

Contemporary Issues - 2

IR/India World

⑨ Strategic Significance of the India-Australia Civil Nuclear Cooperation Agreement

On September 5, 2014, India and Australia signed a MoU for 'Cooperation in the Peaceful Uses of Nuclear Energy' during the Australian Prime Minister's visit to India. The agreement was signed by the Secretary, Indian Department of Atomic Energy and the High Commissioner of Australia to India.

The much awaited part of the civil nuclear cooperation agreement was Australian acceptance to become 'a long-term reliable supplier of uranium to India'. Besides, both countries underlined the need for cooperation in production of radio isotopes, nuclear safety and other areas not spelt out in the release. This may lead to comprehensive nuclear science and technology cooperation between India and Australia if the bilateral strategic partnership increases the newly acquired level of mutual trust.

In the India-Australia civil nuclear cooperation agreement, India was praised for continuing its nuclear energy policy. Unlike few countries, India had not done reflexive reaction to the Fukushima incidents by shutting down its nuclear power plants. After a few years or decades, when some of these countries resume nuclear energy, they may find losing several valuable years. The statement rightly pointed out that India's commitment to nuclear energy is to promote 'sustainable development' and energy security.

The government of India has frequently been notifying about the proposed plan for the nuclear energy expansion. The nuclear power capacity is expected to reach 10080 MW by 2017. India also plans to start work on 19 new nuclear power reactors by 2017. If this plan materialises it may have a total capacity of 17400 MW more in its energy basket. Earlier, India had planned to install about 20 GWe nuclear power by 2020 and 274.56 GWe by 2052. The plan may witness some adjustments.

The current nuclear expansion plan needs uranium. Though India has relatively large reserves of thorium oxide, its uranium reserves are comparatively modest. As of May, 2014, India has 2,11,473 tonne in situ U₃O₈ (1,79,329 tonne Uranium) reserves. It regularly assesses the "techno-economic viability" of extraction and development of uranium resources. Not all uranium deposits explored are mined and processed. On various occasions, mining and exploration of uranium reserves have been discontinued because of the low economic feasibility.

Currently, Australia is considered to have the largest reserve of recoverable uranium. In the coming years, too, its dominance appears unchallenged. The World Nuclear Association and the Australian government both inform that Australia ranks third in terms of production of uranium. Kazakhstan and Canada produce more than Australia. If it opens new mines, which it is planning to do, its production may easily increase, and possibly, it will become the top producer within a few years. Australia produces uranium basically to export as it does not operate any nuclear power plant. So, Australia may be the most important uranium supplier to India.

⑩ India and Israel: areas of cooperation

India and Israel were born (in 1947 and 1948) through long and violent partition processes, from the ruins of the British empire. Both were caught up in inextricable armed conflicts. However, any meaningful progress in their establishment had been prevented between 1948 and 1992 owing to domestic, regional and international developments related to the Arab-Israel conflict. However, in January 1992, in a surprise diplomatic move, full-fledged diplomatic relations were established between the Republic of India and the State of Israel.

The relationship has thrived on the common bedrock of parliamentary democracy; Common Law structures; liberal system of education; knowledge of English language; a history of British colonial rule; similar strengths in the knowledge industry and a highly qualified scientific and technical manpower. A long and peaceful Jewish presence in India and presence of 100,000 Indian Jews in Israel made things easier. India is a destination of choice for over 38000 Israelis who visit India every year for tourism and business.

Defence relations

Israel's defence industry relies on exports for its survival. Until the end of the 1990s most shipments were to China. But the US veto on the transfer of sensitive technologies to China forced Israel to look to other markets, including India. This proved fruitful as economic growth allowed India to finance its requirements for defence equipment. India was looking for new suppliers, as Russian manufacturers were only able to fill part of the void left by the disappearance of its former Soviet suppliers. The US was also moving closer to India, which facilitated technology transfer.

The Phalcon radar systems developed by Israel Aerospace Industries for the Indian air force are a good example. Having forbidden their sale to China in 2000, the US authorised their sale to India. The conclusion New Delhi drew was that a rapprochement with Tel Aviv would give it access to technology the US was reluctant to export.

In a decade, Tel Aviv has become a leading supplier of arms to India, now its largest export market. The value of the contracts signed over the last 10 years is estimated at nearly \$10bn. Flexibility and responsiveness are Israel's great strengths. It was able to adapt right away to the needs of India's armed forces (most of whose equipment is Soviet or Russian) and gained lucrative contracts for the modernisation of Russian equipment: tanks, aircraft carriers, helicopters and fighter aircraft have all been fitted with Israeli electronics; it was able to respond quickly when supplying the Indian army with munitions during the 1999 confrontation with Pakistan in Kashmir, the "Kargil crisis".

Investment

Though the data does not seem to capture FDI flows from Israel to India that may be happening through Europe/USA, the FDI inflows from Israel to India are currently low. While official data about India's investment in Israel is not available, significant investments from India in Israel include acquisition of Israeli drip-irrigation company Naandan by Jain Irrigation, Sun Pharma's 66% stake in Taro Pharmaceuticals, Triveni Engineering Industries' investment in Israeli Aqwise Company, and others.

Counter-Terrorism Cooperation

Counter-terrorism is another key area that plays a role in Indo-Israeli cooperation. India has shown considerable interest in Israel's internal security technology, equipment and methods, for use against cross-border terrorism in Kashmir and insurgencies in the north-eastern states. Israel

and India have diversified and expanded the range of issues discussed at the Joint Working Counter-Terrorism Group, including combating international terror. Another area of cooperation is satellite imaging. In January 2008 India launched an advanced spy satellite on Israel's behalf, capable of providing information on strategic installations in Iran.

Agriculture

India and Israel have a bilateral agreement for cooperation in agriculture. Under the bilateral Action Plan for 2012-2015, agriculture cooperation has been expanded to seven states including Haryana, Maharashtra, Karnataka, Rajasthan, Gujarat, Tamil Nadu and Punjab. Nearly ten India-Israel Centres of Excellence for cooperation in agriculture have been set-up so far. Four more such centres are expected to be established in 2014-15. India has benefited from Israeli expertise and technologies in horticulture mechanization, protected cultivation, orchard and canopy management, nursery management, micro-irrigation and post-harvest management particularly in Haryana and Maharashtra. Israeli drip irrigation technologies and products are widely used in India. Some Israeli companies and experts are providing expertise to manage and improve dairy farming in India through their expertise in high milk production of milch animals in hot climatic conditions and genetic engineering.

Cooperation in Science & Technology

India-Israel cooperation S&T has evolved on two tracks. There is joint research by S&T institutions under S&T Cooperation Agreement signed in 1993. Secondly, under an MOU on Industrial Research and Development Initiative signed in 2005, a joint industrial R&D fund "i4RD" has been set up to promote bilateral industrial R&D and specific projects. Under i4RD mechanisms, joint projects by the industry are funded, involving at least one Indian and one Israeli company. Since the launch of this programme in 2006, seven projects have been approved.

Culture and Education

India is known in Israel as an ancient nation with strong cultural traditions, and in popular Israeli perception, India is an attractive, alternative tourist destination. Israeli youth are particularly attracted to India. India is a destination of choice for over 38,000 Israelis who visit India every year for tourism and business. Over 40,000 Indians visited Israel in 2013, the largest number of tourists from an Asian country. There is an abiding interest in Indian culture, which is promoted through dance, music, traditional arts, crafts and cinema.

