

IPCS FORECAST 2016

CARDINAL TRANSITIONS | RED HERRINGS | SHRINKING SPACES

SOUTH ASIA

EAST ASIA

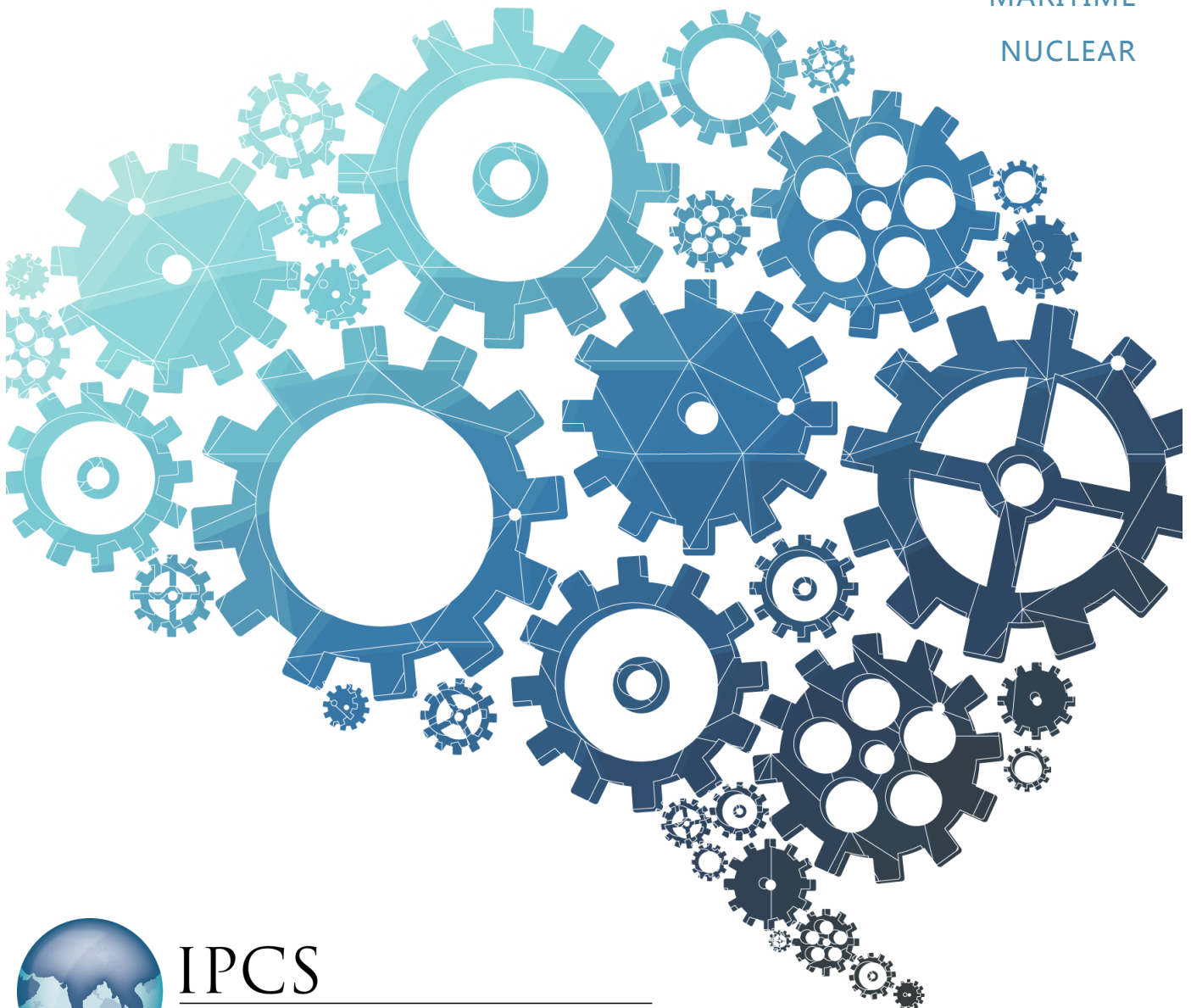
WEST ASIA

SOUTHEAST ASIA

US

MARITIME

NUCLEAR



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FOREWORD



On behalf of the Institute of Peace and Conflict Studies (IPCS), I am pleased to introduce to you IPCS Forecast 2016, a collection of writings on the near-term trajectories of a wide range of geographic and thematic issues, authored by eminent analysts and scholars from the Indian strategic community and beyond.

These writings feature important regional and international security trends and their analysis, and much like the 2015 edition, which was very well-received and was downloaded more than 15,000 times, this Forecast can be a useful resource for those seeking a comprehensive and critical reckoner on the headlining issues of 2016.

We welcome your feedback, and should you have questions for specific authors, please write to us at officemail@ipcs.org.

Salman Haidar

Patron, IPCS, & former Foreign Secretary, Government of India

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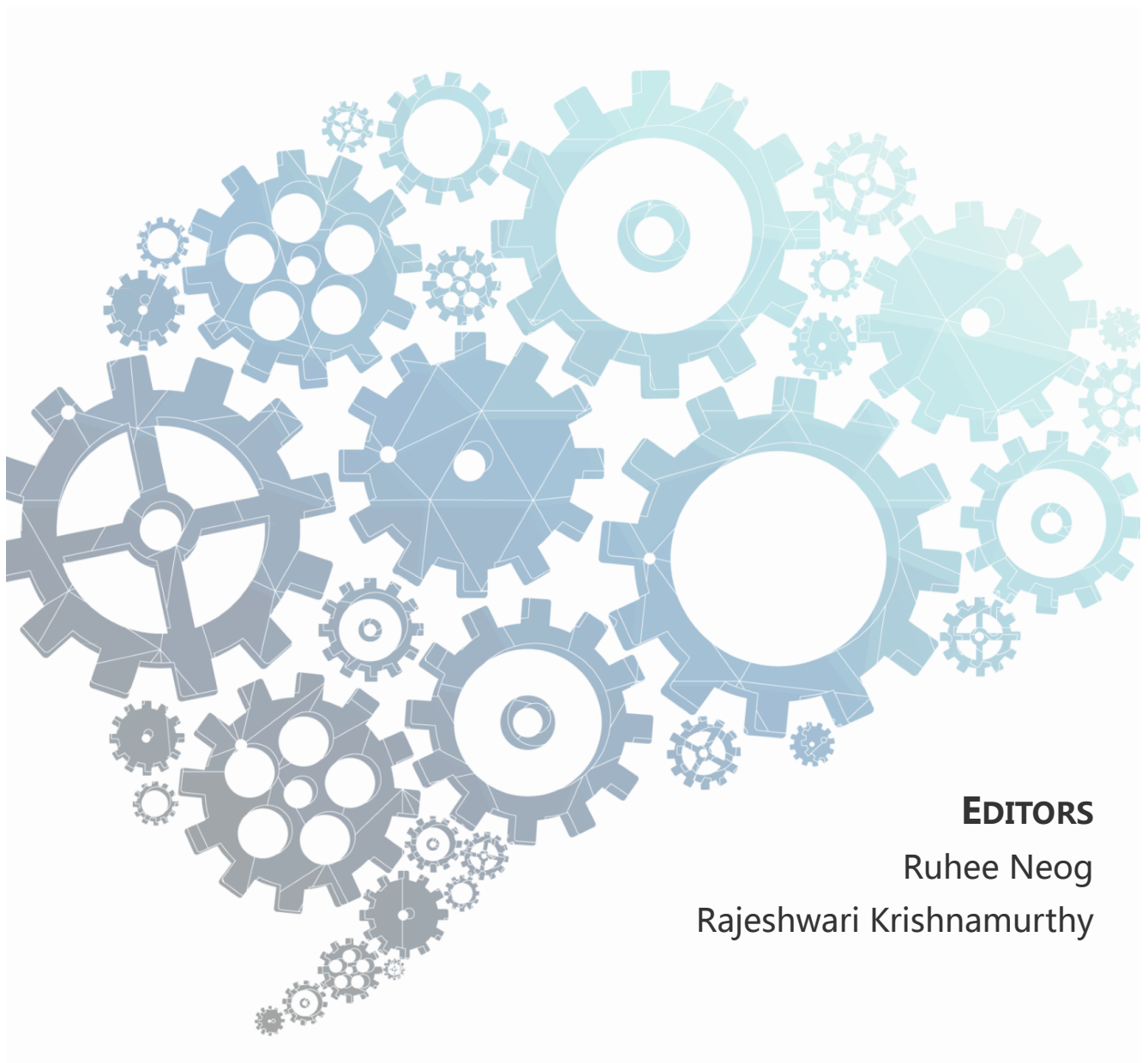
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BIG PICTURE



CARDINAL TRANSITIONS

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In 2016, India is likely to hit a sweet spot and come to be seen – despite a host of domestic debilities and external vulnerabilities – as an island of growth and stability. This year, several countries whose internal dynamics are acutely relevant to India will undergo internal transitions of one sort or another.

Leading the pack are the three countries that constitute India's three cardinal external relationships: the US, China, and Pakistan. Three others – Myanmar, Afghanistan and Nepal – in India's immediate neighbourhood too are experiencing protracted political transitions. Finally, there is an important evolving relationship with Brazil, a country three oceans and two hemispheres away that is experiencing severe internal turbulence and could well be heading towards transition.

The US

The 2016 US presidential election is turning out to be one of the most unusual since the 1948 Truman-Dewey match-up. It is increasingly expected that Hillary Clinton will face Donald Trump after the primaries; but much could yet happen to overturn this expectation. Trump, Clinton, Ted Cruz and Bernie Sanders all speak to sectional constituencies that feel scared, angry and ignored. As in the late 1970s, many Americans feel humiliated and demoralised about what they see as their country's decline in world affairs. When a similar mood prevailed in 1980, an unconventional candidate, Ronald Reagan, was elected. The world could once again witness an unexpected electoral outcome in the 2016 US presidential elections. The US has not been as internally divided as today since the Civil War. These divisions are not only causing electoral unpredictability but also policy uncertainty and even paralysis. Predicting the contours of Washington's policies under a Clinton administration is at least a plausible venture; but under a Trump administration, who can tell what will happen?

China

The ongoing rebooting of China is equally important. Change will not be easy for a US\$12 trillion economy comprising 1.35 billion people. Chinese President Xi Jinping's Chinese Dream is centenarian: making China a moderately well-off society by 2021 and a fully developed nation by 2049, i.e. the 100th anniversaries of the founding of the Communist Party of China (CPC) and the People's Republic of China (PRC) respectively. Economically, rebooting China is essential: after three decades of 10 per cent annual growth rates, China is now a middle income country that must transform its export-led growth and government-led investment model to a more sustainable lower growth trajectory that relies on internal demand and consumption-led growth.

Transformation has a sharp political edge under Xi. The anti-corruption campaign has severely disrupted tacit understandings across all levels of the CPC, especially in the higher echelons. So far, the only winners appear to be the so-called 'princelings', children of first generation CPC revolutionaries. As political power is increasingly being monopolised by a single leader, the



orderly decadal transitions of the administrations of former Chinese Presidents Jiang Zemin and Hu Jintao may no longer serve as a template for the future. Certainly, the 'collective leadership' of the Hu years is already a thing of the past.

Pakistan

Pakistan too will experience a significant transition this year. The country's Army Chief, Gen Raheel Sharif, is scheduled to retire on 29 November. He has garnered immense popularity in the Pakistani society and across the political spectrum by taking the battle to groups like the Tehrik-e-Taliban Pakistan (TTP). He has characterised the TTP as an even greater threat to Pakistan than India is. Such characterisation was a clear departure from his predecessors as also from his own biography: his maternal uncle and elder brother were killed in wars against India. Although several voices advocate that he should be given an extension, Sharif has insisted that he will leave in November.

Given the monopoly Pakistan's military has over the country's overall policies related to India, the Kashmir issue, and nuclear weapons, from an Indian perspective, the identity of Sharif's successor is a significant matter. The senior-most lieutenant general, Maqsood Ahmad, is currently a military adviser at the UN Department of Peacekeeping Operations. Most likely, he will retire from the army in January 2017, as will three other lieutenant-generals who follow Ahmed in seniority. Thus, Sharif's likely successors are lieutenant-generals Ishfaq Nadeem Ahmed or Javed Iqbal Ramday, currently commanders of 2 Corps (Multan) and 31 Corps (Bahawalpur) respectively. However, there is a long tradition of supersession when army chiefs change in Pakistan. Sharif's successor could be someone lower on the seniority list, such as Lt Gen Rizwan Akhtar, currently director-general, Inter-Services Intelligence (ISI). Both the identity and orientation of Sharif's successor would be important factors in New Delhi-Islamabad relations.

Myanmar

Ostensibly, the ongoing political transition in Myanmar is the least problematic of the three other transitions in India's immediate neighbourhood that have the potential to pose challenges for Indian policy. Electoral democracy has certainly triumphed in Myanmar. The next crucial stage will be for a democratic system to provide effective governance. Several factors could yet upset systemic stability. Keeping Myanmar's military onside during the transition is critical; and with 25 per cent of the votes in the parliament, the military can block any constitutional amendment. There are huge pent up expectations in Myanmar's population and, after receiving such a massive electoral majority, the National League for Democracy (NLD) government will be expected to produce visible results soon. The ethnic minorities' issue, especially of the Rohingyas, could bring significant external pressure on the young democratic government. Finally, Htin Kyaw as president and Aung San Suu Kyi as the power behind the throne could be a feasible arrangement in the immediate future, but in the longer-term, this could kindle the problem of dual centres of power.

Afghanistan

In 2016, Afghanistan too may face the problem of dual power centres. The US-brokered arrangement of September 2014 that resulted in Ashraf Ghani as Afghanistan's president and Abdullah Abdullah as the country's chief executive officer has worked much better than most had expected. The Taliban's so-called annual 'spring offensive' can be expected from mid-April. However, US President Barack Obama's October 2015 decision to maintain the current force of 9,800 through most of 2016, then begin drawing down to 5,500 late in early 2017, works to Kabul's favour. That the Taliban and the Islamic State (IS) are now targeting each other adds to

Afghanistan's perturbation and violence but further strengthens the government. India's core challenge in Afghanistan will remain the same: maintaining its high levels of development assistance while its personnel and citizens continue to be specifically targeted by the Taliban and other insurgents.

Nepal

The most prolonged and troubled transition in India's regional neighbourhood has been in Nepal. New Delhi's role in this transition also marks one of the biggest failures of Indian foreign policy in the recent years. In part, Kathmandu's problem has been one that it shares with other relatively small countries: the tendency of having a difficult time acknowledging and designing for ethno-cultural diversity. Sri Lanka is another South Asian example of this tendency. However, Nepal's protracted transition, particularly its constitution-making travails, also highlight the difficulties of framing a constitution in an era of mass politics and intrusive mass media. The Madhesi problem is likely to remain unresolved through 2016, with continuing negative spill-over effects on India. Given India's organic ethno-cultural and ecological linkages with Nepal, this is unfortunate but unavoidable.

Brazil

Brazil – India's new partner in the BRICS and other ventures – is experiencing a year of Olympian discontent. The economy is shrinking as the recession cuts deep: a negative growth rate of 3.9 per cent is expected in 2016, albeit it could be as severe as 6 per cent. The world still expects Brazilians to rally around and throw a big party when the Olympic Games begin in Rio de Janeiro in mid-2016. However, these days, the mood in Brazil is particularly grim. Investigations of corruption in Petrobras, the massive state-owned energy company, have led to prosecutions and indictments that have now reached the highest levels of government. The speaker of the Chamber of Deputies in Congress has been indicted for corruption. Shockingly, corruption charges have now tainted former Brazilian President Luiz Inácio Lula da Silva, the patron saint of the Brazilian left and mentor of incumbent President Dilma Rousseff. Calls for Rousseff's resignation are increasing and there are moves to begin impeachment proceedings in Congress. Rousseff's impeachment is unlikely as she still has the support of most Workers' Party (PT) and Party of the Brazilian Democratic Movement (PMDB) legislators. However, it is sobering to consider the possibility that the Rousseff administration is de facto at an end and will limp on as a lame duck till 2018. Most worryingly, the possibility of massive public unrest on ideological right-left lines cannot be discounted.

Red Herrings

In this analysis of key transitions, situations of stasis have obviously been ignored. However, some cases of supposed stability should also be problematised. For instance, it is unclear as to how long incumbent Bangladeshi Prime Minister Sheikh Hasina and her Awami League party will be able to marginalise their longstanding traditional rivals, Khaleda Zia and the Bangladesh Nationalist Party (BNP), or continue the process of retributive justice against the perpetrators of the 1971 independence war genocide. Likewise, although he still seems to be firmly in the driving seat in Russia, in 2016, some searching questions will be asked about President Vladimir Putin's staying power.



HIGHER RISKS LIKELY TO SHAPE GLOBAL RESPONSES

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The World Economic Forum released the 11th edition of 'The Global Risks Report 2016' recently. The report highlights the key 'risks' that the world faces in terms of the 'likelihood' and the 'impact' of risks on a regional and on a global scale. A global risk has been defined as "an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years."

29 different risks have been placed under five different categories, viz. Economic (9), Environmental (5), Geopolitical (5), Societal (6), and Technological (4). A survey of 750 stakeholders, located across the world, was conducted in 2015 and the risks were evaluated based on their risk perception. Each global risk was evaluated on a scale of 1-7 with 1 representing 'unlikely' and 7 representing 'most likely'. Similarly, for the impact criteria, a score of 1 was awarded to a risk with the 'least impact', while score of 7 was awarded to a risk with the 'maximum impact'.

The top five risks that were most likely to occur in 2016, in decreasing order, were, 'large-scale involuntary migration', 'extreme weather events', 'failure of climate-change mitigation and adaptation', 'interstate conflict' and 'natural catastrophes'. The risks ranked in terms of impact were, 'failure of climate-change mitigation and adaptation', 'weapons of mass destruction', 'water crises', 'large-scale involuntary migration', and 'energy price shock'. The average score of impact of all risks was 4.76 and the likelihood from risks was 4.87, almost the same as the 2015 risk assessment report.

'Large-scale involuntary migration' entered the risk matrix for the first time directly at the top spot, signifying the high risk perception from the unprecedented influx of refugees from war-torn areas into Europe. The likelihood of inter-state conflict fell from the top spot in 2015 to the fourth position in 2016, possibly due to the international community accepting Russia's annexation of Crimea and the relative stability on that front. The remaining three risks were environmental in nature, which suggested the possibility of high economic and human loss from natural disasters.

'Failure of climate-change mitigation and adaptation' jumped from the fifth position in 2015 to the top spot in 2016 in terms of impact, possibly due to the perceived importance of the Paris climate deal in end-2015 and the hype that accompanied the wide media coverage. 'Severe energy price shock' entered the matrix after a gap of four years, this time surprisingly due to the collapse of energy prices and the concerns from growing revenue deficits of energy exporter countries.

While the global risk landscape was charted, there were wide variations in the regional perspectives in terms of the most likely risks. Risk perception on a country-wide or a regional scale is important as it identifies the weakest link in the chain. Higher risk perception on a local scale has the potential to trigger off events that can have a large impact in a globalised world.

The top three most likely risks identified for North America are cyber attacks, extreme weather events and data theft while that for Latin America and the Caribbean are failure of national governments, under employment and social instability. Europe perceives large-scale involuntary migration as its most likely risk followed by un/under employment and fiscal crisis. Sub-Saharan Africa is most concerned about failure of national governments and critical infrastructure while water crisis emerges as the most likely risk for the Middle East and North Africa. The most likely risk for Central Asia (including Russia) is inter-state conflict followed by energy price shock and failure of national governments. South Asia faces high risk from water mismanagement and climate risks apart from economic risks from unemployment and lower economic growth and environmental risks are higher in East Asia and the Pacific.

Latin America and the Caribbean states are besieged with geopolitical, economic and societal risks. Political instability, high inflation and unemployment, poor oil revenues, financial mismanagement, risk of defaulting on sovereign loan repayments and a spiralling black market economy continue to plague Venezuela. Brazil, with a high inflation and increasing fiscal deficit, is likely to see a contraction of its economy. A weakening local currency adds to the woes led by a decline in stock market and poor commodity prices. Corruption scandals have also dented the image of President Dilma Rousseff leading to a loss of confidence in the government. Columbia on the other hand continues its fight with drug dealers and armed conflict with insurgent groups.

Europe is deeply divided on the intake of asylum-seekers, Greece is struggling to stay in the euro zone and the political entity of European Union (EU) is itself under threat with the UK voting on a referendum on staying in the EU on 23 June 2016 with 'Brexit' emerging as a strong possibility. The threat of unemployment, though reduced after the 2008 financial crisis, still continues to trouble the countries of the EU.

Economic and societal threats are more prominent in the Middle East and North Africa (MENA) region and armed conflict is plaguing Syria, Iraq, Libya and Yemen. Fragile states in the region include Jordan, Lebanon, Djibouti and Tunisia, while Egypt and Morocco are undergoing political transitions. Sub-Saharan Africa on the other hand faces high risks from political instability due to a large number of countries having authoritarian regimes, high levels of corruption and weak institutions.

