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EDITED BY RITIKA PASSI



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SOME CLARITY AND
FARSIGHTEDNESS IN
TERMS OF WHAT INDIA
WANTS AND NEEDS, AND
HOW AND IN WHAT TIME
FRAME, WOULD NOT BE
REMISS.



NOTA BENE / RITIKA PASSI

On Strategies and Moments

"Indians have not been great strategic thinkers or developers of strategy..."

"...even if they had [seen the need for strategy], they would have been unlikely to proceed because if the future is unknown and unknowable why plan?"

- **George K. Tanham**, "Indian Strategic Thought: An Interpretive Essay," 1992

As Modi continues to trumpet an Indian re-arrival on the international stage, political punditry has been hard at work trying to gauge the girders and columns that construct Modi's, and thus India's, Weltanschauung. His enthusiastic travel diplomacy has been the subject of much conjecture in the country, and it has been noted that it only stands on an even keel with travel itineraries of other leaders such as Shinzo Abe and Xi Jinping.¹ Modi's attempts to renew contact and lay ground for deeper engagements with near-flung nations and waters and those further afield, his rip-roaring speeches and new initiatives are being form-fitted beyond their stated policy objectives—conveyed through monikers such

as economic, fast-track and cultural diplomacy, 'neighbourhood first' and 'Act East'—into constructs meta-fied: continentalism; geopolitics and geoeconomics; internationalism.

This attempt to understand where leaders take their countries is of course a manifestation of our constant quest to understand why: why a nation behaves the way it does, why it makes this choice and not that, why it faces a particular set of options and not others. India's indivisibility from several global conversations today and the country's engagement, both actual and desired, on multiple fronts with multiple actors, as well as the current government's promise and at least optics of a more confident and involved India,

has only intensified the need to understand the pillars of India's foreign policy. (In the context of the government ensconced in New Delhi at present, a slew of writings regularly reference a 'Modi's India,' 'Modi's world,' 'Modi's doctrine.')

But is there a push to understand continuity and change in India's statecraft beyond a change of government at Raisina, in a context that is comprehensive instead of piecemeal and which points to what is, or possibly could be, India's 'grand strategy'?

Here, the term is understood in its evolved avatar that corresponds to the real world of 'politics among nations'—practical statesmanship—and not solely military manoeuvring, to achieve national interests.² Every leader in power has left his or her mark on India's engagement with the world—Jawaharlal Nehru's non-alignment; Indira Gandhi's realism; Atal Bihari Vajpayee's nuclear diplomacy. Modi will no doubt do the same. Likewise, just as every government's foreign policy responded to the unique as well as ever-present challenges and opportunities, so does the current government's international engagement. But have these threads corresponding to the unique and episodic, routine and continuous, woven together to create a well-formed image of India's outreach to the world?

Ruminating about grand strategies raises the question whether these are needed at all to begin with. Fareed Zakaria once observed that "[g]rand strategy sounds like an abstract concept... that bears little relationship to urgent, jarring events on the ground. But in the absence of strategy, any administration will be driven by the news, reacting rather than leading."³ While written in the context of a superpower that must perforce respond to problems across the globe, it is not inconceivable that it is in the interest of a nation that considers itself an emerging power that "the urgent" not "drive out the important." A grand strategy, at the end of the day, is a global vision of how to advance national intent and interest, and India, it can be argued, is a country in greater cognizance of its intents and interests, which must now be boldly articulated through an umbrella strategy. The belief is that such a foundation will yield well a superstructure—again specifically in the context of a state still in the process of nation-building: It could streamline plans towards specific objectives; encourage more effective

resource allocation; provide unceasing guidance to those in power; enable constant and a priori evaluation of policies; and aid in creating more robust institutions.⁴ Added to this is the usefulness of such a strategy in signaling to domestic and international constituencies.

India, to date, has not articulated a grand project à la One Belt, One Road initiative and the Chinese great rejuvenation. Some hold the view that this in itself does not mean that there is no culture of grand strategising in the country, or that India is not functioning according to a set of principles;⁵ even if so, formal iteration has been hazy or lacking. India is a state that is not yet in its 70th year of existence, and it is only now that its outward gaze rests on (some) economic and military backbone. It may therefore be too optimistic to expect it to have a long-term vision that transcends the facts of widespread political divides; an emergent international role and a developing global agenda; and a culture of strategic consciousness that is at worst questionable and at best, fledgling.

But it may effectively be at this nascent stage that India most needs, if not a grand strategy per se, nuanced long-term objectives to nurture its growth and development. (Indians, it has been noted, are not much at ease with a grandiose term like grand strategy.⁶) This demand is regularly made outright or more subtly implied in the media—one political commentator recently queried what partnering with the United States will achieve for India in the absence of an undeclared national strategy or vision.⁷ A foreign policy analyst, also recently, brought out how India views connectivity in Asia, which New Delhi must articulate cogently and thus provide necessary signalling to its strategic partners.⁸

Notable publications such as *Non-Alignment 2.0*; *The Long View from Delhi: To Define the Indian Grand Strategy for Foreign Policy*; *In the National Interest: A Strategic Foreign Policy for India*; and *Grand Strategy for India: 2020 and Beyond* are examples of the Indian analytical community's attempt to coalesce a grander vision relating to strategic thought, culture and practice. Specifically, one could call India's Look East-turned Act East policy a step towards enunciating a broader strategy. The Indian Navy's latest maritime strategy document released in October 2015 presents a clearer naval strategic vision for

the region, particularly since it addresses for the first time the issue of a net security provider (albeit only in terms of what environment is conducive to become one in the Indian Ocean instead of a steadfast commitment to be one).⁹

At the core of it, the question is one of coherence. But the argument can go both ways. On the one hand, one would first expect coherence with respect to optics and substance. Only the latter will lend itself to the makings of a strategy—indeed, to the effective implementation of a policy first and foremost. For example, promises of an Indian economic transformation that invites FDI must be coupled with adequate overhauling of onerous laws and regulations on the ground. It can be agreed across the board that this level of consonance is required, regardless of whether the formulation of a grand strategy is the aim or not.

Then, there is coherence in terms of different policy strands, even vis-à-vis the same actor. For instance, India wants to develop effective security mechanisms that could sufficiently counter China if the need arises, but at the same time is counting on leveraging China to meet its economic development goals. Will these prove to be irreconcilable tracks in the years ahead? How will India deal with a situation where its economic dependence on China paves the way to, say, emboldened border transgressions? The accusation of “arming without aiming” is another case in point.

Lastly is the question of how coherent Indian policies are in the global environment at large. The fact that India’s Act East is coming at a time when the ‘East’ in question is itself looking eastward with the launch of the Trans-Pacific Partnership, of which India is not a member, is one illustration.¹⁰ Another is the military-strategic restraint that India has largely exercised thus far in its region: How will it align with expectations from other nations that New Delhi play a larger role in this space?

Some farsightedness in terms of what India needs and wants, and how and in what time frame it would like to achieve said needs and wants would not be remiss. But, on the other hand, is looking for coherence in a country’s international engagement possible in an inchoate world? In other words, is the *now* itself orderly and congruent enough

for government policies and strategies to be complementarily so? A multipolar world; actors beyond the state that need to be dialogued with; a multiplicity of objectives, at times contradictory, that need to be simultaneously worked towards could mean a necessary piecemeal foreign policy, and a grand strategy that only emerges *ex post facto*, if at all. Thus, while India advocates South-South cooperation, it also strives to engage with the P5—while it wants to engage in non-western, alternate frameworks, it is also keen on sitting with the traditional big players. New Delhi maintains conversation with Iran, but is also reaching out to the Gulf Cooperation Council states. Likewise, even as it counts Russia as its traditional defence partner, it has diversified the countries it imports defence equipment from. While it became a leading investor in renewable in the last year—recognising the nature of the climate change beast it must tackle—it underscores the need for fossil fuels until such time can be comfortably reached, keeping in mind its incomplete and ongoing industrialisation.

In this context, then, coherence is not applicable, and firm articulation in effect to a country’s—perhaps particularly an emerging nation’s—disadvantage. Would not strategic ambiguity allow more space to a developing country that seeks a larger role for itself to respond as it deems fit given the particularities of a unique situation? (And could not this in itself be a grand strategy?) Of course, for such a strategy to pay off, India will need to be seen not as indecisive or a fence-sitter, but a confident actor that asserts with no qualms that it has no permanent friends or enemies—or strategies—only permanent interests.

A first sweeping agitation regarding an Indian grand strategy occurred post-Cold War; a second phase can be said to have begun recently, more so taking into account the current government’s almost insistent drive to market a ‘new and improved’ India story. The specifics of an Indian grand strategy is a matter of further analysis beyond the scope of this commentary, as is a detailed introspection into the very term itself. As the following opinion pieces stand, they represent eight issues India must imperatively engage with, both in a proactive and reactive manner. They can either be thought of as 1) potential moments in the making of an Indian story or grand strategy, picked up as they are based on events in the past










year; or 2) as solely Nieburian moments that will test the current government's decision-making skills in the coming months.

Perhaps easier would be to simply quote a politician from Thiruvananthapuram who engages the public with works of both fiction and non-fiction variety: "In India and elsewhere, there is no 'development' without fiction...without a reassertion of identity: that this is how we are, this is what has made us, this is what we are proud of, this is what we want to be."¹¹ Let then the following nine commentaries be imaginations on critical issues India must inevitably, and consistently, engage with in 2016 and beyond. Perhaps they will help illuminate some direction to an Indian identity, and what it wants, if not sometime then, at least now.

- 9 See: Darshana M. Baruah, "India's Evolving Maritime Strategy," *The Diplomat*, December 3, 2015, <http://thediplomat.com/2015/12/indias-evolving-maritime-strategy/>.
- 10 "The India Story, in work & deed," *The Hindu*, November 24, 2015, <http://www.thehindu.com/opinion/editorial/narendra-modis-visit-to-malaysia-the-india-story-in-work-deed/article7909210.ece>.
- 11 Shashi Tharoor, *The Great Indian Novel* (New Delhi: Penguin, 2009).

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- 1 Modi's 53 days spent traveling abroad in 2015, for instance, are comparable to Abe's 58 days and Jinping's 42 days. Dhruva Jaishankar, "Narendra Modi's foreign travel not to blame," *Livemint*, December 29, 2015, <http://www.livemint.com/Opinion/i9VjjPdLEv5lQevYgwmHOM/Narendra-Modis-foreign-travel-not-to-blame.html>.
- 2 Braz Baracuhy, "Review Essay: The Art of Grand Strategy," *Survival* 53, no. 1 (2011): 147-152.
- 3 Fareed Zakaria, "Wanted—A New Global Strategy," *Newsweek*, November 28, 2008, <http://www.newsweek.com/fareed-zakaria-wanted-new-global-strategy-85311>.
- 4 The benefits noted here largely correspond to Krishnappa Venkatshamy's iteration of the advantages of having a grand strategy, although tweaked in a few places. "The Problems of Grand Strategy," *Journal of Defence Studies* 6, no. 3 (2012): 113-128.
- 5 Indeed, Kanti Bajpai wrote of three specific Indian schools of thought—Nehruvians, neoliberals and hyper-realists. "India Does Do Grand Strategy," *Global Brief*, March 5, 2013, <http://globalbrief.ca/blog/2013/03/05/india-does-go-grand-strategy/>.
- 6 "Introduction" in *India's Grand Strategy: History, Theory, Cases*, Kanti Bajpai, Saira Basit, V. Krishnappa eds. (New Delhi: Routledge, 2014), 5.
- 7 "At the bottom of all this is the vision you have for India. If you think partnering with the US will take you there, by all means do so. But first figure out where "there" is. Is it a "great nation" status, or an independent pole in a multi-polar world? Or do we have the gumption to dream, like China does, of becoming the lead—not the MEA's 'leading power' in the future?" Manoj Joshi, "India is making up for the lack of vision by bandwagoning with the US," *The Wire*, April 4, 2016, <http://thewire.in/2016/04/04/india-is-making-up-for-lack-of-vision-by-bandwagoning-with-the-us-27400/>.
- 8 Arun Mohan Sukumar, "How India is Running the Race for the Asian Century," *The Wire*, April 5, 2016, [http://thewire.in/2016/04/05/how-india-is-running-the-race-for-the-asian-](http://thewire.in/2016/04/05/how-india-is-running-the-race-for-the-asian-century-27104/)

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*India is no stranger
to religious violence,
but incidents have
declined in the past
25 years.*

*What, then, accounts
for the debate on
intolerance this past
year and continuing?*

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Is India Illiberal?

Discussion on 'tolerance' and 'secularism' is currently trending in India, at least among certain sections of society. Is the country facing a democratic test? **ASHOK MALIK** inquires into what could explain the present domestic political space. He also questions what to expect in the coming months. Could recent incidents have an impact on India in the international sphere?

Is India illiberal? If the answer is a yes, or more accurately a qualified yes, how does one contextualise that question? What is the time frame being referred to? Which are the geographical and social parameters being used? Is the entire debate about “tolerance” and “illiberalism,” such a compelling one through 2015, essentially politics by other means, or does it have a deeper message and import? Indeed, is the liberalism debate about two (or more) competing but equally watered-down and compromised models of liberalism?

To be fair, the ‘c’ word—“compromise,” used in the previous sentence—is not necessarily worthy of ridicule. Great societies are built on a compact

of compromise, as was the Indian republic in 1950. In 1949, the constitution that was adopted described India as a “Sovereign Democratic Republic,” avoiding other adjectives, in keeping with the enlightened, non-judgmental nature of the enterprise of constitution writing.

Of particular interest was the refusal to describe India as a “secular” republic, not because the constitution framers wanted a theocratic or confessional state or were tilting towards any form of bigotry—not at all—but because to the Western-educated men and women who comprised the Constituent Assembly, India did not meet the exacting standards of separation of church and state that made up Western secularism.

In India, like in the United Kingdom among other democracies, the state and the government gave itself some religious duties, whether these be allowance for religious civil laws, administering religious institutions, or promoting notions of good conduct that had a religious or faith-based approbation. It was important, of course, that a fine balance be maintained. It was important, too, in those early years, to be mindful of the religious nature of India society, the emotionalism of a subcontinent that had been torn apart by Muslim separatism, and yet a need to reassure and protect the religious minorities (primarily Muslim) who had chosen to make independent India their home.

