalizing the fiscal and monetary policies. For the developing countries such as India and China, this process of normalization would occur well ahead of the process for the developed countries such as Japan, US and Europe. Since the US recovery continues to be fragile, recovery of the Asian countries would still have to rely on the global recovery. Although India and China have started to tighten the monetary conditions in 2010 and 2011 such as reversing reserve requirement, these levels of requirements are well below the pre crisis levels. The excess liquidity in the domestic sphere of their countries call for macro prudential measures and so does strengthening domestic demand in a more structural manner. The inflationary concerns in asset prices and consumer prices are a chief source of worry for policymakers in China and India as opposed to deflation in Japan. While several other economies are already debating phasing out economic stimulus deployed to fight the financial crisis, Japan continues to struggle amid chronically weak consumer demand and falling prices. Japan pulled out of recession in April-June 2009 due to a recovery in exports but figures released recently by IMF World Economic Outlook and the Regional Economic Outlook 2011 show that the growth for the next two years will be slower than emerging countries such as India and China¹⁶. Despite all these pessimistic observations, the way the world sees the recovery is largely through the resilience of Asia's growth which has pulled the world out of a recession. The figures from the World Economic Outlook 2011 are testimony to this fact.

As for the exit strategies in the post crisis scenario, the diverse pathways of economic recovery across the globe signals not only the myriad ways of tackling the global economic downturn but also underscores the growing need to discuss how stimulus packages and loose monetary policies should be withdrawn addressing the specific needs of each country. Policy attention shifted from crisis management to recovery in the second half of 2009-10. Countries realised how crisis management measures cannot remain in place over a prolonged period as some of them include exceptional actions with large-scale public support. Such a situation could

¹⁶ Regional Economic Outlook, International Monetary Fund, 2010.

cause moral hazard in the marketplace or distort the system in the longer run. On the other hand, too hasty implementation of medium-term measures could rather exacerbate the situation and impede economic recovery.

Economic recovery has continued to strengthen during the year 2010-11, but global financial stability suffered a major setback with the turmoil in sovereign debt markets in 2010 and recently in 2011. The extent of economic recovery differs importantly across regions, with Asia leading the global recovery¹⁷. United States and Japan experienced a noticeable slowdown in 2010-11, while growth accelerated in Europe and stayed strong in India, China and other emerging and developing economies. Financial conditions have begun to normalize, but institutions and markets are still fragile. In general, volatility in financial, currency, and commodity markets remains elevated. According to the IMF¹⁸, the growth rate performance will differ across countries attributing to the variance of strength of the stimulus and private demand along with underlying economic and financial conditions and risks. For instance, a massive fiscal stimulus and credit expansion has boosted domestic demand in China. In India, low reliance on exports, accommodative policies, and strong capital inflows have supported domestic activity and growth. In contrast, Japan's economic prospects remain weak, given the post earth quake disaster, the lacklustre domestic demand and a lack of fiscal room to further boost the economy.

Concluding Remarks

The global financial crisis has set in motion a series of events, which have ushered in the need for reform of economic systems across the globe. **All over the world, governments and central banks have reverted to the financial crisis through both conventional and unconventional fiscal and monetary measures. These policy measures have been criticized for their size, timing, sequencing and design as more importantly, for their economic and ideological underpinnings. The key criticism has been that "purely national responses" are inadequate to address a virulent global crisis.** In recognition of a pressing need for global co-ordination and co-operation, particularly in order to inspire the trust and confidence of economic agents around the world, G-20 summit meetings have taken place from 2008-2010. At their recent summit meetings in Toronto and Seoul, the G-20 leaders collectively committed to take decisive, co-ordinate and comprehensive actions to revive growth, restore stability of the financial system, restart the impaired credit markets and rebuild confidence in financial markets and institutions¹⁹.

The forthcoming G20 Cannes summit in France through the French presidency has signaled a slightly different tone to exclusively deal with the post crisis scenario although fresh fears of a double dip recession has now cropped up due to the America's sluggish and fragile recovery. The priorities set by France includes: Reforming the International Monetary System (IMS), Strengthening financial regulation, Combating commodity price volatility, Supporting employment and strengthening the social dimension of globalization, Fighting corruption and Working on behalf of development.²⁰ We need to wait and watch how developing economies and developed economies engage with each other in November this year on these various issues.

The fears of a double dip recession lurks around the corner as the US recently lost its AAA credit rating with the revision of rating by Standard and Poor. This resulted in tumbling of stocks in the US, Europe and other

17 World Economic Outlook, August 2011: Recovery, Risk and Rebalancing, International Monetary Fund

18 World Economic Outlook April 2011: Tensions from Two Speed Recovery, Unemployment, Commodities and Capital Flows, International Monetary Fund.

19 Seoul Summit Declaration, G20 Summit, Korea, 2010.

20 Priorities of French Presidency accessed at <http://www.g20-g8.com/g8-g20/g20/english/priorities-for-france/the-priorities-of-the-french-presidency/the-priorities-of-the-french-presidency.75.html>

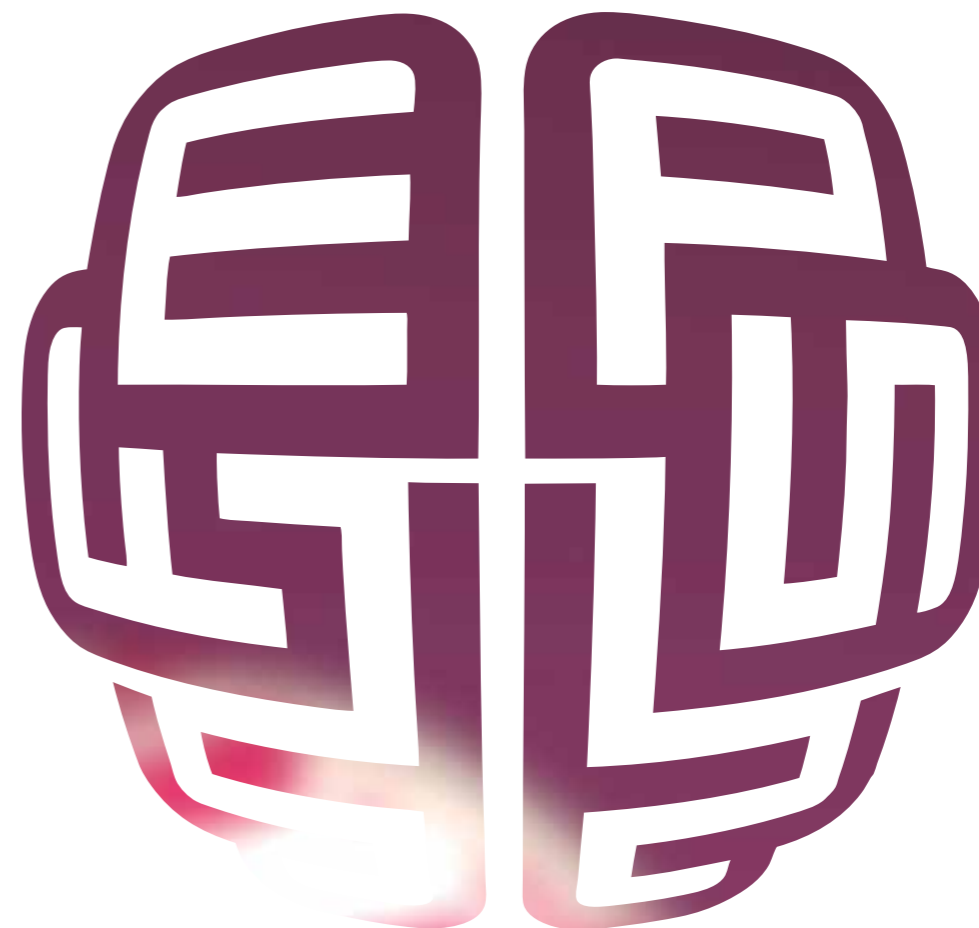
parts of the world. With the revised statistics published by US for the year 2009, the recovery post financial crisis has been shown to be more fragile and flatter as was previously known. The sluggish recovery of the US economy has severe repercussions for the rest of the world including Japan, China and India in that order. **The political repercussions of this economic crisis could point us towards the future of bipolar world with US and China.**

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04

China: reshaping the status quo

China is the largest economy in Asia. There are many factors contributing to this position – among them trade. Why is that then, that its path to prosperity is a very lonely one for this country? This question inspired S.KONDOPALLI, who in his article analyses the external and internal performance of China in both global market and multilateral governance contexts. His thesis are that though China has been an acknowledged member of the UNSC, though it hold the largest foreign exchange reserve – it anxieties still spin about sustainability of its model. Hence focuses on military. P. SHANKAR JHA agrees with that argument, pointing out several factors that could threaten stability – especially the societal ones (such as growing unemployment). Consequently, his contribution revolves around the questions of real potential of China in its bid for hegemony in the region, as also in its struggle to uphold and increase its influences also on the other continents, such as Africa. Growth and defence are also the subjects that C. UDAY BHASKAR and M. JOSHI examined in their respective articles. The first of the authors shows the geopolitical importance of Pacific and Indian Oceans, making the question of control over those waters an issue of strategic importance, which predefines safety and security in the whole region. M. JOSHI, on the other hand, warns against new types of “armed” aggression – describing the impact that attacks of hackers can have on the state and its institutions. These acts can serve both espionage, as also they can create disarming blockages.

China's Strategies in Asia



By **Srikanth KONDAPALLI**

The People's Republic of China (PRC) is located in Asia geopolitically, while after the reform programme was launched from the late 1970s it is involved in extensive political and security multilateral networks in addition to mutually beneficial market-driven integration efforts in the region and beyond.¹

The PRC can be easily counted as first in Asia in various indicators. It is the largest country in size in Asia (and the third largest in the world after Russia and Canada) with nearly 9 million square kilometres. It borders fourteen of the other 42 countries in Asia and Europe by land and with several other countries in maritime dimensions. Hence, China's political and border interactions with these nearly 20 countries are crucial in explaining inter-state dynamics in the region. Specifically, its territorial border dispute resolution policies and programmes as an independent country in 1949 would be crucial for Asia.

China has the largest population in Asia (and the world) with nearly 1.4 billion people and the demographic profile and dynamics (say, for instance, migration patterns and sustainability of economic growth rates in the light of ageing population) would be crucial for Asia and other regions.

The PRC wrested United Nations membership from the Republic of China in the 1970s and became a permanent member in the United Nations Security Council. As the only Asian country with this status, it has considerable leverage in not only Asian affairs but also on crucial international issues. For instance, China's response to both Japanese and Indian candidatures in the United Nations Security Council expansion would be crucial.² Also, China's deliberations on the security issues of the world in general and in Asia in particular are significant, if not decisive, at the UNSC.

¹ The construct of Asia by Asians or others is a problematic and contested in scholarship and strategies. The historical accounts of the Chinese dynasties, silk routes, travels of Buddhist monks, Roman, Greek and Arabian travellers like Megasthenes, Marco Polo and others are not uniform, although useful in understanding the landscape. Nor are the strategies followed towards this region similar – with one of the earliest Japanese concepts of "Greater Co-prosperity spheres in the Asia-Pacific" in the 1930s, with its centre in Taiwan evoking sharp responses from China and Southeast Asian countries. On the other hand, Rabindranath Tagore's ideas on Asianism evoked mixed responses in China. See: C.Tan, A. Dev, B. Wang & L. Wei (eds.), *Tagore and China*, Sage Publications, 2011

² China had stated that the current UNSC does not reflect the global configurations of power and had argued for its restructuring. However, China has not supported any Asian country to be a member of the restructured UNSC in future. While China opposes the Japanese candidature in the UNSC, its support to India is at best implicit in nature. China's support to Germany and Brazil in this regard is also ambiguous.

After the four modernisations programmes were launched in 1978, China has posted near double digit figures in economic and trade aspects in the last two decades. This accounts for considerable economic and strategic leverage in Asian issues and the world. Today, it has the largest economy in Asia ahead of Japan and is engaged in mutually beneficial inter-dependence with a majority of the other 42 countries in Asia. The number of free trade agreements or regional trade agreements and the removal of restrictions on the free flow of investments, goods and services have enhanced not only complementarities between China and other Asian countries but also enhanced economic development and prosperity.

On other counts as well, China stands first in Asia: It has the largest foreign exchange reserves in Asia (and the world) with nearly USD 3 trillion by mid 2011. Again, China has the largest standing armed forces in Asia with credible strategic nuclear and ballistic missile weapon systems that can be targeted at any Asian country. With such huge armed backing, it has entered into almost all the major conflicts in Asia: Korean War in 1950-53, intermittently with Taiwan in the 1950s to 1960s and in 1995-96 in its reunification efforts, with India in 1962, with the erstwhile Soviet Union in 1969 and Vietnam in 1979. Through arms transfers to several countries in Asia (viz., Pakistan, Bangladesh, Nepal, Sri Lanka, Burma, Iran-Iraq, Saudi Arabia, Thailand, Vietnam and others) China has been able to influence Asian strategic dynamics. After the reform programme has been launched China had been relatively restrained in terms of military posture – with the exception of its preparations on Taiwan in the 1995-96 missile crises – although currently its growing conventional and strategic deterrence capacity could be utilised in stopping conflicts from emerging in favour of a rising China.