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⑪ India's Economic Relations with World's Major Powers

According to the Ministry of Commerce, India's top three trading partners by individual countries are the People's Republic of China, the United States of America and the United Arab Emirates. Altogether, these three countries make up almost 25% of India's total trade for 2013-14. We have a trade surplus with the US, a large trade deficit with China, and a balanced trade relationship with the UAE. It should be noted that in recent years India has run persistently large current account deficits (above 4% of GDP), and this has given policy makers a new and difficult challenge. Policy makers have recently come to the conclusion that persistently high current account imbalances contribute to instability in the global economy. This is particularly true for the Indian economy which relies heavily on capital inflows (FDI, FPI) to finance its current account deficit. The restrictions placed last year on gold and gold product imports are an attempt by policymakers to deal with this problem.

China

China is India's largest trading partner, and a country with which India has a large trade deficit. For 2013-14, exports to China accounted for 4.7% of total Indian exports, and imports from China accounted for 11.3% of total imports. India-China trade accounted for 8.6% of India's total trade.

There are several major dialogue mechanisms between India and China. The second round of the Strategic and Economic dialogue was held in Delhi in November 2012. The Deputy Chairperson of India's Planning Commission co-chaired the dialogue from the Indian side with the Chairperson of the National Development and Reform Commission of China. The two sides signed four important Government-to-Government and seven business related Memorandums of Understanding (MOUs) worth over US\$ 2.5 billion during the dialogue. In August the Chinese Economic Minister participated in the ninth meeting of the India-China Joint Economic Group in India.

The large trade deficit with China is a challenge that needs to be addressed through macroeconomic reforms (such as labour market reforms) and structural reforms (such as reform of the reservation system for small-scale industries) that will enable the Indian economy and Indian entrepreneurs to compete with China on an equal footing. It may be necessary to examine some of the restrictions currently in effect for Indian businesses that make it difficult for local firms to compete with their Chinese counterparts.

One of the largest problems is one of reservations for small-scale industries. China has an advantage of large-scale manufacturing which reduces costs for products that have a large export market in Western countries. India has reserved several sectors for small scale industries only. These industries are not able to take advantage of economies of scale that their Chinese counterparts enjoy. Economies of scale refer to the advantage that large firms have in reducing costs. In India, there are several products whose manufacture is restricted to small firms, such as socks and hosiery. In my view, this is ultimately a political issue that needs to be addressed urgently if the trade deficit with China is to improve in a substantial way.

United States of America

The United States is India's second largest trading partner, and a country with which India has a large trade surplus. For 2013-14, exports to the United States accounted for 12.5% of total exports, and imports from the United States accounted for 5% of total imports. India-US trade accounted for 8% of India's total trade.

Total bilateral trade in goods reached \$63.7 billion in 2013-14, registering growth of about 1.7% over the previous year. Indian exports accounted for US\$41.8 billion; whereas US exports stood at US\$21.9 billion. Total trade in services in 2011 (the last year for which complete data is available) was US\$ 54.42 billion, registering a growth rate of 16.12%.

There are several dialogue mechanisms to strengthen bilateral engagement on economic and trade issues, including a Ministerial Trade Policy Forum and a Ministerial level Economic and Financial partnership. The latter's last meeting was held in Washington in October 2013. India and the US are also negotiating a Bilateral Investment Treaty.

As part of the Economic Dialogue, a Commercial Dialogue has been set up to cover

- (a) Trade Defence Measures
- (b) Small and Medium Enterprises and
- (c) Capacity building on Intellectual Property Rights (IPRs).

In April 2014, both sides have extended the India-US Commercial Dialogue for another two years, until March 2016. For greater involvement of the private sector in discussion on issues involving trade and investment the bilateral India-US CEO's Forum was reconstituted in 2009. The last round of the reconstituted CEO's Forum was held in July 2013 in Washington DC. Separately, a Private Sector Advisory Group (PSAG) has been created consisting of prominent Indian and international trade experts to provide strategic recommendations and insights to the US-India Trade Policy Forum. An MoU on agricultural cooperation and food security was initialled in 2009, which replaced the earlier India-US Agricultural Knowledge Initiative.

The US is the fifth largest source of Foreign Direct Investments (FDI) into India. As per the official statistics of March 2014, the cumulative FDI inflows from the US from April 2000 to March 2014 amounted to about US\$ 11.92 billion, constituting nearly 5.5% of the total FDI into India. During the Financial Year 2013-14, the FDI inflows from the US into India were US\$806 million contributing 6% of the total FDI inflow during this period.

Recently, Indian companies have also invested substantial sums of money into the US. According to the Confederation of Indian Industry, 68 Indian companies invested nearly \$17 billion in the US, and one-third of these 68 companies spent over US\$340 million in Research and Development activities.

There is also substantial cooperation between India and the United States in the field of energy. The India-US Energy Dialogue was launched on May 31, 2005 to promote increased trade and investment in the energy sector. The US Department of Energy has so far given its approval for export of LNG from 7 US Liquefaction Terminals, operated by various companies in the United States, to countries with which the US does not have a Free-Trade Agreement. The Gas Authority of India Limited (GAIL) has offtake agreements totalling nearly 6 million metric tonnes per annum (MTPA) with these companies. The Liquefaction Terminals are expected to be complete and in a position to export cargoes by late 2016/early 2017.

United Arab Emirates

India and the UAE enjoy strong bonds of friendship based on age-old cultural, economic and religious ties between the two nations. The traditional close and friendly India-UAE bilateral relationship has evolved into a significant partnership in the economic and commercial sphere. Indians have emerged as important investors in the UAE, and India as an important destination for UAE finished goods. India-UAE trade is around \$60 billion, making the UAE India's third largest trading partner after China and the US. The UAE is also India's second largest export destination, and India's fourth largest source of crude oil in 2012.

India's imports from the UAE consist of petroleum and petroleum products, precious metals, gems and jewellery, minerals, and chemicals. India's exports to the UAE consist of petroleum products, precious metals, gems and jewellery, food, textiles, and engineering products and chemicals.

With respect to bilateral relations, total FDI from UAE to India was around \$2.7 billion, making the UAE the eleventh largest investor in India. Prominent UAE companies such as Emmar and DP World have invested significant sums of money in various sectors of the Indian economy.

Now that we have discussed India's economic relations with individual countries, it would be useful to examine India's economic relationship with two significant regional groups, BRICS (Brazil, Russia, India, China, and South Africa) and the European Union (EU).

BRICS

The BRICS acronym stands for Brazil, Russia, India, China, and South Africa. Prime Minister Dr. Manmohan Singh attended the inaugural BRICS Summit in Yekaterinburg, Russia, on 16 June 2009. Recently Prime Minister Shri Narendra Modi, speaking at the latest BRICS Summit in Fortaleza, Brazil, called for decentralization of the BRICS forum.

We have already discussed India's trading relationship with China in some detail. We shall now take up India's economic relationship with South Africa, Brazil, and Russia.

Total trade between India and Brazil amounted to \$9.2 billion in 2013-14, accounting for 1.2% of India's total trade. Total trade between India and Russia amounted to \$6 billion, accounting for 0.8% of India's total trade. Total trade between India and South Africa amounted to \$11.1 billion, accounting for 1.5% of India's total trade.