From that happy compromise to the slippery slope of compromise was, however, only a short journey. It took a few decades of electoral politics and canvassing for votes for that to happen. Taboos and taboo subjects, bans and prohibitions, one following the other, in an attempt to reach some sort of politically acceptable parity, have become all too frequent and all too much the norm. Each participant in this game addresses his or her constituency and is liberal, an upstanding defender of liberalism and liberal values, but only up to a certain point.

Inevitably, precedence provides validation and becomes justification. In 2015, “tolerance” was the signature word of political debate; a far uglier neologism—“whataboutery”—emerged as the ultimate answer to everything, even to questions that were not being asked. As such, ability to protest about overdone laws in Haryana that rendered illegal possession and consumption of tinned beef imported from another jurisdiction or even country was apparently circumscribed by what an individual may or may not have said when the import of *Satanic Verses* was banned by the Rajiv Gandhi government 30 years earlier.

The examples could go on. They have continued into the New Year with a comparison of how the media covered or did not cover the Dadri lynching and the riots in Malda. The argument being, as author and American Enterprise Institute fellow Sadanand Dhume has pointed out, that by “ignoring Islamist extremism, Indian intellectuals do their country no favours.”¹ Each of these examples is important in itself. Nevertheless, a mere compendium of instances that have fed the infrastructure of outrage cannot really convey or resolve anything.

Why did then “intolerance” and “illiberalism” gain such currency in 2015? After all, as anecdotal and empirical evidence suggests, religious violence in India has declined remarkably over the past 25 odd years.² In part this has been a consequence of changes in the economy and a response to global currents that has forced both industrial towns and provincial politicians to factor in the impact of globalisation, whether as an economic or cultural and media phenomenon.

A growing economy also makes certain types of manifestations of illiberalism—such as outright violence—more expensive and points to a substantial opportunity cost. One saw this in the United States in the 20th century, with race relations improving as cities and communities, and by implication the country, became more prosperous over a hundred years. The grandchild of a white supremacist may well be working in a multiracial corporate office without thinking twice. In India, too, the wounds of a Partition refugee would have healed sufficiently for his or her grandson to view the world—and the so-called “Other”—differently some 70 years on.

Violence and riots—large-scale expositions that are largely a 20th century phenomenon in India, despite, for example, localised occurrences in western Uttar Pradesh in 2014 or the larger Gujarat violence of 2002—are unknown in the India of the new millennium. Having said that, the very tools—economic prosperity, which may visit one group or section differently or earlier than its neighbour; the technology of communication and the media revolution; the relative ease with which grievance can be both manufactured and propagated today—make other forms of illiberalism and even bigotry potentially more salient.

This is a problem faced by many countries and societies, not India alone. But only in few places does it seem to acquire the complexity as in India. This became obvious in 2015, when India saw a vigorous and often overstated debate on intolerance, without evidence on the ground (with the exception of Dadri and at last two other copycat incidents). That previous sentence requires one vital caveat: There was no “evidence on the ground” if the only evidence one was seeking was physical violence of a certain magnitude. It is not as if India were otherwise liberal in the best traditions of the word.

So, precisely, what was the illiberalism—perhaps the perception of illiberalisms (and that plural is crucial)—that became apparent in 2015? It was linked to how one saw the Bharatiya Janata Party (BJP)-led government of Prime Minister Narendra Modi and its mandate of 2014. There were those in the BJP and its broader supportive family, and in the government itself, who had linked this government's coming to office and its mandate to a cultural agenda that was patently not uppermost on the minds of the swing voters of 2014.

This over-interpretation of the election of 2014 in terms of a religious manifesto was not expressly stated by the prime minister or the leadership of the government, which broadly remained on message and focused on economic concerns. Even so, it was there and egregious renditions of it emerged from political insiders and associates of the government.

The government let itself down with inadequate messaging and either an unwillingness to stem the flow of indecorous words and phrases, or an inability to understand the resultant wider damage and diminution of political capital. By the time realisation dawned, following the defeat in Bihar in 2015, much time and energy had been dissipated.

What of the government's opponents—those who accused it of “intolerance,” marched in anger, returned awards and so on? No doubt some were motivated by a genuine belief that a right-wing government was the worst of all possible governments. There may have been an honesty to this belief, even if one disagrees with its basis. Even so, in rejecting the legitimacy of an electoral outcome, in being impatient with the timetable of electoral politics, in refusing to acknowledge the tempering impulses of democracy, in willingly or otherwise offering themselves as tools for political opponents of the Modi government who resorted to deliberate exaggerations, were these worthies not representative of illiberalism of the very type they professed to repudiate?

How does the road map look for 2016? The battle lines have been drawn, and just as the “intolerance” debate peaked before the Delhi election at the beginning of 2015 and the Bihar election later in the year, it will unerringly be used to attack the BJP and put it on the defensive. The BJP's response—and the government's response—cannot be a non-response or a dismissive response even if

it truly believes this is a false debate and a phantom campaign that warrants no further effort. Neither can it be to use the sledgehammer, as happened in Jawaharlal Nehru University in Delhi recently, and seek to create a debate on “nationalism” and on historical heroes. That debate is as unrepresentative of the contemporary mood in the broader India as the agonising campaign related to “intolerance” that is obsessing a largely Delhi-based intellectual and media elite.

What must the Modi government do? Primarily, it must work on its messaging, both quantitatively and qualitatively, in terms of substance as well as sophistication. In government, there is no such thing as giving too much assurance (or reassurance) or deploying too many resources to information. Such messaging is not merely an adjunct to government; at times, it is a key ingredient of government. This is true while addressing stakeholders both within the country and internationally.

In 2015, the Modi government was slow to pick up on that, and the promise of its economic policies insulated it from its opponents in Western capitals. In 2016, it needs to depend on something more than just luck: Even if governments and economic partners in other countries are less likely to be influenced by any attempt to export India's “intolerance” debate, the risks of a media-driven campaign or of human rights groups taking up the issue cannot be discounted. Should this happen, it will inevitably mean another pressure point for the Modi government. As such, it should be ready to both meet such a challenge and prevent it, at the very least with a better communication and outreach strategy.

¹ Sadanand Dhume, “India's Biased Debate on Intolerance,” *The Wall Street Journal*, December 2, 2015, <http://www.wsj.com/articles/indias-biased-debate-on-intolerance-1449078739>.

² S.A. Aiyer, “India is more sensitive now, not more intolerant,” *The Times of India*, November 15, 2015, <http://blogs.timesofindia.indiatimes.com/Swaminomics/india-is-more-sensitive-now-not-more-intolerant/>.



South Asia

IN 2016

An ebullient beginning to a 'neighbourhood first' policy seems to have given way to what is being perceived either as a trend of deteriorating ties between India and its neighbours or a lack of substance post high-profile visits. **JYOTI MALHOTRA** outlines three contentions that effectively prescribe India's steps forward in the next months and beyond in the region.

For far too long, India's South Asia policy has been confused with its Pakistan policy. Rawalpindi's ability to inflict lasting pain, often through its instruments of terror, such as the Jaish-e-Mohammed (as was evident during the Pathankot attack) or the Lashkar-e-Toiba (set up to wage a low-cost war against India), has meant that India has been forced to resort to a unidimensional policy vis-à-vis Pakistan: ending terrorism as a condition for better relations. As a result, India has allowed its anger and frustration with Pakistan to cloud its better judgment and initiatives with the rest of the region.

As the largest country in South Asia, India's

responsibility is also unique. Unfortunately, too much posturing has taken the place of strategic thinking. In the name of realism, far too many compromises have been made with dictatorships, while ignoring the yearnings of nascent democracies.

Moreover, Delhi has often insisted on the doctrine of reciprocation with the governments of its much smaller neighbours, when it should have focused on promoting engagement with its peoples.

These three contentions prescribe India's steps in the next months and beyond. To begin with, Prime Minister Narendra Modi's 18 months in power have been defined by an astounding incoherence



■ CAN "SABKA SAATH, SABKA VIKAS" (DEVELOPMENT FOR ALL) FOSTER COMMON SPACES FOR GROWTH AND CONTACT IN SOUTH ASIA?

regarding his Pakistan policy, capped by an equally amazing—but utterly confusing—visit to Lahore on 25 December to greet the Pakistani Prime Minister Nawaz Sharif on his birthday and to participate in his grand-daughter's wedding celebrations. All the peaceniks as well as scores of weary visa applicants celebrated on both sides of the Radcliffe Line. Finally, they hoped, the chaotic responses of the previous months in which talks between the two national security advisors as well as foreign secretaries oscillated between being revived and called off, would be a thing of the past. As chief minister, Modi may have made several vitriolic statements about the enemy on the western border, but as prime minister, he must, presumably, see the need for stability as well as predictability—a cold peace, perhaps—on India's borders.

So, as he nears his second anniversary in power, Modi must remember that the key to unlocking the complicated neighbourhood can only take place through its peoples. A great orator, Modi must understand that all South Asia is fundamentally connected with each other, which means that the entire region is his canvas to address. The perfect opportunity presents itself at the 30th anniversary

of the founding of the South Asian Association for Regional Cooperation (SAARC), to be celebrated at a summit in Pakistan later this year.

But the truth is that even though the world has stood on its head these past 30 years, South Asia remains stuck in a time warp. To break this logjam, Modi must take a leaf out of former Prime Minister Manmohan Singh's book and push for the implementation of a seamless economic zone across South Asia, in which trade will flow freely and all South Asians will have the inalienable right to travel and work where they wish.

This free movement of citizens must become SAARC's motto and Modi's foreign policy slogan. The goal? To return South Asia to an economic unity that predated the partition of the subcontinent in 1947. Sub-regional projects, including the creation of a common trade and investment space between like-minded neighbours—for example, on the eastern front, between Bhutan, Bangladesh, India and Nepal—could be one way to push for pan-South Asian economic integration. Electricity from the common eastern grid is already flowing between India and Bangladesh and the demarcation of

the border, hanging fire for 40 years or more, has been finally completed. Modi must now push Bangladesh Prime Minister Sheikh Hasina to allow the movement of goods across Bangladesh to reach India's Northeast. In exchange, India should push the private sector to utilise cross-border resources to create employment on both sides, while upgrading the Chittagong port to make it an entrepôt on the eastern seaboard.

Even with Pakistan, plans to buy electricity from Indian Punjab to Pakistani Punjabi have been in the offing for some time, while plans for building oil and gas pipelines in the PPP model are gathering dust. The SAARC summit is a good time to dust off those plans, for which work must begin now.

The second factor relates to India's unique responsibility in the region. Firstly, in Nepal, tension between the Madhesi and the hills people has abated, but not ended. Modi has done well by sticking up for the equality principle, even if he is seen as promoting the Madhesi cause at the expense of Kathmandu. Perhaps India could sweeten the pill by creating a Marshall Plan-like strategy for Nepal, and neutralise the dissonance between the political class in Delhi and Kathmandu.

Indeed, perhaps Modi can create a Marshall Plan for all of South Asia. As India's strategic partner the United States did with the defeated nations of World War Two, Japan and Germany, Modi must learn to spread the cheer that comes from India's economic growth. In any case, islanding a fast-growing India and ignoring the vastly poor hinterland—the rest of South Asia—is terrible policy. The truth is that Delhi has to start looking at the neighbourhood as an integral part of its sphere of influence. Modi must treat South Asia's sovereign nations somewhat like the states in the Indian union, which are ruled by different political parties and therefore project different political ideologies. Just like Delhi does not economically discriminate against these other states, it must also learn to develop common, economic agendas with the other nations of South Asia, no matter their contrary politics.

A second thumb-rule is to push democratic aspirations in South Asia. In Pakistan, Modi must continue to support the democratically-elected

Nawaz Sharif and other democratic institutions so as to diminish the power of the Pakistan Army. In the Maldives, India must accept responsibility for its recent mistakes, which culminated in the takeover by neo-dictator Abdulla Yameen at the expense of the first democratically-elected president Mohamed Nasheed. Delhi must understand that Yameen is playing upon India's fear of expanding Chinese influence in the Indian Ocean to keep himself in power. In Bangladesh, Modi must reach out to opposition leader Khaleda Zia as well as push Sheikh Hasina to open up the political space: This will help both these political leaders to emerge from their victimhood and learn not to take political criticism personally.

The RSS will, of course, ask why it is Modi's responsibility to clean up South Asia, considering, in particular, the terrorism that emanates from Pakistan. There is a simple answer to that question. If India wants to be acknowledged as the leader of the region and sit on the world's high table, Modi cannot allow Pakistan's destructive policies to chain him down. The only way to purge the poison within the Pakistani state is to encourage civilian and democratically inclined constituencies within Pakistan to leach it. Along with the rest of the international community, Pakistan—and its best friend, China—must be persuaded to see that if it continues to ride the tiger of Islamic fundamentalism and terrorism for much longer, it will be in danger of being engulfed by that hydra-headed monster. This is effectively already happening in Pakistan.

Cleansing Pakistan of its terror groups will take decades. But if Modi can open up the relationship and push for the creation of constituencies which will benefit from this opening up with India, he will be able to break the deadlock with Pakistan that is in actuality a stranglehold on South Asia.

A serious conversation with Pakistan on all issues, including Kashmir, will also give the BJP a much-needed breather in governing Jammu & Kashmir, along with its ally, the People's Democratic Party. Once more, Manmohan Singh comes handy: His institution of back-channel talks with the Musharraf government between 2005 and 2007 had given rise to an understanding that the people of the two Kashmirs must be slowly empowered to jointly deal with their inheritance. This must be revived by Modi. Trade across the Line of Control,

increased travel and tourism, and perhaps even the joint management of ecological resources and environmental issues that disregard man-made borders, including climate change, must be promulgated.

The above is vital, given that within Jammu & Kashmir, frustration against India is rising once again. This is a dangerous development, especially because Kashmiris have turned their back on Pakistan, again and again, since they cast their lot with India in 1947. As Mehbooba Mufti inherits her father's mantle, she is looking for peace with honour, to settle her restive population. Modi's reassurance to Mehbooba that Kashmir will remain the linchpin of an India-Pakistan resolution and that the road to peace will travel through this state is an imperative undertaking. For this to succeed, Delhi must reopen its own, long-overdue autonomy talks with Srinagar, even as Delhi and Islamabad pursue their own bilateral peace process.