China has also emerged as the largest importer of hydro-carbon resources in Asia displacing Japan in the recent period.³ It has imported more than 200 million tonnes of oil in 2010 most of which originated from West Asia and Africa and passing through the Straits of Malacca. This suggests China's increasing dependence on these waters for fuelling its burgeoning economic growth rates. China's response in this sphere as well could determine the Asian security landscape in the future. Another related issue is the global climate change proposals, such as Kyoto, Bali and Copenhagen discussions in which China participated as a developing country (instead of as its status as the 2nd largest economy). As one of the largest polluters in the world, its positions on such issues are being keenly scrutinised.⁴

These above points indicate that China is obviously one of the decisive voices in the Asian continent.⁵ In most of the decisive events of Asia, China has had some direct or indirect role in the last few decades ranging from the multilateral groupings such as the political and security mechanisms of the Shanghai Cooperation Organisation (SCO) and the East Asian Summit meetings or economic and trade forums such as the Bo Ao Forum or the free trade areas coming up in Southeast Asia or East Asia. Yet, despite all these developments, the PRC has not yet come out with an all-inclusive economic, political or military/security architecture suitable for the Asian region and address amicably its diversities. The Chinese leaders indeed put across initiatives for "common security", "new security concept", peaceful rise, peace and development or a harmonious world. Yet these have not so far appealed to many an Asian country and the contradictions between China and other Asian countries appeared to be stalling any such initiatives for Asian stability.

³ See: M. Wesley (ed.), *Energy Security in Asia*, Routledge, 2007; and M. Ogutcu, *China and Asia—Growing Energy and Geopolitical security Concerns*, [in:] *China's Integration in Asia—Economic Security and Strategic Issues*, R. Ash (ed.), Curzon Press, 2002, pp. 135–66

⁴ The total carbon dioxide emissions for India, China, the United States and the global averages are estimated at about 1.1; 5.1; 5.8 and 27.1 billion tonnes respectively and their per capita emissions estimated at 1; 3.8; 19.6 and 4.2 tonnes respectively. For a broader view on the subject see: V.Smil, *China's Past, China's Future: Energy, Food, Environment*, Routledge Curzon, 2004 chapter 4

⁵ See: D.Shambaugh (ed.), *Power Shift: China and Asia's New Dynamics*, University of California Press, 2005

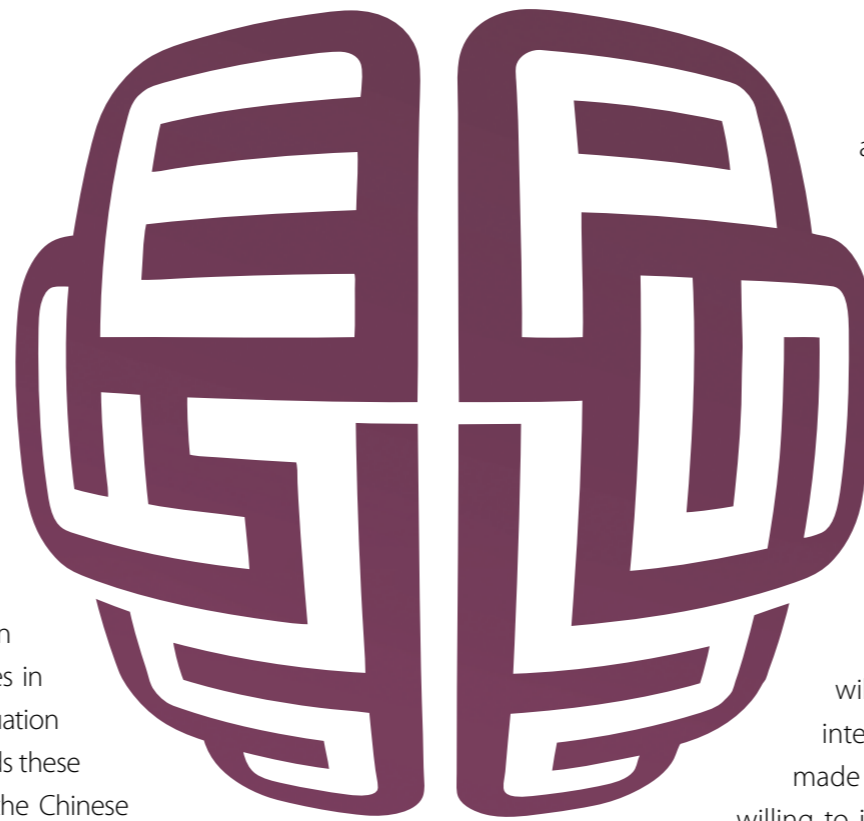
China's World View & Asia

In the last five decades, the Chinese world view underwent major transformations from its avowed anti-imperialist stance towards seeking strategic balance and stability in the region as a whole.⁶ Thus, the Chinese leaders have expressed different views such as those of an intermediate zone, three worlds, era theory, peaceful rise, peace and development to the late 2006 expositions about ushering into a harmonious world.

For early Chinese communist leaders like Mao Zedong and Zhou Enlai, the then Asia was still evolving, while the United States posed challenges by expanding its influence in the "intermediate zone" between the US and the then USSR. Several states in Asia were becoming independent from their colonial yoke. In this context, New China, as the "centre of gravity" of Asia, had both opportunities in shaping the strategic contours and destinies of Asia and challenges as well.⁷ The situation in Asia and their developmental imperatives, the then superpower attitudes towards these Asian countries, the role of China in Asia, specifically the Asian criticism about the Chinese support to revolutionary movements in these countries – all these issues have engaged the Chinese leaders intensely.

The newly emerging Asian countries, in general, were divided by the then Chinese classifications into broadly three – as those receptive to communist ideology and favourable to the socialist camp, the vast majority of independent and "semi-independent" countries which were categorised as relatively "neutral" towards China and finally those countries – under the influence of "Communist [Soviet/Chinese] threat" – which were being organised by the US under security mechanisms such as SEATO, CENTO or allies in Japan, South Korea and Taiwan. Under these circumstances, the Chinese leaders voiced the concept of Asia for Asians, without any outside influence. For instance Mao on June 1950 stated *...the affairs of the various countries of the world should be run by the peoples of the respective countries themselves, and the affairs of Asia should be run by the peoples of Asia themselves and not by the United States.* In a different context, Mao questioned in October 1958 on *Why should a country of the eastern Pacific come to the western Pacific? The western Pacific Ocean belongs to the people of the western Pacific Ocean, just as the eastern Pacific Ocean belongs to the people of the eastern Pacific Ocean. This is common sense and the American people should know it.*

It appears that the present day Chinese leaders have adopted a different stance as reflected in the reported comment of the former Chinese foreign minister Qian Qichen in a speech at a meeting of foreign ministers in December 2001 in Hanoi that China "did not want to squeeze the USA out of Asia."⁸ Also, in a different context and



a departure from Mao's statement above, the then Chinese military logistics director Zhao Namqi reportedly questioned in early 1990s whether the Indian Ocean is India's ocean. Subsequently, although denied by the Chinese side, US Admiral Thomas Keeting had reported that his Chinese counterpart had alluded to dividing the Pacific and the Indian Oceans between the US and China, with the latter operating in the Western Pacific and the Indian Ocean, while the US being confined to the eastern Pacific.

The PRC's interactions with the Asian countries were complicated, to an extent, by the political choices made in the 1940s. The Chinese leaders were aware, at least in the open sources, of the sensitivities involved in the political clash between communism and capitalism. On how to convince the newly independent countries that the PRC would not be the aggressor but willing to work with them was a major issue confronting them in this period. In interactions with Indian, Burmese and other Asian countries leaders, Mao and Zhou made efforts to convince them that China would not be the aggressor nor was it willing to interfere in the internal affairs of these countries by exporting revolution. For instance, when Thailand, Pakistan and other countries joined the US-led SEATO, Chinese leaders argued that the PRC will not invade them. They were also making efforts to convince the Asian countries that the target ought to be imperialism rather than dissipating strength among themselves. Mao, for instance, said on September 2, 1958: *...the neutrality of [nationalist countries like India, Indonesia, etc...] suits their present circumstances. [This] is a position of independence, sovereignty and freedom from control. We in the socialist camp welcome the neutral position of these countries, because it is favorable to the cause of peace and unfavorable to the imperialist plans of aggression and war. We regard as our friends the independent countries in Asia, Africa and Latin America and also those countries which have not yet achieved or are fighting for independence. We support them.*

Mao suggested again on May 25, 1974 that *countries in Europe and Asia, including Japan, should not quarrel with one another. They may quarrel, but not big quarrels.*

This period was also the time when China understood that it was not a force to reckon with in Asian affairs and knew PRC's limitations given the US trade and arms embargoes and encirclement policies. Mao was candid in his observation on April 27, 1955 that the Asian-African countries] *...believed in you [the five Colombo countries, not in us, for ours is a country in which the Communist Party is in power. But we Communists are not like what the United States has depicted – people with dishevelled hair, green faces and long teeth, fiendish creatures with three heads and six arms. We are reasonable people. Speaking to the Danish ambassador Gregerson on April 10, 1956 Mao suggested that "China will not get cocky toward other countries; if she ever does, you can criticize her.*

Nevertheless, the interference issue was to become very sensitive in China's dealings with other Asian countries. The Chinese leaders conversations with Burmese leader U Nu, Nepalese leaders and others make it amply clear that China is concerned about this issue. Specifically after it adopted the Panch Sheel principles in 1954, China suggested that it would adhere to the non-interference principle. The Chinese leaders disagreed with the view that indigenous movements in Asia, viz., in Indonesia, Burma, autonomous region in Thailand, India, etc- were being supported by the Chinese communists. Mao, for instance, told on August 21, 1956 to

⁶ Doctoral thesis submitted in May 2002 to Jinan University by Ceng Pinyuan stated that China would be the strongest power in the world. However, to retain this position, China should follow diverse policies towards its neighbourhood. Ceng, invoking ancient Chinese military strategy, argued that towards Northeast Asia, China should follow a policy of "Yuanjiao jingong" [i.e., befriend distant states while attacking those who are located nearby]; with Central Asia, the policy of "fanke weizhu" [reverse the position of the host and the guest]; in relation to South Asia, "hexiao gongda" [combine with the small, attack the big] and for Southeast Asia "qianyi mohua" [creep silently]. See: P. Ceng Zhongguo zhoubian zhanlue yanjiu [Studies in China's neighbourhood strategy] (unpublished thesis), May 2002, p. 146

⁷ Mao said, a few months before the formation of the People's Republic, in August 1949 that: *The US policy of aggression has several targets. The three main targets are Europe, Asia and the Americas. China, the centre of gravity in Asia, is a large country. ... by seizing China the US would possess all of Asia. All of Mao's statements are from his works on foreign policy at Mao Zedong On Diplomacy, Foreign Languages Press, 1998*

⁸ See: J. Hill, *China's PLA reform success*, [in:] *Jane's Defense Weekly* December 1, 2003. *This has been a major change from the early 1990s position that all "outside forces" in Southeast Asia should withdraw from the region. The Cam Ranh Bay and Subic Bay forces of the USSR and the US respectively were the targets of such Chinese statements.*

Prince Souvana Phuma of Laos that China will *never interfere in your internal affairs, never do communist propaganda in your country, and never attempt to overthrow your government...* On the information that China did indeed support the Algerian revolutionary movement with arms in Africa and to North Vietnam against South Vietnam/US, the Chinese leaders concurred but suggested that these were for revolutionary goals. Nevertheless, they argued that in all other major cases, it was only moral support that China had extended. In this context, Mao told Edgar Snow on January 9, 1965 that *we do support revolutions; we have to. We shall issue statements and hold meetings to express our support wherever there is revolution. Imperialism dislikes this. We are fond of prattle and empty talk, but send no troops.* Yet, China's role in the internal affairs of Indonesia in the 1960s was questioned by the latter's leadership which even snapped diplomatic relations after accusing China of backing communist insurgency.⁹

Nevertheless, nation-state identities, territorial disputes, Cold War context and other related issues were to complicate China's relations with the other Asian countries and this period till about the 1980s were to pitch it against several major Asian countries like India and Vietnam, while normalisation of relations with the US in the 1970s made more countries in Asia, as elsewhere, recognise the PRC. **A more pragmatic leadership ushered the country in the direction of expanding trade and economic relations in the 1980s. They understood the value of mutual economic interdependence with the Asian countries. Deng Xiaoping, for instance, told the visiting Indian Prime Minister Rajiv Gandhi on December 21, 1988 that *Unless those [India and China] two countries are developed, there will be no Asian century. No genuine Asia-Pacific century or Asian century can come until China, India and other neighbouring countries are developed.*** However, the 1990s till the recent period were to bring forth new developments despite the end of the Cold War and realignments in Asia. Specifically, the high economic growth rates of China also coincided with double-digit defence budget allocations in this period and concerted military modernisation during Jiang Zemin and Hu Jintao's times led to "China threat" fears in some Asian quarters.