While the 'Global Risks Report 2016' raises awareness about the perceived global risks and also gives insights into their potential interconnections, it does not discuss any actions to mitigate, adapt and to strengthen the resilience of countries to these risks. However, it does give a shared understanding to governments and helps various countries in aligning their strategies so that they can undertake multi-stakeholder collaboration to offset these risks. How the year 2016 pans out remains to be seen, but it is most likely that political risks which amplify societal risks will be the flavour of the year.



JAMMU AND KASHMIR POLITICS AND SECURITY

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The sudden passing away of Mufti Mohammad Sayeed has created serious political uncertainty in Jammu and Kashmir (J&K). Governor's rule had to be re-imposed within a little over 10 months of the coming into existence of a Jammu and Kashmir Peoples Democratic Party (PDP)-Bharatiya Janata Party (BJP) coalition government. For a meaningful forecast of the politico-security situation, the fallout of this sad event has to be assessed in the backdrop of the existing security situation; renewed attempts of terrorists to infiltrate into J&K; reports of increased radicalisation and fresh recruitments in local militant cadres; and the logjam in any forward movement in Indo-Pak engagement.

The fractured electoral verdict of 2014 threw a formidable challenge in government formation in the state. The PDP received a resounding mandate from the Kashmir valley, and voters in Jammu overwhelmingly supported the BJP. It took over two months for the now late Mufti Mohammad Sayeed to take the "courageous but unpopular decision" to lead a coalition government of the PDP and the BJP, which he himself described as coming together of the "north and south poles." Mufti had the vision for the coalition to deliver. He hoped to begin with a developmental agenda, addressing the aspirations of different regions as dictated by the mandate, and then slowly move towards his party's political and economic agenda. He had the stature and political acumen to try and create, in due course, a consensus around addressing "core" issues to meet the aspirations of the PDP's support base, including the alienated section in Kashmir valley. Once having entered into an alliance, Mufti demonstrated his wisdom and capacity to "swallow" avoidable diversions of a political nature raked by the coalition partner which disallowed the smooth running of the government.

Mehbooba Mufti as the party president is deeply conscious of stresses and strains that her late father had to pass through in running the coalition of diametrically opposite political ideologies. There is debate within the party on the desirability of continuing the coalition. It is argued that if a leader of Mufti's stature was distracted from pursuing the "Agenda of Alliance," it will be impossible for his successor to make any meaningful progress. This, they think, will further erode the support base of the party in the Valley. The supporters of continuity, who are currently in a majority, feel that Mufti's risk-taking experiment for peace and stability needs to be given more time in order to assess whether it can achieve the desired results, and that it must not be abandoned half way simply because he is no more on the scene.

This puts Mehbooba in a dilemma. On one hand she inherits the political legacy of her late father and on the other, she faces the risk of failure to deliver on the aspirations of the party supporters and losing their confidence. It may not be easy for an out-of-power PDP to prevent poachers from changing the arithmetic of the verdict. Despite the serious political crisis following the Shri Amarnath Land row in 2008 and wide spread violence in the Valley in 2010, voters have shown faith in democratic institutions via the record turnouts in 2008 and 2014 J&K assembly elections. If Mehbooba's fears are not appropriately allayed, the state may go through a period of political uncertainty, and such an eventuality will seriously erode the faith.



Four credible assembly elections since 1996, supplemented by the periodic Lok Sabha and Panchayat polls, had considerably narrowed the democratic deficit in the strife-torn J&K. Successive elected governments of varying complexions, in close coordination with the central government, have pursued a largely peace-and-development-oriented agenda since then. The ceasefire agreement with Pakistan in 2003, which held ground till late 2008, gave much respite to people in the border areas. Cross-Line of Control (LoC) travel, and later, trade, did attract the attention of alienated sections as useful Confidence Building Measures (CBMs).

Unfortunately, other attempts to address the political dimension of the problem, including the three Round Table Conferences at the initiative of the then Prime Minister in 2006 and 2007; reports of five Working Groups; and the report of interlocutors, have yielded no results.

It will continue to remain a question mark as to whether the people's faith in democratic institutions can be taken to another level by initiating a dialogue between internal stakeholders to address the political dimension of the problem.

The Pathankot terror incident underscores the vulnerability of targets in J&K where Pakistan and its Inter-Services Intelligence (ISI) have much more over-ground and underground support base. There is a sizeable residual militancy, and infiltration of terrorists continue. In 143 incidents of violence in 2015 in the state, 37 civilians, 39 security personnel and 108 terrorists were killed. There are reports of over 200 militants operating in the Valley. 222 incidents of firing from across the border were reported in 2015, in which 16 civilians and nine SFs were killed. 36 terrorists infiltrated into the state during 2015. Fresh recruitments into jihadi *tanzeems* and reports of increased radicalisation of educated youth do not augur well for the peace process. Any sign of instability will not only have its political fall-out but will also have serious security implications. It will give impetus to the separatists' agenda of ridiculing democratic institutions.

India has taken a bold stand in renewing the dialogue with Pakistan. The Pathankot terror strike has temporarily stalled the restarting of the "comprehensive dialogue," with New Delhi seeking action on the perpetrators of the attack before proceeding on the foreign secretary-level talks. However, engaging Islamabad is no guarantee against the use of their soil for terror attacks in J&K and elsewhere. The Pakistan Army and the ISI will not miss any opportunity to exploit the leverage it enjoys with over-ground and underground support in J&K, particularly in the event of political instability. The Pakistan Army is strongly opposed to promoting friendly relations with India if it is at the cost of J&K. The recent terror attacks in Jammu, and the neighbouring Punjab – at Rajbagh, Samba, Dinanagar, and Pathankot – reveal a pattern in the sneaking of terrorists from across the international border and targeting security force camps and police stations to cause maximum casualties.

These have come in quick succession after the first such attack on the Hiranagar police station in Kathua, J&K, and an army camp in Samba, J&K. None of these could have been possible without active support of the Pakistan Army. The re-emergence of suicide attacks in some of these incidents is a grim reminder of the post-Kargil situation in the late 1999-2001 period, when a spate of such incidents led to a serious sense of insecurity.

The Pakistan Army, by these incidents, has demonstrated its capability to take the proxy war to areas that are considered free from terrorist support bases. Such attacks are likely to continue irrespective of the public stand that the Pakistan government takes to keep alive the current dialogue initiative at a time when, according to former Indian Foreign Secretary Kanwal Sibal,



"Pakistan's conduct and affiliation with terrorism has come under greater scrutiny and strictures internationally." While India must engage with Islamabad, any bonhomie must not lead to complacency in the security apparatus. The answer lies in preparedness to thwart such attacks, an effective counter-infiltration strategy, and an urgent review of the coordinated intelligence-based operations to tackle residual militancy in J&K.

The central government has a decisive role to play in the predicted future course of events in J&K, not merely because it is led by the BJP, the most likely alliance partner of the PDP, but more importantly because of the bigger picture that the government can see, of the fall-out of political instability on the security situation in the border states; and the fate of the much touted agenda for peace and development.

The country has paid a heavy price in terms of valuable lives (as many as 5,548 security personnel and 17,027 civilians till the end of 2015) and resources to bring the security situation to "manageable levels" as witnessed particularly during the past five years (with less than 200 incidents of violence per year). The government owes it to the people of the country to ensure that the situation does not slide backwards.

The peace process has to be taken forward. The residual militancy has to be tackled. The renewed dialogue with Pakistan is welcome, but India must upgrade its security infrastructure to prevent infiltration and terror strikes in J&K and elsewhere. The capacity of separatists to exploit incidents, particularly in a politically unstable environment, must not be lost sight of. Regional aspirations and harmony; settlement of Kashmiri migrants; radicalisation of educated youth; and engagement with the separatists are some issues that need urgent attention. These can be best addressed by an elected government with active support from the Centre.

Therefore, in the interest of peace and development, the Central Government (the BJP may have its own political compulsions) needs to allay Mehbooba Mufti's fears in a demonstrative manner. Both sides would be well advised to focus on peace and development and refrain from raking up controversial political issues. The government is well aware that Mehbooba is the undisputed leader of the PDP, enjoying mass support base in the Valley. The PDP in turn is deeply conscious that fulfilling the developmental agenda without the support of the Centre is a distant dream. Indian Prime Minister Narendra Modi, his politically mature Home Minister Rajnath Singh and the knowledgeable National Security Adviser Ajit Doval will have to take a call as well as the initiative in this regard, rising above party politics. J&K must not be made to suffer in wait for the PDP to spell out its expectations from the coalition partner. Both sides will have to sit across the table and draw lines for engagement rather than converse via the media.

Will the Central Government walk an extra mile for the sake of peace and stability in J&K? In the absence of Mufti Mohammad Sayeed, the onus of a hassle-free transfer of power and ensuring smooth running of the coalition in this sensitive state shifts to the statesmanship of Prime Minister Modi. There lies the key to the developments in J&K in the year that just been entered.



SHRINKING SPACE FOR LEFT-WING EXTREMISM

Bibhu Prasad Routray

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Left-wing extremism (LWE) in India has more or less ceased to be a national problem. Over the past two years, there has been a significant drop in the extremists' ability to orchestrate violence, and consequently, extremism-related deaths have decreased. However, in order to defeat extremism completely, in 2016, the state needs to build on the gains made thus far, failing which this year could well mark the revival of the movement that has demonstrated remarkable survival capacities in the past.

From National to Regional

A far cry from its domination over nearly one-third of the country's geographical expanse, the influence of the Communist Party of India-Maoist (CPI-Maoist) is now confined to only five states of the country.

Of these, Chhattisgarh, Jharkhand and Odisha cumulatively account for 80 per cent of such activities. While approximately 20 districts in these five states witnessed most of the LWE violence in 2015, six districts (three in Chhattisgarh, one each in Odisha, Jharkhand and Maharashtra) can be termed as the worst affected districts, accounting for witnessing almost 60 per cent of the violent incidents. Previously a national problem, LWE has now become a regional problem, mostly limited to India's eastern board. Since 2013, the CPI-Maoist has admitted to such losses in a series of publications. The CPI-Maoist's central committee resolution that was adopted in early 2013 spoke specifically about how the mass base and recruitment abilities of the outfit has decreased in the Dandakaranya area. In early 2014, in an internally circulated interview for the Maoist Information Bulletin, General Secretary Muppala Lakshman Rao acknowledged the "loss of considerable number of party leaders at all levels starting from the central committee to the village level party committees" and "weakened movement in rural plains and urban areas." He termed the protection of its "subjective leadership from enemy attacks as one of the foremost tasks before the party."

The trend of shrinking space for extremism is likely to continue in 2016 as effective counter-insurgency operations continue in states like Bihar and Jharkhand. However, whether or not such operations can make the outfit completely vacate its strongholds in Chhattisgarh, Jharkhand and Odisha remains a key question.

Increasing Desperation Levels

The acute level of desperation among the extremists over a stream of losses of cadres, especially senior cadres, is reflected in the tone and frequency of their appeals to their constituencies and prospective cadres. Not long ago, Maoist propaganda machinery churned out regular press releases detailing the outfit's agenda and its opposition to the government's moves. Not only have the sheer numbers of such press statements decreased significantly (the last press statement was issued in November 2015), lately, calls for armed revolution have been missing from the usual vocabulary of defiance. For instance, the 28 November 2015 statement called on the "patriots" to come forward to protect the country's natural wealth and resource for our future generations." Not only has the outfit made no secret of its discomfort regarding



the use of drones and helicopters by the security forces that further tilted the balance in favour of the state, it also appears extremely disturbed about the probable use of aerial attacks on its facilities in the Dandakaranya area. As the state makes further advances, such levels of desperation can become even more acute.

Chhattisgarh's Problem

Chief Minister Raman Singh has termed Chhattisgarh a "safe state" for investment with "some Naxal activities," which are "reducing rapidly." However, extremism related data paints a different picture. Chhattisgarh accounts for 43 per cent of the violent LWE activities. In 2015, against the general trend of declining Maoist violence, the state registered a significant increase in extremism-related incidents over the previous year: from 326 to 488. According to the security establishment, the rise in incidents is due to the proactive operations undertaken by the security forces, especially by the District Reserve Group (DRG). According to the Chhattisgarh police, the DRG, comprising local youth and surrendered extremists in the Bastar division, carried out 644 anti-Maoist operations in 2015, both individually and in coordination with other state and paramilitary forces, in which they killed 46 extremists. This is indeed a huge achievement, given how 89 extremists were killed in total in the entire country in 2015. Yet, the extremist stronghold in Abhujmad, large portions of which is located within the state, continues to be undisturbed and constitutes the 'liberated zone' where the janathana sarkar (people's government) has been established. Chhattisgarh's Sukma, Bijapur and Dantewada districts are among the six worst affected districts in the country.

In 2016, the survival of Maoist extremism will crucially depend on how the outfit manages its control over its strongholds in Chhattisgarh.

Assaults and a Slow-Burn Strategy

In 2015, 168 civilians and 58 security personnel were killed in LWE-related violence across the country. Of the slain civilians, 92 were termed as police informers by the extremists and killed as part of its campaign to establish complete dominance over the area. Destroying schools, roads, health centres and mobile towers are other components of this strategy. While targeting the security forces, the extremists resort to morale boosting pre-planned attacks that result in heavy casualties. The January 2016 attack in Palamu, Jharkhand, which killed seven security force personnel, and the April 2015 attack in Sukma, Chhattisgarh, in which 11 police personnel died, are examples.

However, a bulk of the civilian and security force fatalities occur in smaller attacks that go unnoticed due to the limited number of casualties they inflict. This enables the extremists to keep away from the limelight, preserve their cadre strength, and at the same time, continue nibbling at the state's presence in the remotest corners. As the CPI-Maoist deals with its organisational weakness, it will continue to resort to this dual strategy of inflicting serious as well as enduring losses on the state.

Questionable Surrenders

The surrender of a large number of Maoist cadres has been projected as key to the declining strength of the outfits and also as a reflection of a growing disenchantment with the ideology of mindless blood spilling among the extremists.

According to available data, 11,608 CPI-Maoist cadres surrendered between 2010 and 2015. Combined with the number of Maoists killed and arrested, the total number of neutralised extremists stand at 14,838 in the same period. This is larger than the officially acknowledged

cadre strength of the CPI-Maoist, which is about 12,000. The fact that the outfit still survives points either at its continued ability to recruit cadres or raises serious questions regarding the genuineness of such surrenders.

Over the years, numerous reports have surfaced, detailing episodes of fake surrenders in which civilians unattached with extremism or petty criminals have been paraded by the police as extremists. The trend is at its worst in Chhattisgarh, where even senior officers within the police establishment have raised questions about the genuineness of surrenders. However, given the proclivity to project surrenders as achievements and the state government's willingness to ignore such charges made even by insiders, such policies are likely to continue with the objective of amplifying the state's achievements.

Human Rights: Low Priority

The broad contours of the counter-Maoist policies of the government in New Delhi remain unknown. Contrary to the clear elucidation of its policies by the previous government, a great deal of secrecy surrounds the current policy. Yet, as evident from the odd official statements and on-ground mobilisation, a force-centric approach now dominates the official line of thinking. Deployment of additional battalions of central forces with an objective to actively pursue the senior leadership of the CPI-Maoist has emerged as a key component of this strategy.

However, such a policy has also led to the state closing its eyes to episodes of violations of basic rights of law-abiding citizens. Increasing use of vigilante movements in Jharkhand and Chhattisgarh has resulted in a growing number of cases in which NGO activists, media persons and tribals are being targeted by the state. In Chhattisgarh, where most of these incidents have occurred, local leaders of the ruling political party have reportedly joined the police in targeting journalists reporting violation of human rights. While a clean and just war can only be an idealistic goal in a counter-extremist situation, wilful persecution of voices of dissent as state policy is likely to continue, which ends up justifying the extremists' narrative of the state being a principal violator of tribal rights.

Conclusion

In spite of the academic and official attention it garnered and the propaganda it sought to indulge in, the CPI-Maoist never posed a pertinent danger to India's urban centres. Never in its short history of 11 years did the outfit come close to fulfilling its purported objective of overthrowing the government, even in the worst affected states. Attacks were carried out mostly on its near enemy, i.e. the security forces and the civilians intruding into its sphere of influence, whereas the far enemy, i.e. the government structure removed from the conflict zone, has remained unscathed.

However, even with its current weakness, the outfit's capacity to hold on to its strongholds would pose the real challenge to the Indian state. The state has to deal with an outfit that does not kill many and yet, makes the entry of the state into the remotest areas of many states severely risk prone. In fact, weakness of the adversary must not lead to a state of complacency, which could facilitate an extremist revival. A nuanced policy of making security force operations accountable and governing the reclaimed areas well would form the basis of a future free from extremism.



SECURITY SITUATION IN NORTHEAST INDIA

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2016 brings both hope as well as challenges for the government in dealing with insurgency in Northeast India. The National Democratic Alliance (NDA) government in New Delhi is continuing with the traditional carrot-and-stick policy in dealing with insurgency in the region but a definite strategy or policy to deal with the insurgent groups does not seem to be in place as yet.

Among others, the major positives for the government in 2015 with regard to insurgency in Northeast India include: the significant signing of the 'Framework Agreement' with the Nationalist Socialist Council of Nagaland-Isak-Muivah (NSCN-IM) for an eventual resolution of the problem; and getting the jailed General Secretary of the United Liberation Front of Asom (ULFA), Anup Chetia, back to India from Bangladesh. Strong military action against the trigger-happy National Democratic Front of Bodoland-Songbijit faction (NDFB-S) has rendered the outfit weak and incapable of any major attacks. Efforts for peace with insurgent groups of the region have also been started by spiritual guru and the founder of the Art of Living, Sri Sri Ravi Shankar, apparently at the behest of the highest levels in the Union Government.

Setbacks have, of course, kept the challenges alive. The NSCN-Khaplang (NSCN-K) abrogated its 14 year-long truce with New Delhi. In fact, in April 2015, the NSCN-K formed the United National Liberation Front of Western South East Asia (UNLFW). The UNLFW has already carried out several attacks on the security forces. The Maoists too have been trying to consolidate their position in the Northeast, but arrests of some of their leaders and members have hurt their plans. The foothold of Islamist fundamentalist groups seems to be increasing in the region, and if not curtailed, may cause serious headache for the security forces in the future.

2016 may actually be quite unpredictable, and the following scenarios may emerge:

A. Signing of Peace Accords with Major Insurgent Groups

On 03 August 2015, the 18-year long negotiation with the NSCN-IM led to the signing of a 'framework agreement' between the government and the former. Details of the agreement were not disclosed during its signing. Finally, on 25 December 2015, the NSCN-IM issued a statement in which it said the agreement looks at a final solution in which Nagas will have the right to exercise their 'sovereign powers' over their 'territories'. However, with a view to solving the Naga-related political problem, the statement said both parties agreed to share sovereign power for an enduring and peaceful co-existence of the two entities. Thus, 2016 may witness a Peace Accord signed between the government and NSCN-IM.

A similar accord may be signed with the ULFA too. The ULFA had signed a tripartite agreement for Suspension of Operations (SoO) with the government on 3 September 2011. Since then there has been a series of talks between them. Now that their General Secretary Anup Chetia, who was in prison in Bangladesh, has been brought back and has since obtained bail, he will participate and lead the talks with New Delhi. Chetia's joining in peace talks is a positive sign and an accord with the ULFA may soon turn into a reality.

With Chetia siding with the pro-talks faction of the ULFA, Paresh Barua remains the only top ULFA leader against talks. Sri Sri Ravi Shankar is now informally talking to Barua and trying to persuade him to come for talks. But with Barua still refusing to talk without the issue of 'sovereignty' being discussed, it is difficult to foresee him being engaged in a dialogue. Some glimmer of hope in improving the insurgency scenario in Manipur has been witnessed after Sri Sri Ravi Shankar met Rajkumar Meghen alias Sanayaima, the detained leader of Manipur's oldest insurgent group, the United National Liberation Front (UNLF), at the Guwahati Central Jail, on 17 December 2015.

The response of the jailed leader has been good. This is the first major mediatory effort by anyone with the Meitei insurgent groups in Manipur, and, therefore, can be termed as a significant move towards achieving peace in the state.

B. Sporadic Incidents of Insurgent Violence

The formation of the UNLFW to jointly fight the Indian state has led to a spurt in insurgent violence in the region. The decision to float this new front was taken during a meeting on 17 April 2015, held, perhaps, at the headquarters of the NSCN-K in Myanmar.

The NSCN-K, a constituent of the UNLFW, began hitting at security forces in quick succession. The first attack was carried out on 26 March 2015 (a day before the NSCN-K called off its truce) on the outskirts of Kohima, where four Assam Rifles troopers were injured. On 4 June 2015, after few more attacks in between, the rebels launched a massive raid on the Indian Army, killing 18 soldiers and injuring at least 11 others.