Lastly, if South Asia is to live up to its manifest destiny, 2016 is the perfect year to imagine a space where cultures commingle. In fact, if South Asia has to be seen as a common canvas—even as each nation protects its own sovereignty—the next, commonsensical thing to do is to promote ties between similar ethnic groups divided by geography. For example, the 'roti-beti' relationship between Nepal's Terai and neighbouring Uttar Pradesh and Bihar is a perfect model for the promotion of cross-border relationships. Other examples are those between the two provinces of Punjab in India-Pakistan, and between the Tamils of India and Sri Lanka.

Promoting economic interaction between these communities could, in fact, become the bridge to the resolution of political problems between their capitals. Remember that the blood feud between India and Pakistan is really about what happened in the Greater Punjab in 1947. The millions of people killed, maimed and uprooted from their homes on both sides of the border was limited to Punjab—it had nothing to do with Kashmir. That came much later.

It seems that even History is on Modi's side. Having won India so convincingly two years ago, it is time for him to expand his vision of "sabka saath, sabka vikas" (development for all) to South

Asia. Fortuitously, the SAARC summit will be held in Pakistan later this year—which Modi, along with all the other SAARC leaders must attend, because even one absentee will ensure the cancellation of the summit.

A world of opportunity beckons in South Asia. Prime Minister Narendra Modi must reach out with both hands and grab it.



THE RETURN OF **History**

Tensions have escalated between the United States and Russia since the Ukraine crisis in 2014. **HARSHV. PANT** posits the revival of Cold War rhetoric as a response to the changing international order—which includes a resurgent Russia. How should India manage its partnerships with both a traditional partner, and one with whom there is increasing momentum to engage?

“The past is never dead. It’s not even past,” said William Faulkner. Russia’s relationship with the West these days is so reminiscent of the heyday of the Cold War that one can be excused for thinking that the Cold War never actually ended. Remember those halcyon days when pundits were declaring that the world is witnessing an end of history with liberal democracy and free market capitalism emerging triumphant after the collapse of the Soviet Union? How distant those days seem and how out of touch with reality those pronouncements.

A CHANGING INTERNATIONAL ORDER

History, with the clash of ideologies declared to be

at an end by Francis Fukuyama in 1989, is clearly not as dead as reported. The Chinese regime is accumulating power at an unprecedented rate and in the process acquiring followers far and wide. The Russian bear, meanwhile, is growling again as imperialist sentiment grows in the corridors of the Kremlin. But it is not simply great power politics that is back in vogue; regimes in minor states such as Syria, Zimbabwe and North Korea have also been emboldened, and have begun to pursue their own brand of “values-based” foreign policy. Russia and China, along with other authoritarian states, have used their positions in the United Nations Security Council to block almost all proposed forms of intervention, and the West, after the debacle of Iraq and looming disaster in

Afghanistan, is more reticent than ever.

This divided world stands in stark contrast to the situation after the victory of the West in the Cold War. Neoconservative commentators in the United States were ecstatic about a victory they took to be the ultimate triumph of Western values, especially of liberal democracy and capitalism. And in a fit of optimism after the collapse of the Berlin Wall, Fukuyama declared not only an end to ideological struggle, but the universalisation of Western liberal democracy as the final form of human government.

This enthusiasm was infectious; liberals soon began to argue that the spread of liberal political and economic values was important for global security; consequently, a coalition of liberals and neoconservatives pushed a global interventionist agenda throughout the 1990s.

This culminated in the Iraq adventure, which was meant to be the first step towards the transformation of an entire region, an answer to the Islamist radicalism being spawned in authoritarian regimes through West Asia. The Iraq War confounded most ideological categories and shattered a lot of myths about the use of force, as liberals found it hard to oppose a war that would remove a genocidal regime from power.

The idea that the democratisation of the Middle East would be the best antidote to Islamist extremism seemed like an idea whose time had come. Yet today, the authoritarian regimes of the region—Saudi Arabia, Egypt, Syria—are all stronger than before, with repression at an all-time high. The liberal ideology of intervention has proved its limits, and is now confronted with a rapidly evolving reality.

THE RETURN OF RUSSIA

Russia has used the modern lexicon of humanitarian assistance and peacekeeping to disguise its aspirations to reassert its control in what it considers its own backyard, the Caucasus. The old battle lines between Russia and the West are being redrawn, with the faintest of hopes that Russia would ally with the West dwindling rapidly. There will be no business as usual between Russia and NATO from now on. Russia has clearly stated

its intention to reclaim its position as the primary geopolitical concern of the West. The Russian-Ukraine conflict is taking place in a broader strategic milieu in which Russia is re-emerging as a major global actor. Russia under Putin wants to establish itself as a major player in global politics, a balancer to the US might. Economic problems are mounting for Russia, but there is huge support for an assertive foreign policy among a Russian public that remains nostalgic for their great power status.

With the Taliban gaining ground in Afghanistan and the Middle East in ferment, the West increasingly seems to be losing its ability to dictate terms to an emerging global order. Europe, in particular, is witnessing a steady loss of self-confidence, turning inwards and growing pessimistic about the future. Ideological competition is in full swing: A former Russian foreign minister argued that “for the first time in many years, a real competitive environment has emerged in the market of ideas between different value systems and development models.” According to him, the West is losing its monopoly on the globalisation process. Putin got away with the seizure of Abkhazia and South Ossetia in 2008 and has managed to retain Crimea. The US president has little credibility left after his red lines on Syria were conveniently ignored by his own administration. Countries like Estonia and Latvia, with significant Russian-speaking populations, are worried as Putin seems to have given rise to a new doctrine of protecting ethnic Russians wherever they might be.

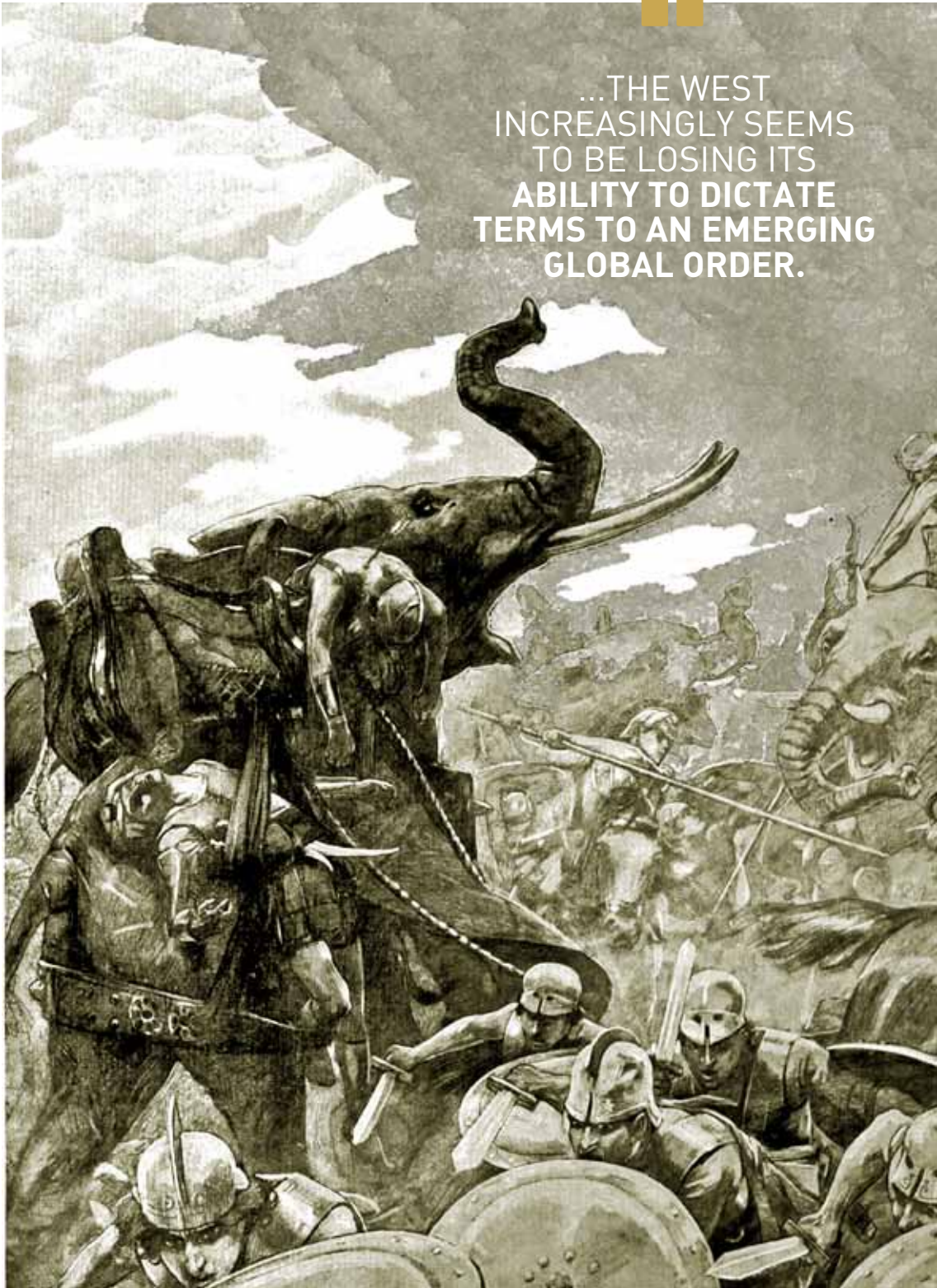
MIDDLE-EAST AS TESTING GROUND?

Russia’s assertive posture is most clearly visible in the Middle East. After finally announcing that the 31 October Metrojet crash in the Sinai was caused by a bomb, Russia began bombing Islamic State targets in Syria in coordination with France. Putin has been investing billions into revamping the Russian military machine over the last several years, and Moscow’s entry into the war in Syria has been a coming-out party for the gear those investments have produced. Moscow wanted the world to see that it has finally tossed off the musty old Soviet overcoat and was ready again to be a global military power. It wanted the world to notice its new capabilities, and US and NATO troops were more than happy to oblige, with the

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GLOBAL ORDER.

BATTLE OF THE HYDASPES / ANDRE CASTAIGNE



Russian battlefield tactics and technologies, using what they had been learning from Ukrainian troops who have been fighting Russian forces and their separatist allies for more than a year in Ukraine's east.

French President François Hollande had hoped to build bridges between Russia and the United States, but the chances of building a solid military partnership between the three countries in the fight in Syria was a tricky business. Not only did American and Russian officials have different goals—the removal of the regime of Syrian President Bashar al-Assad versus propping up, at the very least, the ruling apparatus around him—there were also arguments over who was doing a better job of bombing legitimate targets in Syria. But soon there were signs that Moscow was starting to question the high financial cost and insignificant battlefield gains after months into its deployment to Syria, with some beginning to fear Russia might be stuck in a quagmire. Furthermore, the Russian economy has been in trouble with the fall in oil prices, and many are predicting an end of the Putin era. This resulted in a surprise announcement from Putin in March 2016 that Russian warplanes and troops would begin pulling out of Syria. The Russian involvement in the war is hardly over, however, with as many as 800 soldiers likely to remain in Syria to guard the air base and Russian port facilities, and Russian warplanes continuing to carry out strikes on terrorist facilities in the Middle Eastern country. With the costs of war rising for Russia, this move is largely aimed at pressurising the regime of Bashar al Assad to finally enter talks with rebel groups since the protective blanket of unconditional Russian support has finally been pulled.

Raymond Aron, the great political philosopher of the last century, was right: “What passes for optimism is most often the effect of an intellectual error.” Liberal sentimentalism about internationalism and human nature led to post-Cold War complacency about its values. This complacency has come back to haunt it, a tad sooner than expected: History is back with a vengeance.

IMPACT ON INDIA

Against this backdrop of rapidly deteriorating ties

between the West and Russia, India has found it increasingly difficult to shore up a flagging relationship with Russia. Economic ties are not going anywhere and with the West emerging as a lucrative defence partner, Russia's importance is gradually dwindling. More significant are Moscow's growing ties with Beijing and Islamabad. Defence technologies, on which once India could rely on, are now being shared with China and Pakistan by Russia. This complicates India's regional security in a manner which India has not experienced for the past several decades. New Delhi and Moscow will have to address this drift towards a tense future with a sense of urgency, building upon the still-significant strategic convergences between the two and thinking more creatively about how to manage China's rise, which carries as much significance for Russia as it does for India. The Modi government has been very bold in giving a new sense of purpose to a number of bilateral relationships, but with Russia the outcome so far has been far from satisfactory. Limiting this downward spiral in one of India's major relationships should be a foreign policy priority for New Delhi.

At a time when India needs to work on its relations with Russia, Indo-US ties are gaining momentum with regular high-level political exchanges, military exercises and rapidly expanding defence trade now crossing \$9 billion against a backdrop of growing strategic congruence. There have been signals from Russia that this is one of the reasons behind its outreach to Pakistan. Given the structural challenge that India faces in the Indo-Pacific with the rise of China, a robust partnership with Washington allows New Delhi greater leverage to shape not only its bilateral ties with regional states such as China, Japan and Australia but also to be a balancer in the region. This will continue to drive Indo-US ties in the coming months and years and India will have to convince Russia that its major power relationships are not directed against it. Whether this will be sufficient to manage the present drift in the Indo-Russian ties remains to be seen.

** This commentary continues and expands the arguments made in “How history has returned to haunt the present-day,” The National, May 13, 2014, <http://www.thenational.ae/thenationalconversation/comment/how-history-has-returned-to-haunt-the-present-day>.*



The Middle East

NOT(YET) A POST-WESTPHALIAN ORDER

Ongoing events in the Middle East have strengthened characterisation of the region as one in a general sense of destabilisation coupled with a crumbling state order. **SUMITHA N. KUTTY** opines that it may be jumping the gun to talk of a 'post Westphalian' moment in the region. What are the developing stories in the region? How must India calibrate its engagements in the region to secure and advance its interests?

As the dust began to settle on the Arab Spring, a nightmarish challenge emerged as its unintended consequence—the Islamic State or 'al-dowla al-islamiyya fi-il-i'raq wa-ash-shaam' (Daesh). Today, more than a year into its creation, the brutish terrorist organisation and self-proclaimed 'caliphate' has proven to be much more successful than the Al Qaeda in achieving its goals.¹ The Islamic State has attracted not only domestic fighters but also a great number of foreign ones, many from Europe.² Most significantly (and the most disconcerting for policymakers), it has emerged as a fully functional "state" in the territory it controls across northern and western Iraq and eastern Syria. A product of the US intervention in Iraq in 2003 and the Syrian

civil war in 2011, the Islamic State flipped American Middle Eastern policy on its head overnight.