In this backdrop, the "peaceful rise" concept put forth by Zheng Bijian and his 20 colleagues attempted to wriggle China out of these threat perceptions, although it did further fuel such theses by advertising the untrammelled rise of China. The December 2006 announcement of China about ushering into a "harmonious world" appears to be designed to quell any further damage to the image of China in Asia and beyond. This needs to be seen in the Chinese actions in future. However, events of 2009-10 appeared to have renewed the China as a threat thesis. These are visible in the events related to issuing of stapled visas to residents of Jammu and Kashmir in India from mid 2010, China's relative silence on the alleged North Korean bombing of Cheonan corvette of South Korea in early 2009 and the subsequent Yeongpyong firing incident, and more significantly the South China Sea islands dispute.

Stance on War & Peace

Modern nation states in Asia emerged in the late 1940s from the colonial yoke, with the major exception of Japan. As new states, sovereignty and territorial integrity issues in addition to national integration pre-occupied the governments and elites in Asia to a large extent in their earlier period. Some of these issues led to war between contiguous states on such issues. China is no exception to this and its position on war and peace is crucial specifically as it is a socialist state and had a different flavour compared

⁹ See: R.Sukma, *Indonesia and China: The Politics of a Troubled Relationship*, Routledge 1999, chapter 3

to other states. The Chinese leaders' views on issues of war and peace are crucial in arriving at an understanding of China's position on Asia as well. Mao Zedong and Zhou Enlai underlined, in their major foreign and strategic policy statements, that China would carefully look at the attitude of Asian (and other) countries standpoint on war and peace. They had argued that China adhered to peace while the imperialists to war and aggression. In the 1980s, Deng Xiaoping –the reformist leader- reconfigured the equation to that of "peace and development". The latter meant emphasis on striving for a peaceful international environment and evolve mechanisms for North-South dialogue. These two different perceptions are crucial in explaining broadly China's positions on Asia. The following statements from its Constitutions, White Papers and other official documents of China make it amply clear that China's position has considerably changed towards that of not only a *status quoist* state but also that of a *balancer* in world (and probably in Asian) affairs.

The 1949 Common Programme was considered to be the "social contract" between the Chinese communist party and the people. It referred to China's *stand for lasting international peace and friendly cooperation among the people of the world, and opposition to the imperialist policies of aggression and war.* After the establishment of the PRC a few months later in October 1949, China drew up a constitution. The 1954 Constitution stipulated "the steadfast policy of our country in international affairs is to work hard for the lofty goal of world peace and the progress of mankind." These two above statements reflected the anti-imperialist stance of the early PRC history. However, soon after the reform programme was launched in 1978, the tone of the PRC changed considerably. The 1982 Constitutional guidelines mentioned that China *strives to safeguard world peace and promote the cause of human progress.* Subsequently, China issued its first white paper on arms control and disarmament in 1995. It stated that China would be a *reliable force in the cause of safeguarding world peace.* The 1998 paper, while characterizing China as a *responsible big country*, mentioned its position as a *firm force safeguarding world peace and stability.* The 2002 paper, in the wake of the 9-11 events, stated that China *endorses all activities conducive to maintaining the global strategic balance and stability.* In December 2006, the white paper elaborated thus: *Committed to peace, development and cooperation, China pursues a road of peaceful development, and endeavors to build, together with other countries, a harmonious world of enduring peace and common prosperity.* **The 2008 White Paper (released in 2009) stated that China is ready to promote the building of a harmonious world with enduring peace and common prosperity..., encourage the advancement of security dialogues and cooperation with other countries, oppose the enlargement of military alliances, and acts of aggression and expansion... China places the protection of national sovereignty, security, territorial integrity, safeguarding of the interests of national development, and the interests of the Chinese people above all else. China endeavours to build a fortified national defence and strong military forces compatible with national security and development interests, and enrich the country and strengthen the military while building a moderately prosperous society in all aspects.** Later, the 2010 White Paper (released in March 2011), suggested that *By connecting the fundamental interests of the Chinese people with the common interests of other peoples around the globe, connecting China's development with that of the world, and connecting China's security with world peace, China strives to build, through its peaceful development, a harmonious world of lasting peace and common prosperity.*¹⁰

¹⁰ Emphases added in the above statements. These white papers are available at the official websites: <http://www.china.org.cn> and <http://peopledaily.com.cn>

China & Asian Multilateralism

China has joined several multilateral efforts in Asia from the beginning, although the balance sheet is still complicated on this issue.¹¹ The Nationalist China delegation attended the first Asian Relations Conference organised by India in 1946. After the PRC was established in 1949, as mentioned above, the five Colombo countries organised the 27 member Afro-Asian Conference at Bandung in 1954 in which China participated. Zhou Enlai's account of the Chinese participation indicated how China considered this meeting to be crucial to its national interests in the back drop of the US embargoes and encirclement. A second conference was not to materialise in this period given the widening political and ideological differences between member states in general and China and India in particular. However, in 2005, the Bandung spirit was revived by India, Indonesia, China and other countries.

The second major attempt of China at multilateralism in Asia is in the 1990s with the inauguration and the transformation of the Shanghai Five into SCO and its participation in the ASEAN mechanisms and Six Party talks on the Korean peninsula. There are other initiatives such as those in economic and trade issues like the Tumen River Delta grouping with Korea, Mongolia and Japan, Bo Ao Forum or the Mekong River projects. These are on-going processes, although some broad observations can be made. China appeared to have changed the SCO by shifting its agenda from the initial emphasis on border dispute resolution and demilitarisation to counter-terrorism and economic and energy security themes in the recent period. With its Asthana summit in 2005, the SCO expressed reservations on the US role in the region. Subsequently, the SCO member states discussed measures to usher peace in the background to the development in Russia-Georgia tensions on Ossetia and Abkhazia, to overcome the financial crisis, etc. The latest Asthana summit in 2011 put on hold the expansion of the membership by suggesting consensus principle.

China's multilateral efforts in Southeast Asia are notable, although these are packaged in exclusive terms as well. China has proposed a free trade area (FTA) agreement in 2001 with the ASEAN countries which came into force in 2010 (for the new ASEAN members such as Burma, Vietnam, Laos and Cambodia in 2012). A non-binding Code of Conduct on non-use of force in the South China Seas is in place by November 2002, although this issue created much heartburn to both China as well as the concerned Southeast Asian countries in 2010. A trilateral agreement in March 2005 with Vietnam and the Philippines is also in place on issues related to the South China Sea. China has joined the East Asian Summit, of which five meetings were held at Kuala Lumpur, Cebu, Singapore, Hua Hin and Hanoi. The sixth meeting is to be held with US and Russia as new members at Jakarta in 2011. This includes the ten-member ASEAN states, China, Japan and South Korea (in the "Plusthree" status), along with another three (India, Australia and New Zealand). However, differences persist on membership, leading role, issues, finances, etc between these states. The United States was excluded initially, while the European Union appeared to be interested in joining the grouping as an observer. While Australia considered the East Asian Summit as secondary to the APEC process, India wanted a pan-Asian FTA. Several members of the ASEAN, China and South Korea expressed negative responses to the idea of a pan-Asian FTA. In the financial sphere, the Chiang Mai Initiative of December 1997 supported efforts towards a

common Asian currency unit. However, there has been no major enthusiasm or moves from China or other countries in this regard, except for suggesting an "Asia Yuan" concept to include Chinese, Taiwanese, Hong Kong and Macao currencies (if these agree) under the concept of "Hua Yuan", in addition to the ASEAN Yuan (in which, strangely "Korean Yuan" is attached). The Sanya Meeting of the BRICS countries in April 2011 suggested a basket of international currencies. A regional cooperative monetary exchange system was proposed by the ASEAN plus Three gathering at Chiang Mai in May 2000 to overcome speculation in currencies. The loans to be raised for the purpose from the Japan Central Bank are not to exceed more than 10% (so that the International Monetary Fund need not approve below this percentage). Likewise, the idea of an Asian Monetary Fund is yet to take off.

Concluding Observations

China's perceptions about the Asian region has been undergoing a sea change from the initial suspicion of harbouring the then Superpowers quest to counter the spread of Chinese influence to the recent active participation in several dialogue mechanisms and cooperative efforts.

On substantial issues, China has pushed through an exclusive multilateral mechanism in Asia, often with the agenda of keeping the US at bay. However, surprisingly, China's bilateral relations and cooperation with the US have acquired strategic proportions in the recent period as compared to the 1950s. Here, while China is not yet a decisive force in Asia in the sense of coming to the rescue of other Asian countries in need such as in economic, financial, security, natural disasters or sea lines of communications protection and other fields, it has sought to impress on others that its leadership potential cannot be ignored.

China has been a permanent member of the UNSC since 1971. In the last four decades, China response in this organisation has been to protect mainly its core sovereignty issues on Taiwan even as it appeared to voice concerns on other issues such as Israel-Palestinian, Korean peninsula nuclearisation, etc. In the 200-odd cases of veto exercise at the UNSC, China had resorted to such mechanism only 6 times with Taiwan as the focus, although the recent veto is related to blocking the US resolution on human rights violations in Burma.

China has posted one of the highest and consistent economic growth rates in Asia in the last two decades. This has led to several mutually beneficial interdependencies in the region, although some countries such as Malaysia and Indonesia consider that China may pose an economic threat to them in the long run with displacements of their automobile industry and investments. As mentioned above, China has the largest foreign exchange reserves in the world- surpassing that of Japan recently. Yet, most of the Chinese investments abroad are in its energy resources like in Iran, Saudi Arabia, Indonesia, Burma, Africa and South America. Recently, China is also investing in Europe and sees the economic downturn in Iceland, Greece and other countries as an opportunity to invest. However, no major infrastructure developments in Asia are funded by the Chinese firms. Indeed, the Asian Development Bank is funding such projects in Asia and probably in future on the revised Asian Railway and Roadways networks. China's bailout package to Southeast Asia during the financial crisis in 1997, although useful to the concerned states, was paltry. Japan's investments in this regard are noteworthy and beneficial to the countries concerned.

China has the largest armed forces in the world and has been making major efforts to acquire blue water naval capabilities. The Chinese military units in the last decade have launched multilateral cooperation with other militaries such as Russia, Central Asian Republics, Pakistan, India, UK, France and others. Yet, the Chinese armed forces today are not able to guarantee protection for ships or merchandise on the high seas. China's

¹¹ See: Y. Qin, *Duobian zhuyi yanjiu: Lilun yu fangfa [Study of Multilateralism – Theory and Method] Shijie Jingji yu Zhengzhi, [in:] World Economics & Politics No. 10, 2001, pp. 9-14*

counter-piracy capabilities in the Southeast Asian region are considered to be negligible. China's response to the 2005 Tsunami disaster indicated its inability to come to the effective rescue of the affected Asian countries and at best can be termed as only token in significance. China's contribution to the UN Peacekeeping Operations across the world has increased. Yet, again, in comparison to the Indian, Pakistani and Bangladeshi contribution, this effort remains small. **While China's capabilities – economic, financial, military, and, in general, its clout – in Asia are increasing, most of these have proved so far to be of no major beneficial utility for the other Asian countries! This is a paradox of China in Asia today.**

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China's bid for hegemony



By Prem SHANKAR JHA

In just two short years China has emerged as a serious contender for global hegemony. It is completing a railway line to Lhasa to be extended to the Central Asian republics; is building a branch line through the Karakoram pass to connect it to the Arabian Sea, another branch line via Shigatse to Kathmandu to break India's stranglehold over the Nepalese economy, a network of roads and bridges to mesh the Burma's economy with that of South-western China, and is contemplating building a port and a railway line to it in Bangladesh. It is also developing the port at Trincomalee in Sri Lanka, and building one at Gwadar in Pakistan.

It has extended close to USD10 billion of aid to all but two or three small countries in Africa, mostly for infrastructure building, completed USD20 billion of labour service contracts on that continent by the middle of 2009 and contracted for another USD33.6 billions' worth. It is investing heavily in mining concessions in central Asia, Northern Africa and Afghanistan. Lastly Premier Wen Jiabao has now breached the walls of the western alliance itself by offering to bail Greece out of its financial woes directly, instead of offering to do so via the EU.

All this might have been expected of a country with an embarrassing surplus of free capital which is growing at USD200 billion a year, and much of this outreach is welcome. Chinese foreign direct investment today shares many of the qualities that British investment had in the second half of the 19th century. Like the British, much of the current Chinese FDI binge is being driven by mounting surpluses of liquid, i.e. free, capital that are finding fewer and fewer safe investment opportunities within China. But liquid capital, which can be invested in anything from consolidating influence to building military machines, is a potent source of power. Several recent actions by China show that it is aware of this and has begun to flex its muscles.

More disturbingly, they also reveal a new mood in China. This is a growing disregard for international law and conventions, and a disdain for the consultative process, wherever its national interest clashes with those of other countries, which bodes ill for world peace.

- The first was its categorical refusal during the last minute talks between Obama and the G-4 (BASIC) countries at Copenhagen, to accept international monitoring and verification of its CO₂ emissions.