As we can discern from the above statistics, there is great room for expansion of trade with Russia, South Africa, and Brazil, as opposed to the strong economic relations with China, the US, and the UAE. In this regard, we can examine some of the decisions reached in the Fortaleza BRICS Summit in July 2014. At the end of the summit, the BRICS countries had agreed to set up a bank, tentatively called the BRICS New Development Bank, to be funded by equal contributions from all member countries. The headquarters of the new bank will be in Shanghai, and the first President of the new bank will be nominated by India.

European Union

The EU, as a block of 28 countries, is India's largest trading partner, while India was the EU's tenth largest trading partner.

Bilateral trade between India and the EU amounted to 72.7 billion Euros in 2013-14. Indian exports to the EU were valued at 36.8 billion Euros, and India's imports from the EU stood at 35.9 billion Euros for the same year. Bilateral trade in services between India and the EU were also robust, standing at 23.9 billion Euros for 2013-14, with the EU enjoying a small surplus in trade in services amounting to 1.5 billion Euros.

The EU is one of the largest sources of Foreign Direct Investment for India, with FDI flows from the EU to India amounting to 3.2 billion Euros in 2013-14. India and the EU are in the process of negotiating a bilateral Broad Based Trade and Investment Agreement (BTIA) since 2007. The completion of this agreement will significantly enhance the trading relationship between the EU and India. The India-EU Joint Commission dealing with economic and commercial issues meets annually, as do its three sub-commissions dealing with trade, economic cooperation, and development cooperation. In addition to this, there are Joint Working Groups on Textiles and Clothing, Agriculture and Marine Products, Sanitary and Phyto Sanitary Issues, Pharmaceuticals

and Biotechnology, and Food Processing Industries, which meet regularly to enhance sector-specific cooperation.

We can now examine some key industrial sectors and their role in expanding India's international trade:

1. **Automotives:** Currently, India has the world's sixth largest automobile industry after China, the USA, Germany, Japan and Brazil. The increase in the number of MNCs entering into the Indian market bears testimony not only to the potential of this market but also to the capacity of the country to serve as a manufacturing hub for automobiles and spare parts.
2. **Chemicals:** The chemicals and petrochemicals industry is a key and growing sector of India's economy. The Indian chemical industry is the second largest in Asia after China. India exported US\$43.7 billion worth of chemicals and chemical products in 2013-14. The Indian chemical industry also attracts significant FDI, with a share of over 5 percent of total FDI for the period 2001-2014). It should be noted that the world's largest refinery is located in Jamnagar, Gujarat, and is owned by Reliance Industries Limited.
3. **Petroleum Products:** The Petroleum and Natural Gas sector accounts for over 15% of India's GDP. With substantial increases in refining capacity in India, the country was able to increase the export of petroleum products from US\$28.2 billion in 2009-10 to US\$62.7 billion in 2013-14. The share of petroleum products in India's total exports climbed from 15.7% in 2009-10 to 20.1% in 2013-14.
4. **Textiles and Garments:** Textiles and garments are one of the most important export sectors in India, accounting for 4% of the country's GDP and 10% of the country's exports, accounting for US\$31.4 billion in exports in 2013-14.
5. **Pharmaceuticals:** The Indian Pharmaceuticals Industry is one of the most vibrant in the world. The most significant export market for Indian pharmaceuticals in the United States, which takes 30.7% of all pharmaceutical exports. Several African countries such as South Africa, Nigeria, and Kenya have emerged as important markets for Indian pharmaceutical products. India is one of the world's largest producers of generic drugs and formulations.
6. **Capital Goods:** The capital goods industry is a strategic sector for India's manufacturing industry. Engineering goods are the second largest component of India's merchandise exports, achieving total exports of US\$19.7 billion in 2013-14.

In conclusion, it can be said that India has been engaged in a massive reform effort since 1991. The end of the License Raj and implementation of pro-market reforms have had far reaching implications for competitiveness in the Indian economy. Significant sectors of the economy have been opened up for private participation through Delicensing and allowing entry of private firms to industries previously reserved for the state-owned sector. Trade liberalization has also been considerable. In addition, many sectors of the economy have been opened to foreign ownership via Foreign Direct Investment. The new era of economic reforms and growth has several implications for the nation's foreign policy. In an increasingly knowledge-based global economy, it is essential for the country to maintain and improve upon high levels of human resource development. Action needs to be taken to increase the quantity and quality of HR institutions such as schools and colleges.

Therefore, the nation's foreign policy has to focus much more on commerce and trade than it did before 1991. Only then will the full benefits of reforms and trade liberalization accrue to India and its people.

⑫ China's Maritime Silk Route: Implications for India

In recent days, China's proposal for a Maritime Silk Route (MSR) has been a subject of speculation and debate. Beijing's plan for a maritime infrastructure corridor in the broader Indo-Pacific region, first proposed by President Xi Jinping's during his trip to Southeast Asia in October 2013, has attracted attention because of its potential to establish a Chinese foothold in the Indian Ocean. Needless to say, China's outreach to India - inviting it to join the project - has generated much analytical curiosity.

The first thing of interest about the MSR is that it was initially mooted as an ASEAN-centered project. The intention then was to enhance connectivity and cultural links in China's strategic backyard - the South China Sea. Beijing later expanded the scope of the project to include the Indian Ocean, but in reaching out to Colombo and New Delhi, it found a willing partner only in the former. India has been ambivalent about the MSR and is yet to make up its mind on joining the project.

During Indian Vice President's Hamid Ansari's visit to Beijing in end-June, China made another unsuccessful attempt at getting India to sign-up. Beijing's renewed pitch for the construction of ports, logistical stations, storage facilities and free-trade zones in the Indian Ocean was again met with a passive response. While acknowledging Beijing's sincere approach, the Indian side requested for more details on the project to help reach an early decision.

This is the second time running that India has successfully skirted the controversial MSR project. The last occasion was in Feb 2014 during the Special Representatives Talks in New Delhi, when the Indian representative had declined any comment or opinion on the issue. India, however, is not alone in inquiring about the project's commercial viability - many ASEAN countries have been equally probing about its intended benefits. This raises fundamental questions about the project, the principal one being: Why, despite its scale and scope of the planned investment, does the MSR not inspire any confidence?

The problem with the MSR, essentially, is the 'opaque' nature of its proposal. Outwardly, the project is about the development of massive maritime infrastructure and connectivity in the Indian Ocean and the Western Pacific. Beijing has been careful to project the MSR as an exclusively commercial venture, trying hard to dispel any impressions of it being a cover for maritime military bases. Surprisingly, however, China has released no details about the project, and this makes many countries doubt Beijing's strategic intentions. The lack of specifics not only makes it hard to decipher the MSR's real purpose, it gives credence to suspicions of geopolitical game play by China. Indeed, for a project being touted as a critical enabler of regional sea-connectivity, Chinese planners would have spent much time and effort developing the fine-print. The lack of firm plans, proposals and timelines then does lead to a suspicion that there may be something about the MSR that Beijing is hesitant to reveal quickly.