THE SYMPTOM OF A LARGER PROBLEM

The Islamic State greatly expanded on its transnational ambitions in 2015.³ It took credit for a series of coordinated attacks in Paris, the downing of a Russian commercial flight in the Sinai and several lone wolf strikes, including the San Bernardino shooting in the United States. These acts firmly established the group's capacity to not only lure followers across borders but also persuade them to launch spectacular attacks outside of Islamic State territory.

Why has the Islamic State thrived? The group has brilliantly exploited the vast shortcomings in the Middle East—a region rife with conflicts of great geopolitical complexity and deepening sectarianism; most fueled by an ideological power struggle between Saudi Arabia and Iran. Added to this toxic mix are inept governments steeped in corruption and cronyism that prioritise imminent threats to its rule over caring for its citizens. Simply put, the Islamic State is the poster child of how horribly wrong this story has gone.

On its part, the Islamic State practices a kind of ‘one-sided’ sovereignty—it recognises its supreme authority but not the legal independence of other states.⁴ The same cannot be said of its neighbours. It would therefore seem premature to label the rise of Islamic State heralding a ‘post-Westphalian’ moment in the wider region. This is notwithstanding features in the region that very much lend to ‘statelessness,’ such as shaky and ineffective state mechanisms and fluid boundaries.

The following sections will first trace important geopolitical and security trends in the Middle East and second, examine how India needs to engage the region going forward.

REGIONAL OUTLOOK

2016 began with Saudi Arabia-Iran relations dipping to a never-before-seen nadir. Riyadh severed all diplomatic ties with Iran in January when protestors torched the Saudi embassy in Tehran following the execution of a prominent Shiite cleric in Saudi Arabia. This episode, coupled with other critical movements in the past year, signal things to come.

The most significant geopolitical development to track this year is the Iranian nuclear deal and its implications for the Middle East. The deal between Iran and the P5+1 nations has the region’s Sunni Arab states extremely worried and many manoeuvres discussed here are a direct reaction to Tehran’s impending détente with the world.

Within Iran, Iranian president Hassan Rouhani may have scored a foreign policy coup with the nuclear agreement and consequent rapprochement with the West (primarily Europe; the United States to a much lesser degree). However, with sanctions lifted

as early as the first quarter of 2016, his government has its work cut out. Iran’s economy is in dire need of bold structural reform—the kind that will face great resistance from hardliners and the economy’s de-facto managers, the Republican Guards.

It was not a great year for the House of Saud with the Iranian nuclear deal, plummeting oil prices, rumors of a palace revolt and multiple Hajj tragedies. With the US beating an ‘on again, off again’ retreat from the Middle East, Saudi Arabia decided to finance its own (expensive) military campaign in Yemen, which was done amidst a large budget deficit at home. Throwing money at its problems, as it did during the Arab Spring, is no longer the solution.

Second, the progressively muscular foreign policy adopted by the smaller Gulf states, most notably the UAE, seems set to intensify. In recent years, the Emiratis, under the direction of Sheikh Mohamed bin Zayed Al Nahyan, the crown prince of Abu Dhabi and de-facto national leader, have led a tough campaign against Islamist movements across the region. The UAE’s military is presently actively engaged in ground combat with the Houthi rebels in Yemen.⁵ The country backed the ouster of Egypt’s Islamist president Mohamed Morsi and bankrolls Abdel Fattah el-Sisi’s military government through billions of dollars. It ships arms to its allies in Libya in violation of the UN embargo and contributes to the (US-led) airstrikes against the Islamic State in Syria, where it also funnels funds to anti-Islamist rebel groups.

The UAE’s push in the region has pitted it against Qatar, which chose to back Islamist groups during the Arab revolts, particularly in Libya and Egypt. Doha was forced to pare down its support after the UAE, Saudi Arabia and Bahrain withdrew their ambassadors in protest last year. The country has kept a low profile since, while maintaining a policy of ambiguity on the war against the Islamic State.

Third, the refugee crisis sparked by the Syrian conflict weighs heavily on a region already burdened by some measure of ‘statelessness.’ The crisis in Syria has displaced over four million refugees, as per UNHCR, who have been pouring into Lebanon, Jordan and Turkey, if not fleeing the region altogether for Europe. Over one million have fled to Lebanon, overwhelming a fragile state that is struggling to provide public services to its own citizens. Jordan’s rulers may have successfully

weathered the Arab Spring, but the refugee spillover (about 700,000 of them) has exacerbated pre-existing endemic political, economic and social challenges that threaten the stability of the Jordanian political system.

A fourth developing story is the regional repercussions and costs of Russia's intervention in Syria. Russia imposed sanctions on Turkey after the latter shot down a Russian jet fighter in November. In contrast, Israel's anxieties over IS have taken a back seat ever since Moscow's offensive, freeing it to focus on the deteriorating situation in Palestine.

IMPLICATIONS FOR INDIA

For India, its stakes in the Middle East go well beyond the simplistic narrative of energy dependency. This is also the region where around seven million of its diaspora reside. The diaspora in the Middle East are never permanent residents but 'permanent visitors' in these states and thus remain a domestic constituency by extension. They contribute to over half of India's remittances (\$32 billion out of \$70 billion in 2014).

In its dealings with the Middle East, India has largely stayed clear of the 'either-or' approach and can today boast of relations with Saudi Arabia, Iran and Israel. However, when it comes down to the numerous crises in the region, more often than not, India adopts a policy of "reactiveness and incrementalism" on a case-by-case basis.⁶

Prime Minister Narendra Modi turned his attention to the Middle East in his second year but visited only one country, the UAE. He was the first Indian prime minister to do so in 34 years and his warm reception at Abu Dhabi marked a shift on the part of the UAE, a country that traditionally favours Pakistan. Islamabad's decision to not join the Saudi-led coalition in Yemen left the Emiratis visibly upset. New Delhi could now perhaps urge the UAE to not only step up extradition of Indian terror suspects but also crack down on those with Pakistani passports, something the Gulf states have been reluctant to do in the past.

A visit to Saudi Arabia proved difficult in 2015 because of two humanitarian cases highlighting abuse by Saudi citizens, one being a diplomat. A deepening partnership in counter-terrorism

and intelligence sharing (with American support) and Riyadh's keenness to diversify its security partnerships are two reasons why this bilateral could gain strength.*

India is well poised to seize the opportunities in a post-nuclear deal Iran. Both sides are working toward normalisation of ties. New Delhi needs to swiftly iron out irritants with regard to the Chabahar port contract. Bureaucratic delays on both sides, the risk of Iranian non-compliance in the nuclear deal and Chinese competition for projects are challenges that remain.

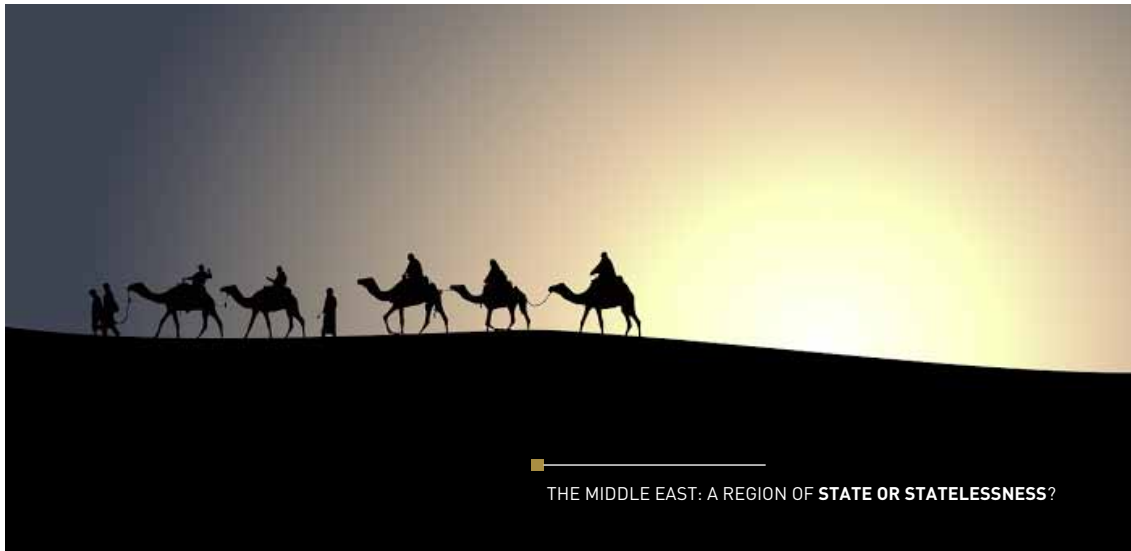
Modi's historic visit to Israel did not materialise either in 2015. Pranab Mukherjee preceded him by becoming the first President of India to tour Israel, where his remarks were less reflective of Modi's forward-looking policy and sought to balance India's traditional reticence to separate Israel from the Palestine issue.⁷ External Affairs Minister Sushma Swaraj's visit in January seems to have set the stage (and expectations) for the prime minister's visit (expected later this year), which may finally correct this perception of imbalance.

Oman's moderate foreign policy (role in brokering Iran deal, non-participation in sectarian conflicts) makes it an invaluable ally for New Delhi as reaffirmed by Swaraj's visit to the country in 2015.

With respect to dealing with the Islamic State—a non-state actor—New Delhi originally viewed the group as a remote threat, assigning priority to countering its influence online and firming up cyber-intelligence measures. With the Paris attacks and Islamic State's increasing footprint in the subcontinent, the government realises that this challenge "cannot be underestimated."⁸

The problem seems manageable thus far with only around 23 Indians reportedly joining the group and some individuals suspected of involvement being deported from the Gulf states, particularly the UAE. A few others have been detained as they were

*Modi's visit to Saudi Arabia had not been announced at the time of writing. He finally visited the kingdom in early April. Importantly, the joint statement included an agreement to enhance counter-terrorism cooperation.



THE MIDDLE EAST: A REGION OF STATE OR STATELESSNESS?

either leaving the country for Islamic State-held territories or returning from them, with a majority disappointed by their experiences.⁹

A high point for India last year was the impressive evacuation by the Indian Navy of 3,000 Indian citizens and 500 foreign nationals from Yemen. At the same time, New Delhi has been unable to ascertain whether thirty-nine Indians kidnapped in 2014 by the Islamic State are alive, exposing its limitations in the region when it comes to dealing with this transnational threat. In addition, the Yemen conflict, which India is not even party to, had killed eight Indians and injured 17 more in 2015.

Such vulnerabilities become extremely important considerations for India as the international community debates a UN-led ground offensive against the Islamic State. New Delhi's decision directly puts at risk the lives of seven million of its own in the region.

If and when that moment comes, India has some tough choices to make. It will have to effectively expand cooperation and coordination with key states in the Middle East—the ones serious about fighting the Islamic State—while ensuring limited blowback both at home and abroad. And India will have to navigate these relationships within a region that is complicated by the presence of the Islamic State, an entity that poses a fundamental challenge to both regional and international order.

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- 4 Richard A. Neilsen, "Does the Islamic State believe in sovereignty?," *The Washington Post*, February 6, 2015, <https://www.washingtonpost.com/blogs/monkey-cage/wp/2015/02/06/does-the-islamic-state-believe-in-sovereignty/>.
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- 9 Abhishek Bhalla, "Indians lured by Islamic State now want to return home," *Mail Today*, November 27, 2015, <http://indiatoday.intoday.in/story/indians-lured-by-islamic-state-now-want-to-return-home/1/532629.html>.



BRICS

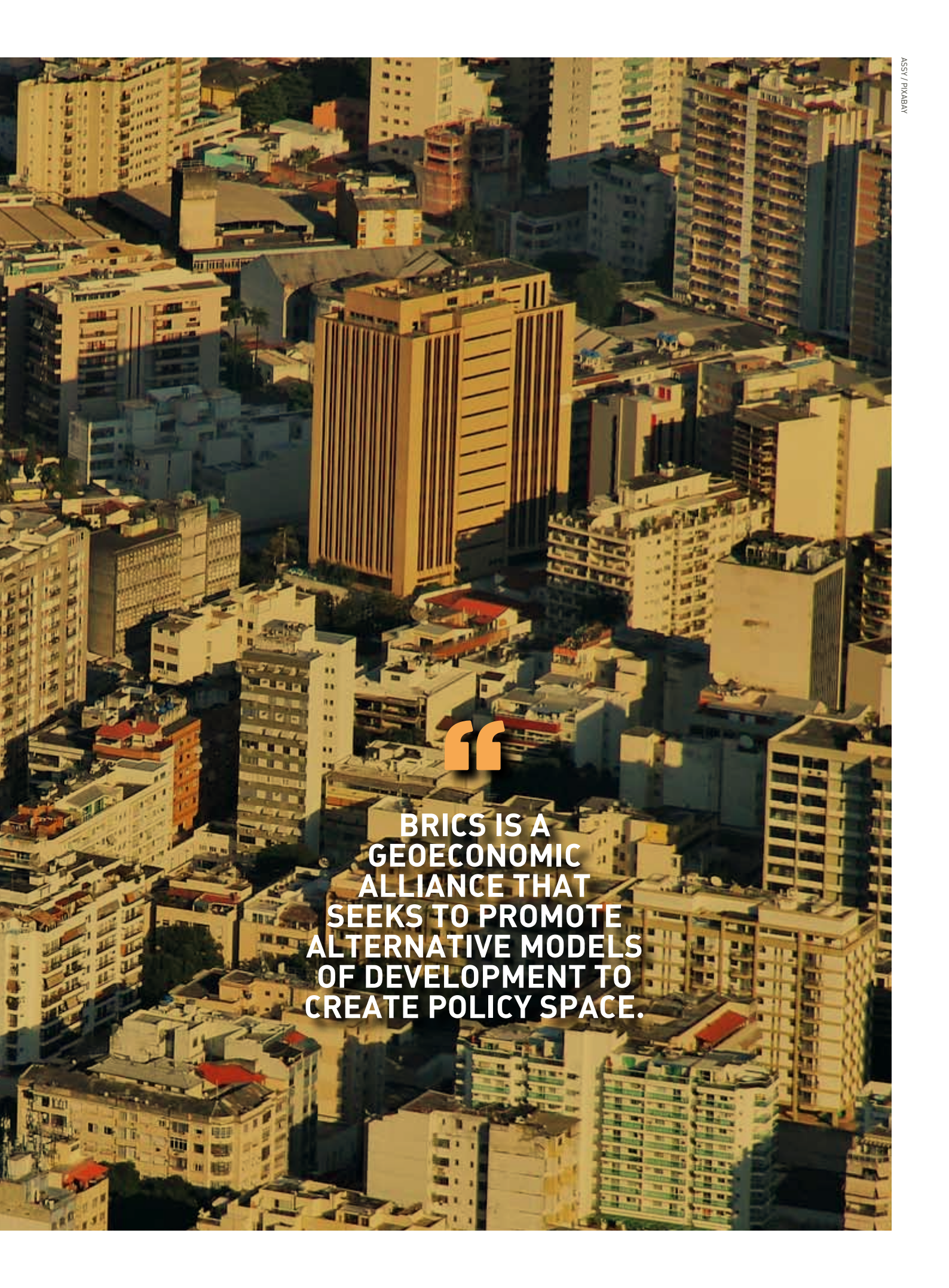
TO REBUILD THE HOUSE

Recent consensus has written off the BRICS. Is there a case left to be made for the grouping? **SAMIR SARAN** and **ABHIJNAN REJ** argue that India is the B in BRICS for 'bright spot,' and that it will need to take the lead in revitalising the grouping through the NDB and the NDBI as it assumes chairmanship of BRICS this year.