On 7 August 2015, the NSCN-K announced that the 'framework agreement' signed with NSCN-IM was intended exclusively for that group alone, and asserted that it was under no obligation to either agree or disagree with the accord. In September 2015, the government declared NSCN-K a terrorist organisation under the Unlawful Activities (Prevention) Act, 1967.

Apart from increased violence by the NSCN-K, other outfits too are active, especially in Meghalaya and Manipur, the Garo National Liberation Army (GNLA) in particular.

C. Tough Government Stand against Insurgency

In 2016, the government would surely continue with its tough stance against the region's insurgent groups like the ULFA-I, the GNLA and the NDFB-S. Successful counter-insurgency measures have since weakened the NDFB-S significantly. Another tough stance of the government was noticed after the 4 June 2015 ambush of the security forces in Manipur. Immediately after this incident, the Indian government followed it up with a surgical strike on insurgent camps inside Myanmar's territory on 9 June 2015, in which approximately 50 rebels were reportedly killed.

D. Civil Society Efforts to Gain Momentum

Efforts from civil society groups to broker peace with the region's insurgent groups may gather momentum in 2016. In Nagaland, the civil society is trying to bring the NSCN-K back to the negotiating table. In August 2015, a four-member delegation of the Naga Mothers' Association (NMA), a frontline Naga women's group, walked across to Myanmar and held talks with the NSCN-K leaders. After the meeting, the delegation informed that the NSCN-K was not averse to reconsidering its decision. However, soon after the NMA team returned, the National Investigation Agency (NIA) announced a reward on Khaplang's head, hurting the efforts of the Naga civil society.

**E. Maoist Consolidation in Northeast India**

With most major insurgent groups in the region signing ceasefire agreements or peace accords with the government, the space left vacant is slowly being filled up by the Maoists. The Maoists are now planning to make fresh recruitments in Assam. In the rural areas of eastern Assam, short documentary films are being shown to young boys aged between 12 to 13 years, to brainwash them to join the Maoist movement. Details of such youths are being shared through WhatsApp. These include details about the youth's education, family background and location.

Therefore, if their activities are not curtailed soon, Northeast India is in danger of a full blown Maoist insurgency.

F. Rise of Islamic Militancy

In 2016, there may be increased penetration of Islamic fundamentalist elements in the region, especially in Assam. Though radical Islam is not practiced by the region's Muslim population, the chances of radicalisation of a section of the youth in the near future cannot be ruled out. The November-December 2014 arrests in Assam of twelve persons with links with the Islamist terror outfit Jamaat-ul-Mujahideen Bangladesh (JMB) shows that there is an attempt at radicalising a section of the Muslim population in the state, a development that cannot be brushed aside as a minor security matter.

Overview and Projections

2016 can well witness the signing of two major peace accords with two of the front-line insurgent groups of the region – a Naga peace accord with NSCN-IM and an accord with the pro-talk faction of the ULFA, headed by Arabinda Rajkhowa and Anup Chetia. Civil society initiatives to broker peace with some of the recalcitrant Northeastern rebel groups and factions like the NSCN-K; ULFA-Independent (led by Paresh Barua); and moves to try and convince some of the leading Meitei insurgent groups in Manipur to agree to a dialogue with the government, is likely to gather momentum.

Simultaneously, as part of New Delhi's current stance of not going for talks with those outfits who believe in nothing but violence, tough counter-measures will continue during the year against groups like the GNLA and NDFB-S. On the whole, it will be a mixed bag as far as the government's achievement in tackling insurgency in the Northeast is concerned.

However, the security establishment cannot afford to be complacent, because groups like the NSCN-K, the ULFA-I, the NDFB-S and the GNLA, in addition to the assortment of the Meitei outfits in Manipur, can continue to keep the region on the boil.



PAKISTAN

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The tragic overhang of the army school massacre was the inheritance 2015 carried from the previous year. However, the silver lining to this dark macabre cloud was not only the collective resolve of the Pakistani nation to not bow to the terrorists and extremist mindsets but also the unanimity of decisions by key stakeholders with regard to a concerted counter-terrorism strategy. The efforts brought forth a 22-point National Action Plan (NAP) that comprehensively covered all areas through which terrorism and anti-state activities could be reduced and ended, such as private militias; financial regulations; border security; legislations; activities of banned outfits; intelligence-sharing; border management; communication and media responses; networks and their activities; banning of hate speech as well as rehabilitation and post-conflict resettlement of displaced people. Consequently, the moratorium on death penalty was lifted and since then, several executions have taken place in both terrorism related and other cases.

Owing to the NAP as well as the military's counter-terrorism operation, Zarb-e-Azb, 2015 was a relatively secure and calm year in comparison to the preceding years. Yet, the dozen plus major incidents that took place were a reminder that terrorists not only continue to possess the potential to defy the security forces but also to inflict heavy physical losses. Every strike was significant, be it an attack on paramilitary and law enforcement agents in Khyber Pakhtunkhwa or Balochistan; attacking religious institutions such as mosques or churches in the heart of Punjab; or the cold blooded murder of daily commuters and pilgrims in Karachi or Balochistan. The non-state actors chose soft targets to deter and terrorise. Each of these incidents drew public debate and criticism over what more needed to be done, and faith in the military's ability to eradicate terrorism remained very strong. More so, this unflinching faith and confidence is in the person of the army chief, who according to common people and media, solely holds the answers to all problems.

However, counter-terrorism strategies can never be successful without significant support from allies and neighbouring states. The upswing in Pak-Afghan relations, especially after the December 2014 incident, unsurprisingly plummeted, when like a rabbit out of a hat, the news of the Afghan Taliban chief Mullah Omar's death was 'intelligently' reported and ended up predictably collapsing the dialogue facilitated by Pakistan between the Afghan government and the Afghan Taliban.

Notwithstanding the tall claims that the road to peace in Kabul passes through Islamabad, this development left few concerned neighbours and allies deeply relieved, as increasing cosy and congenial Islamabad-Kabul ties were not in anyone's interests. The second and most concerning issue for keen observers has been the setting up and progress on the China Pakistan Economic Corridor (CPEC), which resulted in a lot of debate, speculation, foreign tours by a neighbouring Chief Executive to all possible economic partners, and ironically, once again, a resumption of terrorist activities.

Diplomacy

As regards significant diplomatic visits, first was US President Barack Obama's 'only-to-Delhi'



trip, which was indeed a fascinating study in its own right, not to be rivalled by Indian Prime Minister Narendra Modi's "surprise" 25 December stopover in Lahore to enjoy the double celebration of his counterpart's birthday and granddaughter's wedding. One must not underwrite this visit as trivial, given that it was the first in over a decade by an Indian prime minister, the previous being Prime Minister Atal Behari Vajpayee's in 2004; and more importantly, Modi's highly strategic official visits to Russia and Afghanistan, before visiting Lahore. The presence of top Indian steel magnate Sajjan Jindal in the highly exclusive meeting becomes logical, given India's heavy investment in copper and iron mines in Afghanistan, of which several of Jindal's companies hold significant shares. One must note that Jindal played a significant role in bringing about a rapprochement between the two leaders. By no means a small task, as until mid-2015, it seemed that New Delhi had totally decided to ex-communicate Pakistan.

At the onset of 2016, two major setbacks were witnessed: first, very predictably, a terrorist strike at the Indian air force base in Pathankot, India, shortly followed by the attacks at the Bacha Khan University in Khyber Pakhtunkhwa, Pakistan. Once again, accusations were hurled, cross-border complicity immediately voiced and proven, with readily available evidence comprising telephone calls, receipts etc. The immediate casualty was the postponement of the scheduled foreign secretary level talks.

Have these two events prophetically set the agenda for the rest of 2016? Can positive developments be optimistically forecast vis-à-vis key areas? Or should there be a return to the older pattern of moving one step forward, two steps back?

As regards terrorism, many who held faith in the efforts by the government, now appear skeptical, criticising the establishment for being caught napping. The military has also deliberately kept the media's access to Zarb-e-Azb fairly limited, which has again made people curious about how successful the military has been in weeding out terrorists. However, the adoration and love for General Raheel Sharif remain steadfast, with his popularity enhancing manifold, after the recent announcement of his not seeking extension in military service – a decision that demonstrates that all the admiration did not turn his head, and is reflective of military professionalism. Where on one hand the message is that it is the institution and not an individual who matters, it also puts the military on a timeline somewhat parallel to Obama's withdrawal announcement from Afghanistan. Would this signify a wait and watch approach by the terrorists, who would, from time to time, carry out signature strikes and keep the situation turbulent?

Although countering terrorism can never be time-lined, 2016 has to be a year where all the stakeholders pool their genuine efforts to realise the goals of the NAP and exterminate terrorism and militancy for good.

Regional Issues

Indeed, a very clichéd and naïve wish list, given the umpteen domestic as well as external spoilers, ranging from legitimate political actors to interest groups, friendly, allied, as well as adversarial states, who stand to benefit from a strife-ridden Pakistan, which is never strong and stable enough to actualise and enjoy the benefits of promising projects such as the CPEC. Where on one hand the thrust and continuity of the military's counter-terrorism strategy will be affected by the next army chief, on the other, the civilian establishment has to take the ownership of, and work hard to realise the NAP's objectives. Otherwise, Pakistan would continue to remain domestically insecure – a scenario that could be exacerbated by the

prospect of new terrorist threats emerging within and beyond the region such as the Daesh or its affiliates.

Afghanistan, Pakistan and India

To that end, Afghanistan is extremely critical to achieve domestic stability in Pakistan. The improved institutional linkages with regard to cooperation on terrorism, intelligence-sharing, and other related aspects are welcoming. Yet, more is always better. Would Washington and New Delhi feel comfortable with a stronger Kabul-Islamabad bondage? Logically, no. Yet, with India realising that Pakistan (and more specifically the Nawaz Sharif family enterprise) is critical to its successful access and speedy extraction of iron and copper from Afghanistan, there might actually be an economic route to stability and betterment in relations. Should monumental breakthroughs be expected? Not in the India-Pakistan case. Could there be more Pathankots? Unfortunately, the probability is high. The more these two countries or their leadership move towards rapprochement, more would be such stage-managed episodes, or interventions by spoilers. Furthermore, the chances of the bilateral dialogue remaining a non-starter and conditional, are high.

How would the US-Pakistan relationship progress in the coming months? Islamabad must keenly observe the trends shaping the US' November 2016 presidential elections. Who the next commander-in-chief would be is important vis-à-vis Islamabad's Kabul policy, as also the approach the new president and his team will take towards Saudi Arabia, Iran and Daesh.

Pakistan is already in an extremely precariously balanced situation, where owing to a multitude of issues, it is committed to support the Washington-backed Riyadh alliance. Yet, it can neither afford to antagonise Iran - as a neighbour or as the custodian of Shia ideology - especially at a time when after decades, the lifting of nuclear-related sanctions have opened chances for economic exchange and energy sale.

The second important factor in the Washington-Islamabad bilateral would be nuclear energy cooperation. Would Pakistan settle for a strategic partnership agreement? Most unlikely; but Pakistan would like to be judged for the positive measures undertaken in safety and security matters, as opposed to constantly be reminded of history.

Obama, in his last State of the Union address, mentioned Afghanistan and Pakistan as likely to remain unstable in the coming decades. Should this be taken as an introduction of new factors of instability ensuring increased American military presence and turmoil for Afghanistan? With Pakistan remaining equally affected?

Overview

Despite opportunities such as the CPEC that have the potential to stabilise and enhance Pakistan's economic potential, be highly instrumental in employment generation, and support infrastructure that will strengthen energy potential and minimise the grounds for extremism, 2016 can either steer Pakistan towards stability and progress or keep it deeply preoccupied with internal as well as external challenges.

With certain aspects such as a further drift in Saudi-Iranian relations, which are beyond its control, Islamabad has and can play a good mediator role. The need is to think prudently, strategise, and implement policies that defeat terrorism, instability and adversarial interests, and move towards the path to progress.



ANOTHER YEAR AT THE CROSSROADS FOR PAKISTAN

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Much like in all the previous 67 years of its existence, Pakistan finds itself on the crossroads even in the 68th year. The good things that happened in 2015 on the economic, security, diplomatic and political fronts are fragile and not irreversible. In 2016, Pakistan will have to consolidate the gains made in 2015. If it does not, matters could go downhill pretty quickly. It is in this sense that Pakistan is at a crossroads once again; and whether it will be able to sustain the momentum of 2015 and stay on the bumpy road to reform; or whether it will change course and take yet another wrong turn; or even slip back down the path it traversed in 2015, will decide how 2016 will end.

Overview

Over the course of 2015, the real ruling establishment – the Pakistan military – opened up just too many fronts. Apart from continuing operations in North Waziristan against the ‘bad’ – Tehrik-e-Taliban Pakistan (TTP) – terrorists, the army also got very deeply involved in anti-terror and anti-crime operations in Karachi; anti-insurgency operations in Balochistan; anti-corruption drive in Sindh and within its own ranks; and anti-terror operations (albeit intelligence-based) in Punjab and Khyber Pakhtunkhwa. The army was called upon to supervise elections, provide security back-up to the China-Pakistan Economic Corridor (CPEC) project, and become judge, jury and executioner in the military courts that were set up.

Its role in forging the foreign policy on India, Afghanistan, and the US became more hands-on and intrusive. The army chief was also the chief diplomat, and apart from hobnobbing with both the Afghans and the Americans, he was also trying to assuage the Saudis who were unhappy over Pakistan's refusal to participate in Riyadh's war against Yemen. In 2015, even as the army was encroaching in virtually every sphere of government activity and arrogating to itself the veto on every critical national decision, it continued to form and control the policy on India, not only sabotaging peace initiatives taken by Pakistani Prime Minister Nawaz Sharif but also deciding on matters of conflict and cooperation with India – whether on the Line of Control (LoC), or on issues related to trade, transit or terrorism.

It will not be easy for the military to maintain momentum of the myriad fronts it has opened; and even less so because, with every new front it opens, its list of adversaries and those who would like to see it falter if not fail, grows. This becomes even more critical given the sheer lack of capacity and capability in the civilian dispensation, which will find it difficult to benefit from the inevitable slack that will come as a consequence of the Pakistan army spreading itself so thin.

Political

The ruling Pakistan Muslim League-Nawaz (PML-N) will find itself firmly ensconced in 2016. The challenge that could have come its way from the Pakistan Tehreek-e-Insaf (PTI) has been quite snuffed out over 2015. While the PTI will not roll over and play dead, the sort of pressure it was able to build on the government (with the hidden hand of the military propping it up), is unlikely in 2016. Most issues on which the PTI agitated – e.g. election fraud – have more or less

been settled and are unlikely to get any traction in 2016. However, the PTI is trying to latch on to new issues, most potent being the clamour over the CPEC. But this is a double-edged sword because while the PTI might be able to rouse public opinion in provinces like Khyber Pakhtunkhwa and Balochistan on the Punjab-centred CPEC, it is unlikely to go down well with the electorate in the province that is the controlling authority of Pakistan – Punjab. Without stirring Punjab up, the PTI will be unable to shake the PML-N. But, if the PTI can build up a solid movement against the PML-N on the CPEC issue, it can bring Nawaz Sharif under pressure. Whether this will be enough to destabilise the PML-N government is another matter. Unless the PML-N government commits some very egregious mistake because of its proclivity for high-handedness, any challenge the PTI mounts will not cause too much trouble.

As for other political challengers, there are none on the horizon. The Pakistan Peoples Party (PPP) is practically on its deathbed and has completely lost the political plot. It is unlikely that the PPP's fortunes will be resurrected by Bilawal Bhutto Zardari because none of his slogans – most of them taken from a different era of his grandfather and mother – strike no resonance with the public, and will not, in 2016. Religious parties could begin agitating against the government on the issue of the crackdown on terrorism and extremism, but if the army supports the government, or as is more likely, leads the drive against extremism, then there will not be much these parties will be able to achieve. The danger, however, is that the army could just as easily use the religious parties to keep the government under pressure. After all, the military-mullah alliance has worked well for both the military and the mullahs. Of course, the mullahs will have to dance to the tune of the military and shed some of their pretensions of being autonomous in charting their political course.

Civil-Military Relations

Civil-military relations will be the biggest political driver in 2016. Again, nothing new here. But 2016 is the year of transition in the military. Gen Raheel Sharif is to retire in November. There is already talk of whether or not he will get an extension. This will be a difficult decision for Nawaz Sharif to make – does he stick with the devil he knows or take his chances with the devil he does not? Gen Sharif has managed to assert himself and insert the military into the decision-making processes of the government in a way that has not happened since the end of former Pakistan Prime Minister Benazir Bhutto's first government. But he has also let the civilian facade continue. His successor may not. There is also a chance that the next General may have different ideas on controlling terrorism and extremism. On the other hand, Nawaz Sharif might decide to go for a new army chief because the next man would take at least a year before he comes into his own, long enough for the former to try and change the power balance. It is another matter that these sorts of calculations have a record of going terribly wrong, and no one knows this better than Nawaz Sharif who has had an uneasy relationship with every single army chief.

Economy

On the economic front, 2016 is unlikely to see any major take-off. Cut through the window dressing of national accounts by the Chartered Accountant finance minister, and there is not very much to celebrate. The only bright spot, if at all it can be called that given all the controversies surrounding it and the fuzzy economics underlying it, is the CPEC. Apart from the investment coming under the CPEC, there is hardly any other green field investment in Pakistan. The macro-economic indicators, in spite of all the fudging, still do not look very good. Savings remain very low; investment has not quite picked up; revenue collection remains anaemic; public debt is spiralling; growth numbers are not anything to write home about; and the external sector remains fragile. In 2016, it is unlikely if the Pakistan economy will be the



toast of town. But if there are no major external shocks – destabilisation in West Asia, disruption of the remittances, oil shocks etc. – the economy will meander along.

Security

2016 will be a crucial year on the terrorism front. The first few weeks do not seem to bear out the bombastic declaration by Gen Sharif that this will be the year in which terrorism will be defeated in Pakistan. A lot will depend on how the situation pans out in Afghanistan; and the portents are not good. Apart from the fact that Pakistan has continued to back its proxies among the Taliban, there are new players emerging due to the fragmentation in the Taliban's ranks. Despite Pakistan's efforts to get the Taliban faction supported by it into the driving seat in Afghanistan, it looks as though even Pakistan's own Afghan proxies might try to assert their autonomy from their patrons.

If this happens, then the security situation, not just in Afghanistan but also in Pakistan, will go into a tailspin. The vast, ungoverned spaces straddling the border between the two countries will become the playground for all sorts of terrorist groups. The entry of the Islamic State (IS) into the Af-Pak region is also going to change the contours of terrorism. The traction the IS is gaining among a new set of terrorists as well as the its attraction to some of the breakaway factions of the Taliban will remain a source of concern, and worse, destabilisation in both Afghanistan and Pakistan. Any uptick in terrorist violence will not just further damage the investment climate but also could risk the CPEC on which Pakistan appears to be basing its entire economic future.

Relations with India

Relations with India will go through the familiar cycle of engagement followed by estrangement. Despite all the euphoria generated by the December 2015 thaw – the meetings between the NSAs of both countries, followed by the visit of the Indian External Affairs minister to Islamabad where she announced the 'comprehensive bilateral dialogue', and topped by the flying visit of Indian Prime Minister Narendra Modi to Lahore – among the incorrigible optimists, there is not anything on the ground to suggest that Pakistan has made a paradigm shift in its India policy. The Pathankot attack is one indication that nothing has changed insofar as use of terrorism as an instrument of state policy is concerned, or, for that matter, the ability of the powers that be in Pakistan to sabotage any engagement process between New Delhi and Islamabad. Chances are that both sides will start the process of engagement. Pakistan will make a show of moving against the Jaish-e-Mohammad terrorist organisation. But once the attack moves out of the front pages, it will be business as usual.

Therefore, by all accounts, the familiar trajectory of India-Pakistan engagement will be repeated. The best that can be hoped for is that violence along the LoC will be kept under control. For how long is anybody's guess. There is high probability of terrorist violence inside Kashmir. Some of this will be Pakistan-driven but some will be driven by the international jihadist narrative. But all of it will tend to be linked with Pakistan (which too will be tempted to dabble in the affairs of Kashmir), which in turn will lead to tensions between the two countries. There is also a high probability of another big terror attack within a few months, especially if the Indo-Pak engagement gathers some pace.

All in all, there is not much that can be expected from the India-Pakistan track in 2016.



ON CHINA-PAKISTAN RELATIONS

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It appears that the recently announced China-Pakistan Economic Corridor (CPEC) will remain at the centre of Sino-Pakistan ties during 2016, and even beyond. The CPEC, signed in 2013, got a boost in April 2015 during Chinese President Xi Jinping's Pakistan visit, where he announced the allocation of US\$46 billion for its completion. This is the largest investment China has committed to another country, and the largest Pakistan has ever received.

According to some informed quarters, China may add to this volume if the implementation of the CPEC moves forward smoothly on the Pakistani side. The corridor intends to connect China's western region with Pakistan's Gwadar Port via a network of roads, rail and fibre optics.