Even on the few specifics that China has released, claims appear doubtful. According to Beijing, the MSR involves the development of maritime nodes that will help enhance trade and sea-connectivity and assist substantially in the development of local economies. Beijing has been promoting the project as an economic game-changer and an enormously beneficial enterprise for all host nations. Even so, it is hard to disregard the fact that China is the source of much of the maritime turbulence in South East Asia. China's positioning of an exploration rig in the Vietnam's EEZ, its skirmishes with Philippines over the Scarborough reef, and the aggressive patrols off the Senkaku islands clearly shows Chinese intensions in the Western Pacific are anything but benign. With unsettled issues of sovereignty and sovereign jurisdiction over disputed Islands in the South

China Sea and the East Sea, Beijing's expectation of a free-pass to create an entire infrastructure corridor in a contested maritime space, appears seriously doubtful.

Since it has already shown its approval for China's BCIM (Bangladesh-China-India-Myanmar) development plan, chances are New Delhi will be favourably inclined to consider the MSR. It is, however, certain to go over the details carefully before agreeing to the development of Chinese infrastructure in Indian waters. Even though it will be keen to start-off with Beijing on a positive note, the new NDA government in New Delhi would be wary of displaying undue haste in giving the MSR its full approval.

It is felt that India, like some other Indian Ocean states, is so overwhelmed by the scale and scope of the MSR that even in the face of misgivings it will go ahead and sign-up to the project. According to MSR observers, the fear of being left out of its commercial benefits would lead many nations to uncritically accept the project as an economic and strategic enabler. Since the project proposal comes coupled with the "New Silk Road" - a land infrastructure project that envisages the development an ancient route connecting Western China with South and Central Asia - it will be hard for national policy-makers to desist from signing-up.

The Chinese state-owned Xinhua News Agency's recently revealed some information about the Maritime Silk Route. A map attached to the news report showed Kolkata and Colombo (and not the Pakistani port-city of Gwadar) as possible venues of infrastructure development. The omission of Gwadar from the plan appears to be an overt incentive for India to join-up. Saying 'yes' to the MSR will, however, serve as an Indian endorsement of China's supposed 'benign' motivations in the IOR. Worse, as informed voices point out, joining the project will not in any way serve to allay India's original concerns about a 'string of pearls' in the Indian Ocean.

This is not to deny the MSR its short-term benefits, which could - by some accounts - be substantial. China's announcement of a 10 billion Yuan (\$1.6 billion) fund to finance the "maritime silk road plan" is a clear sign that it is serious about moving ahead with its stated plans. These supposedly include port-building and connectivity-enhancing projects within Southeast Asian and Indian Ocean littoral countries that could help local economies enormously. The financial payoffs, however, will likely come at a price and entail long-term strategic implications - especially for regional maritime security.

The MSR's essential rationale is the leveraging of Chinese soft-power. The aim apparently is to shore-up China's image as a benevolent state. Beijing's would also conceivably use the project's commercial investments to establish its legitimate interests in the Indian Ocean. And while China can be expected to do everything in its power to force region states to join the project - including offering economic aid to potential partners - the bottom-line for it will be to make an offer to India that is hard to refuse.

⑬ South China Sea Dispute

The three million square kilometers South China Sea is the maritime heart of Southeast Asia but also a disputable property. Maritime boundaries in the South China Sea are particularly problematic because they involve six separate claimants in a mostly enclosed body of water with a large number of disputed land features. The South China Sea is ringed by Brunei, China, Indonesia, Malaysia, the Philippines, Taiwan, and Vietnam, and dotted with hundreds of small islands, shoals and reefs, many of them occupied by the disputants.

The fundamental issue in the South China Sea is one of territorial sovereignty, that is, which state has sovereignty over the islands and their adjacent waters. UNCLOS has no provisions on how to determine sovereignty over offshore islands. As there is no treaty that governs the issue

of sovereignty, states have to look for guidance to the rules of customary international law on the acquisition and loss of territory.

The main disputes are:

The **Spratly Islands** are located in the central part of the South China Sea, north of the island of Borneo (which comprises Brunei Darussalam and the east Malaysian States of Sarawak and Sabah), east of Viet Nam, west of the Philippines, and south of the Chinese island of Hainan. The Spratly Islands are claimed in their entirety by China, Taiwan, and Viet Nam, while some islands and other features are claimed by Malaysia and the Philippines. The Spratly Islands consist of more than 140 islets, rocks, reefs, shoals and sandbanks (some totally or occasionally submerged while others are always dry) spread over an area of more than 410,000 square kilometres.

The **Paracel Islands** are located in the northern part of the South China Sea, approximately equidistant from the coastlines of Viet Nam and China (Hainan). They are claimed by China, Taiwan and Viet Nam. China forcibly ejected South Vietnamese troops from the Paracels in 1974, and they are now occupied exclusively by China. China denies the existence of a dispute over these islands, but they are a continual source of tension between China and Viet Nam. The Paracels consist of about thirty five islets, shoals, sandbanks and reefs with approximately 15,000 km² of ocean surface. Woody Island, the largest island in the Paracels, is 2.1 km², which is about the same land area as all of the Spratly Islands combined. Woody Island is the location of Sansha City, a prefecture-level city established by China in June 2012 as its administrative centre for its claims in the South China Sea.

Scarborough Reef is located in the northern part of the South China Sea between the Philippines and the Paracels, and is claimed by China, the Philippines and Taiwan. Scarborough Reef is located about 130 miles from the Philippine island of Luzon. Most of the reef is either completely submerged or above water at low tide, but it contains several small rocks which are above water at high tide. It has been a major source of tension between China and the Philippines since the Philippines attempted arrest of Chinese fishermen in June 2012.

The **Pratas Islands** are located just over 200 miles southwest of Hong Kong. They are occupied by Taiwan, and are also claimed by China.

Macclesfield Bank, a large sunken reef that is completely submerged at low tide, is located between Scarborough Reef and the Paracels. It is claimed by China and Taiwan.

Resources as a Driver of Competition

Many analysts feel that resource competition has become one of the key drivers of territorial disputes and tension, particularly in the South China Sea and East China Sea. The South China Sea, for example, is a major source of fish resources for each of the nations that border it, and the largest source of fish for China, the Philippines and Vietnam. The overfishing in coastal waters has led to depletion of resources thus competition has led fishing boats to work towards offshore.

Many energy industry observers believe that the sea also has substantial reserves of oil and natural gas. The rising energy demand in countries has encouraged more offshore energy development in their economic planning. New technologies are making complicated offshore oil and gas development more feasible, and high energy prices are contributing to the desire to control these resources.

- **Energy Resources**

Because much of the South China Sea has never been fully explored, accurate assessments of exploitable oil and gas reserves do not exist. One 2008 report by the Department of Energy's

Energy Information Administration (EIA) cited some of the most optimistic estimates-Chinese assessments that it could have reserves totaling 213 billion barrels of oil and 900 trillion cubic feet of natural gas. Many analysts argue, however, that because much of the northern part of the South China Sea is deep, energy resources may not be exploitable on this scale. In May 2012, the state-owned China National Overseas Oil Corp. (CNOOC) unveiled a deep-water drilling rig that could extend its ability to exploit resources into waters deeper than its current capabilities allow. Still, industry analysts believe that international energy companies have considerably more technical ability to develop resources in difficult offshore settings-and thus, much of the sea will likely go undeveloped as long as the disputes continue.