As unusual as it may sound, management-speak sometimes does lead to good ideas. One such idea came from Goldman Sachs' Jim O'Neill grouping the four growing emerging markets—Brazil, Russia, China and India—into the acronym 'BRIC' in 2001. Eight years later, BRIC emerged as a formal plurilateral grouping and, in 2010, South Africa's bid to join BRIC was successful, adding the 'S' to the acronym. Between the five countries, BRICS accounts for about 20 percent of the world's GDP and 43 percent of the world's population. Three BRICS members are nuclear states; two are permanent members of the UN Security Council; all are in the G20.

Seven years later, serious questions are being raised about individual BRICS states as well as the relevance of the grouping. China's 'growth transition' continues to both drive and spook global markets; the once axiomatic proposition "China is the world's factory" no longer seems to hold. Between Crimea and Syria, Russian military power remains capable of upending the current geostrategic status quo. With the start of the impeachment proceedings against Dilma Rousseff in December last year, Brazil's political future remains uncertain, likely to exacerbate its worsening economic condition. Unemployment in South Africa rose to a 10-year high in 2015, at 26.4 percent.¹ India, meanwhile, seems to be getting





**BRICS IS A
GEOECONOMIC
ALLIANCE THAT
SEEKS TO PROMOTE
ALTERNATIVE MODELS
OF DEVELOPMENT TO
CREATE POLICY SPACE.**

back on track. Prime Minister Narendra Modi has embarked on a vigorous engagement with the world since coming to power in 2014, bringing both Beijing and Washington closer to New Delhi in a pragmatic way. Without any hyperbole: India is, in fact, the 'B' in BRICS, the 'bright spot.' If BRICS has to be more than a buzzword, India's economic performance at home and diplomatic vigour abroad are what could transform the coalition to a credible creator of new growth and development space. This should be India's stated objective as it assumes the BRICS presidency this year.

It is important to clarify what BRICS ultimately is: It is not a trading bloc or an economic union per se. Nor is it a political coalition—BRICS member states have foreign policies that are widely divergent. Brazil, India and South Africa broadly orient themselves towards the liberal end of the political spectrum. China pursues a trajectory that will, sooner than later, put it on a collision course with the United States even as it leverages the West in the medium term for its economic growth. And finally, Russian intransigence continues to be perceived by the North Atlantic Treaty Organization as its single greatest threat. BRICS, broadly speaking, can be viewed as a geoeconomic alliance that perceives power concentration in the hands of Bretton Woods institutions as unfair and seeks to promote alternative models of development—through the sheer weight of the collective—to create policy space. Viewed through this prism, the New Development Bank (NDB) and its effectiveness is what will define the coalition in the coming years.

A natural corollary of excessive power concentration in the hands of Bretton Woods institutions is dollar dominance. That is in turn of great concern to emerging economies. Consider the US Federal Reserve's decision to raise its policy rate by 0.25 percent on 16 December 2015. Any increase in the US policy rates makes the dollar stronger relative to other currencies by improving the returns on US bonds; the latter also results in capital outflow. The International Monetary Fund (IMF) is averse to competitive devaluation of national currencies, notwithstanding China's moves in this direction. In balance, this means that for all practical purposes the value of national currencies are a function of the US Federal Reserve, an uncomfortable situation for national treasuries. Indeed, the December 2015 hike in the US policy rate

has seen the Indian rupee depreciate considerably against the US dollar. Not surprisingly, Russia, China and India all are decreasing dependency on the US dollar as a geoeconomic hedging tool,² as dollar dominance also "gives the US exceptional power to delay or deflect balance of payments adjustment and to coerce other powers through the imposition of economic sanctions."³ The US currency policy, in other words, is an instrument of US economic statecraft, a fact of great concern to the Russians and the Chinese, with India and other emerging economies being collateral damage.

Now to come to the jewel in the BRICS crown—the NDB. It formally came into being after the 7th BRICS summit last year, with the Indian banker K.V. Kamath instituted as its president. Its mandate as a multilateral development bank is broad, though catered to the specific developmental needs of the member countries. On one hand, by 2050 the middle class in BRICS states will account for half of the global consumption; on the other hand, they currently account for half of the world's poor.⁴ Beyond these unique developmental challenges that NDB seeks to redress, the broader geopolitical goal of the bank will be to reduce reliance on the Bretton Woods architecture by channelling regional surplus internally, devising alternative cross-border payment mechanisms and promoting the use of local currencies intra-regionally by internationalising them. These goals are the ones which give the NDB more teeth than, say, the Asian Development Bank. While the size of the bank is unlikely to affect global financial flows in a significant way, it will dramatically alter the ethos of the extant financial architecture.

For the NDB—and, inter alia, the BRICS—to flourish, what member states need to ensure is greater policy connectivity. This can only be achieved by the establishment of a lean knowledge hub—the New Development Bank Institute (NDBI)—"which should function as bank of ideas, a storehouse of experience and a knowledge powerhouse," as Modi noted at the BRICS leaders' summit on the sidelines of the G20 summit last year.⁵ The NDBI is visualised to be designed along the lines of the Development Economics Vice Presidency of the World Bank or the research arms of the IMF. In line with the stated political and economic objectives of BRICS, the NDBI must focus on the following three areas:

The New Digital Economy: As a scholar recently notes, “the digital dimension of Eurasian connectivity has yet to be addressed by the [Asian Infrastructure Investment Bank] or other regional bodies.”⁶ The NDB can address this lacuna by financing digital connectivity in Eurasia, with Russia taking the lead. The NDBI should also provide knowledge inputs as BRICS moves towards creating an alternative to the global SWIFT payment methods and a BRICS-wide clearing house. The promotion of micro, small and medium enterprises remains high on the agenda of the NDB: The NDBI should suggest ways in which such businesses in the BRICS countries can sell outside their national borders through a five-country e-tailing network, which would be supported through BRICS-wide payment and clearing mechanisms. In short, the challenge is to develop a market architecture by which, say, an Indian can source Brazilian pineapples, with payment routed through a BRICS payment network and cleared in Indian rupees.

Monetary policy surveillance and counter-measures: BRICS members have agreed to a \$100 billion Contingency Reserve Arrangement (CRA), to be operational this year. For the full functioning of the CRA, an early-warning system must be developed that monitors currency markets in member states and shifts in monetary policies, including shifts in monetary easing policies, in advanced economies. In effect, it will act as an observatory of global financial markets, an expert base for foreign exchange issues and a hub for BRICS macro-prudential measures.

The policy surveillance mechanisms can be extended to the establishment of a BRICS credit ratings agency which would rate advanced economies’ performance, much in the same way that the IMF does with its sovereign credit ratings. This political tool will go a long way in breaking the monopoly of Bretton Woods institutions as the final arbiter of the health of the global economy.

Development of local currency bond markets and currency swaps: There is a pressing need to diversify away from bank finance and to introduce a greater role for capital markets, both local and global. Currently, the majority of corporate capital expenditures in new projects both in China and India is through bank loans. A key focus area to change this status quo is the strengthening of local currency bond markets in the BRICS region. The

process of internationalisation of BRICS currencies should also be facilitated through currency swaps as well as through facilitation of trade in national currency-denominated bonds in offshore BRICS centres.

BRICS, this commentary takes as a premise, is a geoeconomic alliance with an unstated aspiration to reduce the role of Bretton Woods institutions in growth and development processes, allowing space for alternative solutions to address unique developmental needs. Additionally, the alliance offers New Delhi a greater bargaining space as it seeks to gain more prominence in these institutions. While the challenge for India as it assumes BRICS presidency this year is to ensure that BRICS does not overreach in terms of its goals and thus end up diluting the agenda, it is also clear that India will need to be the wind to the BRICS sail for the foreseeable future. Deft ideation and establishing effective new institutions to complement the old ones will be the Indian goal. If the common minimum that member states can agree on is economics, the coalition must build on in it without a hint of activist-internationalism. New Delhi must ensure that a ‘Delhi Declaration 2.0’ is a strong restatement of BRICS economic commitments, and use it as signalling to the West that it is not averse to using this coalition to balance power.

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 - 4 Samir Saran and Vivan Sharan, “More Than Just a Catchy Acronym, Six Reasons Why BRICS Matters,” *Global Times*, June 9, 2013, <http://www.globaltimes.cn/content/754826.shtml>.
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The Lure of RTAs

WILL INDIA OR WON'T IT?

The concept of RTAs has gained currency: the TPP deal has been signed, discussions on TTIP are ongoing to complete the TTIP deal and an agreement on RCEP is expected to be finalised by the end of this year. India, too, contends **NILANJAN GHOSH**, has joined the fray of 'FTA fetishism,' but must, first and foremost, comprehensively complete its balance sheet when conducting feasibility studies on such trade arrangements.

It is now a “stylised fact” that free trade policies open up previously closed areas to competition and innovation, and hold promises of better jobs, newer markets and increased investment. Cooperation in international trade through free trade between nations is deemed to be Pareto-improving for participating nations: thus has emerged the notion of Regional Trade Agreements (RTAs). RTAs are defined as reciprocal trade agreements between two or more partners.

(PTAs)¹ and Free Trade Agreements (FTAs).² Recently, there has been a plethora of FTAs that have been signed by the Indian Ministry of Commerce, the momentum for which began in the new millennium and continues unabated. As many as six have been signed with East and Southeast Asian economies and trading blocs. The government is in the process of negotiating further such agreements with Australia, New Zealand, Canada and the European Union. Its unequivocal argument in favour of signing these agreements is that trade expansions as a result of tariff reduction will benefit all signatories.

India has primarily been thinking of RTAs in the context of Preferential Trade Agreements

This Indian position is in turn based on various premises. The first is a belief in the neoclassical

economic postulation that “trade is good: More is better.” With its inextricable linkage to “comparative advantage” theory, trade as a vehicle of development works best when there is complementarity in terms of goods and services between the two economies. Therefore, by eliminating tariff and non-tariff barriers, RTA/FTA partners get easier market access into one another’s markets. The second reasoning is that exporters prefer FTAs to multilateral trade liberalisation because they receive preferential treatment over non-FTA member country competitors. Third, such trade agreements enhance the possibility of increased foreign investment from outside the FTA. This is also true for non-tariff measures. Fourth, these FTAs are much more simplified and customised than multilateral negotiations.

Beliefs in theories and premises aside, the general practice being followed before signing FTAs has been to constitute joint study groups, which come up with their sets of inferences. For instance, trade relations between India and New Zealand are seeing discussions over the Comprehensive Economic Cooperation Agreement (CECA) between the two economies. In 2007, both sides agreed to explore the possibility of entering into the agreement if an economic analysis supported its viability. The findings of the joint study undertaken subsequently suggested that there is considerable potential to increase bilateral trade and economic relations, particularly if tariffs and other current barriers are adequately addressed in the agreement, effectively underscoring arguments made in favour of FTAs. Rounds of negotiations have been following ever since, and the FTA may be signed at any point now.

CECA is essentially the latest example of the ‘FTA fetishism’ being showcased by the Government of India, which believes in a host of floated myths that flout realities. The feasibility studies meant to document the costs and benefits of RTAs are incomplete, and biased in that they take a partial view of the costs or problems that might eclipse benefits. First, India has traditionally face a trade deficit with the nations with which it has signed FTAs. Indeed, India’s bilateral trade equations with the six East and Southeast Asian economies have not only become negative for India, but trade deficits, on the whole, have increased after the FTAs were signed (Figure 1). At an aggregate level, the Indian trade deficit has increased by almost 20 times between 2001-02 and 2014-15 in this era of FTAs.

Second is the issue of uncertain impact on value chains. The macro-modelling frameworks adopted by joint study groups conducting feasibility studies rely heavily on Computable General Equilibrium (CGE)³ frameworks, which have thus far failed to capture such impacts across varying nodes of a value chain—farmers, labourers, government, industry, retailers, consumers, etc.⁴ These gaps can lead to uninformed policy formulation.

Third, there is a concern with the CGE frameworks themselves. Such modelling frameworks are fraught with unrealistic assumptions emerging from neoclassical economic literature on optimality (cost-minimising behaviour of producers, utility maximisation by consumers subject to budget constraints): These do not conform to behaviours of agents in reality because institutional factors that affect such behaviour are not accommodated in CGE equations. This can hardly lead to a realistic ex-ante analysis as is warranted in feasibility studies. For instance, let us take the labour market. Under CGE, it is assumed that there is no involuntary unemployment; thus, an economic stimulus—such as a trade agreement that lowers trade and non-trade barriers—would only lead to an increase in wages.⁵

THE INDIAN POSITION ON TPP, TTIP & RCEP

An incomplete balance sheet on TPP

The Trans-Pacific Partnership (TPP), a prime example of a PTA, was signed in October 2015, thereby leading to the creation of the largest trade bloc in the world accounting for roughly 40 percent of global income. The TPP brings together the United States, Canada, Japan and nine other Pacific Rim economies. India and China have thus far refrained from becoming members.