- The second, the manner in which it disrupted the US–South Korean naval exercises in the Yellow Sea, originally scheduled for the end of June 2010.
- The third was its casual announcement that it was going to supply Pakistan with two more plutonium based, and virtually unsafeguarded nuclear reactors in the face of the Nuclear Suppliers' Group (NSG)'s refusal to endorse the "sale".
- The fourth was its threat to stop contracted exports of rare earths to Japan and force Tokyo to return the trawler captain who rammed two Japanese coast guard vessels off the Senkaku islands.
- The fifth was its dispatch of Chinese soldiers into Pakistan administered Kashmir allegedly to help in flood relief, without recognizing that this was a disputed area on which the only claim that could be sustained in international law was that of India. Not only did it send its troops in, but it did so without extending the courtesy of informing New Delhi of this action and assuring it that this was a one-time action designed to help a neighbour in distress.
- Sixth, and perhaps the most disturbing is its commencement of work on five dams on the Brahmaputra, to generate 40,000 MW of power in Tibet, and divert an undisclosed amount of its waters northwards, without entering into consultation, let alone prior agreement, with lower riparian countries India and Bangladesh.
- The most recent is perhaps the least important, but speaks volumes. It is the outcry in China against the Nobel committee for awarding the Peace prize to Liu Xiaobo.

All of these actions have an "in your face" quality that reeks of a dangerous unilateralism. It is this new element in its behaviour that China's goal has changed from taking a place commensurate with its economic power, in the existing international order to reshaping the international order to serve its strategic interests and goals. Its behaviour is therefore conforming to that every rising hegemonic power thrown up by three previous, sudden expansions of the capitalist world – Holland in the 18th century, Britain in the 19th and the US in the 20th century. The rise of each of these hegemonic powers was associated with the end of one phase of the development of Capitalism and the beginning of the next. Each of these seismic changes created chaos in the international (or earlier city) state system, which was sorted out by the new hegemonic power. Each re-structuring of the international order was accompanied by protracted, intense, conflict. The central question the world faces is whether history will repeat itself. China's recent behaviour is anything but reassuring on this account.

China's recent behaviour is all the more difficult to understand because it has an extremely powerful interest in the maintenance of world peace and the construction of a peaceful and harmonious international order. The source of the liquid capital that China is converting into hegemonic power is trade. Two thirds of China's export earnings and all and more of its trade surpluses come from its being the last way station in an East-Asian manufacturing chain that feeds the markets of Europe and the US. China, logically, has nothing to gain from conflict and everything to gain from peaceful accommodation with its neighbours and the international community.

But China can still trigger conflict, even war, because wars are seldom a product of rational calculation. The vast majority have started through miscalculation, especially miscalculation of the adversary's response. In spite of its extraordinary stake in global peace, China's recent behaviour suggests that it is in some danger of making precisely this miscalculation. Is this because of an urge to redress the wrongs of the past, or is it

being driven by internal developments that its leaders are unable to control. It is the author's view that this is indeed the case.

China is making its bid for hegemony in a particularly aggressive manner because the Communist Party is facing a crisis of legitimacy at home and is stoking the hyper-nationalism of its newly empowered middle classes to consolidate its hold. Regrettably, this is making China more unstable, and therefore more, not less, of a danger to regional and world peace.

The crisis of the Communist Party is reflected in the more than 100,000 "incidents of mass protest" that are now taking place in China every year.¹ These protests reflect a growing willingness in the people to confront their rulers. In the Confucian state system a generalized increase in discontent is taken as a warning signal for the Emperor, i.e. the rulers, to reflect on what they are doing wrong and mend their ways. The sharp rise, from a mere 8,700 protests in 1993, is the surest indication that the ruler, in this case the CPC, is in imminent danger of losing the Mandate of Heaven.

This warning was given in completely unambiguous terms by Yu Jianrong, the director of social issues research at the Chinese Academy of Social Sciences' Institute of Rural Affairs, in a lecture on December 26, 2009. In it he warned that **"Deepening social fractures' were caused by the Communist Party's obsession with preserving its monopoly on power through "state violence" and "ideology", rather than "justice."**²


The growth of social discontent in China is now well documented and has been commented upon extensively. What few seem to have realised as yet is that the rising discontent is a product of the very same forces that are responsible for China's dazzling growth. The most important of these is a scramble among party cadres to invest. Even today the bulk of the actual investment being made in China is by enterprises that are not owned by the state but by one or other of the 70-80,000 state agencies run by the cadres of the Communist Party, that these cadres are salaried employees who bear none of the risks of making wrong investment decisions, and for whom the supply of capital is free of cost. What is more, all of them can, to varying degrees, command the largely state-owned banking system to provide them with the loans they need for their pet projects.

China's huge surges of investment can be traced directly to this total absence of market constraints on investment. But the inevitable result is vast over-investment, and the build-up of very large excess capacities in manufacturing. This happened in 1988-90, again in 1993-96, and a third time between 2004 and 2008.

China has not explicitly acknowledged the repeated build-up of excess capacity and the steep recessions that have followed it, but its policies from 1993 to 1997 and again after 2005 reflected a clear awareness of the problems that it was creating. The most important was the inevitability and sharpness of the recession that would follow. Prior to the sharp economic slowdown of the late "1990s Beijing had instructed the state-owned banks, then the only sources of finance in the country, to set physical ceilings on lending, and in particular to cut back lending to the real estate sector. In 2005 Beijing again began to curb bank lending by raising interest rates and warned the state owned banks to cut back their lending.

¹ The last officially accepted figure was 87,000 in 2005. The politicisation of this issue by Hu Jintao in 2006 has made subsequent figures unreliable, but there is a broad consensus among Chinese sources that the number has risen and now exceeds this figure.

² Lecture delivered on December 26, 2009, at Beijing and uploaded to its website by the China Digital Times.



Each of these largely unacknowledged downturns has caused a sizable amount of smaller and medium sized companies to become insolvent.³ The entire burden of this has fallen on the poor who have lost their pay, their jobs, and their savings, which were commandeered to build the three asset bubbles of the last two decades that have been listed above.⁴

Sixty-seven thousand factories were shut down in the first half of 2008. The total for the year was expected, in October 2008, to exceed one hundred thousand.⁵ More than ten thousand of the firms closed in the first half of the year were textile companies.⁶ China's status as the preeminent centre of outsourced manufacture in the world made it especially vulnerable to the global slowdown. In 2008 Chen Cheng-jen, chairman of the Federation of Hong Kong Industries, made the gloomy estimate that by January a quarter of small and medium-sized Hong Kong-invested companies in the Pearl River Delta would have closed down. This would throw 2.5 million workers out of work.⁷

By March 2009 his gloomy prediction had been fully vindicated. A survey carried out in that month by the National Bureau of Statistics showed that of the 70 million migrant workers who had returned to their villages for the Chinese New Year, 14 million had lost their jobs – i.e. not had their contracts renewed – before going home. About one in five of them found jobs in their villages and townships, but at a considerably lower income. Of the 56 million who returned to the cities 11 million had been unable to find jobs and were unemployed at the time of the survey. In sum, therefore, at the bottom of the recession, more than 22 million out of the 70 million migrant workers who had returned to their villages for the New Year, found themselves without jobs. For their families this meant not only a substantial decline in income but an extra mouth to feed. The decline in the quality of their lives has been greater in provinces and counties where there is little or no industry. A detailed survey in one primarily agricultural province, Henan, showed that only 4 million of the 9.5 million who had returned for the New Year had gone back to the cities. The remaining 5.5 million had remained behind with their families. About one in twenty of these found that their land cultivation rights had been reassigned. This had led to a sharp rise in the number of disputes in the villages.⁸ This is the root cause of the rising discontent in the peasantry. As Professor Yu Jianrong described in his lecture this has now spread to the industrial working class.

Without radical political and economic reforms the Chinese economy is likely to remain chained to this treadmill. The Central government's 4 trillion Yuan (USD 586 billion) fiscal stimulus package for the two years, 2009 and 2010, illustrates this. In 2008 when the global recession began, internal demand had been flagging for almost a year. The vast overinvestment that had taken place, especially in real estate, was reflected by rising excess capacity in industry and a growing housing bubble – millions upon millions of square meters of unsold residential and office space.

The purpose of the 4 trillion Yuan package was to make use of this excess capacity while at the same time creating fresh jobs to limit unemployment. Beijing did not rely upon the private sector to secure this enormous

3 See: P. Shankar Jha, *Crouching Dragon, Hidden Tiger: Can China and India dominate the West?*, Soft Skull Press New York 2010, Chapter 8

4 J. Chan, *China's huge stimulus package: another sign of Economic Crisis*, World Socialist Website, 11 November 2008. <http://www.wsws.org/articles/2008/nov2008/chin-n11.shtml>

5 Gao Jiahai, a researcher at the Chinese Academy of Social Sciences, in an interview to the Boston Globe, cited by J. Chan, *China's Huge Stimulus Package: Another Sign of Economic Crisis*, World Socialist Website, November 11, 2008, www.wsws.org/articles/2008/nov2008/chin-n11.shtml; See also: J. Reynolds, *China Fears Grow over Job Losses*, BBC News, November 20, 2008.

6 J. Chan, *Global Recession Threatens Mass Layoffs in China*, World Socialist Website October 28, 2008

7 Ibidem

8 J. Fewsmith, *Social Order in the Wake of Economic Crisis*, [in:] *China Leadership Monitor* no. 28, 2009

jump in investment. Instead, it went back to a modified version of the centralized planning of the communist era. Under a new directive issued in November 2008, titled Document 18, it informed the provinces that it intended to spend 1.3 trillion Yuan through its ministries and asked them to submit projects worth the remaining 2.7 billion to it for vetting and approval. The Document also promised them “block” grants to fund a part of the cost of the approved projects and gave them an unambiguous mandate to raise the rest through bank loans.

The response of the local governments was to go immediately on an investment spree. By the end of the year 18 out of the 31 provinces had submitted projects for approval worth 25 trillion Yuan, leaving Beijing with the unenviable task of choosing from among them and assigning priorities. Nor did all of them wait for Beijing's green light. In the very first quarter of 2009 they invested 4.6 trillion Yuan more than they had in the first quarter of the previous year, when the recession was still six months away. Beijing had facilitated this by restoring much of the power of local party secretaries to mandate bank loans from the local bank managers (who are also members of the Party) that it had taken away with its banking reforms in 1999.⁹

By the end of 2009, in the very first year of the two year stimulus program, fixed capital assets had risen by 6.5 trillion Yuan and total investment by around 10 trillion Yuan. Eighty% of this went into infrastructure and industrial modernization where there was already a surplus of production capacity. In short, to eliminate a recession caused in part by previous over-investment in fixed assets, China is investing in the creation of still more fixed assets. This is not a sustainable strategy either for growth or employment generation in the long run, for sooner or later the last and biggest of the bubbles it will have created will burst.

Doubts about the sustainability of its growth model may be one of the reasons why the Chinese Communist Party is stoking Chinese nationalism to shore up its legitimacy. Its large foreign exchange reserves and, more important, its annual balance of payments surpluses are giving it an embarrassment of capital at a time when it has all but run out of productive avenues of investment within the economy. **It is therefore, increasingly, using this “sovereign” capital to build up its military capability, and to create a zone of hegemony in south-east and south Asia and Africa.**

History seldom, if ever, repeats itself. But acknowledging that it has a tendency to do so is an essential part of preventing it from doing so. Towards the end of the 19th century the technological impetus of the industrial revolution was largely exhausted. Europe had passed through 24 years of near stagnation, which were labelled “The Great Depression” but could have been better described as “The Great Deflation”. During this quarter century profit margins dwindled both in industry and agriculture and new avenues of profitable investment became scarce. Not entirely by coincidence this precise period saw the last great wave of colonization in Africa and parts of Asia. The colonization occurred when it was clear that economically colonies were not a paying proposition any longer. But it was made possible by the willingness of international bankers to lend to sovereign governments, as the demand for funds from their traditional borrowers stagnated or declined. Inevitably a large part of the money governments borrowed went into re-armament. The first decade of the twentieth century saw a tripling of European spending on the military. This ever-more-unstable financial pyramid finally toppled over into the unspeakable waste of the World War I.

However, there is an even closer historical parallel to the instability that China is experiencing today. It is to be found in the Japan of the 1930s. Japan had been enjoying extraordinary growth for more than four

9 B. Naughton, *Understanding the Chinese Stimulus Package*, [in:] *China Leadership Monitor* No. 28, 2009

decades. Like the China of today, the Japan of the thirties had become an export oriented economy which relied, in particular, upon imported oil to keep the economy working. It too was a Confucian state, with a ruling elite that exercised absolute power in the name of the Emperor. Like China today, it too had not developed the three essential safeguards that had humanized capitalism and stabilized the polity in the West -- trade unionism, democracy and the welfare state. The Japanese elite too had therefore relied upon rapid uninterrupted growth to shore up its legitimacy through the wrenching social and economic changes that the country was going through.

In the thirties, when the Wall Street Crash triggered the world's first truly global recession the Japanese elite too, began to rely increasingly upon hyper-nationalism to maintain its legitimacy, as it struggled desperately to get under the tariff barriers that the industrialized countries were erecting to protect their home markets. The end product of what began as an economic struggle was war. That is the threat that has to be recognized if it is to be averted.

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Pacific and Indian Oceans: Relevance for the evolving power structures in Asia



By **C. UDAY BHASKAR**

The relevance of the global maritime domain, whether described as seas contiguous to the land, or the wider oceanic expanse has been one of the more abiding themes of human enquiry and the trajectory of its more persuasive champions ranges from the ancient Greek historian Thucydides (460 – 395 BC) to George Modelski (born 1926) of more recent times – and the focus has been on the centrality of sea-power and the correlation with state power.