The CPEC is a part of Xi's grand strategic concept of 'One Belt One Road' (OBOR) to connect with over 60 countries and regions. Under OBOR, besides CPEC, China has initiated other projects such as the Bangladesh, China, India, and Myanmar (BCIM) Corridor; Silk Route in Central Asia; and the 21st Century Maritime Silk Route. But the CPEC is regarded as the 'flagship' project among them due to various reasons.

It is the only corridor that involves just one other country, Pakistan, and with whom China has a 'trust'-based relationship. Other corridors consist of different countries with varying degrees of relations with China. Moreover, the CPEC can provide China an access to the Indian Ocean by reducing both time and distance. This route is not only shorter in distance but avoids the Malacca Strait and the vast Indian Ocean dominated by the rival Indian and US navies.

For Pakistan, the CPEC can bring large-scale investments in the energy sector, infrastructure building, and industry, giving a boost to its moribund economy. Once Pakistan is prepared, China may also move some of its industry and bring Pakistan into its chain of production. Above all, the CPEC will increase China's stakes in Pakistan which will leverage Islamabad in regional affairs. It is this backdrop that demonstrates the centrality of the CPEC in future Sino-Pak relations.

From the construction point of view, the corridor has been divided into short, mid and long-term projects. In 2016, progress or completion of some projects for infrastructure development and energy are expected. Actually, it is the top priority of the incumbent government to finish some projects at the earliest to show its performance to the public.

According to the understanding that exists between the two countries, Chinese state companies will build several CPEC-related projects. 2016 will thus witness a number of Chinese engineers, technicians and workers coming to Pakistan. There are already over 120 companies and 12,000 technicians engaged in different projects in Pakistan. This increased number of Chinese nationals in Pakistan will add to two-way exchanges. At the same time, however, it will also raise the question of their safety and security. Pakistan has established a special force of 12,000 men under the army to provide security to Chinese expatriates and guard their construction work. But given the law and order situation in the country, these measures appear



insufficient. Lack of sufficient security may restrict the free movement of Chinese workers and tourists.

While negotiating the CPEC, China and Pakistan have taken into consideration the issue of low trade and economic ties and limited people-to-people contact. Both sides have realised that one of the main reasons for Pakistan's bad economic and industrial performance in recent years is its severe energy shortage. Due to this, China has allocated a bulk of its funds (roughly US\$33 billion out of the total US\$6 billion) for the energy sector. In 2016, some energy projects built with China's assistance are likely to start production. This will create a positive impact on the overall economic development of Pakistan.

Similarly, both countries have taken steps to promote two-way exchanges. China has increased the number of scholarships for Pakistani students and sponsored visits of people from different walks of life. Pakistan in return has promoted the Chinese language in quite a short period of time. As a result, Chinese visitors and businessmen can be seen in large numbers in the major cities. This trend can also be measured from the fact that two-way direct flights have risen from four to eight per week and are likely to increase. It can thus be inferred that bilateral trade and people-to-people contact will further increase in 2016.

Importantly, there is no significant defence-related deal in the CPEC. However, this does not mean that the CPEC has no strategic importance. Undoubtedly, infrastructure and the port developed for economic purposes could be equally useful for strategic goals if and when required. China seems to have more confidence in the Pakistani army's ability to complete projects: Frontier Works Organisation (FWO), a branch of the Pakistan army involved in construction work, has been assigned to build roads, highways and bridges of strategic importance.

The two countries have recently signed a US\$4-5 billion deal under which China will provide eight submarines to Pakistan; four to be built in China and the remaining in Pakistan. Another expected defence-related outcome of the year is the commercialisation of the Sino-Pak jointly built JF-17 thunder aircraft. According to Pakistani military sources, Malaysia and Sri Lanka have shown interest in its purchase. If finalised, the deal will pay huge dividends and will give a new boost to defence cooperation especially by encouraging more joint ventures. China could also showcase its joint production with Pakistan to other third world countries as a model.

Besides these mega defence projects, an increase in the number of high profile military visits, training programmes and joint military exercises are expected.

China will continue to meet Pakistan's defence needs by providing large-scale conventional weapons. Taking these developments into account, it is expected that defence relations will not only remain solid but will deepen further. Like in the past, during 2016 as well, Pakistan and China will continue the tradition of coordinating their policies on regional and international issues. Key areas of such coordination could be, but not limited to, terrorism, especially in Xinjiang and Afghanistan, security issues in West Asia, and India-Pakistan relations. However, parallel to this, it appears that China will also develop its policies in these areas independently of Pakistan - a trend that has started recently and will gain momentum through the year.

It is also likely that China, without affecting its 'special' relationship status with Pakistan, will continue its relative neutrality on the Kashmir dispute, putting emphasis on India and Pakistan settling it through peaceful means. Apparently, under this status quo policy, China disregarded

Indian concerns on the CEPC passing through this 'disputed' territory.

The chief irritant in Sino-Pak relations in the recent past has been sanctuaries to Uyghur separatists in Pakistan's tribal areas, and some Pakistan-based militant groups' support to them. This issue is likely to become less stressful in the current year. Pakistan's military operation against militants in tribal areas has reduced the menace of terrorism while Beijing seems satisfied with Islamabad's measures.

China however is dismayed at the controversy in Pakistan over the route of the CPEC. Some smaller political parties from Khyber Pakhtunkhwa and Baluchistan insist upon the western route that will pass through their provinces. On the other hand, the ruling Pakistan Muslim League (N) seems determined to build the eastern route which mainly passes through Punjab - its political constituency. Both sides have not shown any flexibility in their approaches. It is well over two years now since the announcement of the CPEC but no consensus has been reached. Some analysts term it this a much bigger challenge than security issues. There are fewer chances of a comprehensive settlement of the issue, which will affect the pace of the development work during 2016.

These above mentioned trends could be affected by certain factors. For example, an early consensus on the route controversy of the CPEC, an improved law and order situation in Pakistan, and improved relations with Afghanistan and India, could all have a positive impact on the CPEC, and through it, on the Sino-Pak relationship.

Despite the irritants, the relationship between China and Pakistan will not only remain steadfast but will further deepen in 2016 and will be centred on the CPEC.



PAKISTAN, ABERRATED STRATEGIES AND STRATEGIC STABILITY

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In the immediate aftermath of the 26/11 terrorist assault on Mumbai, a grisly prayer was being intoned in many of the two lakh mosques of Pakistan. The *Qunut-e-Nazla*, a prayer in times of war, was accompanied by a fervent imprecation that al Qaeda and the Pakistan Army fight India jointly. The verity of this statement is borne out by Azaz Syed in his recently published 'tell-all book', *Secrets of Pakistan's War on Al-Qaeda* (Al-Abbas International 2014, pp. 69). The aim of the linkage was the creation of an al Qaeda state in Pakistan in the wake of a nuclear war between India and Pakistan.

The link between sub-conventional warfare and nuclear war fighting is at best a tenuous one. Conceptually, no nuclear policy, by the very nature of the weapon involved, can conceivably be inclusive of terror groups. And yet the strategic predicament posed by Pakistan is perverse, for their stratagem on select terror groups is that they are instruments of state policy. Now, consider this: Pakistan promotes a terrorist strike in India, and in order to counter conventional retaliation, uses tactical nuclear weapons, and then in order to degrade massive retaliation, launches a full-blown counter force or counter value strike. This extreme chain of events would suggest the reality of a self-fulfilling logic of nuclear apocalypse.

A Pakistan that is controlled by a military-ISI-jihadi combine, is plagued by an obsession for parity with India and an inspiration that wallows in the idea of India as a threat in perpetuity (in great part to provide a reason for the army's pretentious existence). One is spoilt for choice while discerning instances of Pakistan's military-intelligence links with terrorist groups. It began at the time of partition, when tribal *lashkars* along with regulars invaded Kashmir; the clumsy and doomed Operation Gibraltar in 1965; state-sponsored insurgencies in the Kashmir valley during the 1980s and 90s; war following the 1999 invasion of Kargil; the failed attack on the Indian Parliament; the Kaluchak massacre of 2002; the 2008 Mumbai attacks; and the continuing low-level insurgency across the Line of Control (LoC); and the latest manifestation was the failed assault on the Pathankot airbase on 2 January 2016 - coordinated with the failed assault on the Indian consulate at Mazar-e-Sharif, Afghanistan, on 3 January 2016.

For India to suffer the violent effects of covert action in silence makes for poor internal as well as external policy. It is here that Pakistan will have to pay for Indian restraint (now frayed to the extreme), which in turn places before the Indian planner a host of considerations and a set of possible responses that include covert action against targets across the LoC or border who are known to have liaison with jihadi forces. Planners will do well to heed that it is Pakistan's policy that has to be targeted; and more specifically, it is control of that nation by the 'deep state', by which is implied that the sway of the military-intelligence-jihadi combine must be subordinated.

Recently, this author engaged the US Secretary of State John Kerry's International Security Advisory Board (on Strategic Stability, chaired by Dr Raymond Jeanloz) in a dialogue on sub-continental strategic stability. During the deliberations with the group, two issues became apparent. First, the State Department group was split down the centre as to what defined

strategic stability. The proposition on one side was the Cold War paradigm that perceived stability through the 'nuclear equilibrium' prism - of survival through a nuclear first strike and then retaliating massively. A mirrored rationality of survivability and credibility of retaliation was of essence. The equilibrium between nuclear weapon states, from this perspective, was given surety by developing a nuclear war fighting capability and retaining a 'limited nuclear option' at hair trigger notice to control the escalatory ladder. This "Strangelovesque" advocacy appeared to disregard the fact that limits on use of nuclear weapons (by the nature of the weapon) defied escalatory control.

Second, the group also perceived the potential of terrorists being armed with nuclear devices justifying collaboration with Pakistan at any cost; this presented a strategic irony since it was the Pakistan deep state that made terror groups an instrument of state policy in the first place.

On the other side of the divide was the group that saw, in the contracting role of the US in Afghanistan, a diminishing utility of Pakistan. The sense that emerged was the need for strategic recalibration of their Pakistan policy. A common discernment in this group was that time had come to contend with the deep state in Pakistan for its' duplicity throughout the US' war on terror, beginning with the evacuation of jihadis at Kunduz; providing a haven for al Qaeda; providing vital intelligence to various terror organisations; screening the AQ Khan network; or indeed, providing sanctuary to Osama bin Laden. This group also found definition in a holistic analysis of the various determinants that contributed to strategic stability (in line with this author's presentation). The determinants ranged from historical wholeness to geographic recognition; politico-social-religio conformity to economic friction; purpose and adequacy of military power; to the quest for a stasis; and lastly, the correlation between leaderships.

The question then reduced to what manner, intensity and degree did the interplay of determinants influence inter-state relationships. It was generally accepted that transactions between determinants could either spell proclivity towards a symbiotic approach in relations, or it could persistently precipitate friction and conflict. In both cases, the basis of outcomes were largely predicated on discernibility and rationality of both polity and leadership.

Unfortunately, the South Asian context is blurred by three contumacious factors. First, Pakistan's cultivated reluctance to accept the anthropological reality of their identity as sub-continental Muslims, the preferred fiction is in favour of Arab or Central Asian descent rather than the truth of the vast majority being descendants of converts. This poses a unique dilemma when leveraging civilisational empathy as the basis of amity. Second, military power without political accountability views itself as the sacred keeper and absolute champion of national interests; and this presents an awkward predicament as to who is in charge when dealing with that state. But the most impious obstacle promoted by the deep state is its one-track agenda of hostility towards India as the basis of its ascendancy. After all, if the question is put to the Pakistan establishment as to whether they accept a regime of strategic stability, the answer will most certainly be in the affirmative, with the caveat that control of the nation remain in the hands of the military-intelligence-jihadi nexus.

The strategic nuclear 'self-fulfilling logic' mentioned earlier cannot be the basis of doing business with Pakistan. For far too long, the world, and the US in particular, has taken an ambiguous and at times set double standards for terror groups and their sponsors. What needs to be recognised is that terrorism emanating from Pakistan is, unequivocally, a global scourge; and no other interests can justify their continuation. For as former US Secretary of State Hillary



Clinton famously put it, Islamabad could not keep "snakes" in its backyard to strike its neighbours. She said, "It's like that old story - you can't keep snakes in your backyard and expect them only to bite your neighbours. Eventually those snakes are going to turn on whoever has them in the backyard."

The establishment that promotes it as an instrument of state policy must be targeted internationally through exacting sanctions while the perpetrators of terror along with their handlers and infrastructure must be struck by covert military action.



AFGHANISTAN

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In 2015, Afghanistan swung back and forth between several transitions. Insurgency reached levels insofar unseen since 2001. As late as December 2015, the Afghan Taliban, notwithstanding its internal problems, showed no sign of retreating for the winter, as has usually been the case. Instead, their offensives intensified. The Islamic State (IS) too managed to establish itself as a player in the country. The incumbent National Unity Government (NUG) is struggling to convince the electorate of its efficiency, trustworthiness, and commitment to reforms, and rising insecurity, a bad job market, and declining confidence in the NUG prompted a massive outbound migration of 1,50,000 Afghans.

Nonetheless, in 2015, Afghanistan also witnessed some forward movement in important sectors such as women's rights and their involvement in decision-making processes – especially towards peace-building – and regional cooperation vis-à-vis trade, energy and connectivity.

In 2016, the country will face challenging tests in key sectors, and will have to carefully cross every bridge, on time.

Security

In 2015, Afghanistan recorded almost 10,000 insurgent attacks. At present, two of the country's four key security establishments – the ministry of defence and the national directorate of security – do not have full time chiefs.

Although the splintering in the Afghan Taliban ranks appears to be waning, continued internal discontent with the potential to escalate could be expected throughout 2016. The splintering slowed down primarily to deal with the challenges posed by the IS and others; achieving a stronger position during negotiations with Kabul; and Pakistan's Inter-Services Intelligence (ISI) gaining relatively more influence on the group. If internal disgruntlement in the Taliban structure continues, one could expect intensification in localised warring. Increased collusion between local criminal gangs and insurgent groups – especially the Haqqani Network – for logistical and ancillary activities could be expected. Peace negotiations with the Taliban, irrespective of the numbers of the meetings, can only succeed if vital divergences in endgames of the various involved parties – non-state and state – are resolved. Problematically, the Taliban is no longer the single, united entity it used to be. And Kabul cannot accommodate the demands of those Taliban open to talks either without squandering away the gains made since 2001 and any leftover credibility among the Afghans. Even if talks succeed, the chances and sustainability of the achieved success is unknown.

Grim times are ahead in the north and south unless fault-lines are addressed before the October 2016 election. The variety in the terrorist groups and their complex linkages and goals has further complicated matters. For instance, the Taliban is estimated at 1,300 members, but the presence and numbers of foreign insurgent groups such as the Junbish-e-Nasr-e-Tajikistan, the Islamic Movement of Uzbekistan (IMU), the IMU-breakaway Jundallah, and the Lashkar-e-Taiba (LeT) and Haqqani Network are increasing, which presages a culmination in a grave



situation by 2016 end. Developments in Kunduz's Dasht-e-Archi and Chahrdara districts warrant close monitoring.

In the south, a relative degeneration in the security set-up together with the Taliban's growing strength and network, particularly in Helmand and Kandahar, might test the government's control over territory. Here, Spin Boldak district – strategically located and that houses a major crossing point for people and goods between Afghanistan and Pakistan – is squarely placed to be one of the prime Taliban targets for capture and control.

Last year, the IS expanded its presence in Afghanistan, and Nangarhar – which witnessed among the highest numbers of attacks in 2015 – became its stronghold. Security in the eastern and south eastern provinces, especially in Nangarhar, might witness deterioration. The IS presence increased in Kunduz, Logar and Ghazni provinces, as also reportedly in the outskirts of Kabul. It was also reported in the eastern, southern and western provinces, and in relatively fewer numbers in the northern provinces such as Sar-e-Pul and Samangan. The splintering within the Pakistan-based Tehrik-i-Taliban Pakistan could become resourceful for the IS inside Afghanistan. The IMU's allegiance to the Afghanistan-based IS will make matters worse. Ominously, child soldiers are now part of the insurgency.

However, irrespective of the potential setbacks that may arise, the Afghan army – which is extremely stretched in finances, manpower, equipment and morale, and urgently requires aerial support – could be expected to prevent the insurgents from retaining if not capturing strategic connectivity links.

Governance

Both Afghan President Ashraf Ghani and Chief Executive Officer (CEO) Abdullah Abdullah approach almost every issue divergently from the outset, and personal considerations towards their individual political and other calculations often take precedence. This has caused several delays in decision-making and reforms on key issues. Corruption is still high, and public confidence in the NUG is rapidly declining. There has been some progress, as demonstrated via the passing of media laws, among others, but the pace is sluggish and the citizens' patience is running low. Even if Ghani and Abdullah intend to work towards the larger cause of Afghanistan, electoral and support-related compulsions of a coalition government of two competing parties prevent them from doing so substantially. Yunus Qanuni's candidature for the Afghan High Peace Council chief position is an example.

Chances are some reforms may be hurriedly carried out in an attempt to gain some credibility before the October elections and the convening of the Loya Jirga. Meanwhile, the political cleavage between Kabul and the north is growing and will become increasingly apparent. Warlordism is returning, and the inefficiencies in governance are working in the Taliban's favour towards consolidation of presence, especially in the border areas.

Elections

Parliamentary and district council elections were announced for 15 October 2016 but whether or not polls take place will depend both on the NUG and the pace of reforms. The Electoral Reform Commission's proposal to replace the current single non-transferrable vote (SNTV) system with a mixed-proportional representation system, in the upcoming elections, will be impractical to implement and violates Article 83 of the Afghan constitution. The SNTV is imperfect but is simple and practical at this point, given the country's low literacy, resource and stability levels. The Loya Jirga has to be convened before the NUG completes two years this

year. Any result or delay in either or both will challenge the NUG's legitimacy. Increasingly, both Ghani and Abdullah seem anxious about their futures for when the Loya Jirga convenes (or does not).

Regional Outlook

Unless Pakistan gets sincere about resolving the regional insurgency, Afghanistan's troubles will be far from finding an end. Although Islamabad is currently not in a position to dictate terms to the Afghan Taliban like earlier, the former still wields substantial influence over the group, in part due to its relationship with the Haqqani Network. The IS' entry has added a new dimension. The extent of Pakistan's support to insurgent groups ends where the chances of the former gaining an upper hand end. Unlike in the case of the Taliban, Haqqani Network, al Qaeda, LeT or JeM, Rawalpindi will be unable to influence or control the IS. And no terrorist group in the region is able to operate smoothly without Rawalpindi's support or assent. This equation will increasingly have a bearing on the regional security scenario where the Taliban are gradually being perceived as the lesser of the evils and as a counter to the IS.

The outcome of the 2016 US presidential elections will impact several key issues. There is a good chance Washington is seeking a presence in Afghanistan à la South Korea – but if this is formally actualised, it will not be met with enthusiasm by the Afghans or regional countries. Here, improvement in US-Iran ties may have a role to play in 2016.

Russia is seeking greater involvement, and reportedly views the Taliban as a counter to the IS. Moscow is already set to supply small arms to Kabul. In an event of escalation or spill-over of insecurity into its strategic backyard, Central Asia, the Russia-led Collective Security Treaty Organisation's Collective Rapid Reaction Force is likelier to be the choice of force deployed.

And, however low key it may want to project it as, an increasing Chinese involvement in Afghanistan can be expected in 2016.

India-Afghanistan

India's cautious approach towards involving itself in the Afghan peace process is reasonable given the Taliban-Inter-Services Intelligence (ISI) relations as well as past experiences. The new great game afoot in the region among various countries as well as among the insurgent groups may make a case for New Delhi's involvement too, but it would be wise for India to dodge the temptation and be measured, taking into account at every level that for any peace and reconciliation effort to be achieved and sustained, it will have to be Afghan-led and Afghan-owned. This is likely to be the case.

New Delhi will remain steadfast in its commitment to progress and stability in Afghanistan and like Indian Prime Minister Narendra Modi said, "India is here to contribute not to compete." India-Iran-Afghanistan cooperation can be expected in 2016. It will be interesting to see how New Delhi's engagements with Central Asian countries proceed.

Overview

Although the current condition seems portentous, a return to the Taliban era is unlikely in 2016. Also, the electorate is maturing at a pace quicker than several post-conflict societies. A pan-country 'Afghan' identity has somewhat consolidated itself alongside other identities. The country now requires a comprehensive leadership that is sincere, meticulous, coordinated and efficient. Afghanistan is capable of resolving its issues by itself. What it needs from the global community is steadfast support, and while at it, an end to meddling.



A ROADMAP FOR SRI LANKA

Asanga Abeyagoonasekera

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"Our objective is to make Sri Lanka the most competitive nation in the Indian Ocean and to develop the island as a mega city for the region that will go between Singapore and Dubai, thus make it competitive and the time has come for us to think how we are going to do it."