Arguments against India’s stance on staying out of the TPP raise the fact that trade disciplines and standards agreed upon by participating nations will adversely affect India’s trade once the agreement is implemented through trade diversion, decline in foreign direct investment and geopolitical exclusion.⁶ On the contrary, it is argued that “harmonization of one country’s regulatory standards in labour, environment or something else to another country’s likely will not involve mutual

gain but may even be costly for the country that is forced to harmonize.”⁷

Furthermore, the literature on international trade, which claims that “small” economies—ones that do not influence the prices of goods and services traded in the global economy, and which should move to completely unfettered free trade regimes in the absence of market failures—states that PTAs are not the best moves for such nations. (India, too, until now has been a ‘price-taker’ and not a ‘price-maker’ in global trade.) When a country preferentially reduces trade barriers with its partners in a PTA, it is simultaneously keeping in place—or perhaps, even raising—trade barriers against countries that are not members of the agreement.⁸ Thus, many have considered PTAs as stumbling blocks towards multilateral trade liberalisation.

There is no proper ex-ante analysis, in the public domain, of the prospects and problems resulting from the various dimensions of the agreement. Concerns remain over the methodology of such analysis, as discussed above. Therefore, advantages of joining the US-dominated PTA are still ambiguous from the Indian perspective, and whether these align with Indian national interests.

Impacts of TTIP:

RCEP as a perceived counteractive force

The Trans-Atlantic Trade and Investment Partnership (TTIP) is a trade and investment agreement under negotiation between the European Union and the United States. It has been claimed that the impact of TTIP on India will be detrimental, especially on Indian exporters. This is based on the premise that the TTIP would facilitate the emergence of an integrated, and more inward-looking, trans-Atlantic market, precluding Indian exports from its system.⁹

It is in this context that the Regional Comprehensive Economic Partnership of Asia and the Pacific (RCEP) has been thought of as a force to counteract this negative impact. India perceives RCEP as a major opportunity to provide a fillip to its trade initiatives. RCEP is expected to be an ambitious agreement bringing the five biggest economies of the region—Australia, China, India, Japan and South Korea—into an RTA. There is no doubt that from a strategic perspective, RCEP is a big boost for India’s “Act East” policy. More importantly, it

is perceived that by participating in the RCEP, the so-called “developing countries FTA,” India can constructively push for a comprehensive deal that covers trade not only in goods but also in services, where India’s traditional comparative advantages lie.¹⁰

Despite this hope about RCEP, apprehensions remain. As has already been noted in the context of India’s bilateral trade relations with East Asian nations, India’s trade deficit only increased after entering into FTAs. As far as China is concerned, India already faces a trade deficit. By signing a multilateral RTA where China is a signatory, imports may further increase by a higher magnitude than exports due to price competitiveness. Indeed, demand for imported commodities has increased thus far with a decline in or complete elimination of tariffs and non-tariff barriers. This has negatively affected domestic industry, as is visible in the sectors of edible oil processing, automobiles, telecom and white goods.¹¹

FTAs, therefore, are counterproductive to the Make in India initiative, given intended import substitution objective of said initiative. At the same time, however, these RTAs have actually widened choice of cheaper products for Indian consumers. Recently, the government has raised the import tariffs of both crude and refined edible oils, much to the glee of the Solvent Extractors’ Association. This is definitely a move to protect the industry, but is prone to increase product prices and adversely affect consumer wellbeing.

IN SUM

The important concern to raise is related to the government’s policy dilemma on FTAs versus domestic industry. FTAs have definitely helped consumers, as they increase consumer surplus by exposing them to cheaper imports. As such, the domestic industry has failed to live up to this competition.¹² The contention is not against FTAs, neither against the Make in India philosophy; but, there is definitely an “impossible trinity” that cannot be reconciled given the present institutional structures: FTA, the Make in India initiative and consumer wellbeing. On the other hand, can one really ignore the lure of RTAs, when the trade multiplier of GDP has traditionally been taken as a growth driver?

Given this dilemma, a better decision, whether it



FROM FREIGHT TO FRIGHT: HAS INDIA DONE ITS HOMEWORK REGARDING RTAS?

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concerns RCEP or RTAs in general, can be reached only when one conducts more comprehensive feasibility studies that do not merely look at the macro-economic impacts (through macro-variables and multiplier impacts on GDP), but also analyse impacts on commodity value chains. This should be the primary task for India in this coming year.

* *This piece is an extension of the arguments made by the author in “FTA-fetishism to hurt Indian industry in the long run,” ABP Live, November 13, 2015, <http://www.abplive.in/blog/fta-fetishism-to-hurt-indian-industry-in-the-long-run>.*

- 1 A PTA entails two or more partners agreeing to reduce tariffs on an agreed number of tariff lines. The list of products in which an agreement has been reached for duty reduction is called the positive list. In general, PTAs do not substantially cover all trade—example being that of MERCOSUR (Southern Common Market).
- 2 FTAs are arrangements between two or more countries or trading blocs which come together and agree to reduce or eliminate customs tariffs and non-tariff barriers. FTAs normally cover trade in goods (such as agricultural or industrial products) or trade in services (such as banking, construction and trading). FTAs can also cover other areas such as intellectual property rights, investment, government procurement and competition policy.
- 3 Computable general equilibrium (CGE) models are used to estimate how an economy might react to changes in policy, technology or other external factors. A CGE model consists of equations describing model variables, and a database (usually very detailed) consistent with the model equations. The equations tend to be neoclassical in spirit, often assuming cost-minimising behaviour by producers and consumers.
- 4 Econometric model-based analyses have been carried out of impacts of tariff liberalisation and the India-Malaysia FTA on

various nodes of the edible-oil value chain. These have been deciphered through changes in consumer surplus (for consumers), processing margins or producer surplus (for producers), wage-bill (for labourers), government revenue and farm incomes. Differential impacts have been found across the various agents in the value chain, although the aggregate impact of FTA is positive. See: N. Ghosh et al, “India’s FTAs with East and Southeast Asia: Impact of India-Malaysia CECA on the Edible Oil Value Chain,” ORF Occasional Paper 73, 2015, http://www.orfonline.org/wp-content/uploads/2015/12/Oc-Paper_73.pdf.

- 5 Econometric modelling, on the other hand, does not discount the presence of ‘spare capacity,’ and believes that unemployed workforce can be brought into service if the right inducement is provided. For more detailed criticism of CGE and related trade models, see: Ghosh et al, “India’s FTAs”; N. Ghosh and S. Hazra, “Sensitivity Analysis with Calibration of Natural Resource Variables under Climate Change: Comparing Computable General Equilibrium (CGE) and Econometric Frameworks” in *Economic Modeling, Analysis, and Policy for Sustainability*, eds. A. Goswami and A. Mishra (Pennsylvania: IGI Global, 2016).
- 6 G. Nataraj, “The Trans-Pacific Partnership; Implications for India,” ORF Occasional Paper 84, January 2016, http://www.orfonline.org/wp-content/uploads/2016/01/OP_84.pdf.
- 7 V. Dahejia, “The Trans-Pacific Partnership and India’s Trade Strategy,” *The Mint*, November 1, 2015, <http://mintonSunday.livemint.com/news/the-trans-pacific-partnership-and-indias-trade-strategy/2.4.1926295954.html>.
- 8 Ibid.
- 9 J. Xianbai, “India’s lurking TTIP challenge,” Gateway House, September 8, 2015. Analyses exist, however reductionist they may be due to unrealistic assumptions made in approach, structure and content, that illustrate TPP’s negative impacts on India GDP. See: Freytag et al, “The Impact of TTIP Volume 1: Economic Effects on the Transatlantic Partners, Third Countries and the Global Trade Order,” Konrad-Adenauer-Stiftung, 2014; H.V. Singh, “TTIP and India: Potential implications and reactions” in *Catalyst? TTIP’s Impact on the Rest*, eds. M.S. Akman et al (London: CEPR Press, 2015).
- 10 Ibid.
- 11 N. Ghosh, “‘Make in India’ likely to be detrimental for consumer well-being,” ABP Live, October 15, 2015, <http://www.abplive.in/blog/make-in-india-likely-to-be-detrimental-for-consumer-well-being>.
- 12 Ibid.



Crossing the Frontier

TIME TO ENGAGE WITH AFRICA

"Africa is on the move," as noted US President Obama, and the world has been talking of an "Africa rising" for the past few years. **MANISH CHAND** contextualises this changing narrative surrounding the continent; positions India's engagement within the new dynamic emerging from the efforts of other actors in the region; and identifies the way ahead for India in Africa.

It is Africa's moment under the sun. The current global economic slowdown notwithstanding, the dominant mood is still of irreducible "Afrooptimism,"¹ with the world betting on the resource and people-rich continent of emerging possibilities. The narratives of a rising Africa and a resurgent India are intertwining, and the coming months and years provide a unique space to upgrade centuries-old India-Africa ties.

REIMAGINING AFRICA: CAPE OF GOOD HOPE

Africa's unfolding resurgence needs to be contextualised against representation of the continent in mass media and myth-making up to now.

Refreshingly, gloom-and-doom narratives of Africa are passé. Resurgence, Renewal and Renaissance are the new buzzwords, ineluctably replacing the old narrative marked by Crisis, Conflict and Catastrophe.

Add to this potent mix the three Ds of Democracy, Development and Demography, which are fuelling a wave of Afro-optimism despite some dispiriting trends and festering instability across swathes of the continent. Africa, in short, has decisively shed the stereotype of a "Hopeless Continent" and become a "Cape of Good Hope," with six of the world's fastest-growing economies located in Sub-Saharan Africa and more than thirty African countries becoming functioning democracies.

With its overwhelmingly young population in the age group 19-35 and the emergence of a new generation of quality-conscious middle class consumers, Africa's attractiveness quotient has increased for global investors and trend-trackers.

MULTIPLE PARTNERS: AFRICA'S CHOICE

Against this backdrop, the 54-nation continent is once again a hub of renewed competition among traditional partners and emerging partners of Africa for influence, resource and markets.² The United States has launched a fresh outreach, with President Barack Obama hosting the first summit with the leaders of African countries in 2014. Obama heralded Africa as a continent on the rise and a market for US businessmen, with American companies pledging investments worth \$17 billion across African countries.³

Besides the United States and the European Union, two key western partners of Africa, the rise of Asia in the continent is an evolving success story, with profound ramifications for the continent's continued resurgence. Marking a quantum jump in China's surging engagement with Africa, President Xi Jinping announced \$60 billion in funding for development projects at the triennial Forum on China-Africa Cooperation, held in Johannesburg in December 2015. China's bilateral trade with Africa has grown exponentially, exceeding \$220 billion. Japan has been ramping up trade and investment with Africa. Africa's trade with the Association of South East Asian Nations today exceeds \$42 billion.⁴

INDIA'S ENGAGEMENT WITH AFRICA

Against this backdrop of multiple partners and emerging possibilities in the continent, India's multifarious engagement with Africa, which has acquired a fresh ballast and direction with the India-Africa Forum Summit-III (IAFS-III) in October 2015, needs a careful reappraisal. The IAFS-III culminated in an ambitious and all-encompassing template of dovetailing the India growth story with Africa's Agenda 2063, which will provide India's Africa diplomacy more leverage and influence in upgrading its profile in the continent compared to other rising powers like China.

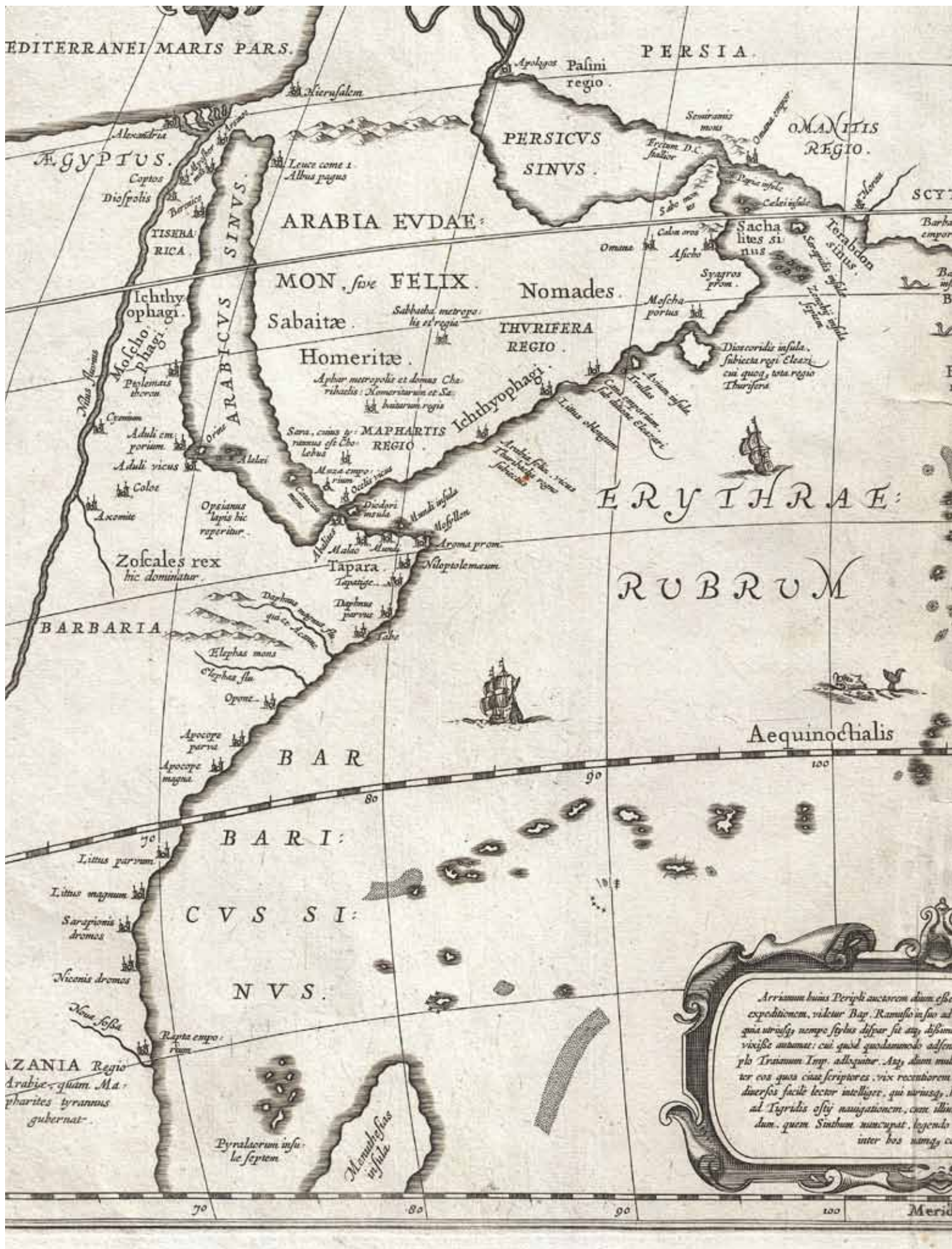
The sheer scale of the summit, with a record

number of African leaders (41 heads of state/government) attending and all other countries represented by senior ministers, underscored New Delhi's design to step up engagement across the continent, especially with those African countries that have until now not figured high on India's diplomatic horizon, such as West African and Central African nations. The following sum up the layers of engagement in the pipeline:

Development partnership: In 2016 and coming years, the focus will be on upscaling India's development partnership with the continent, which pivots around capacity building, concessional finance and human resource development. Prime Minister Narendra Modi has announced lines of credit worth \$10 billion to Africa, apart from an additional grant assistance of \$600 million, a \$100 million India-Africa Development Fund and a \$10 million India-Africa Health Fund. The total financial pledge for projects to be executed until 2020 is more than double the amount committed by India over the last two summits (2008 and 2011). The plan of action regarding India-Africa development cooperation is to be launched with the African Union (AU) this year.