Certain water bodies have been critical in the shaping of regional history – as for instance the Aegean and the Mediterranean seas in the European context; and at a global level, the focus has been on the three navigable oceans viz. the Pacific, Atlantic and Indian oceans. It is a tenet of history that the rise and fall of major powers and the empires they nurtured have been linked to sea power by way of the ability of the emerging and major power concerned, to maintain credible "presence" in two of the three navigable oceans of the world. The history of the last 500 years post Vasco de Gama (c. 1498) indicates that from Portugal and Spain, the pendulum of maritime power moved through Iberia to France and then Great Britain and the major powers at the time were often engaged in fierce battle to maintain primacy, when required, in two of the three oceans.

For almost a century, till the middle of the 20th century, the Indian Ocean was deemed to be a British lake, and the centrality of sea power to sustain global primacy was indisputable. Post World War II, the maritime baton was passed by a weary and fiscally depleted UK to its trans-Atlantic cousin – the USA – and in the latter part of the 20th century, the Cold War was shaped to a considerable extent through the super-power contestation across the Atlantic-Pacific combine – though in keeping with the anomalous character of those decades, the former USSR and the USA never engaged in direct naval confrontation at sea.

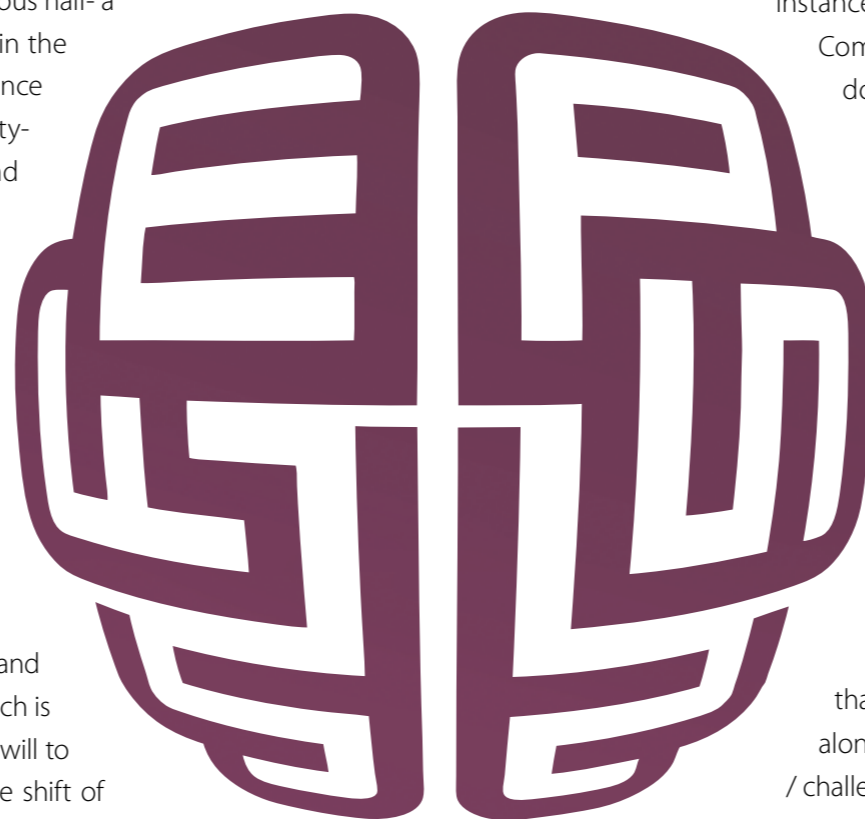
1 G. Modelski & W. R. Thompson, *Seapower in Global Politics, 1494-1993*, London, Macmillan 1988

This essay seeks to examine the relevance of the Pacific and Indian oceans in the evolving power structure of the 21st century Asia – and the summary is as follows. Oceans have always been relevant to the prevailing global/international power systemic (system) and this was valid in the Peloponnesian wars, through the extended half a millennium of colonial rule, and during the anomalous half-a century of the Cold War – and will be a critical - but not the sole determinant in the evolving post 9-11 systemic of the early 21st century. Historically, maritime relevance for nation-states prioritized the traditionally acknowledged trade and security-strategic related considerations. Over the last six decades, hydrocarbons and related energy flows have become a major consideration within the overall ambit of sea-borne trade. However, in the evolving global canvas, whose central motif is irrevocable globalization that dilutes the efficacy and primacy of the nation-state as a unitary actor, the international collective of states, and Asia in particular, will also have to equitably manage the emerging, technologically driven “extended global commons” encompassing the maritime, cyber and space domains. And in the global context, it is my proposition that the Pacific and the Indian oceans will acquire greater strategic salience for the major powers of the 21st century, three among whom are located in Asia.

In the Asian context, the three major powers of relevance are China, Japan and India. These powers have varying profiles of comprehensive national power – which is seen as an amalgam of GDP, military capability and their strategic culture, or the will to exude / use such power. Together they represent the core of the “East” and the shift of global wealth and power has been the subject of a considerable academic discourse over the last decade. In a magisterial overview, Ian Morris avers: *in the short term, the patterns established in the past suggest that the shift of wealth and power from West to East is inexorable. Sooner or later – probably by 2030, almost certainly by 2040 – China’s gross domestic product will overtake that of the United States.*² Morris further adds that at some point in the 21st century, China would have exhausted the advantages of its current backwardness, “but when that happens the world’s centre of economic gravity will probably still remain in the East, expanding to include South and Southeast Asia.”³ Thus, the major power interface in Asia in the short term – up to 2030 – will play out between four powers – the USA, China, Japan and India, ostensibly a quadrilateral. However, in strategic terms, given the close alliance between the USA and Japan, this will coalesce into an uneven triangle comprising the USA, China and India.

In this evolving Asian power lattice, this essay contends that the continuum encompassing the Pacific and Indian oceans and the adjoining seas contiguous to the land-mass of the three Asian nations, extending to the hydrocarbon rich West Asian region and the choke points that connect the two oceans will be a critical determinant in shaping the texture of the US-China-India triangle. However, most analyses of the power interface in Asia tend to see the continent in discrete geographical stove pipes that are largely insular – namely East Asia, Southeast Asia, South Asia, Central Asia and West Asia. It may be argued that this is an inadequate, and on occasion misleading, classification that does not provide for the complex linkages that prevail in the management of major power compulsions and their deeply embedded contestations.

² I. Morris, *Why the West Rules for Now: The patterns of history and what they reveal about the future*, London, Profile Books 2010, p. 614
³ *Ibidem*, p. 615



The many anomalies prevailing include the reality that China and India are seen as inhabiting different regions – viz. East Asia and South Asia respectively, while the USA deals with the region in a confusing welter of divisions by way of its Defence/ Pentagon and State department classifications. For instance, the US military Commands are designated as the Pacific, Central and Africa Commands with exclusive geographical demarcations on land and in the maritime domain that link the Pacific and Indian oceans.

While some analysts and scholars have referred to this vast oceanic expanse as the Indo-Pacific as being more accurate than Asia-Pacific⁴, in an innovative semantic departure, Samaranayake and McDevitt introduce the concept of the “Long Littoral” to handle this disparate maritime region. They posit: *Looking at this area from a maritime perspective, it becomes apparent that there are five great maritime basins – the Sea of Japan, the Yellow and East China Sea, the South China Sea, the Bay of Bengal and the Arabian Sea - that share many problems of the same nature. Issues such as territorial disputes, conflicting maritime claims, naval rearmament, sea lanes essential to the continuing success of the globalized countries and of course state-to-state competition are found in every basin along the “Long Littoral”.*⁵

Whether conceived as the “Indo-Pacific”, or the “Long Littoral”, this essay avers that this entire maritime expanse will impact the emerging power lattice in Asia along two axes – namely individual states, and their allies and partners; and the issues / challenges under scrutiny. A contradictory pattern can be discerned wherein the more relevant powers (the USA-China-India triangle and the regional states) located along the littoral of the Indo-Pacific) will on occasion be in a competitive/adversarial relationship on certain issues but may be forced to cooperate – however warily – in the pursuit of common interests or managing global challenges.

The major power competition relates to their individual strategic cultures, security pedigrees, politico-military orientations and the tangible capabilities that they bring to bear in the maritime domain. Here, the USA has an overwhelming naval superiority and a tradition of global oceanic dominance of almost a century. This trend is likely to continue for the near future – till about 2030 – for, while China is determined to overtake the USA in overall economic prowess, and India is a distant third – the GDP-naval power co-relation is not a linear extrapolation, wherein a number one GDP perch axiomatically translates to a similar hierarchy at sea. The US Navy currently holds 284 vessels in its inventory, and is expected to stabilize at 288 vessels by 2032⁶. In contrast, while the PLA Navy currently has a force level of 260 platforms,⁷ given its relative fiscal abundance and ambitious naval ship-building programme, it may be inferred that the PLA Navy could, perhaps, overtake the USN in sheer numbers by about 2030. However, given the relative technological index and naval professionalism associated with the USN and the PLAN respectively, coupled with the substantial edge of the former in terms of combat experience, it is unlikely that China will be able to supplant the USA to be the dominant global naval power by 2030.

⁴ G. S. Khurana, *Maritime Forces in Pursuits of National Security: Policy Imperatives for India*, Delhi Shipra Publication, IDSA, 2008, p. 10; See also: A. Prakash, *A Moment for India: Shangri-La Dialogue 2009*, [in:] *Force*, July 2009; as also see: M. Auslin, *Security in Indo-Pacific Commons: Towards a Regional Strategy*, A Report of the American Enterprise Institute, December 2010
⁵ Derived from a draft paper by N. Samaranayake & M. McDevitt and my conversation with McDevitt in December 2010
⁶ *Jane’s Fighting Ships 2010* -11.
⁷ K. Kumar Agnihotri, *Strategic Direction of the PLA Navy: Capability and Intent Assessment*, [in:] *Maritime Affairs*, Vol. 6, No. 1, Summer 2010, pp. 71–97

Currently, the USA also has the advantage of various military alliances and partnerships with many states in the Long Littoral many of whom have a wary or adversarial security relationship with China. This includes Japan, South Korea, Taiwan, Vietnam, Philippines, Singapore, Indonesia, Australia and India. As Jiang Huang notes, *"The international security system in Asia-Pacific is essentially based on the U.S.-led security alliances in the region. As China's capability of projecting power overseas increases due to the PLAN's rapid growth, Beijing will have to make a choice between adapting (or aligning) China's security strategy and planning to the existing international security system – and therefore be a "responsible stakeholder" – or to develop her own security strategy and warfare doctrine consistent with China's rapidly growing military power. While the former would undoubtedly require China to continue her accommodative approach in maritime affairs, the latter might set China on a colliding course with the existing international security system maintained by the U.S.-led security alliances in the Asia-Pacific region."*⁸

The strategic salience of the Long Littoral is accentuated by the availability of hydrocarbons at one end of this spectrum – namely the oil rich Persian Gulf and the dependency of the major economies of the Indo-Pacific region on the import of this energy source by sea. Consequently the Sea Lines of Communication (SLOC) from the Persian Gulf through the Malacca Strait to the East Asian periphery constitute what may be termed the "New Oil Silk Route" of the 21st century. China's Malacca dilemma – as enunciated by President Hu Jintao refers to the deep and abiding anxiety that Beijing's vulnerability at sea is increasing by the day. According to estimates, China's dependence on imported oil increased from 52% in 2009, to 55% in 2010 and is expected to rise further to 65% by 2015 and 70% by 2029.⁹ Japan's hydrocarbon imports from the Arab oil producers and Iran is almost 91% and the Fukushima disaster is only likely to increase the share of hydrocarbons in Japan's overall energy basket. Currently India's imports from the West Asian region are under 57% though the overall dependence on imported hydrocarbons is only set to increase further if the current GDP growth rates are to be sustained. According to a recent report, *India's crude oil imports have more than doubled in the last ten years, touching 159.26 million tons in 2009-10, according to provisional government data. India imports about 80% of its crude oil requirements and about 31% of India's total imports are oil imports.*¹⁰ And this entire quantum of imported hydrocarbons transits one section of the Long Littoral through the Indian Ocean.

Thus, the pattern that unfolds is an increasing dependency by the major Asian powers on the SLOC for their merchandise trade and the import of hydrocarbons. Hence **the safety and security of the sea lines is of critical import to national prosperity. For China and Japan, the maritime relevance is heightened by the fact that the ships bound for their ports would have to transit the Malacca strait.** It is further estimated that the current volume of ships bound for Chinese ports from the Persian Gulf will multiply three-fold over the next two decades – and hence Beijing's attempts to invest in what has been referred to as the "string of pearls" in the Indian Ocean region.

But what are the kinds of threats to the SLOCs and their safety/ stability? Currently piracy has surfaced – again – after it was successfully quarantined in the colonial era by concerted multi-national naval action led by the Royal Navy, and is cause for some concern. A global and regional consensus has evolved in relation to the Pacific-Indian ocean continuum and this relates to the Malacca Strait management, as also the current cooperation in relation to the Somali challenge.