- Ranil Wickremesinghe

Sri Lankan Prime Minister, at the Sri Lanka Economic Forum 2016

A year since the victory of incumbent Sri Lankan President Maithripala Sirisena, the rainbow coalition, despite huge promises of reform, has not delivered on everything. However, to its credit, it has managed (with some success) to introduce newer and more outward-looking policies. First, freedom of expression has been fully restored. The trend of blocking media sites has ended, and the safety of media personnel, restored. Second, independent commissions such as the Commission to Investigate Allegations of Bribery or Corruption have been fully restored. Third, a foreign policy rebalance between West and China is in the process of being re-established.

Economy

The January 2016 Sri Lanka Economic Forum brought with it some excellent thoughts from global leaders such as Ricardo Hausmann, Joseph Stiglitz and George Soros. Prime Minister Wickremesinghe stated, "Sri Lankans who voted for the change and those who didn't vote should unite to build this nation to the height achieved by nations like Singapore." Soros said that Sri Lanka should lower its expectations as there is a clear sign of global economic slowdown this year. The US\$27 billion Soros Fund Management (SFM) is looking to invest US\$300 million initially in the economy – a good start at the beginning of the year. Economist Montek Singh Ahluwalia said that revenue as per GDP was 12 per cent when it should be 20 per cent. Comprehensive tax reforms are needed to increase revenue to 18 to 20 per cent of the GDP in the next few years.

Containing the fiscal deficit to 5 per cent of the GDP should continue to stabilise the economy. To reduce fiscal deficit, it is important to focus on increasing revenue and decreasing government expenditure – a difficult task to undertake in the present political context. Losses incurred by public enterprises are a huge fiscal burden that need to be addressed.

Politicians who offer employment merely to satisfy the electorate should be stopped. An example is that of the Ceylon Fishery Harbours Corporation, which had a little over 800 employees in 2009. Today, 1800 people are employed for the same lot of harbours. Once a profitable Corporation, it is currently incurring losses with its extensive employee numbers. In the same way, a large cabinet with nearly 100 ministers leads to the wastage of state resources.

It was against this socio-political and economic backdrop in mind that Wickremesinghe participated in the World Economic Forum in Davos – a conference where he could interact

with top minds, investors and political leaders – to plan his strategic economic agenda for the country. For the first time in 10 years, Sri Lanka had high level political representation at Davos. In fact, this author, during two visits to Davos, was the only government representative from Sri Lanka, and without much support from the government. The tide has changed, and it is for the positive.

Standard of Living

The government should focus on improving the citizens' quality of life by providing the best possible solutions to problems, instead of discussions about unfruitful political gossip. Unfortunately, most of Sri Lanka's headlines have been to the contrary.

For instance, 2,700 people, i.e. an average of 7.5 people every day, were killed in road accidents in 2015 – an increase compared to 2014. Given how there were numerous references to Singapore at the Sri Lanka Economic Forum, an example from Singapore is in order. On 25 December 2015, the Prime Minister of Singapore, Lee Hsien Loong, opened the Downtown Line 2 (DLT2), an extension to their existing public rail network, that is set to ease traffic. As Lee stated, "With a new MRT line and extension to be opened next year onwards the network will double to 360 km by 2030. It will be comparable to London, New York and Tokyo, this means eight in 10 homes will be within a 10 minute radius." There are several important lessons and practices Sri Lanka could import from Singapore.

The World Economic Forum has categorised Sri Lanka as an efficiency-driven economy (stage 2) in this year's global competitiveness index. It is an achievement, for Colombo has moved up from factor-driven (stage 1). Almost all South Asian countries are still on stage 1 or in transition. Sri Lanka should aim to move from efficiency-driven to the next stage of transition, and then to innovation-driven by 2030. A goal to double per capita to reach US\$7000 by 2020 and to improve all sectors of the economy, should be set.

Given its tremendous human resource potential, Sri Lanka has the capacity carry this out. However, in order to become the region's top workforce not just in terms of size but also quality, this valuable resource requires training. Investment in research and development and improvement in educational systems and universities should be the government's priority. The Moratuwa University could be Sri Lanka's own MIT or IIT.

Governance

Improving transparency and strengthening mechanisms to fight corruption are important areas that require focus. Optimising the productivity of the government's loss-making institutions, strengthening and encouraging the private sector to expand, combating sexual abuse, and enforcing child protection rights, are among the neglected areas that should be addressed.

The government will announce the new constitutional assembly to draft the new constitution with public participation. After this, it will be sent for approval, and then, referendum. It is a task that will reset several core areas of the present governance structure; and therefore, should ideally be undertaken after debate and dialogue with the public. Malicious campaigns to create fear could be created and government should steer through this carefully with stakeholder participation.

The recent surge in nationalism resulting from a *Sinha Le* (Sinhalese blood) campaign that has gone viral on the internet is definitely not a positive sign as it could manifest in the worst form of nationalism. Instead, nationalism should be used to preserve one's languages. This sort of



appreciation for languages will create interest among the younger generations to learn and appreciate a language such as Sinhala – a dying language according to UN.

Reconciliation

As a nation, Sri Lanka has suffered tremendously in the past, and should now move towards uniting all ethnic groups via genuine reconciliation processes. President Sirisena demonstrated a sincere sign of reconciliation on the day he completed a year in office: he pardoned the Liberation Tigers of the Tamil Eelam assassin, Sivaraja Jenivan, who had attempted to assassinate the former in 2006. The pardon was an act of remembering the past but also forgiveness in order to create a better future. This is a great deed and signals the kick-starting of brave and genuine efforts towards the reconciliation process.

Overview

Sri Lanka possesses the potential to achieve great heights. With correct processes in place, and collective effort to create a better political culture, the country could spur its economic growth to overcome its challenges, both internal and external.



NEPAL

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The year 2015 was historic in many ways - it was a year for both despair and enthusiasm. While Nepal suffered from a devastating earthquake, it also promulgated its most awaited constitution through the Constituent Assembly (CA) elected by the people. The earthquake brought the country together, where the 'non-inclusive' Constitution divided the country further. India, which was highly appreciated for its role during the earthquake, had to face stark criticism and anti-India slogans for its alleged hidden hand in the 'undeclared blockade' at the border and the issue of Lipu-Lekh Pass.

Fallacies in the New Constitution

Strong protests have erupted in Nepal since the promulgation of the new Constitution in September 2015. The Constitution neither followed the proper procedures nor did it address the aspirations and legitimate rights of the Madhesis, Tharus, women, Dalits, Muslims and indigenous people. The agitated parties have been on the streets, protesting, for more than five months, causing obstruction at the India-Nepal border, which has resulted in an acute shortage of fuel and other essential goods in Kathmandu. It has also claimed more than 50 lives.

The Constitution was produced in haste through a fast-track mechanism without proper consultation with all 601 CA members. In fact, even the CA members had to abide by their party's dictate, otherwise they would have been liable to face disciplinary action which could have led to their expulsion from the party. Surprisingly, Nepali Congress (NC), one of the architects of the Constitution, decided to table the amendment two weeks before it was promulgated. It is also significant to mention that the Unified Maoists and other parties approved the Constitution by formally registering their dissenting opinions on several provisions of the new Constitution.

In fact, five of the most influential leaders of each of the three major political parties - NC, Communist Party of Nepal-Unified Marxist-Leninist (CPN-UML), and Unified Maoists - overlooked the dissenting voices of the Madhesis, Tharus, women's groups, Janajatis (indigenous people), and other marginalised groups such as the Dalits and Muslims. All of these leaders, with the exception of one hill Janajati, come from the dominant hill high caste Brahmin/Chhetri. Therefore, not even a single influential Madhesi and Janajati CA member from any major political party has publicly defended the Constitution.

Women, who account for more than half of Nepal's total population, also came out on to the streets to protest the discriminatory clause on citizenship. Unlike the interim Constitution, the promulgated Constitution does not grant equal citizenship rights to men and women. Women marrying foreigners are not given equal citizenship rights as compared to women marrying Nepali men.

Similarly, the passing of the new Constitution was not welcomed by the Janajatis (who constitute one-third of the total Nepalese population), as their demand for proportional and



inclusive representation, identity-based federalism, etc, were not accommodated. The strongest dissent came from the Madhesis and Tharus, who also comprise one-third of the total Nepalese population.

Aspirations of Madhesis

Strong protests were triggered in Madhes as the three major political parties - the Nepali Congress, CPN-UML, the Unified Communist Party of Nepal (Maoist), and the Madhesi People's Rights Forum (Democratic) - rushed through the Constitution without implementing the previous agreements signed between the government of Nepal and the Madhesi parties in 2007 and 2008. Although some aspects of the earlier agreements have been included in the new Constitution, the four core issues - electoral constituencies based on population, proportional representation of Madhesis in government bodies, autonomous identity-based provincial demarcation, and equal citizenship provisions for Nepali women marrying foreigners - have not been incorporated.

'Unofficial Blockade'

The stalemate over the acceptance of the new Constitution and unrest in Madhes, a region bordering the Indo-Nepal border, has propelled anti-India sentiment among the ruling elites. Madhesis are waging a 'non-cooperation movement' on the India-Nepal border, which has halted the entry of fuel and other essential supplies to Kathmandu from India. The ruling elites of Kathmandu claim that the 'blockade' is imposed with Indian support as India did not welcome the non-inclusive Constitution.

However, the leaders of the United Democratic Madhesi Front (UDMF) - a party that consists of four major Madhesi parties - have publicly acknowledged the blockade as of their own making, and have offered to lift it only after their legitimate demands are addressed in the new Constitution. India has rejected Kathmandu's allegations, stressing that the tension at the border is a result of internal protests in Nepal, and that the Nepalese government should urgently resolve the issue to create a sense of "security and harmony" in the Terai region and ensure "uninterrupted commerce."

India-Nepal Relations

In 2014, Nepal figured prominently in India's foreign policy, with the Indian Prime Minister Narendra Modi paying a visit to Nepal; the first Indian PM to make an official visit in 17 years, followed by a subsequent visit in November 2014 for the 18th SAARC summit. Modi, who enchanted Kathmandu in 2014, had to face a major backlash in 2015 with the rising anti-India voices since the promulgation of the Constitution.

Operation 'Maitri'

The devastating 7.9 magnitude earthquake of 25 April 2015, followed by the powerful aftershock of 7.4 magnitude on 12 May 2015, caused massive destruction and claimed thousands of lives in Nepal. Within hours of the calamity, Indian Prime Minister Narendra Modi spoke to the Nepalese Prime Minister Sushil Koirala and Nepalese President Ram Baran Yadav assuring them of India's commitment to help Nepal. Within six hours, India dispatched a team of the National Disaster Response Force (NDRF) along with relief material. India's total relief assistance amounted to US\$ 67 million, and it committed to another US\$ 1 billion (one-fourth as a grant).

Though India's swift response was highly appreciated, the Indian media was severely criticised for being insensitive in their reportage of the tragedy.

Controversy Over Lipu-Lekh Pass

A major controversy emerged between India and Nepal when Nepal claimed the Lipu-Lekh Pass to be a disputed tri-junction in which Nepal has an equal share. Lipu-Lekh was mentioned in the China-India joint statement during Indian Prime Minister Narendra Modi's visit to China in May 2015. The joint statement read: "The two sides agree to hold negotiation on augmenting the list of traded commodities, and expand border trade at Nathu La, Qiangla/Lipu-Lekh Pass and Shipki La." Nepal, under pressure from the media, civil society and the opposition, demanded that China and India withdraw the mention of Lipu-Lekh in their joint statement.

Nepal argued that the mention of Lipu-Lekh Pass in their joint statement threatened Nepal's sovereignty and territorial integrity. However, Indian experts counter-argued that both China and India have been referring to Lipu-Lekh Pass as one of their border trading points since 1954. Indian experts have pointed to Nepal's position on Kalapani and Lipu-Lekh Pass as being politically motivated, especially given how ultra-nationalist groups have been involved in spreading anti-India sentiment and demanding a 'Greater Nepal' to gain political mileage.

Future Scenario

The political parties of Nepal should resolve the differences in the Constitution at the earliest through a process of dialogue with all the discontented parties. If the issue is not resolved, three kind of scenarios may evolve: one, Madhesi youth will be radicalised, resulting in violent armed action; two, the demand for a separate state will gain momentum (like CK Raut's group) rather than the current demand for an autonomous province; and three, further progress towards communal violence between the hill people and the Madhesi will be made.

Alongside, there will be escalation in cross-border crimes such as arms smuggling, fake currency trade, human trafficking, as well as terrorist activities. The continuous intensification of tension will draw the attention and consequent role of other players like the EU, US, China and Pakistan. These will have far deeper and lasting implications for India-Nepal relations.

Sourness in India-Nepal relations although temporary, may linger for a few more months. The current anti-India sloganeering in Kathmandu will prevail till the crisis is resolved. India, with its tremendous leverage in Nepal, should not shy away from its responsibility but engage all the political parties for early resolution as witnessed with the agreement between the Madhesi and the Government of Nepal in 2008. There is a perception in Madhes that India might reverse its course to placate the leadership in the hill region, which would further complicate the Nepalese situation. India also needs to manage the Nepalese media and public perception in Nepal to contain the rise of anti-India propaganda.

In 2016, Nepal is likely to be primarily engaged with the issue of Madhes and the new demands of the Janajatis. It will face strong challenges in implementing the new Constitution, especially the federal provisions. With the visit of Nepalese Prime Minister to India and China, and the Chinese President's visit to Nepal, there will be deliberations on China's increasing influence in Nepal and India's reactions. In all these, the most ignored will be the earthquake-affected people, despite the massive inflow of foreign aid to Nepal.



EAST ASIA ON THE CUSP

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In his new year speech in 2016, North Korean leader Kim Jong-un expressed willingness to have talks with South Korea but just a few days later, conducted North Korea's fourth round of nuclear tests. The inconsistency in North Korea's policy and action is not easy to decipher. North Korea seems to seek proposals for peace while escalating tensions. In the past one year, the dynamics in East Asia have also been quite similar.

There have been a few bilateral and multilateral proposals intended to bring peace but there have been simultaneous counter-actions by countries of the region, which have further heightened regional insecurity. There are indications of change in regional political and economic exchanges but there are equally strong trends underlining continuity. It seems that the region is passing through a cusp in which any clear trend is difficult to decipher, with a lot of activity, both positive and negative.

For the past few years, bilateral relations in East Asia have been characterised by mistrust, provocations and counter-actions on the surface and continued economic and other exchanges below, among the countries of the region. Shinzo Abe in Japan, Xi Jinping in China, Park Geun-hye in South Korea, and Kim Jong-un in North Korea have all been less compromising on their respective positions and this has led to the emergence of many security hotspots in the region. The only exception has been continuous improvement in China-South Korea relations.

Looking Back

In 2015, China became more overtly assertive in the region with the establishment of the Asia Infrastructure Investment Bank (AIIB), activities to establish the One-Belt One-Road initiative, constructing artificial islands in the South China Sea and its behaviour in the East China Sea. In the process, China had serious contentions with the US and Japan. Unlike the previous few years, it tried to reach out to North Korea in 2015 while maintaining good relations with South Korea. Chinese representative Liu Yunshan, who is ranked number five in the hierarchy of the Chinese Communist Party, participated in a celebration to commemorate the 70th anniversary of the establishment of the Workers' Party of Korea in Pyongyang. It has been the highest exchange between the two countries after the death of Kim Jong-il in late 2011.

Meanwhile, China was able to make South Korea join the AIIB as one of the founding members, keep Seoul away from the US-proposed Terminal High Altitude Area Defense (THAAD) and also welcome the South Korean President Park Geun-hye to participate in the Victory Parade organised in Beijing to commemorate the 70th year of the victory over Japan in World War II.

The Japanese Prime Minister Shinzo Abe continued his hard-line policies vis-à-vis history and territorial issues by evoking nationalist sentiments. However, on 1 November, Abe visited Seoul to participate in the three-nation summit meet, which happened after a gap of three years. On 28 December, Abe also conveyed his apology to South Korea on the comfort women issue and promised a contribution of US\$8.3 million to create a fund for the victims. Japan wants to

mend its relationship with South Korea but without softening its nationalist fervour and hard-line stand. The change in the Japanese approach is not a change of heart but an attempt to neutralise its isolation in regional politics.

South Korea in the past few years has been trying to walk a tight rope. It has been consistently cooperating with China in the economic sphere and also on the issue of the North Korean nuclear programme, and at the same time, has been trying to maintain close relations with the US. China's strategy to reach out to Seoul has not been able to create any substantial gap in South Korea-US relations. However, Beijing has been successful in creating a gap between South Korea and Japan, though the gap may be attributed to Japan's aggressive behaviour more than Chinese efforts. The improvement in China-South Korea relations looks quite consistent. However, after North Korea's self-proclaimed thermonuclear test and China's reluctance to put forth tougher sanctions on North Korea via the United Nations Security Council, it would be difficult for South Korea to continue its tightrope walking strategy.

North Korea appears to be making all effort to reach out to other countries across the globe in the context of its relatively strained relations with China. In the past year and a half, the North Korean Foreign Minister and Prime Minister have visited more than fifteen countries with the intention to diversify economic exchanges, including India. North Korea's uncompromising stance vis-à-vis China appears to be paying off, with China trying to placate North Korea again through high level visits and Xi Jinping's message to North Korea. However, China and North Korea relations have had to face a few unpleasant developments: for example, when North Korean music band *Moranbang* returned to Pyongyang without performing in China because of a reported misunderstanding about the level of Chinese leadership participation. The so-called North Korean thermonuclear test is also going to be an issue between the two countries.

Looking Ahead

On the basis of these trends in the East Asia, the following projections could be made about the region for 2016.

First, even though China's economic attractiveness in the region has been acceptable, Beijing's political assertiveness is going to be a cause for discomfort. Either China will have to change its course or the regional players will be compelled to more overtly create a network of resistance. The US, Japan, Australia, India and even South Korea along with some Southeast Asian countries are going to cooperate more closely to counter Chinese political and military assertiveness.

With the recent North Korean nuclear test, even South Korea has indicated that it might join THAAD, and this would definitely be a setback for China. China appears to be adamant in its demand to have 'great power relations' with the US, and Xi Jinping seems to want to continue his two-pronged policy of 'economic allurements' and 'political assertiveness' for some time.

Second, Japan will try to mend its relations with South Korea. Recently, both countries have reached an agreement on the issue of comfort women. If Japan and South Korea are able to improve their relations, it would be a positive for the US which has security alliances with both. After the North Korean test, it is obvious that the US, Japan and South Korea are in favour of tougher sanctions, but China seems to be returning to its old policy of protecting North Korea by asking for dilution of sanctions.

Third, the current year would be critical for South Korea, as it may have to choose between



economic opportunities in China and the security imperative emanating from China's assertiveness and North Korean nuclear and other brinkmanship. If China is unable to contain North Korean nuclear and missile programmes and its provocative behaviour, South Korea would certainly have to rethink its policy of cooperating with China, even at the expense of the US' displeasure.

Fourth, North Korea's uncompromising stance on its nuclear programme makes it almost certain that there is only a thin possibility of denuclearising North Korea, and regional players have to reconcile themselves to a nuclear North Korea. However, continuous purges of political and military elite in North Korea along with its economic miseries makes it difficult to predict its future. A more provocative North Korea does not mean a strong North Korea but rather a weak and unstable state, and any implosion would have serious repercussions for the region.

Finally, it is going to be a critical year for US foreign policy in the region. With the growing positive and negative vibes created by China, the US also needs to come out with its responses in a more planned and coordinated way. It seems that the US has been reluctantly reacting to China - it needs to have a pro-active policy for the region. However, it is not sure whether the US has the willingness or the capacity to do so as a relatively weaker Washington is entangled in several other issues and regions.

Thus, in brief, it is going to be a critical year for East Asia, where the future course of the regional architecture will become clearer. All the countries of the region have to make critical decisions with regard to their foreign policies. There are enough political contests, which indicate an unstable time ahead. However, going by the economic interdependence and exchanges among these countries, there is a possibility that some *modus vivendi* might be evolved to not only co-exist but also co-prosper. Rapprochement between Japan and South Korea and a trilateral summit meet among China, Japan and South Korea are basically driven by these possibilities. The future of East Asia would depend on the choices made by the leaders of the region.



CHINA'S RECTIFICATIONS AND 'NEW NORMALS'

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Externally, China's ever growing power has been felt significantly, even more than it previously was. With the Renminbi's inclusion in the Special Drawing Rights (SDR) basket under the IMF basket of currencies, the influence of Beijing's international image has been tremendous. In the domestic sphere, the Communist Party of China (CPC) had few things to cheer about. President Xi Jinping's – who has become a paramount leader, after Mao Tse Tung – strengthening grip over the Party demonstrates a gradual re-emergence of the cult personality and concentration of power in a single hand. In fact, China's politics is at a crossroad, a contrast between the external and domestic landscapes.

On 28 September 2015, on the commencement anniversary of Hong Kong's 'umbrella movement', protest leaders had a 'mute' march, unlike the year before. Large scale demonstrations were absent. Instead, academic seminars and prayers were held at the square. The stock-market crash led to the wiping out of several trillion dollars, and also highlighted the uncertainty of Chinese economic policies in the long-run. Scores of retail investors lost their highly coveted investments within a fortnight. The 6.9 per cent growth rate in 2015 also demonstrates that the state of China's economy is not as strong as it is made out to be.