Economic ties: Building upon key commitments of IAFS-III, India is set to focus on spurring integration of African countries in regional and global supply chains, promoting infrastructure development and regional integration.⁵ One can expect more public-private partnership ventures by Indian companies in setting up skills development units in African industrial zones. This is in sync with India's policy of encouraging Indian companies to focus on value addition, local job creation and training, rather than simply making profits and finding new markets. Given huge opportunities emerging in African countries, India is also set to scale up its role in infrastructure development by enhancing capital outflows to Programme for Infrastructure Development in Africa. Agriculture will be an important focus area, with African leaders pitching for a greater role of Indian expertise and technology in spurring a green revolution in Africa, and the Indian government encouraging Indian farmers to invest in the continent.

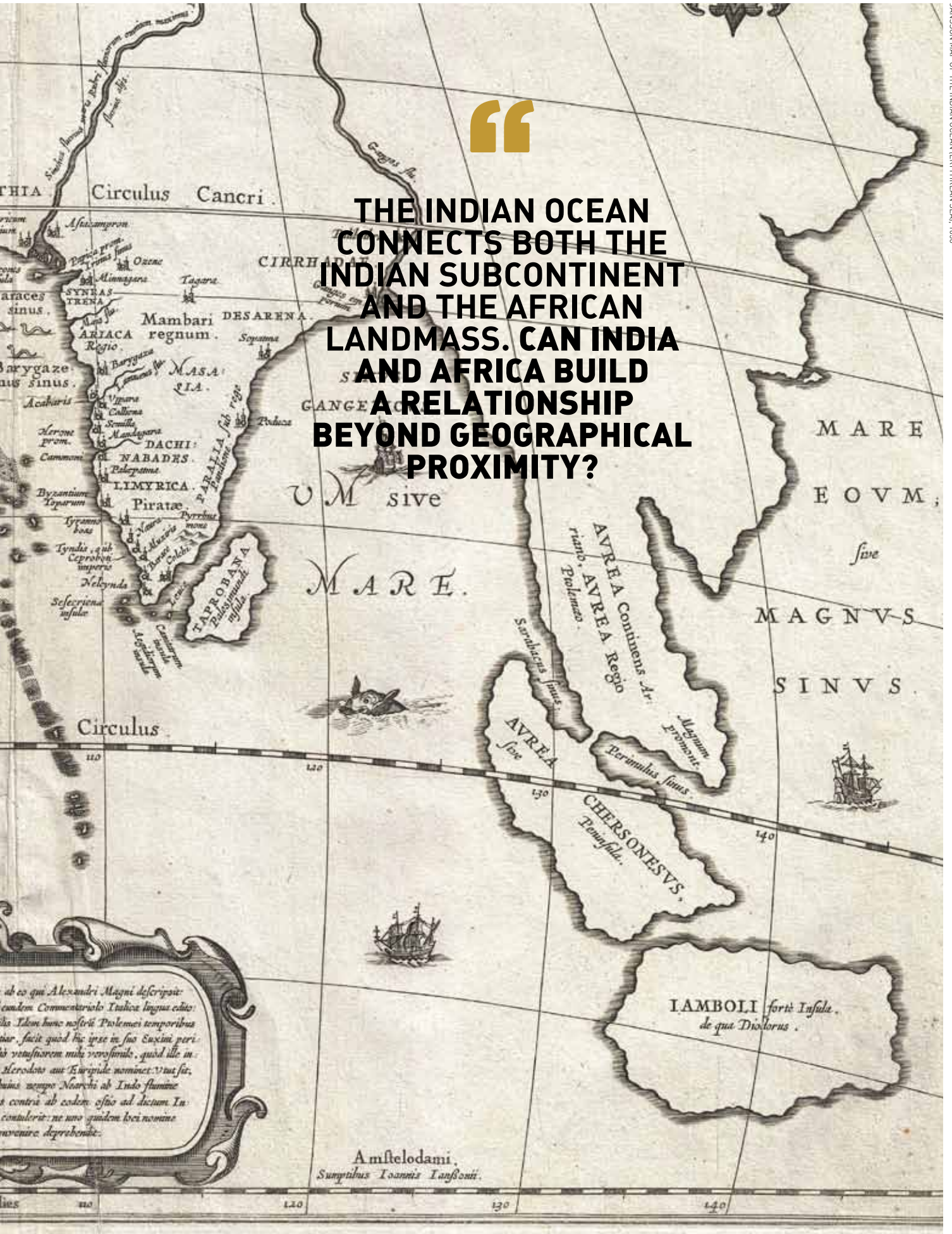
Enhancing both the quantity and quality of bilateral trade will also be a focus. India-Africa bilateral trade, currently around \$70 billion, has the potential to double by the next summit in 2020. This upbeat projection, however, depends on many factors, including the ability of the



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**THE INDIAN OCEAN
CONNECTS BOTH THE
INDIAN SUBCONTINENT
AND THE AFRICAN
LANDMASS. CAN INDIA
AND AFRICA BUILD
A RELATIONSHIP
BEYOND GEOGRAPHICAL
PROXIMITY?**



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Indian economy to sustain high growth rates and whether decisive action is taken by African economies to move from resource dependency towards trade diversification and structural economic transformation.

Sustainable development: ‘Clean and Green’ is set to be the new mantra framing India’s burgeoning partnership in the area of energy security. India currently imports 20 percent of its oil and gas from Africa; engagement will now focus on enhanced collaboration in the production of clean energy and promoting sustainable development within the ambit of Africa’s Agenda 2063. This was evident from the enthusiasm shown by many African countries in joining the International Solar Alliance of sun-rich countries, flagged by Modi at IAFS-III and formally unveiled at COP21. Looking ahead, COP22 will be held this year on the African soil in Marrakesh, Morocco, with India and Africa planning to work together to ensure that their concerns regarding adaptation, climate finance and technology transfer are accommodated in the course of implementing the Paris Agreement.

Security partnership: Against the backdrop of the rise of groups such as Boko Haram in Nigeria, Al Shabaab in the Horn of Africa and Al-Qaeda in the Maghreb, India and Africa are set to step up counter-terror cooperation through real-time intelligence sharing on the activities of these groups. The broader focus will be on deepening the strategic dimension of the partnership, which is now receiving greater attention.

Blue economy/maritime security: On the one hand, India and eastern African littorals will be working closely in the development of a blue economy—sustainable development of oceanic and coastal resources; on the other, common problems of maritime terrorism, drug trafficking and a potential resurgence of piracy off the coast of Somalia provide impetus for India and Africa to build robust bilateral and multilateral security arrangements, beyond those currently existing.

United Nations Security Council reforms: With text-based negotiations for UNSC reform set to begin this year, this is the now-or-never chance for India and Africa to step up joint efforts in crafting a more inclusive world order. Both support the expansion of the Security Council

with permanent seats for India and African nations, but the persisting deadlock within the AU over the Ezulwini Consensus is a bone of contention. Unfortunately, the Delhi Declaration 2015 virtually repeats the formulation used in previous joint declarations. It is time for Africa to get its act together, and join hands with India and other G4 countries to fast-track the expansion of the UNSC.

THE WAY AHEAD: SKILL, SCALE & SPEED

Given increased interest in the potential of the Africa growth story in the near term as well as in the long run, there exists a compelling case for India to brand its engagement with Africa to distinguish it from those of other external players in the continent. Many Africa-watchers have tended to describe the unfolding competition for a resurgent continent as a neo-scramble for Africa, which could encourage neo-colonialism in cunning disguises.⁶ This cautionary note should be borne by India’s policymakers crafting and executing engagement with Africa to avoid dangers, such as brute mercantile capitalism, which could diminish enormous reservoir of goodwill for India in the continent.

In this context, different templates or models of engaging Africa have come to the fore. Broadly the three distinctive approaches, albeit with some overlapping features, are: the ‘Washington-EU Consensus’ of free-market democracy; the ‘Beijing Consensus’ of authoritarian free-market economy, animated by value-free, no-strings-attached approach to aid and trade; and the New Delhi model of blending democracy and development, driven by human resource development and capacity building.⁷ India’s ongoing initiatives at skilling and nurturing the African continent’s most precious resource—its youth bulge—is reflected in its decisions to double the number of scholarships for African students and build training institutes and a transformative pan-Africa e-network. Focus on capacity building is also reflected in a slew of signature India-Africa projects, which include the transformation of Ethiopia’s sugar industry from a net exporter of sugar to a potential importer; the transformation of Senegal’s rice farming; and the path-breaking Solar Grandmothers programme, which empowers semiliterate women from Africa and other parts of the developing

world to become trained solar engineers. These initiatives distinguish India's development-centric engagement with Africa from the predominant resource diplomacy of other external players; this model must not fall victim to earlier-mentioned pitfalls.

Specifically, India should firstly avoid the temptation of over-commitment and under-delivery, as is the case with India having promised to set up over 100 training institutes across the African continent. Out of these, barely 20 have taken off. The decision to set up a joint review mechanism is an encouraging step in that it underlines the need to match the imperative of scaling up India-Africa engagement with skill and speed.⁸

Second, India must make immediate concerted efforts to bridge the information deficit breeding stereotypes and prejudices in the country. The recent scandalous humiliation of a Tanzanian woman in Bangalore may have been an aberration, but it is time to increase coverage of what largely remains a 'dark' continent for the Indian media. Not a single outlet, for instance, has a full-time correspondent to cover news of a continent of one billion-plus people. This serious information deficit has also limited appeal of Africa to sections in industry and academia. Cultural industries can also play a vital role of bridge-builder.

In this same view, the persistent myth about supposed rivalry between India and China in Africa needs to be deconstructed. Contrary to contrived constructions in sections of media and academia, respective Indian and Chinese engagements with Africa follow different trajectories—differences in trade volumes arise from the simple fact that the Chinese economy is four times bigger than India's, and thus has more cash to nourish its interests in Africa. It is time to dispense with a zero-sum calculus; abundant opportunities exist for all players to contribute and partner with a growing and changing Africa. It will be leaders and people of Africa who decide engagements with external players; the nature of these choices will influence the continent's destiny, and by extension, the contours of an evolving world order.

Ambitious declarations must now be followed by concrete action on the ground and time-bound delivery. Skill, Scale and Speed is the triumvirate

to expand India's multifaceted collaboration with Africa and fructify the potential of mutual resurgence inherent in the expanding India-Africa partnership.

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IT'S NOT ALL ABOUT THE **Money**

Traditional mechanisms of financing development and action on climate change have been found lacking. The shift from 'aid' to partnerships for development further seems complicit in shifting the burden to developing nations. Yet, the lack of money is not the issue, argues **URVASHI ANEJA**, as much as its mobilisation, direction and management.

Traditional Official Development Assistance (ODA) has come under increasing scrutiny for making inadequate progress on development indicators while at the same time undermining the agency and capacity of recipient states. The Fourth High Level Forum in Busan in 2011 was a landmark event in this regard, as it called for a shift from 'aid effectiveness' to 'development effectiveness.' While the former refers to the organisational effectiveness, coherence and performance of aid inputs and actors, the latter shifts attention to actual development outcomes. Foreign aid, in this view, is important as a catalyst for improving developmental outcomes of trade,

private sector investments and philanthropic activities, not as a direct instrument of development itself.¹ Busan thus called for a new global partnership for effective development, extending beyond aid and cutting across numerous issue areas, and drawing in multiple stakeholders. The momentum for moving 'beyond aid' also comes from the huge increase in South-South linkages—trade between southern countries has counted for more than 50 percent of global trade in the past few decades.² Developing countries are also now able to mobilise more domestic resources and can access a diverse and sophisticated range of private capital flows; by 2030, developing countries are expected to hold 62 percent of global savings.³



THE RHETORIC OF BUILDING PARTNERSHIPS IS OBSCURING THE BURDEN SHIFTING TO DEVELOPING NATIONS. WILL THEY BE ABLE TO 'SELF HELP'?

SDGS - AN IMPERFECT CONSENSUS

The Sustainable Development Goals (SDGs), a complex arrangement of 17 goals and 169 targets that provide a blueprint for the post-2015 development agenda, embody this shift away from aid to global partnerships for development. Because the SDGs were arrived at through a consultative process involving all states and are also universally applicable to all states, they depart from the earlier donor-recipient equation that characterised the Millennium Development Goals (MDGs). Rather than looking at how richer countries can support poverty alleviation in the developing world, the SDGs lay emphasis on how the economic growth strategies of all countries can collectively contribute towards achieving sustainable development. The inclusivity and universality of the SDGs makes them a progressive improvement on the MDGs.