8 H.Jing, *The PLA Navy: Expanding into Uncharted Water*, a manuscript of 15th April, International Energy Agency (IEA), 2007, p. 10

9 Z.Yan, *Oil reserves project picks up speed*, [in:] *China Daily*, 26 January 2011

10 E. Yep, *India's Widening Energy Deficit*, [in:] *Wall Street Journal*, March 9 2011, <http://blogs.wsj.com/indiarealtime/search/india%27s%20widening%20energy%20deficit/?s=india%27s+widening+energy+deficit>

Here India has established consensual cooperative mechanisms with all the major powers, coalitions and groupings including the EU Naval Force. During her 2010 meeting with India's National Security Advisor (NSA) Shivshankar Menon, the EU High Representative Lady Ashton observed: *We are laying the ground for greater cooperation between the EU and India on counter-terrorism.*¹¹ She further added: *With India's role as one of the primary contributors to UN peace-keeping activities and the EU's growing role in crisis management, increased co-operation makes a lot of sense.*¹²

While piracy, whose Somali variant has become a high visibility challenge, does cast a shadow, it may be opined that this is a low-level tactical challenge (unless there is a non-state WMD linkage with clear maritime contours) and that a major power consensus can effectively quarantine the problem. The more abiding anxiety is the possibility that one of the major powers could intimidate the "other" at sea – land here the Chinese predicament is distinctive.

Post the disintegration of the USSR under its own contradictions in 1991, alone among the major powers of the world, **China has retained its fidelity to an authoritarian, non-democratic dispensation and is loath to consider any other alternative. This is in contrast to the global trend towards greater democratization and notwithstanding the stalemate that has set in, the simmering Arab Spring is a case in point.** Since the denouement of the Cold War, there have been various schools of thought about the future direction that the global collective and major power relations will take, and the thesis advanced have ranged from the "end of history" and the triumph of liberalism, to the beginning of perpetual discord and low level instability engendered by flawed economic policies.

Some analysts foresee the emergence of a loose democratic dispensation with varying degrees of domestic economic vitality as the more likely global norm in the first half of the 21st century and here China poses an opportunity and a challenge, by way of its integration or lack thereof, with the global systemic. As far back as 1999 – that is a decade after the Tiananmen turbulence – the more perceptive analysts have been examining how China would evolve and what kinds of factional contestation are at play – between the "liberals" who wish to integrate with the prevailing global systemic; and the "revisionists" who would like to recast the international systemic in Chinese characteristics and preferences.

While the US-China economic and trade dependency is deep and distorted in China's favour, and there is a consensus that the existence of nuclear weapons reduces the probability of any kind of drawn-out conventional war amongst major powers, various wild cards including non-state entities, state-sponsored terrorist attacks, emotive nationalism stoked by cyber warfare and new media, leavened with rank brinkmanship may still result in war and related escalation. The worst case, low probability-high consequence scenarios will pit the USA and its allies against a revisionist China. And here again control or maintaining a credible presence in the maritime domain will be crucial and as Modelski et al point out: *Those attempting to upset the status quo in a central precinct of the world system should be reminded of the historical record, which record shows a consistent lack of success for such endeavours. Those of the oceanic persuasion and a democratic lineage have been on the winning side of all five of the past global wars.*¹³

11 K.Voll, *EU Foreign Policy and Emerging India* Catherine Ashton in New Delhi, http://www.feps-europe.eu/fileadmin/downloads/globalprogressive/1007-AshtonIndia_KVreport.pdf

12 Ibidem

13 G. Modelski & W. R. Thompson, *The Long and the Short of Global Politics in the Twenty-First Century: An Evolutionary Approach*, [in:] *International Studies Review*, Vol. 1, No. 2, *Prospects for International Relations: Conjectures about the Next Millennium*, Summer 1999, p. 135

Yet there are challenges that may be deemed international in scope and here climate change and the health of the global oceanic space will call for a pooling of resources and sharing niche know-how about a range of determinants from the melting of the polar ice-caps to over-exploitation of fish stock and the marine pollution. Aberrations in climatic rhythms, freak floods or droughts that can play havoc with millions of lives need to be studied for their oceanic / maritime linkage and here the Indian Ocean - with its extraordinary demographic density - is a case in point.

Whether major powers in Asia will be able to evolve a cooperative relationship based on shared interests and an equitable accommodation of each other's national interests is still a moot issue. The jury is still out on how the dyadic relationships among the USA, China and India will evolve. But whatever be their denouement, it would be reasonable to infer that the texture of the US-China-India triangle will be predicated on their respective maritime affinity, capacity and empathy, and their individual ability to roil the waters of the Indo-Pacific continuum.

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The Cyberwarfare Challenge: The Indian Experience



By **Manoj JOSHI**

Cyberspace is a complex domain. For one, it is entirely man-made and, as of now, largely unregulated, and it has no boundaries. The world is only now realising that the internet which has the power to bring information into your fingertips and enable unprecedented manipulation of data, also has a darker side. Data can be corrupted, stolen, and made to do things that were never intended by those who originally disseminated it. Computer grids can be penetrated and the software made to do the hacker's bidding. The motive of the hackers are complex, some do it for the sheer thrill of it, to express outrage, to support a political point of view, or for criminal purposes and gaining advantage in war. Remarkably, technology has made every person who uses the internet into a potential cyber attacker. This vastly complicates the task of securing cyber space from criminals, and hackers, some private individuals, others in the service of a state.

There are essentially two types of cyber crimes – one that target the hardware and the other which uses computers and networks to effect a crime. Viruses, denial of service attacks and malware have now become familiar to the average computer user as has cyber-stalking, phishing and identity theft. Initially hacking was seen as a geek activity and relatively harmless. But now it is clear that hacking is dangerous and illegal in most countries. It has become an important factor in intellectual property theft and as a weapon of war.

The all- pervasive computer networks have also become factors in the national security calculations of nations – from the point of view both of defending critical infrastructure and attacking or disabling the adversary's systems. The concept of cyber warfare or the coordinated use of computer network operations, electronic warfare and kinetic strikes aimed at adversary networked information systems to gather intelligence and disable command and control networks are something that has come to public consciousness in the past decade or so. India has been a major target of such attacks. Some have been simple hacker strikes arising out of the tensions with, say, Pakistan or China. But there have also been extremely sophisticated intrusions into sensitive Indian computer systems.

There has been a sharp escalation in the area of cyber warfare and countries around the world are gearing up to meet the challenge. The United States Cyber Command or USCYBERCOM attained operational capability in May 2010. It is currently headed by General Keith Alexander. The goal of the command is to direct the operations and defence of specified US Department of Defence networks, as well as allow the US to *conduct full-spectrum military cyberspace operations in order to enable actions in all domains, ensure US/Allied freedom of action in cyberspace and deny the same to our adversaries.*¹

The People's Liberation Army (PLA) has a robust "Integrated Network Electronic Warfare" strategy which comprises of an offensive mission, as well as a defensive one. The offensive mission for computer network attack is run by the 4th Department of the PLA General Staff Department that looks after electronic counter-measures and radar. The defensive mission is run by the 3rd Department which handles Signals Intelligence.² The PLA is also reported to have created a special cyber warfare unit called the Blue Team to safeguard the internet security of its military. The Chinese insist that far from being the villains of the piece, they are major victims of hacking and cyber war.³

From hacking to cyber espionage

In one timeline, it began with the accidental bombing of China's Serbian embassy in May 1999 leading to a storm of protest from China's hacker community in the form of defacement of many US government websites.⁴ Subsequently, the attacks have widened in scope and become more sustained, sinister and persistent and seem to spare no one.

The initial "war" was between the Chinese and Taiwanese hackers, but the April 2001 collision of a US Navy EP-3 reconnaissance aircraft and a Chinese F-8 fighter and the ensuing crisis led to the first so-called Sino-US hacker war with both sides attacking each other's private and government websites. By the mid-2000s, it was suspected that many of the skills that the Chinese hackers had employed may now have been harnessed by the Chinese authorities for a more serious purpose of cyber-espionage. The targets were US systems, mainly in the Departments of Defence and State. But **from 2007 onwards, governments of UK, Germany and New Zealand began to report Chinese hacker attacks.**

The developments of mid-December 2009 generated a great deal of heat. Hackers from China mounted "a highly sophisticated and targeted attack" on Google's corporate infrastructure. But as Google noted, the goal was not merely to steal intellectual property. Indeed, investigation revealed that *at least twenty other large companies from a wide range of businesses – including the Internet, finance, technology, media and chemical sectors – have been similarly targeted.* Third, Google discovered that the attackers sought out Gmail accounts of Chinese human rights activists. Fourth, Google discovered that the accounts of dozens of U.S., China- and Europe-based Gmail users who are advocates of human rights in China had been *been routinely accessed*

1 US Department of Defence factsheet, http://www.defense.gov/home/features/2010/0410_cybersec/docs/cyberfactsheet%20updated%20replaces%20may%2021%20fact%20sheet.pdf

2 D. Sharma, *China's Cyber Warfare Capability and India's Concerns*, [in:] *Journal of Defense Studies*, Institute for Defense Studies and Analyses New Delhi, vol. 5 No 2 / April 2011, p.64

3 Press Trust of India, *Chinese Military Sets up Special Cyber Warfare Unit*, [in:] *Economic Times*, New Delhi, May 28, 2011. The report cites the statement of the Chinese Defence Ministry spokesman.

4 US-China Economic and Security Review Commission, *Capability of the People's Republic of China to Conduct Cyber Warfare and Computer Network Exploitation*, Northrop Grumman Corporation, October 9 2009, p. 68

by *third parties* though not through Google by via phishing scams or malware in placed in the users computers.⁵

In early June 2011, for example, it was reported that China-based hackers broke into various Google mail accounts, among those affected were personnel working in the White House. Earlier in April, too, another government department was targeted with its personnel receiving email with infected malware. The "*Wall Street Journal*" described one scheme in which people who attended a US Defence Department-sponsored conference in 2008 were sent an email purporting to come from one of the presenters. The message contained malware that provided access to the victims' computers. Thereafter, people who had attended the conference, mostly defence contractors, received emails that purported to be from one of the presenters at the conference. The notes included an attachment identified as his presentation materials. Most of the people opened the attachment, which downloaded malware that opened up their computer to access by the hackers. A subsequent investigation tracked the perpetrator back to a Chinese hacking group.⁶

Equally serious have been the May 28, 2011 development when Lockheed Martin, a premier aerospace company and the top supplier to the Pentagon, said that it had thwarted *a significant and tenacious attack* on its information systems network a week earlier and was still working to resolve the problems that had been created. It noted, however, that no customer, programme, employee data was compromised because of the "almost immediate" protective action taken after the intrusion was detected on May 21. Lockheed Martin makes the F-16, but more importantly, the F-22 and F-35 fighters along with warships and other weapons systems. Neither Lockheed Martin, nor the US government identified the potential attackers.⁷

In early August 2011, the computer security company McAfee said in a report that there had been a series of cyber attacks on the networks of 72 organizations across the world, including the United Nations, governments and corporations, over a five-year period. While it did not name the country, it did say that there had been "one state actor" behind the attacks. It takes little imagination to guess that the country in question is China.

Among the countries and organizations that bore the brunt of the attacks were India, and the UN whose computer system at the secretariat in Geneva was hacked into and secret data stolen from it over a period of two years beginning 2008. Among the targets were defence contractors and corporations, mainly in the United States. Some of the attacks lasted for just about a month, but others were over an extended period of several months and years.

Commenting on the 14-page report, McAfee's vice president of threat research, Dmitri Alperovitch, told Reuters that *This is the biggest transfer of wealth in terms of intellectual property in history*, he said. *The scale at which this is occurring is really, really frightening.*⁸

In 2010, the world became aware of another facet of cyber war when the Stuxnet worm began to attack industrial control systems devised by the Siemens company using vulnerabilities in the Microsoft Windows programme. A great deal has been written about this virus which reportedly brought down the output of an

5 See: the report on Google's blog site <http://googleblog.blogspot.com/2010/01/new-approach-to-china.html> Subsequently Google threatened to pull out of China, but relented and reworked out the terms of its business dealings with China.

6 D. & S. Gorman, *Gmail Hack Targeted White House*, [in:] *Wall Street Journal*, June 3 2011, <http://online.wsj.com/article/SB10001424052702304563104576361863723857124.html>

7 J. Wolf, *Lockheed tries to log back on after cyber attack hits network*, *Mint New Delhi*, May 30 2011

8 J. Finkle, *State actor behind slew of cyber attacks*, *Reuters* <http://www.reuters.com/article/2011/08/03/us-cyberattacks-idUSTRE7720HU20110803>

Iranian enrichment plant by some 30%. The virus reportedly began in 2009, but it has displayed uncanny abilities to penetrate certain systems and hide its presence, and hence the first reports of its activities became apparent only in July 2010. The fact that there was no financial motive, that the malware of hugely sophisticated and that 30% of the affected computers were Iranian, seems to indicate the hand of some governmental agency. "The New York Times" has claimed that the malware was developed in collaboration by the US and Israel. But they have not specified as to how it was introduced into the Iranian systems.⁹

In 2007, US researchers of the Department of Energy conducted the so-called Aurora experiment which involved a cyber attack that led to a generator self destructing. The experiment involved the hacking into a replica of a power plant control system and changing of the operating cycle of a generator, causing it to lose control. It is not only US power systems that are vulnerable, but its banking, finance and communications systems upon which a great deal of its industry rests.¹⁰

Target Tibet

In early 2009, the cyber world was rocked by the publication of two reports outlining the enormous danger of cyber attacks. Both dealt with what subsequently began to be termed as Ghostnet which was found to be tracking the infiltrating Tibetan computer networks around the world. The two reports are "Tracking GhostNet, Investigating a Cyber Espionage Network" by the University of Toronto's Munk Centre for International Studies and the SecDev Group (published in the Information Warfare Monitor) and the Cambridge University's Computer Laboratory's report "The Snooping Dragon: Social malware surveillance of the Tibetan movement".