However, the numbers of registered strikes have been annually increasing. China Labour Bulletin's official data shows over a 56 per cent increase in 2015 in comparison to the previous year. Some reports also indicate that mass social unrests have been escalating higher than before. The worsening environmental problems, with air pollution reaching epidemic levels in some metropolises, mine collapses, and chemical blasts – as the one in Tianjin (twelve in a year) – have taken a swipe on China's industrial safety policies. China's crackdown on social media and the Internet via strict censorships and surveillance, and persecution of religious minorities, civil society groups, intellectuals and lawyers, have disenchanted the country's rising middle class. Recent trials and illegal detentions of journalists, publishers and human rights lawyers have seriously undermined China's path to legal reforms. The recent detention of five published from Hong Kong show China's intolerance towards anti-establishment literature.

Some high points of 2015 can be viewed in the scrapping of the *hukou* system i.e. compulsory household registration system, which barred migrant families from availing benefits in cities or places other than their hometowns. Social benefits may not be availed soon, but gradual initiatives complement rapid urbanisation and migration. Similarly, a new law permitting the right to bear a second child is a welcome policy for an ageing society.

On the political front, corrupt Party leaders and cadres were arrested and expelled. Within the country's People's Liberation Army (PLA), corrupt generals and commissars faced disciplinary action and dismissal. Major reshuffling and reorganisation of the PLA took shape with the appointment of the younger lot.

With China's rapidly ageing society and gender imbalance, the workforce is shrinking even faster. However, how far the population will actually avail of this opportunity is yet to be seen.



Political and social reforms were side-lined in 2015 due to the looming economic problem. 2016 might not be very different.

No End to the Anti-Graft Campaign

In 2015, 54,000 Chinese officials were investigated by prosecutors for bribery, dereliction of duty and other duty-related crimes. In fact, since its launch in 2013, the number of entities inspected so far reached 90 in 2015. The campaign against SOE, especially in the petroleum sector, led to arrests of two Petro China Co. & Sinopec Corp bosses. The petroleum sector was a fiefdom of Zhou Yongkang, a former member of the CPC Politburo Standing Committee (PBSC) who is now serving a prison sentence. The Party has laid emphasis on “building a discipline system with cleaner governance.” The Central Commission for Discipline Inspection’s (CCDI) stress on anti-corruption crackdown is unlikely to end soon.

In 2016, the anti-ghost campaign may concentrate on the financial sector, especially after the 2015 stock market crash. Inspections have begun against the speculators under the leadership of Meng Qingfeng, Vice Minister, Public Security Bureau. As Wang Qishan, an anti-corruption czar, is a former banker and many people facing the heat are in his circle, some reports indicate intensification and deepening of the anti-corruption campaign, which may not end soon. Since Xi also heads the Small Leading Group on Economy, this campaign can also be seen as a ‘tool’ of economic reforms.

Political Consolidation and Rectification Movement

With the arrests of many ‘tigers’ and ‘flies’, the anti-corruption campaign has also led to the disenchantment of party leaders. In December 2015, Xi made a call to the Politburo, the CPC’s top decision-making body, to stay united and loyal to the party and to follow Party leaders’ instructions. Besides, Xi also asked the leaders to supervise their family members and warn against abuse of power. This reflects his determination to strengthen and consolidate his authority via the use of a rectification movement, as Mao did in 1942. The resurgence in persecution – including denying work visas to foreigners – of journalists, social activists, human rights lawyers, academics, and publishers - indicate the CPC’s continued zero tolerance on dissent. However, Xi’s call encourages self-introspection within the leadership that has been increasingly sensitive to criticism; and such arrests may continue in the coming days.

Simultaneously, Xi must be cautious of squeezing too much. Despite the CPC’s overwhelming power, silenced dissident views may lead to policy errors in pursuing reforms. Already, at the January plenary session of the CCDI, it was proposed that inspection teams visit the entire provincial and ministry level institutes before the 19th Party Congress in 2017. As proposed, these inspectors will assess the cadres following Party instructions and their loyalty, and implement the political line in the spirit of Xi’s speeches. As Wang Yukai of the Chinese Academy of Governance points out, “emphasis on party loyalty during inspection tours” is to assess the ground situation for political mobility, and also to assess the cadres on corruption and disloyalty.

Party and the PLA

As the Chairman of the Central Military Commission (CMC), both of the Party and state, Xi has ensured that the writ of the party is respected. With the successful bringing down of the former Vice CMCs, Xu Caihou and Guo Boxiong, and other Military Region Commanders during 2014-15 via the anti-ghost campaign, Xi has strengthened his control over the PLA more than ever. In January 2016, Xi became the second person after Mao to make what is called a ‘precept’ speech *xun ci*, which translates to “admonishing words”), in which he called for a complete

remodelling of the PLA, and for utmost loyalty to the Party.

If successfully implemented, many commentators argue that Xi is at par with Mao, as his other three predecessors, Deng, Jiang and Hu were not so determined to challenge the conservative military. Xi has urged the PLA to adhere to political principles and follow the Party's leadership i.e. the Central Committee and the CMC. With a thrust on restructuring the military, technological modernisation and also job cuts, Xi has embarked on a major step towards overhauling the old soviet-style military, as well as boosting the military's morale in 'winning battles'. Thus, 'If the power flows from the gun,' Xi Jinping has resolved to bring the 'gun under the control of the party'.

New Normal: Legitimising a Slowing Economy

In 2015, Hu Angang, a close aide of Xi Jinping, remarked that China is entering a new stage of economic development with an emphasis on rebalancing and diversifying the economy, embracing sustainable growth and evenly distributing benefits in society. The GDP growth of 7.4 per cent in 2014, and 6.9 per cent in 2015 – the lowest since the 1978 reforms – clearly portrays the deceleration in China's economy. Under the 'new normal' (*xinchangtai*), Xi has asked the Chinese people to accommodate growth that is far slower than those of the previous years.

With the 2015 crash landing of the stock market, the anti-graft crackdown against those responsible can pacify some, but many unfortunate investors may look for transparency and stringent rules.

Solutions towards fiscal stimuli and fixed asset investments have only led to a burgeoning of national debt. Without sound economic reforms, 2016 may bring more unwarranted challenges to the economy. Despite several social regulations, decreased funding and strict control of the public purse may have led to over-capacity. Thus, *xinchangtai* can become a mere story to justify the sluggish mismanagement of the economy, and if handled imprudently, the coming months might be quite painful.

Conclusion

With external highs and domestic lows, the CPC has more daunting tasks ahead. In the politically volatile border regions, the Chinese state faces security risks from the increasing numbers of Uighur origin volunteers fighting under the Islamic State (IS) banner in Syria. Counter-terrorism expert Li Wei states, "With the rise of ISIS and as more Chinese nationals are smuggled over the border to join it, China faces a bigger threat of terrorism." However, sporadic attacks such as the September 2015 attack in Baicheng, Aksu Prefecture, continue. To that end, a Counter-Terrorism Law was passed in December 2015. However, the law is extremely controversial as it provides sweeping powers that the Party is likely to use as a tool to control minorities.

China's 13th Five Year Plan (2016-20) will be also on the anvil this year. National planners have stressed on the role of innovation, green development and inclusive growth. Beijing aims to double its 2010 GDP and per capita income of residents of cities as well as rural areas by 2020, and a 6.5 per cent growth rate will be ideal to achieve those levels. Social insurance, population reforms and *hukou* registration are some important issues the Party and the government have to deal with.

At the leadership level, there has been a rising trend in concentration of power with a single



individual. The leader has outgrown the Party. With Xi's coming to power, its 'harmonious development' is nowhere mentioned in speeches and Party documents. Xi is not only trying to cleanse the Party, but also his political rivals, which is often not accepted by the Party. Despite commanding immense powers, Xi cannot try to undermine the role of the Party and state structures to legitimise his authority. For if such a trend continues and/or intensifies, the political institutionalisation process that has been the Party's mainstay may be adversely affected. If Xi is concerned about the future of the CPC, he would do well to understand that no individual can be bigger than the Party itself.



CONTOURS OF SINO-INDIAN RELATIONS

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Riding on clear signs of an ascendant India and a massive electoral mandate behind him, Prime Minister Narendra Modi is on course to try and break the status quo in New Delhi's ties with Beijing, setting the ball rolling by re-calibrating and infusing life into relations with Japan and the US. Modi knows he need not pursue anything blatantly anti-China, but only has to use India's huge market and economic growth potential to goad Beijing to be pragmatic on the way to evolve a solution to the border logjam and agree to initiate measures to reduce the trade imbalance—two issues New Delhi would like to achieve breakthroughs on.

Much of India's efforts in 2016 on the China front will be to work for a level playing field in areas such as access to the Chinese market to boost exports and reduce the trade gap; increasing the quantum of Chinese investments; and, of course, bridging the differences on the border question so as to resolve the issue permanently. By now, the ability of Chinese companies to peddle their wares in India is legend, but they are reluctant to invest in the country. In fact, Chinese investment in India is lesser than those of Canada, Poland, or Malaysia. For instance, in the past 14 years, UK has invested US\$ 21.5 billion in India; but China's investment stands at US\$ 0.4 billion - less than Canada's US\$ 0.5 billion.

It is true that India has dethroned China as the world's fastest growing large economy, with a growth rate of around 7.5 per cent. However, New Delhi still has a lot to do to improve the nation's economy and the job sector that can take care of the aspirations of the country's 365 million youth aged between 10-24. That is the reason New Delhi has launched its ambitious 'Make in India' campaign and is also the prime reason why it wants China to really invest big time here. True, Japan has beat China in bagging the US\$15 billion contract for building India's first bullet train project in the 505-km-long Mumbai-Ahmedabad sector. However, it is also true that an India-China consortium is conducting a feasibility study to build a high-speed rail track on the 2,200-km Chennai-Delhi sector, in addition to the 1,200-km New Delhi-Mumbai corridor.

If New Delhi strives for deeper economic engagement with Beijing in the coming days, China will seek to bring India on board its ambitious and controversial 'Silk Road' project that began with the launch of the 'One Belt One Road' initiative. China's New Silk Road aims to link Central and South Asia by roads, railway and energy pipelines. China has already flagged off the longest cargo rail link in the world, connecting its manufacturing hub Yiwu to Madrid, Spain. One of the sectors in this belt is a corridor that envisages linking China's Yunnan province with Myanmar, Bangladesh and India. New Delhi is wary about this project as it fears the deepening Chinese presence or influence in the region, but countries like Sri Lanka, the Maldives and Indonesia are already on board. What the Modi government will have to decide in 2016 is whether India can afford to stay away from such a trans-national connectivity initiative in today's geopolitical scenario.

Modi's margin of victory in the 2014 election has projected him as a strong leader - something the world was quick to recognise. China, in fact, was among the first countries to send a special



envoy to India to greet him on his party's victory. This increased the level of contacts between the two Asian giants and brought Chinese President Xi Jinping to India in September 2014, followed by Indian Prime Minister Modi making a trip to China in May 2015. Again, in November 2015, India hosted the highest-ranking Chinese military delegation in about a decade. The 26-member delegation, headed by General Fan Changlong, vice chairman of the Central Military Commission (CMC), held talks with the Indian military and government leadership.

These bilateral contacts are expected to continue in the coming days because both countries appear to have realised that the simultaneous re-emergence of India and China as two major powers offers a great opportunity for the realisation of the Asian Century. Both have already agreed that the border is 'generally stable' and have endorsed 'concrete actions' to implement the consensuses reached. Already, indications are emerging that the two could actually be keen to work on the economic engagement aspect more while continuing efforts to keep the border cool before a possible solution is reached.

New Delhi has taken symbolic first steps in easing relations with Beijing. During his May 2015 visit to China, Modi announced that e-visas would be extended to Chinese tourists visiting India. It has been said that he made the announcement against the advice of the security establishment. One would now expect Beijing to stop issuing stapled visas to Indian nationals from Arunachal Pradesh - a practice aimed at reinforcing its claim on the frontier state. These are irritants New Delhi would work on in the days ahead, because removing these irritants are extremely important for a serious economic engagement at a time when China has overburdened itself with its massive expenditure on mega connectivity projects it has launched.

Another critical issue New Delhi cannot ignore is that concerning China's massive dam projects on the shared rivers, particularly the Yarlung Tsangpo, known in India as the Brahmaputra. The Zangmu dam near the U-bend, as the river enters Arunachal Pradesh, has already been commissioned, and Beijing has approved the construction of three more dams on the river. This has led to real and serious concerns in the lower riparian areas like Northeast India and Bangladesh. In the absence of a water treaty between the two countries and China only committed to providing India with flood-data during monsoons, India has to work hard to secure Beijing's nod on a water agreement.

In 2016, of course, one can safely say trade and commerce would dominate the dialogue between the two countries. After all, Modi's massive mandate enthused China Inc., long upset with India's 'hostile' investment policies for Chinese investors. The setting up of two industrial parks for Chinese manufacturers and the India-China consortium being on board for a mega bullet train project has changed that perception among Chinese investors. Trade is bound to call the shots in India-China engagement as India embarks on yet another new year.



MONUMENTAL CHALLENGES FOR TAIWAN'S NEW PRESIDENT

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Dr Tsai Ing-wen won Taiwan's presidential election on 16 January 2016 - her pro-independence Democratic Progressive Party (DPP) defeated the ruling Nationalist Party/Kuomintang (KMT) and captured the majority in the legislative body for the first time in Taiwan's history. Tsai, the first female head of state in the Chinese-speaking world, referred to as Taiwan's Angela Merkel for her sharp reason and determination, must recalibrate Taiwan's economy and avoid colliding with China on sensitive issues. She is expected to encounter an array of difficult challenges in cross-straits and foreign relations that may be determined by how Tsai handles the intricate and delicate aspects of the 1992 Consensus. The more gruelling test awaiting Tsai is Taiwan's petrified economy with its systematic malfunctions that has become an impediment for the pursuit of any meaningful growth.

Cross-Straits Relations

Tsai's campaign platform is to maintain the status quo in cross-straits relations. China has claimed sovereignty over Taiwan, which it considers a renegade province. The 1992 Consensus, the pillar of the current government that has brought peace and stability to Taiwan-China relations in the past eight years, receives no recognition from either Tsai or her party. China has so far showed patience for Tsai's endorsement, but pressure is expected to mount in the period leading to the inauguration. The dual meanings of the 1992 Consensus (hereinafter 'the Consensus') provide just enough ambiguity for both China and Taiwan to avoid the tenacity of the 'One China' issue. For China, the Consensus means 'One China', but for Taiwan, it means 'One China, Respective Interpretations' (that can either mean the People's Republic of China or the Republic of China [Taiwan]).

Upon a careful perusal there exists no evidence that both sides inscribed the Consensus as an agreed defined term because it was a mere understanding deriving from the pressures of grappling with the 'One China' principle in cross-straits exchanges in 1992. Yet, the recognition of the Consensus somehow becomes China's precondition for engaging with Taiwan on almost every issue as it has become the domestic version of the 'One China' policy. President Ma Ying-jeou and the KMT's embrace of the Consensus has attracted political and economic favours from China, but voters in this election have rejected these ever-closer ties with China for fear that it would dilute the Taiwanese identity and lead to eventual reunification with mainland China.

Sensing the discomfort of voters, Tsai has only indicated that the Consensus can be "a topic of discussion, but not a precondition" in negotiating with China. This deviation from her predecessor's position and whether Beijing will accept anything less than the Consensus requires further observation.

Diplomacy

While Tsai may be able to cope with China's pressure on the Consensus given her wide margin of victory, her room for manoeuvre in diplomacy is very limited. China's international version of 'One China' constitutes the more enhanced-1992 Consensus: there is one China, and that is



PRC, and 'Two Chinas', 'One China, One Taiwan', or Taiwan's independence is strictly forbidden. Before Ma assumed the presidency in 2008, Taiwan and China had engaged in a long and expensive diplomatic war. Ma's acceptance of the Consensus brought a truce in the chequebook diplomacy and maintained diplomatic allies that recognised Taiwan. With China's increasing economic might, Taiwan's allies were rumoured to approach Beijing but received no approval from Beijing as it feared that any move would damage cross-straits relations. With Tsai's negation of the Consensus, China may start to welcome any of Taiwan's diplomatic allies seeking to establish diplomatic relations with China. To maintain formal relations with diplomatic allies is a top priority for the new president as Taiwan's citizens have long aspired for more exposure in world affairs.

On top of the potential loss of diplomatic allies, Taiwan's participation in United Nations' specialised agencies may also be in jeopardy. The acknowledgment of the Consensus has expanded Taiwan's involvements in UN organisations. Taiwan has been an observer of the World Health Assembly since 2008. This annual association is based on China's letter to the Secretary General of the World Health Organisation, asking for Taiwan's attendance. Upon receipt of China's letter, the Secretary General issued Taiwan's invitation letter. This procedure is specifically designed as a check in case of any possible cross-straits turmoil - China can discontinue Taiwan's participation as punishment.

A similar mechanism also applies to Taiwan's 'guest' status in the International Civil Aviation Organisation Assembly. The 69th Annual World Health Assembly is scheduled to convene on 23 May 2016, just days after Tsai's inauguration. Whether Taiwan can continue to participate in the conference may serve as a litmus test on how China decides to deal with Taiwan. If China's letter of approval comes to the World Health Organisation without Tsai's expressive concession on the Consensus, China is likely to take a flexible stance on Tsai. Should Taiwan's presence be denied this year, it could be indicative that China will take a tough position in limiting Taiwan's international space.

Taiwan's other potential diplomatic challenges include dealing with territorial disputes on two fronts. China, Japan and Taiwan all claim the right over the Diaoyutai/Senkaku Islands. Tsai continues to affirm this claim. In the South China Sea, Taiwan holds the Taiping/Ibu Aba Island. With multiple states claiming their sovereignty over these islands, South China Sea has become a trigger for coming conflicts. The magnitude of territorial disputes may be as much trouble as losing diplomatic allies or international participation.

Economy

Tsai and the DDP are able to come to power largely because of economic issues. All estimates indicate that the economy will grow between 1.5 and 3 per cent. This range of low growth has become common as Taiwan has moved from a developing to a developed economy. Yet, most citizens are still nostalgic about the glory of those high-growth days in the past. Tsai will have to come up with a drastic change in policies to revitalise the economy.

Taiwan's economy faces serious structural inadequacies. It hosts three areas of high concentration: on export, on China, and on Information and Communication Technology (ICT) products. Taiwan has long depended on export for growth and about a quarter of this export goes to China. With the speculation of gradual slowing down of China's economy, Taiwan's export is likely to shrink as well. A large number of Taiwan's manufacturing bases have shifted to China whose labour and environmental regulations are rather lax. The remaining ICT industry produces Taiwan's most important export item. However, Taiwan's high-tech firms are

facing increasing competitions and buyouts/takeovers from Chinese companies backed with state capital. It is important to note that cross-straits affinity does bring some economic benefits; however, it is generally viewed that only the KMT gentry or wealthy businessmen are the exclusive beneficiaries.

Salary stagnation seems to have been the most contending economic issue in the election. Taiwan's current real salary has fallen back to that of 16 years ago. There are several factors contributing to this. First, in its transformation to a market economy, Taiwan does not host other high value-added industries other than the hi-tech industry. So the economy is closely tied to the up and downs of the hi-tech industry. When challenged by China, South Korea and other emerging economies that profit from regional free trade agreements, Taiwan's products are becoming less competitive relative to price. The education system, with most emphasis on memorisation but not cultivating innovation, fails to produce high calibre entrepreneurs to take advantage of the new landscape of the globalising economy.

Second, Taiwan's business has often prides itself on cost-down as a successful business model. Outsourcing has become common to keep the payroll low. With the hollowing-out of manufacturing jobs, Taiwan's workers can only go to traditionally low starting salary industries such as hospitality. Finally, the government often sides with businesses, and labour unions are almost non-existent, leaving workers with little leverage in pay negotiations. With little prospects for better material lives, many Taiwanese youth are taking their expertise and skills abroad; consequently, the island suffers a serious brain drain. Furthermore, low wage compounded by high housing prices results in late marriages and the lowest birth-rate in East Asia, paving the way for an ageing society with welfare burden and possible labour shortage.

Tsai's campaign calls for a diversified export market with Southeast Asia and India as potential partners. Taiwan also plans to join the Trans Pacific Partnership (TPP) as a means to open markets for both economic and strategic reasons. But the entrance to the TPP is not without a price. The first step is to secure the support of the US whose economic and military superiority has backed Taiwan when other states have adhered to China's strict 'One China' principle. And the very same prowess is behind the TPP with the 'Back to Asia' policy.

American officials have frequently asked Taiwan to open the market for importing American pork. American meat often contains ractopamine, a feed additive to grow more lean meat, which may cause cancer given excessive intake over a long period of time. Taiwan had already suffered a political blow when allowing the import of American beef. The question is not whether but when Tsai is willing to expend her political capital on the pork issue in order to secure the greater economic and strategic interests of the TPP.