It is important to keep in mind, however, that the rhetoric of partnership also obscures an underlying process of burden shifting—that of developed countries shirking their historical responsibilities and avoiding much-needed global institutional reform to place greater

onus on developing countries. Moreover, the return to the growth agenda runs the risk of exacerbating already alarming levels of inequality. Even in growth success stories, the trickle-down benefits to the poor are much too slow; estimates suggest that it will take over 90 years to double real incomes in the poorest fifth if we continue with business as usual.⁴

WHERE WILL THE MONEY COME FROM?

Reflecting the shift from aid to global partnerships for development, the Financing for Development (FfD) conference in Addis in 2015 took a much broader approach to development finance to include export credits, private finance, global tax regulation and other financing tools. But on the whole, the conference fell woefully short in helping determine how to foot the bill of the SDGs, and the crucial question of the means of implementation remained ambiguous and unresolved. The FfD indicated that there is, in fact, very little direct finance available for implementing the SDGs.

To start with, developed countries made no new

commitments towards ODA, not even to meeting their existing targets. In fact, ODA has been declining steadily since the early 2000s. Instead, developed nations pushed for greater domestic resource mobilisation, through, for example, better tax collection systems (and here the developed countries would provide technical assistance), and private sector investments as the means to implement the SDGs. The challenge, however, is that at present, the tax capacity of the poorest countries falls well short of the scale of public investment required—some estimates suggest that there is an \$84 billion annual financing gap for social services and social protection alone.⁵ Private sector finance will also not easily flow to a number of sectors critical for sustainable development, such as financing for social services, long-term investments in infrastructure, and funding for science and research and development, even with regulatory changes. Poorer and resource-scarce countries will also struggle to attract private capital.⁶ This paints a bleak picture particularly for least developing countries and fragile contexts.

The expectation that direct finance will come from South-South cooperation is also misplaced. Certain sustainable development objectives may be achieved through greater southern trade and investment linkages, but these should be seen as additionalities and not replacements for other sources of finance. The main contributions of southern development partnerships towards the implementation of the SDGs will be in capacity building and technology transfers. Moreover, the mutual growth agenda of South-South cooperation cannot contribute to equitable growth without strong domestic institutional structures and a favorable international policy environment.

The expectation, therefore, is that a bulk of the money for implementing the SDGs will come from so-called ‘smart aid,’ i.e., aid that leverages other public and private financial flows. By ‘blending’ grant and non-grant resources, the corpus of money available for development, and its reach, can be expanded.⁷ Such private finance will undoubtedly be a big part of the story, from northern donors as well as middle-income countries.

However finance is sought, achieving the SDGs will not be possible without government spending. ODA might be out of fashion in the 21st century, but we still need some amount of international public finance to make social sector investments to complement the growth agenda.⁸ Without this, the task will be left primarily to the new breed of global philanthropists who, while well-meaning and impactful, cannot be held equally accountable either.

IT'S NOT ALL ABOUT THE MONEY

In a sense, the question of whether we have enough money is redundant—the world has more than enough money to ensure that people have enough to eat and take care of their health. The more important question, then, is whether we are able to mobilise, direct and manage those resources in a manner that can contribute towards sustainable development. It is thus not just a question of more finance, but about the global policy and institutional reform required to re-channel existing finances. Fundamentally, the issue is one of redistribution, not financing growth alone.

Here, perhaps the biggest low-hanging fruit, and one which India was a champion for at FfD, is global tax reform. Because of tax leakages at the international level, developing nations lose approximately \$100 billion per year in revenues due to tax avoidance by multinational enterprises, and as much as \$300 billion in total lost development finance.⁹ This is more than twice the value of ODA disbursement through bilateral and multilateral channels.¹⁰ Yet, developed countries resisted proposals by India and Brazil to replace the existing UN committee on tax experts with an intergovernmental tax body representing all countries. Global institutional arrangements around intellectual property, trade and migration similarly require modification if we are serious about addressing poverty and inequality. The recognition of the need for such policy coherence across issue areas is what led to the shift from aid effectiveness to development effectiveness; yet, actual changes in international policy seem to be lagging behind. A positive outcome from Addis in this regard was the agreement to create a technology facilitation mechanism to provide comprehensive indexing of existing technologies and tools that could facilitate SDG implementation.

INDIA'S OPTIONS

ODA will not be the main financing option for India. Private sector investments and blended instruments will be critical, and it is important for India to engage in global conversations on how to create enabling environments to attract private sector finance. Systematically considering the role and performance of the private sector is also relevant from the perspective of India's growing development partnerships in which the private sector plays a central role. India would also do well to bring further clarity to the objectives and performance of its development

partnership programmes to ensure mutually beneficial outcomes for sustainable development. South-South cooperation, its limitations notwithstanding, can be taken forward particularly for technology transfer, knowledge sharing and capacity building. Non-state actors, increasing in capacity and weight, can also develop horizontal linkages within the global South to collectively develop and advocate for new policy solutions. A concerted push for this could come from the planned New Development Bank Institute and the proposed Network of Southern Think Tanks, both of which that can help shape knowledge production and facilitate multidirectional learning.¹¹ The New Development Bank (NDB) is also a platform through which India and its partners can help generate and direct development finance towards infrastructure, energy, social infrastructure and basic services. However, the NDB alone will not have adequate finance and it must play the role of an ‘exemplar’ in the evolving multilateral financing space—this will require it to be a knowledge hub for contextual and innovative development solutions, supported by imaginative and non-fiscally restrictive lending policies.¹²

Domestically mobilising resources will also be one of the most important sources for financing sustainable development in India. India’s burgeoning middle class and an increasing number of registered income-generating practices well position India to adequately ‘self-help.’ India’s tax-GDP ratio, however, is much lower than even the average for the BRIC countries—currently, there is a gap of approximately INR 624 trillion between revenue and expenditure.¹³ Moreover, illicit financial flows cost India approximately \$51 billion per year, on average.¹⁴ A concrete and major proposal towards this end is the Goods and Service Tax, which, if passed, could increase indirect revenue to the government. Progressive taxation mechanisms are also necessary to permit greater public spending on social sector schemes and address growing inequality. Finally, however, finance is only a means to achieving development—the more fundamental question is about the allocation and administration of available finance. For this, we need improved governance and institutional reform at the central level, greater ownership and autonomy at the state level, and a more enabling environment for civil society and private sector political and economic participation at the societal level.

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PUTTING Technology IN ITS PLACE

Apprehension abounds on the availability and space for innovation in developing nations. **VIKROM MATHUR** underscores the role of technology in society beyond growth and development, thus emphasising importance of nurturing innovation both globally as well as locally, especially in a nation that seeks to emerge as a technology bright spot in the world.

SOCIAL SHAPING OF TECHNOLOGY

The world has witnessed unprecedented advances in technology. In an increasingly globalised world, technology has immense power to shape society. Yet, the poor in India and many parts of the developing world do not benefit enough from technological input in their everyday life: hunger and malnutrition are widespread; many women in India die during childbirth and 75 percent fall on the wrong side of the digital divide.¹ Neither domestic technology policies in India nor global technology regimes are well aligned to support lifeline development needs. The poor lack the economic and political power to shape trajectories of technology: Existing social inequities can

become further entrenched and prevailing power structures reinforced because of unequal access to technology.

Technological innovation is critical for long-run economic growth. To stay ahead in the technological race, in India and elsewhere, government-led innovation initiatives and policies must support centres of scientific research, facilitate partnerships between firms and technology institutes, foster ‘start-ups’ and incentivise private investment in innovation ventures. Private firms everywhere support their own technological innovation for ‘product development’ and efficiency gains to catch up with competitors or leapfrog ahead in globalising markets. The politics, norms and

economics shaping innovation are, however, not directed to the needs of the poor in developing countries.

The governance of technology raises critical and complex questions for public policy. The very recent launch of the Start-up India programme and in 2015, Make in India and Skill India initiatives by the Indian government have intensified public debate on fostering technological innovation and change. At the global level, the technological transitions are seen as central to addressing climate change and for achieving the Sustainable Development Goals (SDGs). The state needs to both drive technological change by creating an ecosystem of education, research and financing to foster innovation, as also to ensure that trajectories of technological change respond to societal goals of equity, environmental sustainability and democratic accountability. Social shaping of technology is key.

TECHNOLOGY: A GLOBAL COMMONS?

The debate on Intellectual Property Rights (IPR) is central to the question of technology innovation. Too many restrictions on IPR prevent free flow of ideas and restrict access to technology to poor nations and people, while too little protection of IPR can reduce incentives for innovators. Developed nations have long argued for strict IPR regimes, maintaining that IPR protection is critical for innovation by ensuring rewards for innovators. Recent studies have, however, challenged that position, arguing that the current patent system may in fact discourage innovation and unreasonably favour large-scale corporations who register the majority of patents.²

Rethinking the IPR regime is crucial to unlock innovation that meets the demands of the global South. While previously, innovation and growth happened in the same geography, namely the northern sphere, this is no longer the case in the 21st century.³ The biggest markets for large corporations and business are in Asia and Africa. And yet, systems and structures of innovation continue to be based in and produced by and for developed nations. These new realities must be factored in to redesign the global IPR regime.⁴ Stimulating innovation where it is needed and consumed will also ensure that the growth

linked to innovations will reinforce the ability to consume.

IPR exceptions need to be made for environmental and life-giving technologies. Royalties and the ability to pay for technology cannot hold societal action on threats to humanity, such as climate change and prevention of health crisis such as HIV, hostage. Technology transfer from the developed to developing countries on favourable terms is central to the Paris Agreement and the SDGs. These promises need to be realised so multilateral technology mechanisms are not ‘empty shells’—as has been the case in the past few decades.

India, a rising power, yet beleaguered with several basic problems, needs to be a vanguard in engaging with the global IPR regime to ensure a more equitable power structure with more actors partaking more equal benefits. As India does so, it simultaneously—if not more so—needs to focus on the pillars of domestic, democratic policies that guarantee giving citizens the tools to harness the powers of technology. India’s current advantages—demographic dividend, a government keen on innovation, an educated population—mean that this is an ideal moment for it to become a ‘hub’ to innovate, and in doing so, become a case study, indeed a role model, for other developing and emerging nations.

WHAT MAKES TECHNOLOGY GROW?

In Roemer’s endogenous growth theory, human capital investments, including those in education, are identified as drivers of technology growth and, inter alia, economic growth. In the pool of low-income countries India has an advantage of having a large pool of trained technologists. India can reap its demographic dividend by ensuring that its education systems increase the number of educated youth who can support the development and diffusion of technologies. The Skill India Initiative as well as a continued focus on the improvement of higher education in the country will facilitate technological growth. Innovation policy needs to include consideration of skill development and educational needs, as human resource development constitutes a critical part of the technology growth story.⁵

In addition to investing in education to train

technicians, investments in basic research infrastructure are crucial. India's research and development (R&D) investments currently lag behind not only those of developed, but also other emerging economies. For example, in 2013, it produced only 366 R&D personnel per million population, spent 0.85 percent of GDP on research activities (global average stood at 1.8 percent) and researchers were paid 22 percent less than they would have been if they worked in other sectors.⁶ Research, therefore, needs a significant push, which must primarily come from the government. The public sector needs to spend on innovation, since technology is a public good. Complete reliance on private firms for R&D will lead to skewed focus—many sectors such as energy, agriculture and handloom are not prioritised by private sector R&D, as the rate of returns are favourable elsewhere.⁷

FINANCING: FROM LABS TO MARKETS

Financing frameworks supportive of investment that takes technologies from the laboratory to the markets are critical for the percolation of innovation. The government needs to create mechanisms—for example, through Start-up India, to provide low-cost and long-term debt. The flow of private capital is hampered by the perception of regulatory and market risks,⁸ a barrier 'indigenous' to several developing and emerging economies. Early stage capital is key to technological innovation to bring ideas from laboratories to markets. Wealthy investors and governments need to channel a funding pipeline that addresses the capital deficit between first stage R&D and go-to market commercialisation.

OTHER KNOWLEDGE SYSTEMS

Science—and consequently innovation and technology—is not the only way of knowing. Indian material culture—crafts, skills and tools embedded in and sustained by social relationships—is a repository of significant alternative knowledge about agriculture, seeds, water use, forest management, health, building and textiles. This is true of other cultures and economies as well. More policy emphasis needs

*Technology doesn't
only influence growth
figures, but is also a
measure of
how equitable a
society is.*

KUMHAR - THE POTTER / RAJESH_INDIA / FLICKR (CC BY-NC-ND 2.0) (MODIFIED)



to be placed on creating platforms for linking science with other knowledge systems, traditional technologies, local tools and skills in emerging economies than has been the case thus far. This is a particularly pertinent lacuna in key sectors that employ the largest number of citizens—agriculture and handloom, in India’s case. The handloom sector, the second largest employer after agriculture in rural India, also engages diverse communities with equally diverse sets of tools, skills, techniques and technologies.⁹ Weavers continuously adapt their technologies, mobilise knowledge embedded in social networks and respond to the market.

START-UP CULTURE

Innovation needs to be brought outside the laboratory and framed as a socio-technical process, which engages citizens, scientists, firms and the government alike. For India to emerge as an incubator of technology both globally and regionally—and thus act as a model for other developing nations—initiatives like Start-up India scheme are not enough. It needs to be kept in mind that there is more to building a vibrant start-up culture than the “hard” considerations of finance and tax holidays: A precondition of such a culture is an educational system that encourages students to not be risk-averse and, at the same time, provide the necessary technical and business skills.

This will, in the long run, necessitate challenging some of the most cherished socio-economic beliefs in India. A “sanskritised” educational system was acceptable when it came to building a cottage industry of “knowledge workers” in the services sector. What a truly innovative educational and social system ought to do, when it comes to buttressing the foundations of motivated and enlightened innovation, is to create a system that encourages students to, as Steve Jobs would have put it, “Stay Hungry, Stay Foolish.” Such a system will also seek to promote collaborative norms and enforce hierarchical flatness and, in effect, break old forms and psychological assumptions around the division of labour.

PUTTING TECHNOLOGY IN ITS PLACE

Technology should be a tool not just to promote growth, but also for sustainability as well as to

reduce inequality. This should be India’s goal as it seeks to emerge as a technology bright spot in the world. ‘Putting technology in its place’ within society suggests the need to promote greater social scrutiny of scientific trajectories and explore technologies’ plural possibilities. Technology must be co-opted within the social development frame and recognised, justly, as a tool to achieve social progress. A discussion on the goals of national and international development needs to take place before we begin to place undue importance on the means.

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