According to the Information Warfare Monitor's report, the "GhostNet" is capable of taking full control of infected computers, including searching and downloading specific files and covertly operating attached devices including microphones and cameras. According to the report some 30% of the 11295 computers it found infected in some 103 countries its multi-country survey, were of high value. They included the ministries of foreign affairs in countries like Bangladesh, Iran, Latvia, Indonesia, Bhutan and embassies of India, South Korea, Thailand and Taiwan, along with the secretariats of SAARC, the ADB and ASEAN. While the main target of "GhostNet" was the Tibetan movement whose headquarters are in India, as many as 9 embassies of India across the world, as well as the country's premier government network, the National Informatics Centre was found to be affected.¹¹

Neither reports are quite able to pin down the operators of "GhostNet" but both suggested that circumstantial evidence pointing to the Chinese Government. The reports indicated that while it was relatively easy to penetrate the unencrypted computers of the offices of the Dalai Lama, the kind of attacks that were launched were quite capable of penetrating sophisticated networks as well.

9 W. Broad, J. Markoff & D. Sanger, Israeli Test on Worm Called Crucial in Iran Nuclear Delay, [in:] The New York Times, January 15 2011 <http://www.nytimes.com/2011/01/16/world/middleeast/16stuxnet.html?pagewanted=all>. In fact a report in The Guardian, citing a Wikileaks cable, notes that the US was advised to take the indirect route of sabotage and hacking against Iranian nuclear facilities by a German think tank, Institute for Security and International Affairs. See: J. Halliday, Wikileaks: US advised to sabotage Iran nuclear sites by German thinktank, [in:] The Guardian, January 18 2011, www.guardian.co.uk/world/2011/jan/18/wikileaks-us-embassy-cable-iran-nuclear

10 J. Messerve, Mouse click could plunge city into darkness, experts say, <http://www.cnn.com/2007/US/09/27/power.at.risk/index.html>

11 See: Information Warfare Monitor, Tracking GhostNet: Investigating a Cyber Espionage Network, <http://www.scribd.com/doc/13731776/Tracking-Ghost-Net-Investigating-a-Cyber-Espionage-Network>, pp. 4 and 42-44; also see: S. Nagaraja and R. Anderson, The snooping dragon: social-malware surveillance of the Tibetan movement March 2009, University of Cambridge Computer Laboratory, Technical Report No. 76 www.cl.cam.ac.uk/techreports/UCAM-CL-TR-746.pdf

Target India

In the past four years or so, websites in India, many belonging to the government have been subject to cyber attacks. By their very nature the authors of these attacks have been difficult to pin down. Some of the hacking is done by amateurs who seek to show off their skills. Others are the work of criminals, seeking information that can be used for profit. However, the most persistent and dangerous seem to be those who are working on behalf of a government and are clearly seeking classified information. By their nature, the attacks vary – some are probing attacks to map out networks, others are deeper probes to locate and extricate important data. Yet even something innocuous as the Commonwealth Games of 2010 suffered as many as 8,000 attacks on the ticketing, scoring and timing networks and servers. This indicates that scale of what has to be protected is enormous and goes well beyond what is called National Critical Infrastructure.

Figures in the 2009 Annual report of the Indian Computer Emergency Response Team (CERT-In) shows that phishing attacks had risen from just 3 in 2004 to 374 in 2009, peaking at 604 the year before. Likewise, network scanning and probing attacks had gone from 11 in 2004 to 303 in 2009. Website compromise through malware propagation had gone up from 835 in 2008 to 6548 in 2009.¹²

In early June 2008, hackers struck at nearly 10 websites in the various ministries over a period of 24 hours. Government officials, who tried to access the websites, reported problems like not being able to log into the email servers and not being able to transfer files through the networks. A few websites had to be shut down.

An official of the CERT confirmed the attack which he said was of low to medium intensity. But in a significant shift from previous practice which openly spoke of Chinese government involvement, they refused to pinpoint any country.¹³ The authorities did not want any embarrassment on this account, citing the example of Estonia which had blamed the Russians for a major cyber attack, and later found out that it was the handiwork of a disgruntled office worker.

In February 2009, another breach was reported, this time in the computers of the Ministry of External Affairs. Several of its over 600 computers were found to be infected with a spyware which tracks or controls the users action. In this case, the spyware would automatically "copy" an email being sent by an office and dispatch it to another address as well. Significantly, some of the computers were in the sensitive Pakistan division, as well as in the computers of offices of a minister, key secretaries and joint secretaries. Once again there were hints that the spyware was linked to a server in China.¹⁴

The Indian Ministry of External Affairs took a realistic view of the situation, but noted that it was taking defensive measures. The then Foreign Secretary Shivshankar Menon noted that the attacks were a "reality of

12 Computer Emergency Response Team (CERT-In) "Annual Report 2009" (CERT-IN, Department of Information Technology, Ministry of Communications & Information Technology, Government of India.

13 M. Tewari, Cyber attack on ten government websites, [in:] Daily News Analysis, Mumbai, June 7 2008

14 A. Vishnoi, Cyber security breach in key MEA computers, [in:] Indian Express, New Delhi, February 15 2009



the cyber world” and noted that there had been a series of attacks in the past and that defensive measures were in place. This is indicated by the fact that the affected computers were in embassies around the world, not the South Block headquarters of the ministry.¹⁵

The alleged Chinese attacks came at a time when Sino-Indian relations were at a low. In the wake of the Indo-US nuclear deal, China began to signal its unhappiness with New Delhi through a series of measures, including a hardening of its stance in the border negotiations between the two countries. In an interview with *“The Times”* of London, India’s National Security Adviser M.K. Narayanan confirmed that his own office and two other government departments were targeted on December 15 2009. This was the same date that Google and several US companies reported cyber attacks from China. *This was not the first instance of an attempt to hack into our computers*, Mr Narayanan told *“The Times”*, noting that a Trojan had been embedded in an email with a pdf attachment which allowed the attacker to access the computer remotely, download and also delete files.¹⁶

In July 2011, Indian government systems faced one of the most serious and sophisticated attacks till now. In the early hours of July 12, emails from one address with an attached Microsoft Word document titled “cms.ntro:daily-elec.mediareport(2011)” were being sent to the top officials of India’s security system, these included the National Security Adviser, the Principal Secretary to the Prime Minister, the Special Secretary (Internal Security) in the Ministry of Home Affairs and a slew of other top officials. The document purported to be a daily report issued by the government’s Central Monitoring System which tracks radio broadcasts of neighbouring countries. Any attempt to open the document would have resulted in the release of malware that would have established itself in their computer systems. Fortunately, the detection of some precursor attacks enabled the National Technical Research Office which is charged with monitoring and defending India’s critical systems infrastructure was able to detect the intrusions and order a large scale shut down of the systems to prevent the malware from being activated.¹⁷

The Shadows in the Clouds report

In an April 2010 report, Information Warfare Monitor, working with Shadowserver Foundation came out with another report titled, *“Shadows in the Cloud – Investigating Cyber Espionage 2.0”*¹⁸ which led on from the IWM’s previous report on the attacks on the Office of the Dalai Lama and Tibetan activists. This report more categorically asserted that it had uncovered a suspected Chinese cyber war offensive against India. The *“Shadows in the Clouds”* report is the most systematic and sophisticated examination of the cyber war that has been launched against Indian sites.

It has taken off from the *“Ghostnet”* investigation into cyber-espionage conducted against the Tibetan community abroad. That report had, however, pointed out that the evidence on hand was not sufficient to implicate the Chinese government. However the *“Shadows”* report not only indicated that the malware networks that the authors of the report documented were “to a large degree organised” and operated through the misuse of social networking and cloud computing platforms like Google, Baidu, Yahoo and

15 M. Pubby, China cyber attack: NIC most affected 9 embassies hit, [in:] Indian Express, New Delhi, March 31 2009

16 R. Beeston & J. Page, China tried to hack our computers, says India’s security chief M.K. Narayanan, [in:] The Times, London, January 18 2010, www.timesonline.co.uk/tol/news/world/asia/articles6991789.ece

17 S. Datta, PMO comes under largest ‘targeted’ cyber attack, [in:] Daily News & Analysis, Mumbai, August 21 2011, Part I of a two-part series.

18 This section is based on Information Warfare Monitor and Shadowserver Foundation, *Shadows in the Cloud: Investigating Cyber Espionage 2.0* April 6, 2010, <http://shadows-in-the-cloud.net>

Twitter, and normal command and control servers. Second, the *“Shadows”* report was able to piece together enough evidence to pinpoint “the location and possible associations of the attackers,” though they went on to add that “their actual identities and motivations remain illusory.” Again, while in *“Ghostnet”*, the authors were able to monitor the removal of certain documents from target computers, in *“Shadows”*, they were able to “recover a significant volume of stolen documents.”

A geographic breakdown of the first IP address recorded for each compromised computer revealed that as many as 62, of the 139 IP addresses spread across 31 countries, were located in India. While the concentration of compromised computers were in India, they only identified two compromised entities – the Indian and Pakistani embassies in the United States. Through a technique of using sinkhole servers, too, the authors found that there were some 2945 IPs in India out of a total of 6902 in 36 countries. Of these they were able to identify among the Indian sites, the National Informatics Centre, the Indian railways site, the *“Times of India”* newspaper, the Federation of Indian Chambers of Commerce and Industry in India and the High Commission of India in UK.

A further analysis of victims was made through data recovered from 44 compromised computers. These, too, related to a preponderance of Indian sites – 35. In terms of ownership of the documents, the Indian proportion was even greater, 40 of the 44 documents. The report says that the investigators recovered documents which were “extremely sensitive from a national security perspective”. The investigators found that personal information relating to individuals was also compromised such as air and rail tickets, receipts, invoices, banking information, personal documents and personal email conversations which had the potential for being leveraged for further attacks.


Among the Indian institutions targeted were the National Security Council Secretariat (NSCS) which the National Security Adviser heads. During the period of observation, fourteen documents, including two marked “Secret” were taken out by hackers as well as assessment of the situation in the North East, and Maoism.

Computers of the Indian embassies in Kabul, Moscow, consulates in Dubai and Abuja, Nigeria were compromised and some 99 documents, including one encrypted file were filched in the period in which the investigators monitored the traffic. Another institution affected was the Military Engineering Services, the civil construction agency associated with the Indian armed forces.

Military units such as the 21 Artillery Brigade in Assam, the Air Force Station at Race Course Road, New Delhi, Air Force station in Darjipura near Vadodara were compromised. Among the documents exfiltrated in the review period was a detailed briefing on a live fire exercise, while others to the Pechora surface to air missile. Military educational institutions such as the Army Institute of Technology in Pune, the Military College of Electronics and Mechanical Engineering in Secunderabad were also attacked and 21 documents were exfiltrated in the review period.

Computers at India’s premier defence think tank, the Institute for Defence Studies and Analyses were compromised and some 187 documents taken away. The National Maritime Foundation, a think-tank associated with the Indian Navy, took, was hacked. Likewise defence oriented publications like India Strategic and FORCE magazine were targeted. Indian corporations such as YKK India, DLF, Tata’s as well as the Gujarat Chemical Port Terminal Ltd were also compromised and sundry documents removed from them.

Who is responsible for these attacks? The *“Shadows investigators”*, as well as *“The Dark Visitor”*, a blog that researches Chinese hacking activities have concluded that there are strong links of the attacks to Chengdu.



This is interesting, since Chengdu's University of Electronic Science and Technology has had a strong association with the Chinese hacking community. It is also the location of one of PLA's Technical Reconnaissance Bureaus and the headquarters of the military region that deals with India. Here the Shadows report cites the Northrop Grumman report cited above to note that:

Little evidence exists in open sources to establish firm ties between the PLA and China's hacker community, however, research did uncover limited cases of apparent collaboration between more elite individual hackers and the PRC's civilian security services.

The "Shadows" own assessment is tentative, even though it says that *this investigation and our analysis tracks back directly to the PRC*. It goes on to add:

Given the often murky relationships that can exist between this underground and elements of the state, the information collected by the Shadow network may end up in the possession of some entity of the Chinese government.