Offshore energy development is based on assertion of sovereignty over parts of the sea, and because such assertions are still widely overlapping, there are increasing chances for conflict. For example, China warned international oil companies in 2006 they should not work in regions with unsettled territorial disputes where Vietnam was seeking development partners. In 2012, a Chinese state oil company, the Chinese National Overseas Oil Corp. (CNOOC) offered tenders for offshore oil and gas exploration within Vietnam's EEZ, overlapping with areas Vietnam had already tendered and, in some cases, in which companies were already exploring and drilling. This action prompted angry reactions in Vietnam, which deemed the moves illegal. Such disputes have created uncertainties that constrain offshore resource exploration and development, which requires long-term periods of stability. There are, however, some examples of exploration and development that have taken place in disputed areas. China, the Philippines, and Vietnam have each undertaken oil-and-gas exploration in disputed parts of the South China Sea, and the Philippines and Vietnam have offered exploration and development contracts to international oil-and-gas firms, including American companies.

- **Fishery Resources**

Fishing presents another potential source of conflict. The South China Sea is the largest source of fish, an important foodstock, in each of the claimant countries. The fishing industries of each of the disputants include large numbers of vessels which travel increasingly farther from their home coasts due to overfishing in coastal waters, bringing them into disputed waters. This has led to frequent incidents of harassment of vessels, confiscation of catches and equipment, and sometimes imprisonment of fishermen.

A 2012 dispute between the Philippines and China at Scarborough Shoal, an outcropping of rocks within the Philippines' EEZ and China's nine-dash line, began when Philippine coast guard officials boarded Chinese fishing vessels and confiscated illegally obtained shark and coral.

Some analysts point to joint management of fisheries as a potential path towards lowering tensions and fostering functional cooperation among disputants.

Attempts for resolution

Currently, states in Southeast Asia are utilizing four different strategies to try to solve the issue.

First, states are pushing for bilateral solutions in incremental stages. Beijing has repeatedly stated a preference for this method, but regional states widely regard it as an attempt to freeze resource development, while doing little to actually resolve the various claims. On the other hand, Vietnam and China recently used bilateral diplomacy to reduce tensions.

Second, attempts are being made to resolve the issue at the multilateral level, that is utilizing ASEAN. So far it is difficult to achieve much, as only four of ASEAN's 10 member states are involved in the South China Sea issue, and China has been able to detach the other six members at various times from positions taken by Vietnam, Malaysia, Brunei and the Philippines.

Third, fostering closer ties to the US also remains an option, as Washington is still the predominant power in the region. The Philippines and Vietnam in particular have sought strategic reassurance through new or renewed security agreements with the US; and Washington - concerned that China covets such a strategic sea line of communication - has responded warmly.

And fourth, Southeast Asian nations are involving non-regional states in the issue. Vietnam's agreement with India on drilling in contested waters falls into this strategy, and follows a general campaign by Hanoi to engage external states and oil firms - such as Chevron, Exxon Mobil, BP and Zarubezhneft - as a form of pressure on Beijing.

But these strategies are not making the slightest difference, and serve only to exacerbate tensions. Rather, the fifth way is more appropriate: the introduction of a legal framework for the South China Sea issue.

Choosing one of the three legal mechanisms on offer - the UNCLOS tribunals, the International Tribunal for the Law of the Sea, or the International Court of Justice - would neatly bypass this challenge, putting responsibility for any decision with a third party. The lengthy period taken in international cases of this type may also be beneficial to regional states: ASEAN and its members could take the time to put resources into education and public awareness on maritime law, investing in legal conferences, seminars and workshops for journalists, politicians and diplomats. This could at least persuade the populations of the legal process' fairness.

India and South China Dispute

India has a strong interest in keeping sea lanes open in the South China Sea. The South China Sea is not only a strategic maritime link between the Pacific and the Indian Oceans, but also a vital gateway for shipping in East Asia. Almost, 55% of India's trade with the Asia Pacific transits through the South China Sea. Apart from helping secure energy supplies for countries like Japan and Korea, India has the unique distinction of shipping oil from Sakhalin to Mangalore through sea routes of the region. Therefore, it is vital for India to have access to the region. If China continues to assert dominance over these waters, it will be difficult for India to continue with its activities through this channel.

But China's hard line on the South China Sea has affected India too. New Delhi was a bit taken aback after Beijing denounced plans by an Indian Company to develop oil fields in the region. The Chinese objection was to ONGC Videsh's (OVL) venture for off-shore oil exploration in waters belonging to Vietnam (not recognized by China), Beijing urged India to refrain from entering into deals with Vietnamese firms exploring oil and gas in the disputed South China Sea over which China enjoys 'indisputable' sovereignty.

India however, in recent years, has been seen as a credible counterweight to China. Southeast Asian countries, wary of continued Chinese aggression in the South China Sea, have encouraged joint maritime exercises with India. In February 2010, the Indian Navy concluded its Milan series of maritime exercises in the Andaman and Nicobar Islands and almost all ASEAN countries participated in Milan exercise.

India, which has helped Malaysia in building up its Coast Guard in the past, must consider assisting other ASEAN countries. India has a strong Navy with technological credibility that can be leveraged by ASEAN. Collaboration on missile technology, radar systems, defence component systems and supporting hardware are again areas where ASEAN countries can work in partnership with India. China, naturally, does not welcome the ASEAN move to interact militarily with India.

India has also shown keenness to sell Brahmos missiles to friendly countries including the neighboring Southeast Asian countries. Most of the ASEAN countries have been engaged in a

defence modernization programme and would like to obtain assistance in weapons up-gradation and systems integration. Like India, most of the Southeast Asian countries also rely on Russia for their defence procurements. India with its long experience in using Russian products and developed the technological capabilities for low cost servicing could be a potential ally for ASEAN in this field. Assisting ASEAN will also improve India's relations with the Southeast Asian countries bilaterally and multilaterally and it will also boost India's morale in balancing China in the IOR.

India's Interests in the SCS

India has a strong interest in keeping sea lanes open in the SCS.

- The SCS is not only a strategic maritime link between the Pacific and the Indian Oceans, but also a vital gateway for shipping in East Asia. Almost, 55% of India's trade with the Asia Pacific transits through the SCS.
- Apart from helping secure energy supplies for countries like Japan and Korea, India has the unique distinction of shipping oil from Sakhalin to Mangalore through sea routes of the region. Therefore, it is vital for India to have access to the region. If China continues to assert dominance over these waters, it will be difficult for India to continue with its activities through this channel.
- Presence of India in SCS is not only Counter balance China in South East Asia but It will put pressure on China in South Asia too.
- Presence in South China Sea will help India to have effective control over Malacca strait.
- SCS is crucial in India's Look East Policy-2.

⑭ Cause and Effect of the ADIZ over East China Sea

China's recent establishment of the Air Defence Identification Zone (ADIZ) over the disputed island (Senkaku/Diaoyu) in the East China Sea has raised deep concern in the neighbourhood and beyond with worrying strategic escalation. This is the first time that the Chinese have designated an ADIZ off its territory, which overlap with the three neighbours - Japan, South Korea and Taiwan.