Also, the TPP will impose higher labour and environmental standards on Taiwan that may further increase the cost of conducting businesses in Taiwan. Another way to encompass Southeast Asian markets is by joining the China-led Regional Comprehensive Economic Partnership (RCEP). But this option can only be feasible when Tsai concedes on the 'One China' issue.

Tsai has also identified five areas, such as green technology and defence, which Taiwan should focus on in order to chart new directions, to reduce the dependence on ICT, and to increase salaries for workers. These are the long-term goals that Tsai will have to implement with policy direction, guidance and resources.

**Conclusion**

Tsai will be facing complex and difficult cross-straits, diplomatic and economic challenges at the moment of her inauguration or even before if China decides to undermine her presidency. Any mishandling of the 1992 Consensus will lead to a series of chain reactions in diplomacy. Taiwan's economy needs a whole new model to transform itself as it faces increasing competitions from China and emerging economies. The most important yet difficult challenge here would be to address possible increase in salaries and to bring hope to the youth of Taiwan.

SPOTLIGHT WEST ASIA

CONVERGENCES AND DIVERGENCES



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Insofar as existing flashpoints are concerned, West Asia continued to present a bleak picture in 2015. The major change in 2015 from the end of 2014 was that the Islamic State (IS) lost ground in terms of the total territory it controls, and more importantly, it lost control of several important towns mainly in the Sunni inhabited areas of Iraq as well as considerable territory and small towns to the Kurds, in both Iraq and Syria. The IS has suffered heavy casualties and considerable damage to its military and revenue generating assets. Russia also joined the battle against them. Retaliatory consequences were 'spectacular', with attacks in Turkey and Paris, and the downing of the Russian plane over Sinai.

All these trends will continue in 2016. More frequent and more destructive attacks against Western targets can be expected, leading to the Western war against the IS to be further galvanised and become more hard-hitting. Though the IS as an idea and ideology will take decades and generations to defeat, its persona as a proto state is likely to suffer considerable further damage in 2016.

Syria

In Syria, President Bashar al-Assad was clearly in a better position at the end of 2015 than at the end of 2014; and this trend will also continue in 2016, primarily because of Russia's continuing, and indeed expanding, military support for Assad, and the expanding Iranian military support for him. This support is playing an extremely significant role in weakening the jihadist opposition groups. The current peace processes are going nowhere – no negotiation process has any chance of success if preconditions are placed before the negotiations begin; and non-state actors are holding up the process by imposing all kinds of preconditions.

In any case, participation of the two most potent opponents – the IS and Jabhat al-Nusra – is not envisaged at all; and therefore, participation should be restricted only to states – after all they are the patrons of the different rebels groups in Syria. The objective of the negotiations has to change from determining alternatives to Assad to stopping all wars in Syria, as no negotiating process is going to make any headway unless it is in sync with ground realities. These issues require focused attention in 2016.

Yemen

2015 witnessed the entirely unexpected aerial assault by Saudi Arabia on Yemen. With global and even regional attention likely to be concentrated on the war in Syria and against the IS, the war in Yemen is likely to become completely marginalised in terms of international attention; and therefore, any significant subsiding of the Saudi-led coalition's war against the Saleh-Houthi alliance is unlikely.

However, it is also highly unlikely that Saudi Arabia will succeed in reinstating the Abd-Rabbu Mansour Hadi government in Sana'a. Even if it does, the war will not fade away, mainly because there is no possibility whatsoever of his continuing to remain in power without continuous military support from Riyadh, as Hadi does not have any political, military or tribal support



bases in the country. This is an unwinnable war and the sooner all concerned parties realise this the better it will be for them and the region.

Saudi Arabia

However, there were two very significant path breaking developments in 2015, one of which was a great surprise and could not have been predicted and the other, was expected. The first was the appointment of Prince Mohammed bin Salman, the youngest son of King Salman, as Deputy Crown Prince and Defence Minister, with considerable additional responsibilities that have concentrated unprecedented and enormous power in the hands of a young, completely new-to-government royal, which no Prince has previously enjoyed.

Since his duties also encompass being the gatekeeper to the King, even the Crown Prince has access to the King only if Prince Salman agrees. No foreign ministry, no intelligence agency, no West Asia expert or observer of the Saudi scene had anticipated this or his first significant move – the launch of an expanding war against Yemen. This highlights the perils of attempting to make forecasts. Nobody can predict whether Prince Salman's authority can or will be diluted or get even further enhanced; but either way, there will be important consequences – either the lessening of Saudi assertiveness or increasing it. The former will improve prospects for calming regional tensions and the latter could escalate them to highly dangerous levels insofar as unseen.

Iran

The second extremely significant development in 2015 was the successful conclusion of the nuclear deal between the P 5+1 and Iran, presaging the lifting of the bulk of the sanctions. Only a few weeks have elapsed and therefore, to expect immediate positive fallout is completely unrealistic; however, markedly unfortunately, there seem to be absolutely no indications at all on the horizon, of any, even potential, improvement in ground realities. However, all countries who have stakes in the region know that even today, Iran's Comprehensive National Power is much more than that of all of West Asia's Sunni countries combined, and will only continue to increase year by year; and it is the natural regional giant.

Confrontational policies by some regional countries will not change this reality. This deal provides Western powers in particular the first real opportunity to try and reorient Iran in more positive directions and this chance must not be lost. If this is not done meaningfully in 2016, then, in 2017, new and potentially more serious complications could arise in the region.

US and West Asia

2016 is the last year of US President Barack Obama's presidency; and his policy towards West Asia has been very strongly criticised domestically and by the Sunni countries who are long-standing US allies in the region.

However, it is to be hoped that he will not be deterred – he has crafted a statesman-like legacy by overturning the decades-long US propensity for military interventions in the region. President Obama's approach is the right way forward, since the reality is that Washington's interventions in West Asia have perhaps been the single major contributor for constant regional turmoil. Obama's visionary approach has led to re-engagements with Myanmar, Cuba, and most significantly, with Iran. Therefore, Obama's continuing to make negative public comments about the Iranian role in the region is disappointing – whoever Obama's successor may be, he/she will have a considerably less charitable view of Iran and its policies.

The potential positive fall-out of the path-breaking nuclear deal must be realised while Obama

is still at the helm. Otherwise, there is real danger of the US policy vis-à-vis Iran being reversed, and this will be disastrous for the region. This is a challenge that Obama must take up in 2016.

Overview

In 2016, the pendulum is likely to sway one way more than the other in the three hotspots – Syria, Yemen and in relation to the IS – but it is unlikely that ground realities would change sufficiently for final solutions in any of these three cases.

The single most important geopolitical factor in West Asia today is the spreading virus of sectarian hatred between the Shias and Sunnis because of the cynical misuse of religion in a very bitter competition between Iran and Saudi Arabia for regional influence and primacy. This rivalry – a contributory factor in the rise of the IS – is the single major cause of the situation in Syria being what it is; Saudi Arabia's invasion of Yemen; and also of the growing disaffection of Shia minorities in the Gulf Cooperation Council (GCC) countries. With the somewhat unnecessary and avoidable execution of prominent Shiite cleric Nimr al-Nimr by Saudi Arabia, the situation reached the worst it could. Iran's top leadership's public apologies for the retaliatory attack on the Saudi Arabian embassy in Tehran was a very positive gesture.

In an interview to *The Economist* on 8 January 2016, Saudi Defence Minister and Deputy Crown Prince Mohammed bin Salman said, "War would not be allowed to happen. It is something that we do not foresee at all, and whoever is pushing towards that is somebody who is not in their right mind. For sure we will not allow any such thing." This is particularly reassuring, since he is the architect of Saudi Arabia's new and particularly assertive posture.

The most important task that could and should be attempted in 2016 is that major global powers, particularly the P5, individually and collectively, should concertedly use whatever influence they have with both these countries to tone down the vitriolic rhetoric being exchanged between them on a daily basis, and try to re-establish credible back channels between the two. They have existed in the past, but seem to have broken down, and no task is more urgent than restoring these. A workable via media between Tehran and Riyadh can only be brought about by the two countries themselves and cannot be imposed upon them by any third country. It is fervently hoped that in 2016 there will be movement in this direction.



OPPORTUNITIES AND CHALLENGES FOR SOUTHEAST ASIA

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Southeast Asia has always been of considerable geo-strategic importance with its sea frontiers straddling important sea-lanes connecting the oil rich Indian Ocean region to the strategically important Asia Pacific region. Of considerable significance in this context are the Malacca and the Sunda Straits. The region is of increasing importance in today's globalised world both on account of the significant position that it occupies in international trade and in terms of climate change and biodiversity. Its openness to trade and investment has made it a major contributor to the growth trends of the world economy. Its economy averaging over 5 per cent in GDP per annum has resulted in a rapidly expanding middle class with a rising consumption pattern of interest to the global manufacturers and exporters of consumption goods and services.

The important aspect is Southeast Asia being seen as China's backyard - a definition that has gained greater significance in the post-Cold War world. This is largely due to the fact that China has come to dominate the region both in political and economic terms, creating in the process an environment of competing interests that involve not only the US but also Japan and increasingly India.

The US that during the Cold War period was seen as the main source of political and security comfort remains the strategic alternative to the expanding regional influence of China but creditability issues have from time to time created doubts over the sustainability of American commitment. The Asia Pacific 're-balancing' policy of the US has not removed these doubts even though this policy emphasis has provided some relief to the ASEAN nations.

It would be worth recalling the historical and civilisational influence that India wielded in the region in contrast to its current presence in Southeast Asia that saw India as a peripheral player, which only recently has started gaining some importance and traction in the affairs of the region. Trade built on the maritime prowess of the Indian states of that time was the main driving force that ensured the expansion of Indian influence in the region. It remains to be seen if in today's context India can regain its historical influence on the region.

ASEAN-China: Dependent Economic Relations and the Indian Alternative

With the ending of the Cold War there was a realisation that China was the country that would come to wield influence, particularly as its economy was increasingly developing the potential of becoming a major driver for the growth of the international economy. Hitherto the economic power that had made a contribution to the strengthening of the Southeast Asia's Tiger economies was Japan, but China was becoming of greater interest as it could provide a larger market for the goods and services that the ASEAN region as a whole had on offer. However, unlike Japan, China also posed a potential security threat as it was expending large resources on the build-up of its military prowess, and there was the impact of the territorial disputes over island territories in the South and East China Seas.

In the Eighties, ASEAN leaders like Mahathir Mohammed, the Prime Minister of Malaysia, coined the term 'constructive engagement' as the platform for engaging China and granting it

a stake in the economic growth of the economies of the expanded ASEAN region that would make China a partner whose involvement would ensure that a stable Southeast Asia was of strategic importance to it.

This policy, till recently, has paid off as it ensured that China's economic growth would involve the ASEAN region becoming an extremely important vendor, supplying key elements to the manufacturing hubs of China, and enabling it to increase its competitive outreach to global markets. The fact that a very large presence of the Chinese diaspora in these countries that held positions controlling large segments of the national economies contributed to the expansion of China's economic presence, involving trade and investment, which played a role in the growth of the economies of these countries.

However, the recessionary trends that have impacted global growth prospects and the negative impact these have had on the Chinese economy has created severe problems for the main ASEAN economies. According to many independent sources China's economy has slowed down, with its GDP expanding only around 5 to 5.5 per cent in 2015. The slow-down has contributed to a dramatic reduction in commodity prices with countries like Indonesia and Malaysia being the ones in the region that have been seriously impacted.

Interestingly, Myanmar is one of the ASEAN countries that may be benefitting the most from the changes that are taking place in the Chinese economy, with its low wages attracting labour-intensive manufacturing units that are being discarded by China and taken up in Myanmar, resulting in its GDP growing far above that of most other ASEAN countries.

Given the increasing fears over the Chinese economy suffering a 'hard landing' and that the global economy would continue to grow at a less than optimal rate of growth - where the Chinese economy accounts for approximately 15 per cent of global economic output - there are concerns over the economic growth prospects of the region unless it is able to find an alternative economy or economies to latch on to. For the region as a whole, the Indian economy therefore becomes an attractive alternative where both investments in infrastructure, manufacturing and trade-in-goods in the role of vendors to the 'make in India' programmes could become a major source for continuing rates of reasonable economic growth.

They could also ride on the coattails of the investments that are being made by Japan and now by China in the Indian economy. In addition, Malaysia and Indonesia could see a greater rise in commodity imports by India as its economy grows at rates close to 8 per cent to 8.5 per cent per annum, which could help sustain these economies.

India too shall have to improve its capacity to absorb greater investment flows and to ensure that the actions it has taken to expand its relations with the ASEAN region with key nodes being offered in that context by countries like Myanmar, Thailand, Vietnam and Singapore are fully exploited to mutual benefit. This should be in keeping with the target-setting in that regard that should form a principal part of the Act East policy of the Narendra Modi dispensation. The examples so far of the contributions and participation by India have failed to meet either time lines or targets; these failures would have to be acted upon based on a more secure implementational basis.

Political Issues

This area has both external and domestic dimensions. The internal dimension in the ASEAN region comprises of democratic forms of governance, a monarchy, and communist regimes in



Laos and Vietnam, with military rule existing in one form or the other in Myanmar and Thailand. Even the democratic structures have limitations imposed on them. For these countries, democracy of the open type prevailing in India is described as too much democracy that tends to put limitations on governance. ASEAN however does reflect unity in diversity and till recently it could be said that the entente built on constructive engagement had held. This has since come under pressure with the rise of China and the aggressive stance that it has adopted on not only territorial claims but also on the imposition that it is trying to place on freedom of navigation and on over-flights.

The rise of China and the security threat that this is seen to pose to regional interests and the Asia Pacific region as a whole has brought about a greater involvement of the US in the region, resulting in a shifting of the balance that had held to some degree since the end of the Vietnam War.

The main issues that confront the ASEAN countries are worth recalling as they define the region and the challenges that it faces. The ambition of developing as a single market as the ASEAN Economic Community (AEC) that would permit a boost to the flow of goods, services and investments as also serve to attract greater external investments has yet to really take off. This is mainly because of non-tariff barriers to protect domestic industries. The protectionist barriers put up by Indonesia, the largest regional economy, being a case in point. Non-compliance rather than compliance remains the main stumbling block to achieving the single market as defined under the AEC.

Another dominant factor pertains to the maritime domain. South China Sea and the territorial disputes are a major problem where China's attitude and aggressive postures present a significant threat to a peaceful and fair resolution, with the added complications pertaining to freedom of navigation and freedom of the airways. ASEAN has had a problems in condemning China's aggressive stance and has only been able to express "serious concerns over the on-going developments in the South China Sea, which has increased tensions in the area." They have been pushing for the "early conclusion of the Code of Conduct."

The major development has been the endorsement of the Permanent Court of Arbitration of the right of the Philippines to file a case under the United Nations Convention on the Law of the Sea (UNCLOS), "challenging the legality of the China claims in the South China Sea." However, China continues to refuse the jurisdiction of the Court. The stalemate in this case continues and a peaceful resolution seems to be out of reach. The challenge that the US poses to China's claims appears to be the only factor that places some restraint on China and continues to throw up the element of vulnerability that Southeast Asia faces at it hands, where China is willing to pressurise its way to gaining its ends.

Finally, another factor that stands out is that the ASEAN Way is unlikely to find a path out of the impasse that the military poses to real democratic functioning in Myanmar, where even though the people have overwhelmingly voted in favour of Suu Kyi, the armed forces are staunchly standing in the way of her becoming the Chief Executive. The army is also unwilling to move away from controlling the real sinews of power as reflected in its constitutionally-backed control over Home, Defence and Border Security affairs.

Again, whatever change does come about in the future by amending the military-imposed 2008 Constitution could only happen because of Western pressures and the degree to which the military would like to continue to balance Myanmar's dependence on China.

All these factors only go to show that Southeast Asia has problems that would continue to leave it vulnerable to China and the countries of the region have to remain dependent on the US for solutions. India, Japan and Australia have a role to play but to a very large extent this would be in tandem with the positions and strategies adopted by the American administration.



DIFFICULT DAYS AHEAD FOR WASHINGTON

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The Obama administration faced many thorny challenges in 2015, and none of those are likely to fade away in 2016. While foreign policy challenges encountered by the US are global, the most critical of those come from a region that is very much part of India's strategic environment.

To start with, the decision of the Obama administration to fully implement its goal to end its military operations in Afghanistan witnessed a turnaround in the absence of a credible peace process involving the Taliban. The current efforts towards the same will almost certainly fail, unless some miraculous developments take place.

Dynamic Indo-Pak hostility, rising divergences between the Afghan government and the Pakistani establishment, resurgence of the Afghan Taliban, and spread of the Islamic State's (IS) influence into the Af-Pak region will continue to obstruct the US aspiration to make a quiet exit from Afghanistan.

Nevertheless, US military involvement in Afghanistan will progressively thin down, enlarging the political abyss between the US and Pakistan. While the White House and the US State Department will struggle to maintain cordial ties with Pakistan as long as the US troops remain in Afghanistan, the executive-legislative tug of war will increase and the massive US assistance to Pakistan will keep dwindling in the coming months. As Pakistan's chances of severing ties with terrorist organisations appear dodgy and the possibility of China enhancing its economic footprint in Pakistan seems plausible, the trust deficit between Washington and Islamabad is bound to mount. The steady growth of Indo-US strategic cooperation with regular military exercises and advanced arms trade will also impact the state of US-Pakistan ties.

Significantly, the US, China, Pakistan and Afghanistan have begun their quadrilateral cooperation to address the Afghan situation. India is out of this loop. This, precisely, is going to weigh down the US effort of peace-making in Afghanistan. Pakistan's nightmare is a stronger Indian influence in Afghanistan, and it vetoes an Indian role in peace-making. After so much investment in nation-building activities in Afghanistan, can India afford to allow Pakistan to re-design its strategic depth in that country? Can India really trust the above-mentioned quadrilateral and buy the outcome of their deliberations, even while remaining a bystander to a peace process in its immediate neighbourhood?

The bigger challenge to US engagement beyond South Asia comes from the knotty precariousness in the West Asian strategic scene. The Obama administration withdrew all US troops from Iraq and left a power vacuum that was filled by the IS. While President Obama stopped using the term "global war on terror," promised to engage with the Islamic world with constructive cooperation, and terminated military operations in Iraq, the end result turned out to be more perilous. The IS declared a caliphate, ran civil administration, sold oil in the international market, beheaded its opponents, and in a way, provoked the US to return to the battle fields of the region. President Obama did practically that, while repeatedly promising not

to put boots on the grounds. He bombarded IS facilities from the sky, sent some troops to train Iraqi soldiers, and now, US Special Forces are also selectively engaging in combat.

The expectation that the entry of the Russians and the Iranians to wage war against the IS would be of great benefit were belied in 2015. The Russians are more interested in protecting the Assad regime than combating IS. In the meantime, the US began to complain that Russian planes were also hitting anti-Assad, pro-Western rebels. While Iran is deeply involved in Iraq and is reportedly training, aiding and equipping the private Iraqi militias to take on the IS, Tehran does not coordinate its operations with the US forces. The US backing of Saudi military intervention in Yemen and killings of Tehran-supported Houthi rebels have contributed to more US-Iranian hostility.

In the meantime, the signature achievement of the Obama administration - the Iran nuclear deal - is under stress. It has annoyed the Saudis and angered the Israelis. The other Gulf Cooperation Council (GCC) countries have paid lip service to the deal, but privately appear quite unhappy. Besides the Shia-Sunni divide currently engulfing the West Asian region, the Persian-Arab cultural conflict is also aggressively surfacing. Arab countries are increasingly using the term 'Arabian Gulf' instead of 'Persian Gulf' and Iranians think that it an affront to their ancient history.

All these developments have contributed to the plight of the US Middle East policy, although critics partially blame US policy for the current crisis in the region. The US has lost its grip over the developments in the region, even as the civil wars in Syria, Yemen and Libya are ravaging on. Anti-Americanism is at its height among the Shias and Sunnis, Arabs and the Persians, and the most trusted ally, Israel, also appears to have lost faith in the Obama administration for its handling of the Iran nuclear deal. The constant depreciation of energy prices has negatively affected shale gas producers in the US as well. It is very unlikely that the economic crisis, social instability and the political upheavals or even terrorism in West Asia would be satisfactorily handled in this period. American hegemony in West Asia, already facing trouble, will have no respite in 2016.

Developments in the Asia Pacific are no less exigent to US power.

North Korean nuclear obstinacy and Chinese muscle-flexing in the South China Sea raise questions of US credibility among its allies. The competition between the US-led Trans-Pacific Partnership (TPP) and the Chinese-led Regional Comprehensive Economic Partnership (RCEP), Chinese defiance of US calls for multilateral dispute resolution in the South China Sea, Chinese resistance to the movement of US ships or surveillance planes close to islands reclaimed by China, the single-minded construction of potential military facilities by Beijing in the disputed islands of this sea and several other similar developments indicate that Obama's strategy of a "pivot to Asia" is little more than gesticulation.