India's response

The sharply escalating nature of cyber attacks against India led to the government of India creating a Crisis Management Plan whose key action was the creation of the national Computer Emergency Response Team (CERT-In) in 2004 as the national nodal agency in cyber security which works with international CERTs. Sectoral teams have also been created along with teams of security auditors that can provide a wide range of services on a commercial basis. The legal basis of the national cyber security action in India was made through the Information Technology Act of 2000 which was amended in 2008. Under this, the government has the authority to scan Indian cyber space, detect incidents and threats, audit practises and protect critical and other infrastructure. India has only recently announced procedures and protocols for communication monitoring and interception but like the world, it has some way to go before security can be assured in its networks and systems.¹⁹

Ever since the 2009 intrusions, the NTRO has been actively involved in cyber security of India's national security apparatus. It is this organisation that foiled the major attempt to take over computer systems in some of the country's top offices in July 2011. Even earlier in November 2010 it helped in mitigating the consequences of an intrusion in which malware was hidden in a message purportedly coming from the Indian high commissioner in Islamabad, Pakistan to the Ministry of Finance and the Foreign Secretary.²⁰

There have been reports of some rudimentary offensive cyber warfare capabilities being developed by India as well. Not surprisingly, this relates first and foremost to Pakistan. There have been reports in the recent

¹⁹ Some of these measures were laid out by National Security Adviser Shivshankar Menon in his address to the 47th Munich Security Conference held on 5th February 2011

²⁰ S. Dutta, *op.cit*; and also S. Dutta, *India wards off war on web*, [in:] *Daily News & Analysis*, Mumbai, August 22 2011. Part II of a two-part series

years of competitive hacking outrages perpetrated by Indian and Pakistani hackers calling themselves Indian Cyber Army and Pakistan Cyber Army against each other's sites, primarily in terms of defacement of sites or denial of service attacks.

An article in the magazine "India Today" suggested that rival intelligence agencies of the two countries waged a proxy cyber war using their respective cyber armies last November on an occasion timed to mark the second anniversary of the Mumbai terror attack of 2008. According to "India Today", the attacks were planned and coordinated by the Indian technical intelligence agency, the National Technical Research Organisation (NTRO). The article said that the agency's "information warfare group" used hackers for the offensive cyber operations and that this action was mirrored by their Pakistani counterparts. One of the worst hit sites was that of the Indian criminal investigation organization, the Central Bureau of Investigation whose site remained down for a month after it was defaced by Peshawar-based hackers who had allegedly entered the site through an Indian Air Force website.²¹

Days after the August 2011 report by McAfee cited above, the Chinese government released an official report claiming that far from being the aggressor, it was the victim when it came to cyber attacks. The report released on August 10, 2011, claimed that about half of 493,000 cyber attacks on the websites of the Chinese government and other agencies in the past year *originated from abroad, particularly the United States and India*. The report was prepared by the National Computer Network Emergency Response Coordination Centre, which is said to be the Chinese government's *primary computer security monitoring network*.²²

But as of now the primacy in India is to defence and coping mechanisms. Cyber security is only one aspect of cyber warfare that is already upon us. India's intelligence gathering and attack capabilities are less well known, perhaps because they have not quite shaped up. In 2005, the Indian Army announced that it would set up the Army Cyber Security Establishment which would conduct cyber security audits of its systems. In the Army Commanders' conference in 2008, the Army announced that it would be putting in place cyber security organisations down to the division level.

On the military side, the work of protecting the critical infrastructure has been given to the National Technology Research Office (NTRO), but this is a new organisation with a wide remit and it is not clear whether it has got the necessary wherewithal as yet. India is yet to evolve a cyber warfare doctrine and organisation that will cover the three key areas – intelligence gathering, defence and attack, though in the paragraph above it is clear that some rudiments of the requirements are in place. But in extenuation it needs to be pointed out that the vulnerabilities that have been pointed out in the Google and McAfee reports cited above points to the fact that cyber security is not easy to provide given the ease with which vulnerabilities can be exploited.

²¹ S. Unnithan, *Inside the Indo-Pak Cyber Wars*, [in:] *India Today*, New Delhi, March 18 2011

²² The report said that the attacks were in the form of malicious "Trojan" software, with 14.7% linked to Internet Protocol addresses (IPs) in the United States and 8% located in India. See: A. Krishnan & D. Swarup, *China blames India, US for cyber attacks*, [in:] *The Hindu*, New Delhi, August 10 2011

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The series

NEXT LEFT, NEXT EUROPE

In 2009, FEPS launched a call for papers addressing PhD and PhD candidates to elaborate on how they saw Europe in a decade, within the framework of its [Next Left] programme, run under the leadership of former Austrian Chancellor Alfred GUSENBAUER. The first release of *Queries* contains a selection of the most interesting pieces, of whose authors became founding members of FEPS Young Academics Network.

Contents: *Future of Social Europe* | *Changing European Society* | *Green Agenda for a Sustainable Europe* | *Europe of Democracy and Civic Participation* | *International Responsibility of Europe in a Global Age*



THE NEXT WAVE OF EMANCIPATION

Since the beginning FEPS has been strongly involved in a debate on gender equality, which in fact was one of the very first projects that it established. This issue reviews the history of the struggle for gender equality in national member states, in Europe and elaborates on the progressive agenda for the future.

Contents: *Gender sensitive, progressive Europe* | *A commitment that arises from a century struggle* | *Stronger from the past, encouraging experiences* | *The next agenda for changing society*



WHAT COMES BEFORE, WHAT COMES NEXT

A tribute to Tony JUDT

Queries serving as a guideline in selecting themes and articles that pose the most crucial questions and can stimulate an intellectual debate, it comes with no surprise that this issue commemorates late Tony Judt and his work. As Ernst STETTER, FEPS Secretary General writes, the last book of Tony Judt, "Ill Fares the Land", poses an extraordinary challenge. This very particular intellectual testament of an outstanding academic and universalist socialist encompasses a fair, though bitter, assessment of today's world. It touches upon the mission that a renewed social democracy must embark upon in order to reverse the negative processes corroding our societies, through respecting all the achievements of past generations and being optimistic about the chances for the progressives to succeed in the future. This motivated the title of this issue.





THE NEXT GLOBAL DEAL

New answers seem indispensable in times in which people lose their confidence in international institutions, their governments and politicians in general. Their detachment and scepticism about politics can be overcome once the democratic rules are put back in place, as far as global governance and European decision making processes are concerned. The disastrous consequences of the recent financial, economic and social crisis exposed the bankruptcy of today's world order, dominated by neo-liberal ideologies. Its inability to respond to global challenges makes it inadequate for the 21st century. But recognising this is not enough; Europe and the world need a new, feasible agenda. For FEPS this is both a challenge and a chance to present our NEXT Global Deal.

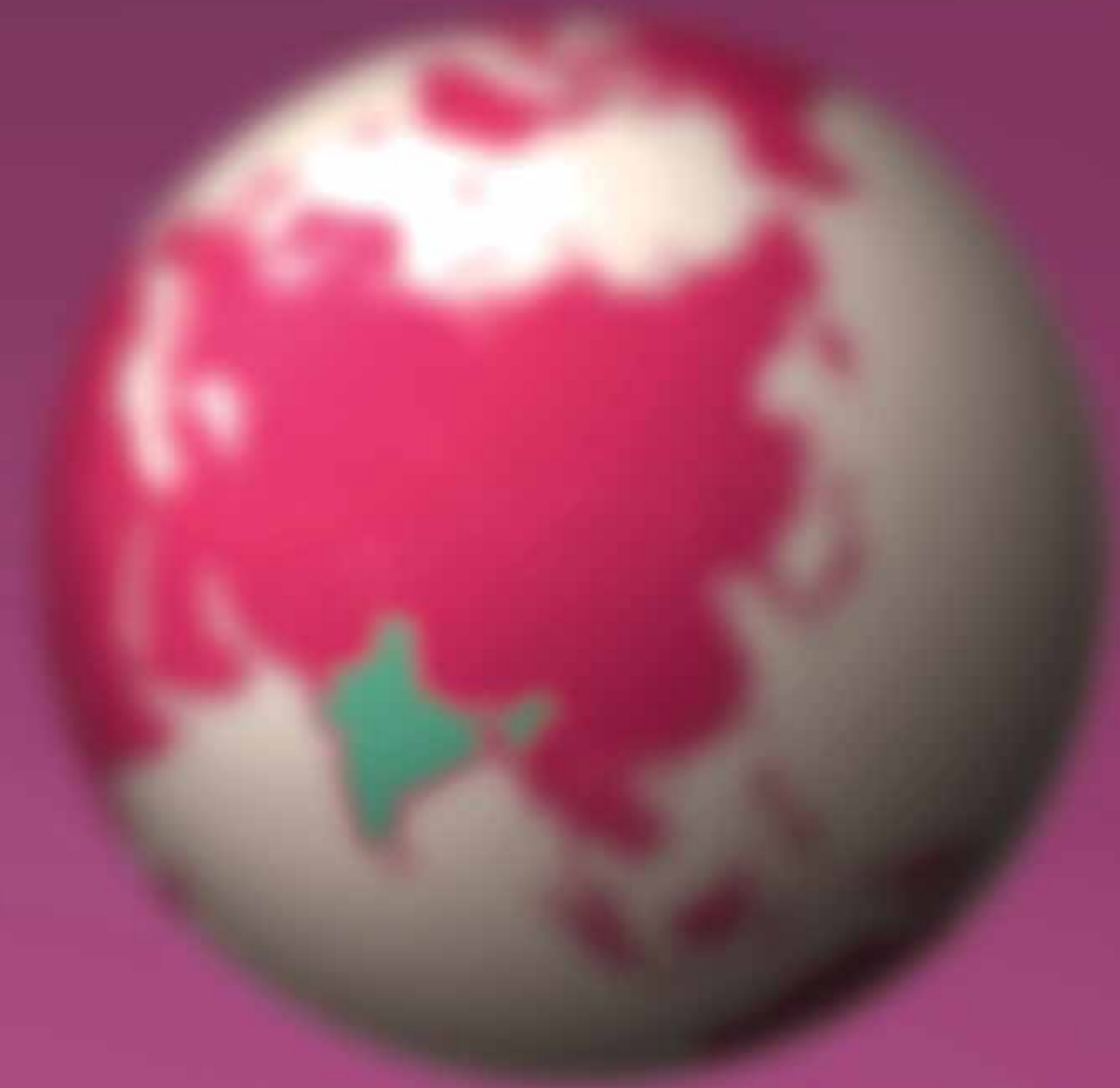
Contents: Preface by Joseph E. STIGLITZ | Regulating and taxing the system | The New Global Deal | A new political economic response | Conference Report



NEXT LEFT: SOCIAL PROGRESS IN 21ST CENTURY

A decade into the new century, Europe is beset by a striking mood of social pessimism. 49% of EU citizens believe they will be worse off in 20 years time, with majorities perceiving the rise of emerging economies as direct threats to their living standards. Such anxiety presents a particularly debilitating political problem for social democracy. Historically, the promise of social progress has been a powerful force in all of its projects, and a corner-stone to the movement's political offer. Overwhelming disbelief in the primacy of political ideas and the ability of politicians to make a difference has translated into voter resignation and subsequently to widespread withdrawal from political life.

The contributions to this issue of Queries are the result of a symposium that took place in London in March this year as a joint contribution to the FEPS Next Left research programme and Policy Network – Wiardi Beckman Stichting Amsterdam Process.





Queries

Asia: what's next? An indian perspective

It is commonly repeated that the post-War order belongs to the past, as it no longer mirrors reality and its institutional set-up has proven incapable of responding to the challenges of modern times. Beyond any doubt, the so-called "BRICS" countries will play a crucial role in writing the next chapter of global governance – which is why FEPS turns its attention to one of them: India. Resulting from a study visit that took place in Spring 2011, this issue features articles by Indian high-level authors, who kindly share their views on 4 themes: *"Asian Spring: Promoting Diversity and Democracy"*, *"India in Shaping its future"*, *"A world player in the making"*, *"China: Reshaping the Status Quo"*. Those building blocks enable the reader to discover a new perspective on a number of issues.

To begin with, the deliberations focus on the "Arab Spring". The recent developments in the regions of Northern Africa and Middle East are analyzed from two angles: one focuses on the future of democracy; the other is devoted to the question of Islam and a potential for an "alternative, non-violent transformation" in the countries, in which it constitutes a dominant religion. Touching upon the challenges of prosperity, stability and social diversity – the authors propose a new way of evaluating this contemporary "4th wave of democratization".

Secondly, the issue offers a unique, inside perspective on India itself, its potential and its ambitions. In this context, a reader can discover the impact of the global economy on different regions of so-called "emerging states"; can learn about difficulties in creating communities and working towards a solidarity-based society in the circumstances of post-colonial inheritance, as well as finding out about the complexity of the regional relations. The approach manifested by authors is by all means an innovative one, as it focuses on showing new grounds on which on the local, state and regional levels of different agreements are indispensable.

Thirdly, the relations between India and other global players are discussed. Challenges of multilateralism, peace, security, climate change – all those issues form a context for reflections on ties between: India and the EU, as well as Russia and the US. It enables us to sketch a portrait of contemporary India as an actor seeking its new place in a multilateral system.

Fourthly, in order to complete the picture, attention is given to China and its policies – both as far as their regional and international dimensions are concerned. There are questions posed on both Chinese expansionist policies in Asia and in Africa, as well as those concerning the sustainability of its model. In this context, issues of security, defense and new sorts of dangers are also examined.

The contributions to this edition have been submitted by a number of outstanding personalities, from among Indian researchers, politicians and journalists. Assembling this exceptional collection was possible thanks to the efforts of Dr. Klaus VOLL, FEPS Special Consultant on Asia, who together with Dr. Ernst STETTER, FEPS Secretary General heralds this issue with its *"Foreword"*.

Ania SKRZYPEK, FEPS Policy Advisor – Managing Editor of Queries