ADIZ is established in an area from which an aerial threat is expected to originate. The designated zone is a finite area on the ground extending vertically upwards within the territory and may extend contiguously to littoral areas under state control. The established zone is then covered within the operational envelope of the Air Defence systems such as radars, interceptor aircraft, command and control and surface to air missiles. The objective is to ensure better control and knowledge of the aircraft entering and departing its area of concern. The primary aim of the ADIZ is to provide a lead time to the air force, in case of hostile aircraft intruding, and take appropriate actions to counter them. Japan, South Korea and Taiwan all have an ADIZ. The Japanese ADIZ was issued in 1969 and thereafter revised in 1972 and 2010. South Korea established its ADIZ in 1951. It is interesting to note that the US interpretation on what constitutes infringement of the ADIZ is stated in the code of federal regulations, which broadly states that as long as the aircraft has no intent to enter the territorial waters or air space of the country then they have no issues and the aircraft would not be subjected to the rules of the ADIZ. By this definition, the US would reciprocate similarly with other countries ADIZ.

A critical question that arises is who makes and regulates the ADIZ? The answer is not complicated. The ADIZ is designated individually by the country depending on its threat perception. The establishment of this zone is not regulated by any global/regional regime. Since there is no defined or accepted method for delineating ADIZ, some countries adopt the procedure of territorial airspace till 12 nautical miles off their coast. Some countries may want to extend it to their Exclusive Economic Zone (EEZ), which is 200 nautical miles from their coast. However the logical basis for the establishment of ADIZ is for early warning so as to enable the country to take appropriate counter measures.

On the face of it, China's sudden announcement to establish the ADIZ in the East China Sea to include the disputed island is not just a matter of perceiving a threat from this area but a signal of assertiveness and authority over the Senkaku/Diaoyu island and probably a readiness to escalate it. Japan, in order to protect its right over the islands, has been scrambling fighters to guard the airspace around these islands and in its ADIZ. The face-off is unnerving and a cat and mouse game between the Chinese coast guard and the Japanese SDF is underway with a possibility of an all-out hot war. South Korea is equally rattled by these developments as the newly drawn ADIZ encroaches on the airspace west of Jeju Island and over the Ieodo Ocean Research Center, an unmanned station built atop a outcropping of rock 149 kilometres South of Mara Island. Although its reaction has been muted so far, South Korea has already flown a reconnaissance aircraft over the area without notifying the Chinese authorities.

The international community hopes that China and Japan exercise restraint. However, China's unilateral action is definitely a provocation and has increased the chances for miscalculation and accidental air engagement. If escalation is the game then one can expect China to next establish an ADIZ over most of the South China Sea. At the very least, China has demonstrated its seriousness about pressing its claim over the disputed islands but by asserting itself it also testing the resolve of Japan and its allies.

⑮ Maritime Security and Challenges in the Indian Ocean Region

'Terrorism and piracy', these two headings have taken centre stage particularly due to the impact on mercantile marine trade that is coming under increased pressure as they traverse through high risk areas. There is enhanced awareness that Indian Ocean is the focus of the world due to the growing of economies and the dependence of these economies on the sea routes for development and security. So when we discuss the security challenges in the Indian Ocean, we also have to discuss issues of security which are distinctly different from the conventional security mould. The reference is to do with fisheries and livelihood security, environmental security, Search and Rescue, Marine Pollution and other such non glamorous issues.

The pivot to Asia - US policy shift

The recalibration of the US policy which has orchestrated a policy of pivot to Asia has its own ramifications in the region. With the rise of China and its increased assertiveness, US appears to be engaging with Asian countries in all spheres. In addition to the traditional partners in the Asia Pacific, namely, Japan, South Korea, Philippines, Australia, New Zealand and other countries, there has been greater engagement in South Asia particularly with India. If Pakistan despite all the differences is still considered a reluctant tactical ally in the war against Taliban in Afghanistan, India is being looked at as an important future strategic partner with enhanced interaction in many spheres notably in defence and energy security.

South China Sea- Issues of mistrust and CBM- ASEAN

The east west traffic that passes from the South China Sea to the Indian Ocean and vice - versa must pass through the Straits of Malacca till alternate routes are proven. The spin offs of this aggressive posturing will see the ripple effects in the Indian Ocean which provides the linkages to forces that may be interested in accessing the hot spots through the Malacca Straits. From the point of China, as a nation which carries most of its goods on its own shipping fleet, it would be definitely concerned about and security of its vessels which are moving through the Indian Ocean.

Growing Economies in the Region and their Interplay

The increased economic engagement has provided capable and strong economies such as China to increase their share of investments in various mega projects and infrastructure in many countries around the world in general and the Asia Pacific in particular. The classic examples are about China's investment in Gwadar in Pakistan, Hambanthota in Sri Lanka and Sitwe in Myanmar and Chittagong in Bangladesh. While the initial intent is economic engagement; it is clear that such investments are not purely commercial. China in return will expect to be supported in its hour of need to turn round and logistically support its naval units which have increased interest in the Indian Ocean Region. The challenge for South Asia and particularly India is to manage this Chinese advances in to the Indian Ocean and prepare for surprises.

Tsunami

After the devastating effect of tsunami in India and our neighbourhood, India and others have initiated various measures for setting up warning systems and also to have mechanisms for disaster management. The Tsunami last year in Japan has only brought out the vulnerability of the total system when faced with natural disasters of the magnitude faced at that time coupled with human/technical failures. The need therefore is for drawing up robust contingency plans and to bring in all the players from the region that would earmark units and rehearse their role at national and regional levels during both manmade and natural catastrophe. This will constitute a greater challenge in times of calamity due to cultural, linguistic and procedural differences.

Piracy off Somalia

The incidents of piracy went up phenomenally between 2008 and 2011 by adventurous pirates supported and backed by land based sophisticated teams that are running the enterprise on a business model. The estimated cost of piracy is in the region of 7 to 11 billion of US dollars annually. Due to sustained efforts by the navies of the world and other deterrent actions by ships, the first half of 2012 has seen a noticeable dip in the number of attacks and has also brought down the number of sea farers held hostage. However, the world has not seen the end of piracy and sustained efforts are still necessary. A lot more effort is needed in Somalia where the root causes lie. The bearing on the Indian Ocean Region is the increased presence of extra regional players who are present in large numbers. This has facilitated coordinated action by some of the western navies though; there are still a large number of navies who are operating independently in a loose structure. The initiative to get China, India, South Korea and Japan to work together is a welcome sign that will enable the navies of the Asia Pacific to work together and learn to operate together.

Neighbourhood Issues and Terrorism

The challenges of preparing for preventing acts of maritime terrorist activity have become acute following the Mumbai terror attacks in November 2008. The seaborne terrorists who landed in Mumbai killed over 166 innocent civilians including foreigners. A slew of measures implemented include placing the Navy at the apex of the maritime security architecture, commissioning of the National Automatic Identification System (NAIS), use of light houses for fitting

radars to provide seamless information to the Joint operation rooms, equipping and training the fishermen to be the eyes and ears of the fleet, establishing of Vessel Traffic Management Systems, installation of Long Range Identification and Tracking (LRIT) radars, revamping of the intelligence apparatus to bring about greater degree of coordination amongst the multiple agencies operating in the same medium, The commissioning of the National Intelligence Agency to investigate and prevent acts of terrorism, the setting up of regional hubs for National Special Group of commandos, setting up of the National Technical Research Organisation (NTRO), creation of two new CG commands in Gujarat and West Bengal, commissioning of new Coast Guard Stations and Coastal Security Groups manned by the State Maritime Police, induction of additional Air Cushion Vehicles for the Coast Guard, Commissioning of additional naval stations in the Island groups on both flanks, conducting of regular table top and real time exercises including all the stakeholders and such other measures. Despite the initiation of all the above measures, there is still a lot to be done to have a robust maritime security architecture that will prevent surprises at sea by proactive action and cooperation with other agencies.

Energy Routes -SLOC Vulnerability; Malacca Straits/Straits of Hormuz dependence

The growing economies depend on the seas for getting coal, oil, gas and other energy products to sustain their economies. This also brings in the threat of these vessels and products being targeted by both pirates and Non State Actors. The example of China, India, Australia, Malaysia, Japan, South Korea and others from the region who have dispatched war ships to protect the international shipping operating in the global commons is a clear indication that the security challenges would grow manifold. The close proximity of ships from different nations also needs to be managed by a sound architecture that does not allow mistakes and misunderstandings during normal patrol missions. The challenge therefore is for establishing clear cut operating procedures, protocols and communication methods to prevent incidents while engaged in peace time missions becomes critical.

The Straits of Hormuz and the Red sea on the west and the Malacca Straits on the east of India are critical arteries that facilitate the free flow of goods both ways. With the constant increase in the number of vessels going up each year issues of traffic separation, monitoring the traffic for both safety and security would engage the attention of the planners. There would be greater use of technology to facilitate establishing of C4ISR architecture. There are issues of financing and funding of such means and methods for protection of the global commons. The Straits of Hormuz is on boil with the increased presence of US ships and the threat of an all out war with Iran. Iran has threatened to close down the Strait of Hormuz and has challenged US as a result of the spat over the nuclearisation of Iran. Any such action by Iran will precipitate stern action by US and its allies and will lead to a war in the Straits that supports global traffic. The resultant inevitable disruption of the transportation chain will have serious ramifications for the countries that are dependent on the supply of products through the Straits of Hormuz.

Fisheries and Livelihood Issues

The period after the defeat of the LTTE has seen increased incidence of the Indian fishermen coming in to conflict with their counter parts in Sri Lanka and also with the SL Navy. There have been allegations and counter allegations about use of excessive force and even fire arms to prevent fishermen from poaching. From the Indian fishermen point of view, historically, the contested waters belonged to India and they have every right to fish in the traditional waters. Having demarcated the maritime boundary with Sri Lanka in 1974, wherein, Kacchativu was gifted to Sri Lanka, the Indian fishermen have been debarred from fishing around that rich fishing grounds around that Island leading to skirmishes and incidents. It is not that only Indian fishermen are guilty of trespassing, the Indian Ocean has witnessed intrusions by fishermen of Pakistan, Bangladesh, Thailand, Myanmar and Sri Lanka who do cross in to each other's territory while looking for fish. This will remain a great challenge with security overtones.

With dwindling stocks, and irresponsible fishing in different parts of the world, conflicts and clashes would be the order of the day and there is a need to resolve this by bilateral agreements and joint monitoring of the areas allocated for fishing. The Coast Guards or their counter parts in this part of the world will need to work out modalities to ensure that the situation does not go out of hand. The establishing of a hot line some years ago between the Coast Guard Head-quarter in India and the Maritime Security Agency in Pakistan has helped in ensuring that the fishermen are not detained unnecessarily in the garb of security. Similar arrangements are required with other maritime neighbours.

Environmental Security

With some of the recent incidents of collision and grounding particularly off Mumbai, the fragile fishing grounds and our coast line has been exposed to the dangers of increased unmonitored coastal traffic and the resultant effects. The absence of credible interfaced technology to monitor, regulate and control the movement of vessels of all size has remained an area of concern for maritime security agencies, ports, Law Enforcement agencies and other stake holders. Also, the much touted word Maritime Domain Awareness is here to stay but there is lot more that needs to be done to achieve even minimum levels of MDA which is critical to deterrent operations at sea.

⑩ Central Asia: Trouble Moving Forward

Five Central Asian states have significant disagreements among themselves, and development trajectories have increasingly diverged since the end of the Soviet Union. Kazakhstan is a stable, relatively open middle-income country, whereas Kyrgyzstan and Tajikistan are impoverished, chaotic, and poised on the verge of state failure. Uzbekistan and Turkmenistan-with significant human and industrial capital (Uzbekistan) and hydrocarbon resources (Turkmenistan) but leadership wary of engaging with the outside world- are somewhere in between. Turkmenistan, Uzbekistan, Tajikistan, and Kyrgyzstan are also affected by their proximity to Afghanistan and the potential for Afghanistan's instability to spread across the border. Kazakhstan, which does not share a border with Afghanistan, sees it as less of a threat.

Many participants noted that the Central Asian governments are particularly concerned about the consequences of a precipitous U.S. withdrawal from Afghanistan. Some worried that Afghanistan's ills-including radicalism, violence, and drugs-could take hold within Central Asia itself if more is not done to stabilize the country before the United States and its allies withdraw, whereas others questioned how relevant the Afghan example is for the largely secular, non-Pashtun Central Asian states. Recent bouts of instability in Kyrgyzstan and Tajikistan have focused minds in the region on the dangers of negative spillover from Afghanistan. Conversely, a secure Afghanistan would represent a potential resource for Central Asia. It sits along the principal transit route between Central and South Asia and occupies part of the shortest route to the sea for landlocked Central Asian states. For this reason Central Asian governments are playing an active role in promoting economic development in Afghanistan-a role that reinforces the U.S. coalition effort.

In terms of a buffer, the purpose of Central Asia is in Indian eyes three-fold:

- To prevent the creation of an 'Islamic belt' allied to Pakistan,
- To forestall encirclement by either China or the USA, and finally.
- To insulate India from the narco-terrorism that now plagues its northern borders.

This security dimension has driven Indian investment in Afghanistan and military cooperation with Tajikistan.

As a bridge

- Central Asia provides a 'near abroad' market for India's emerging export industries.
- It also promises overland routes to the rich resources of Russia and the Middle East.
- Perhaps most importantly for India's short-term growth, the region possesses significant energy supplies at relatively short distance from Indian markets.

This is likely to become a defining factor as competition for resources with China intensifies. Significantly for India's great power ambitions, some Central Asian governments support New Delhi for its candidacy for a permanent seat on the UN Security Council, and help foster a direct link with Russia, on whom India increasingly relies as counterweight to Chinese and US encroachments. This relationship is also important in terms of India's historical relationship with the Soviet Union in the period of non-alignment.

The Central Asian states face a number of other common challenges:

- Encouraging economic development without political instability;
- Regional economic challenges;
- Water management and the related water-energy nexus;
- A "youth bulge" combined with limited economic opportunities (outside of Kazakhstan);
- Cross-border migration;
- Serious and worsening corruption;
- Potentially restive minority populations (such as the ethnic Uzbeks in Kyrgyzstan at the center of the summer's violence);
- Drug trafficking;
- Nuclear proliferation; and
- Managing succession in autocratic states without strong government or party institutions.

⑪ CULTURAL DIPLOMACY

Due to globalization, states can no longer exist individually. Therefore communication must also work horizontally between them, not just at political-diplomatic levels, but also at other, less conventional levels. Considering the irrefutability of the economy as a primary force in interdependence, communication should be approached with this in mind. But it is important not to forget the role of culture and education.

Public Diplomacy

In contrast to traditional diplomacy, which involves interactions between governments, nowadays, states' diplomatic efforts are targeted at people as well. This form of diplomacy which targets the masses is commonly referred to as public diplomacy. Public diplomacy is defined as "an international actor's attempt to manage the international environment through engagement with a foreign public". The goals of public diplomacy are "to inform, engage, and influence global audiences...to reach out beyond foreign governments...".

Public diplomacy manifests itself in a broad range of programs that employ people-to-people contacts; print, broadcast, and electronic media; and other means.

One important and central aspect of New Public Diplomacy is cultural diplomacy, i.e. the use of a country's culture to reach out to foreign audiences and to project a positive image in the international arena.

What is Cultural Diplomacy?

Cultural diplomacy can be defined as a track II, non-conventional diplomatic practice, aimed at identifying cultural patterns of behavior as well as the commonalities of two or more competing groups in order to find a common ground of dialogue, while preserving culturally sensitive aspects.

Alternatively, Cultural diplomacy can be defined as "the exchange of ideas, information, art and other aspects of culture among nations and their peoples to foster mutual understanding".

Cultural diplomacy includes exchanges between people in different countries, through which individuals are able to visit foreign countries and learn about the culture and society of the foreign country. It includes the study of another country's language, traditions, and lifestyle. Culture is an exceedingly broad term, thus contributing to the vast range of areas that fall under the definition of cultural diplomacy. For instance, culture includes literature, the arts in general, customs, habits and traditions, humans' behavior, history, music, folklore, gestures, and social relationships. Thus, any interaction or exchange between the people of two countries in any of these areas is considered cultural diplomacy, as is the study of these fields as they exist in a foreign country.

Sharing culture can lead to mutual understanding and acceptance of another's identity.

While some nations and communities involved in conflicts may abide to internationally brokered peace agreements, in depth there often still a lack of understanding and acceptance of each other's differences. By enforcing non-conventional diplomatic practices through state and non-state actors, one can move from rejection, disintegration, segregation and isolation to acceptance, understanding, celebration and integration in societies torn by internal, ethnic and religious conflicts.

Although less glamorous and heavily under-represented in the global media, cultural diplomacy has worked well at both grassroots and middle level decision making, in regions with a diversity of ethnicities and religions, rich histories and cultures but torn apart by war, frozen conflicts or dictatorships such as the Balkans, the Caucasus/Central Asia or the Middle East and the Arab world.

Why is cultural diplomacy important?

Cultural diplomacy is essentially a two-way communications process that involves efforts to promote a nation's image and values amongst other foreign audiences as well as to try to understand the culture, values, and images of other countries and their people. Cultural diplomacy is a means through which governments can increase respect and understanding of themselves amongst other countries in the world. The benefits of cultural diplomacy programs are large in number.

1. Cultural diplomacy programs create forums for interaction between people of different countries, thus laying the groundwork for the forging of friendships and strong connections between people of different nationalities.
2. Cultural diplomacy helps create a "foundation of trust" with other peoples. Policy makers can build on this trust to create political, economic, and military agreements.
3. Cultural diplomacy can succeed in reaching influential members of foreign societies who cannot be reached through traditional embassy functions. For instance, cultural diplomacy programs expose businessmen and investors to the economy, society, and people of another country, which may result in these individuals making significant economic investments in

the country to whose culture they are exposed.

4. In today's age of globalization, many businesses export to overseas markets and maintain business connections with overseas counterparts. Without appropriate foreign-language skills and cultural knowledge, businesses will have smaller chances of success. Further, many of today's global business challenges necessitate global teams which are comprised of individuals of different nationalities who work together across cultural barriers and time zones for extended periods of time.
5. Cultural diplomacy programs are often aimed at young audiences. Increased cultural interaction with youth in foreign countries allows a country to have a positive impact on individuals who may one day become highly influential leaders in their respective countries.
6. Cultural diplomacy programs are able to counter misunderstandings, ignorance, and baseless hatred that people in other countries may bear toward a certain country.
7. Education and academic institutions are considered the backbone of cultural exchange. Around the world, cultural diplomacy has penetrated the field of education in the past and continues to do so today.
8. As part of cultural diplomacy programs, countries may send artists abroad to display their exhibits in foreign countries or may host foreign artists at international exhibitions on their own soil. Such interactions enhance knowledge and correct stereotypes, preparing the ground for a more open environment for diplomatic and political relations.

India's Cultural Diplomacy

Independent India recognised the importance of cultural diplomacy, as an instrument for people to people connectivity. Ministries of External Affairs and Culture share the responsibility for promoting cultural diplomacy. India has signed 126 bilateral cultural agreements and is currently implementing 58 Cultural Exchange Programmes with other countries. Bilateral Agreements, however, are not prerequisite for the conduct of cultural diplomacy.

To achieve this objective, India set up a nodal body, called the Indian Council for Cultural Relations (ICCR) in 1950. Since its creation, ICCR has used a number of instrumentalities, like Cultural Centres, Festivals of India, Chairs of Indian Studies, etc. in promoting not only cultural but broader linkages with countries across the world.

In an endeavour to strengthen its relationship with Southeast Asia, India has actively used culture as an important instrument of its Look East Policy (LEP). Unlike in the past when cultural diplomacy was largely viewed as India's veiled effort towards cultural dominance, the renewed thrust on the cultural diplomacy has received genuine appreciation from Southeast Asian countries.

An important aspect of India's cultural diplomacy is cultivating the 6.4 million Indian diaspora living in Southeast Asia. Except in the Indo-China countries, every country of Southeast Asia has a sizeable population of Indian diaspora, who are not only sizeable investors but also opinion-makers in their respective countries. They also hold important posts in the government and in vital non-government bodies. The Indian government has taken a number of policy initiatives in order to engage this diaspora. The Pravasi Bharatiya Diwas, begun in 2003, is held every year in January. The Indian government is also working towards setting up a Person of Indian Origin (PIO) University in India and India Development Foundation, which can facilitate the development of human resources.

India has signed formal cultural agreements with almost every Southeast Asian country. Though a majority of these agreements are several decades old, it is only now that the Indian government has begun implementing various components of these agreements. Indian embassies

in Southeast Asia regularly organize cultural programmes by Indian artists. The government also facilitates the visit of cultural troupes to various countries. Besides, film festivals are organized at regular intervals considering the growing interest in Indian cinema.

The major thrust of India's cultural diplomacy is fostering better trade and economic relations and at the political level. The important aspect includes -

1. Know India Program - to help familiarize Indian Diaspora youth, in the age group of 18-26 years, with developments and achievements made by the country and bringing them closer to the land of their ancestors. KIP provides a unique forum for students and young professionals of Indian Origin to visit India, share their views, expectations and experiences and to develop closer bonds with the contemporary India.
2. Annual "Pravasi Divas" - to connect India to its vast Indian Diaspora and bring their knowledge, expertise and skills on a common platform.
3. "Brand India" image as part of its outreach to a global audience.
4. Indian Council of World Affairs (ICWA) - The ICWA organizes events, including organization of Academic Conferences.
5. Religion - The emphasis is on spiritualism rather than on religion per se, on yoga, vegetarian food, meditation and mental peace.
6. Indian films
7. Indian music and dance

If India is to graduate from being a regional power in South Asia to a great power in the Asia-Pacific, the Indian Foreign Policy establishment has to effectively tap all available resources and seek ways of projecting the country's soft power. Leveraging cultural diplomacy is key for this purpose.