In 2016, US' Asian allies such as the Philippines, Australia, Japan and South Korea will expect it to behave more robustly vis-à-vis China. Deployment of ships, flying of bombers, more frequent surveillance, selling military equipment and reiterating US commitment to the security of its allies will not be considered enough. All these actions by the US have hardly altered Chinese policy or behaviour. Nor have threats and sanctions brought North Korea to its knees.

As the East Asia Summit (EAS), ASEAN Regional Forum (ARF) and Asia-Pacific Economic Cooperation (APEC) have proven powerless to manage an assertive China and adamant North



Korea, the US may look for alternative methods to deal with provocations in this region in 2016.

The US preoccupation with the unprecedented chaos in the Middle East/West Asia, domestic political polarisation, persistent economic recession in the world, and election year in the US will constrain the Obama administration from taking tough measures abroad. As such, President Obama has tasted the bitterness of some of his liberal approaches. First, he drew a red-line for the Assad regime on the issue of use of chemical weapons and fell short of carrying out the promised response.

Second, he wanted to reset relations with Russia and found that US-Russia relations have deteriorated further. Third, the Budapest Pact promised Ukraine territorial integrity in exchange for its surrender of nuclear weapons. But the US could do precious little when Russia annexed Crimea.

Fourth, critics hold President Obama responsible for continuing violence in Libya, mishandling of the Arab Spring, and the inability to overthrow the Assad regime. Fifth, two key US allies - Israel and Saudi Arabia - feel estranged in the wake of the Iran nuclear deal, and yet there are still there no signs of Iran refraining from missile tests, or supporting alleged terrorists, or providing muscular support to the Assad regime.

Is there any possibility of President Obama taking appropriate measures to answer his critics? Can he stabilise Libya? Can he bring an end to the Yemeni and Syrian civil wars? Can he get Iran to abide by the nuclear agreement it negotiated with the P5+1? Can he stop the Saudi-Iranian regional Cold War? Can he improve the image of the US in this region? Can he persuade or pressurise China to vacate the occupied islands in the South China Sea? Can he coerce China to withdraw its declaration of an Air Defense Identification Zone (ADIZ)? Can he end the US military presence in Afghanistan even after seeing the consequences of total US withdrawal from Iraq?

There is hardly any time for Obama to do so much. Nevertheless, Obama has not done everything wrong. In the complex strategic landscape of the post-9/11 era, everyone witnessed the empowerment of non-state actors. Modern technology has proven to be both a boon and curse. No superpower can flex its muscle and use all its abilities to control, direct and shape global events. Even then, President Obama's diplomatic success in the Paris Climate Change Conference, in roping in Russia and China to strike a nuclear deal with Iran, in opening a new chapter in US relations with India in the post-Devyani Khobragade episode, are no mean achievements. In the last year of his office, President Obama will certainly try to build on his successes.



INDIAN OCEAN POLITICS AND SECURITY

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'Continuity and change', 'continuity and no change' and 'new challenges and opportunities' are important formulations for any geopolitical and geostrategic forecasting. These help analysts to understand events to develop trend lines. In the Indian Ocean, at least four issues would merit attention during 2016.

First, the primacy of the Indian Ocean Rim Association (IORA) in the regional political, economic and security discourse will continue. Indonesia took over the chairmanship from Australia in 2015 and South Africa would assume charge in 2017. The Bengaluru Declaration (2011), the Gurgaon Communique (2012) and the Perth Communiques (2013 and 2014) noted with concern the maritime security environment in the Indian Ocean, and called upon regional countries to cooperate.

The other important multilateral forum, i.e. the Indian Ocean Naval Symposium (IONS), addressed the regional security agenda by proactively engaging in discussions on piracy in the Gulf of Aden. These multilateral organisations will continue to lead and drive the regional maritime security agenda of the region.

The rise in piracy in the Gulf of Aden led to the promulgation of the High Risk Area (HRA), stretching from the Somali coast to as far as 1,400 nautical miles towards Maldives, including the west coast of India. Several affected countries argued that since piracy in the Gulf of Aden had declined from sixteen incidents in 2012 to two incidents in 2014, the HRA label should be withdrawn. It was only in 2015 that the area covered by the HRA was reduced but the issue still remains.

Another significant development in the Indian Ocean is that of Seychelles taking over the Chairmanship of the Contact Group on Piracy off the Coast of Somalia (CGPCS) on 1 January 2016 with a near clean piracy 'slate'. Seychelles is expected to focus its attention on Illegal, Unregulated and Unreported (IUU) fishing by foreign vessels in the Indian Ocean. It will also provide Seychelles a unique opportunity to invest its politico-diplomatic capital to highlight the issue in Somali waters, given that this was the very reason that prompted the Somali fishermen to stand up to fight foreign fishing vessels and turn into pirates. Also, IUU can potentially undermine the durability of what has been achieved in the Gulf of Aden by the international community over the last five years.

The Indian Ocean also witnessed the growth of Private Maritime Security Companies (PMSC), which emerged as a response to the rising graph of piracy in the Gulf of Aden. These quickly turned into an attractive counter-measure option and triggered a huge demand. As of 2013, nearly 140 security firms reportedly operated in the Northern Indian Ocean. PMSC vessels carried weapons and ammunition but soon came under scrutiny and suspicion after two harrowing incidents in India. In the case of *Enrica Lexie*, the Italian marines embarked on board to provide security and opened fire on an Indian vessel off the coast of Kerala, killing two fishermen, which led to a severe diplomatic exchange including the case being brought before



the International Tribunal for the Law of the Sea (ITLOS). In the second case, 'Seaman Guard Ohio', a ship owned by a US-based private company was intercepted while carrying weapons in India's contiguous waters and the crew has been convicted. This too may result in a diplomatic stand-off between the US and India.

Second, Blue Economy will continue to be high on the agenda of several Indian Ocean countries individually or collectively to harness the seas in a sustainable manner. Significantly, several political leaders of IORA countries have endorsed the concept and states are keen to harness the potential and engage in sustainable development of living and non-living resources of the seas to advance economic growth and enhance human security.

Given that the Indian Ocean is a large sea space with a number of seas and bays, a pan-Indian Ocean approach to address collectively the importance of Blue Economy will be on the agenda of the IORA. This issue is expected to percolate into other groupings and sub-groupings such as the South Asian Association for Regional Cooperation (SAARC), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Association of Southeast Asian Nations (ASEAN), Gulf Cooperation Council (GCC) and African Union (AU). Several countries of the above groupings and sub-groupings have already endorsed and internalised Blue Economy in policy, bilateral relations and international transactions.

A number of typologies for the development of Blue Economy are plausible. These are 'India-Maldives-Sri Lanka-Seychelles-Mauritius', 'India-Pakistan-Oman-Iran', 'India-Bangladesh-Myanmar', 'India-Sri Lanka-Indonesia' as also among the IORA-SAARC-BIMSTEC, ASEAN and AU. This would have to be led by the IORA.

Third, the Indian Ocean is witnessing a silent yet aggressive naval build-up, which features modern and sophisticated naval hardware - aircraft carriers, submarines, expeditionary platforms, destroyers and frigates and missile-capable craft to conduct complex operations. The Indian Navy is a formidable force and nearly 48 warships are under construction, which include one aircraft carrier, one nuclear and six conventional submarines, and a variety of destroyers, frigates and corvettes.

These trends are indicative of the extended strategic reach of the Indian Navy from the littorals deep into the high seas.

The Pakistani Navy will continue to be a 'lean and mean' force focused on sea denial capability. The Iranian Navy is the most powerful in the Gulf region and would enjoy numerical and firepower superiority over its neighbours. The South African Navy has identified itself as the 'Guardian of the Cape Sea Route', and would focus on low-end maritime threats and challenges and disaster response at sea. Australia's interests span the Pacific and the Indian Ocean and the government has plans to spend nearly US\$89 billion over the next 20 years to acquire new ships and submarines. Likewise, the Indonesian Navy plans to have three operational fleets comprising of a strike force, a patrol force, a Marine Corps component and other supporting elements. As far as the smaller countries are concerned, their naval acquisitions would be limited to coastal security.

The security dynamics in the Indian Ocean also feature naval nuclear capability involving India and Pakistan. The Indian Navy operates one nuclear-propelled submarine (INS Chakra on lease from Russia), and another indigenously built nuclear-propelled submarine (INS Arihant) would be ready for operations in 2016.

There are plans to build two more nuclear submarines fitted with submarine-launched ballistic missiles and fit short-range ballistic missiles on warships. In the case of Pakistan, it has chosen to convert conventional submarines and warships and fit these with nuclear-tipped cruise missiles, which will help it to obtain notional parity to overcome conventional naval asymmetry as also a sense of assurance against the large Indian Navy.

Fourth, the presence of China in the Indian Ocean has received mixed political, economic and security reactions; while some see China as an opportunity, for others it is a challenge. As far as opportunities are concerned, the 21st century Maritime Silk Road (MSR) initiative would help these countries develop maritime infrastructure that is critical for economic growth. On the other hand, these projects are seen as dual-use facilities and part of the Chinese naval strategy for the Indian Ocean wherein these facilities are meant to support the PLA Navy's future operations in the Indian Ocean. In that context, China has successfully obtained access to the port of Djibouti at the mouth of the Red Sea. This would help China to forward deploy its forces in the Indian Ocean.

Further, the Djibouti base will also serve Chinese naval engagements in the Mediterranean Sea in support of the MSR, safety of shipping, and countering piracy. Interestingly, China, through this base, can support its strategic engagements with Russia. It will be useful to recall that the Chinese and the Russian navies held joint naval exercises - 'Mediterranean Sea Cooperation-2015' - in the Mediterranean Sea to enhance naval interoperability and "jointly deal with maritime security threats" but assured that the exercises were not targeted against any country.

Chinese warships are now a common sight in the Indian Ocean for a number of tasks i.e. counter-piracy operations and non-combatant evacuation operations such as those in Yemen and Libya. It is fair to argue that the 2015 Defence White Paper and the 21st century MSR provide the necessary political and strategic rationale for the PLA Navy to be deployed in the Indian Ocean. In fact the White paper is a *carte blanche* for the Chinese naval planners to conceptualise expansive strategic geography in which the PLA Navy is expected to operate in the future in support of national interests.

Finally, the Indian Ocean security environment is expected to remain complex, and acquisition by regional countries would continue unabated. Chinese naval interests and activities in the Indian Ocean will expand through infrastructure development, military sales, naval operations and formal access to other facilities other than at Djibouti. The sighting and presence of Chinese submarines should not come as a surprise as was the case in 2014 and 2015. At the multilateral level, in 2016, the relevance of IORA and IONS will witness 'continuity & no change'.



FRUITS OF DIPLOMACY

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But for the Iran nuclear accord, the year 2015 would have been a wasted year for arms control and non-proliferation. All high praise and superlatives marking Iran's implementation of the nuclear deal with P5+1 are fully apt. Iran's entry into the global nuclear community was sealed on 19 January 2016 in the statement by the Director General of the IAEA that "Iran is a normal state."

The IAEA's professional contribution in this context has been outstanding. The tireless diplomatic marathon that brought this about and the leadership provided by US and its partners in P5+1 have been unprecedented. They would not have made headway without the sagacity, wisdom and forward looking disposition of the leadership in Tehran, particularly after the 2013 elections. In terms of dispelling war clouds and letting diplomacy win in the Middle East, one can find in it shades of Anwar Sadat's fateful diplomatic offensive resulting in the peace treaty with Israel in 1979, which too, in a sense, had foreclosed repetition of a full-scale war. However, the peaceful resolution of the Iranian nuclear imbroglio is truly in a class of its own, without a parallel.

Its larger political impact will take time to show. However, to fully grasp the importance of the nuclear accord, a brief historical prelude may be pertinent. The nuclear file on Iran which the IAEA scrambled to construct in 2002 has grown over the past decade plus, and has entirely new features different from past experience with proliferation. The 1990 disclosures about Saddam Hussain's clandestine nuclear weapons programme had already led to substantial strengthening of IAEA safeguards through the 1990s under the Non-Proliferation Treaty (NPT), including the Additional Protocol to the mandatory comprehensive safeguards.

After a series of undeclared and suspicion-causing nuclear activities in Iran came to light in 2002-03, the IAEA prepared a questionnaire and sought closer engagement under its Statute to come to grips with the implications of Iran's actions. Iran responded by fielding a team of negotiators with IAEA as well as the EU-3, namely, France, Germany and UK. This team was then led by present President Rouhani in his earlier avatar as Chief Negotiator. With efforts on EU's part, there seemed a chance and a fledgling hope in late 2003 of Iran resolving the issues and coming clean. However, the opening up and readiness of Iran to accept obligations under the Additional Protocol, pending ratification - which Rouhani was able to do - was not enough for its interlocutors. They conveyed the strict US demand for a complete cessation of suspicious activities, total transparency about what was underway, and unhindered access to sites in Iran to IAEA inspectors for monitoring and verification of Iran's compliance with enhanced safeguards obligations under a provisional Additional Protocol.

This was a tall order for Iran and failed to get any traction whereas new evidence surfaced from Libya about Iran's forays into nuclear weapon design and related work. By the end of 2004, a downward spiral set in on Iran's engagement with the EU interlocutors and the IAEA.

What followed 2005 onwards was massive and defiant escalation of all nuclear activities in Iran

even as it carried on with implementing the IAEA's NPT safeguards minus the Additional Protocol. Thus the Iran file gathered mass through monitoring, inspections, and analyses as well as open source and intelligence inputs by several states – all of which figured in the regular reports to the Board of Governors under a special agenda item on Iran every quarter. In addition, Iran's alleged breach of safeguards obligations was referred to the UN Security Council, much to Iran's annoyance.

While negotiations, in spite of the shadow of Security Council sanctions, still continued from 2005 till 2012, they were marred by upsets. The upsets were caused by revelations of undeclared nuclear activities such as a huge new underground centrifuge plant for uranium enrichment, a plutonium reactor project, heavy water production and trappings of a range of processes dealing with uranium metal in chemical forms suitable for possible weapons purpose. On the other hand, as Iran's credibility dipped, the UN Security Council kept up with more censure and tighter sanctions; also covering Iran's ballistic missiles program.

Iran chose defiance and set on course to build, operate and refine thousands of centrifuges and amass tons of low enriched uranium by 2011, as its right under the NPT, even while complying with the IAEA's inspections and verification. There was increasing clamour during 2011-12 about a military solution and resorting to force alongside sabotage of Iran's nuclear programme. The vice grip of tighter sanctions by the US, UN and EU became nastier on Iranian society.

The challenge for diplomacy to find a *modus vivendi* in this difficult situation was two-fold. First, Iran's interlocutors sought to compel it into full compliance with obligations under the NPT, to roll back its huge enrichment venture at every place, and to abandon the plutonium reactor project and all suspected activities with possible military use. Second, to reduce all capacity and capability of Iran to a level which would rule out a 'break out' scenario under which, like North Korea, Iran too could at some point in time scrap engagement with the IAEA, expel inspectors, terminate safeguards and give up on the NPT to proceed to weaponisation. Since Iran, however, held that its nuclear programme was permissible under the NPT, that it remained in compliance with the NPT and that it had no weapons programme, the interlocutors' demands were dismissed as being without any justification based on facts.

The stalemate hardened and led to mounting threats of the exercise of a military option both by Israel and the US. It is in this scary backdrop that a change of guard took place after general elections in Iran in 2013 and President Rouhani assumed office, with the blessings of Supreme leader Khamenei.

As it turned out, informally and through back channels with the US, President Rouhani's team was already exploring options to turn the page on the impasse and to explore negotiating options for the lifting of sanctions. A very consistent and serious endeavour, therefore, was made on the part of all sides to seek a breakthrough by talks not just under the P5+1 format but also bilaterally between the US and Iran.

This endeavour bore early results by November 2013: Iran accepted a specified scaling down and verifiable freeze of all its alleged nuclear activities in return for limited sanctions' relief; pending the time-bound pursuit of a comprehensive solution through intensive negotiations under agreed terms of reference.

The first taste of success was in the outlines of a comprehensive deal which emerged by April

2015 even though it faced sustained opposition from hardliners in the US, Israel and in the Gulf states as also by the religious orthodoxy in Iran. The outlines indicated that both sides had bridged the gaps substantially on multiple aspects to block all pathways for Iran to acquire a bomb in return for lifting of all nuclear-related sanctions. The mainstay of the vehement campaign against an accord was the breakout scenario – i.e. regardless of the nature of Iran's expanded commitments, what if Iran were to rescind them all at the time of its choosing and rush for the weapon?

The accord at hand today has effectively addressed this breakout dimension and it is here that the Joint Comprehensive Plan of Action (JCPOA) marks another leap on the non-proliferation front. This leap goes further than the mandate of the Additional Protocol and comprises closer, continuous monitoring of the permissible running of about 6,000 centrifuges for 3.6 per cent enrichment at Natanz by, among other things, latest equipment capable of real time data transmission; the IAEA's control on dismantled parts of more than 12,000 centrifuges and the plugging of all gaps in the IAEA's information base about military dimension of Iran's activities – none of this was hitherto imagined within the NPT's legal remit. Iran has demonstrated its resolve and openness by accepting this vastly expanded IAEA role, albeit only within a specified and limited timeframe.

The IAEA's 15 December 2015 report is a landmark on non-proliferation annals in that it brings out in the open Iran's past undeclared dabbling in military use of nuclear technology and details how that has ceased.

There were instances after the Cold War, of South Africa, Kazakhstan, Ukraine and Belarus returning to the NPT as non-nuclear weapon states but the IAEA's verification of that transformation was nowhere as intrusive and extensive as it is in Iran's case. It is here that the disclaimer in the JCPOA as well as the related Security Council resolution that the agreement with Iran does not set a precedent is pertinent. This protects Iran's emergence, by and by, as a 'normal' member of the international community, as the timelines set by the JCPOA kick in and sanctions are lifted. It possibly also sets at rest apprehensions about the IAEA's expanded non-proliferation mandate being applied elsewhere.

Nonetheless, in terms of new and advanced verification and compliance activities by the IAEA – and that too with a cooperative negotiated process bearing the UNSC's stamp – the Iran agreement has scaled new frontiers and established new benchmarks.

No wonder that the successful implementation of the deal has engendered an all-round trust that underpins the mainstreaming of Iran not only within the nuclear community but also the global economy and trade. Iran is confident that it richly deserves the end of its isolation even as it voices its undiminished scepticism about the West and eschews broader cooperation. The US too remains careful and delicately balances claims about the success of diplomacy with a good deal of caution; particularly not to let die hard domestic critics of the JCPOA impede implementation of the deal in this election year. Hence the broader political ramifications would need to be harnessed with a calibrated pace.

Ruffled sensitivities are in full display among Iran's neighbours who in these past several decades became confident of a new regional dispensation against Iran whereby even the Persian Gulf of all history was being rechristened as mere 'Gulf', if not Arab Gulf. Iran's emerging from isolation in the new avatar seems set to shatter that confidence. With the nuclear shadow out of the way, Iran's allegations against its detractors may not be so easy to



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dismiss, especially in regard to grappling with the Daesh menace and resolution of the crisis in Syria. Hence, there is severe unease among the US allies and partners in the region. At the same time, Chinese President Xi Jing Ping's much heralded visit to Tehran shows how others are rushing in to capitalise on the opportunity. Pakistan too, by visits of its prime minister and the army chief to Iran and Saudi Arabia, is exploring ways to derive what advantage it can in the situation.

The question naturally for a New Delhi observer is what initiatives India should be contemplating at this juncture.



NUCLEAR ISSUES THAT WILL DOMINATE THE YEAR

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Ever since the power and potential of nuclear energy first entered human consciousness and inter-state relations, nuclear issues have always remained at the centre stage. Expansion of peaceful uses of nuclear energy and risks of nuclear weapons and their proliferation are twin dimensions that engage national and international strategists year after year. None of this is likely to change in 2016. In fact, one can safely predict some of the issues that will certainly hit headlines in the coming 12 months.

North Korea and its periodic demonstration of nuclear machismo was the first to grab eyeballs in 2016 when Pyongyang rather cockily claimed the detonation of a 'miniaturised hydrogen bomb' on 6 January 2016. Conducting its fourth nuclear test over the last decade, the DPRK has been steadily 'improving' its nuclear deterrent capability, including via regular testing of its delivery systems.

Every nuclear act of North Korea brings immediate attention to China, its protector. Many strategic analysts have urged Beijing to rein in its 'dear friend', and despite all Chinese voices of condemnation and exasperation, the reality is that North Korea's nuclear brinksmanship serves to keep China's rivals such as Japan, South Korea and the US unnerved even as its own stature as an important, influential international actor rises. The danger, however, is that a proxy that it has long built and sustained might already be beyond its control, much like what has happened in Pakistan and its relationship with terrorist organisations. Sale of nuclear technology, material or even a ready-made weapon to terrorist organisations by a cash-strapped DPRK is not unthinkable, and is indeed a matter of international concern.

The most recent North Korean action sought to draw attention to itself, perhaps in the hope that if 2015 was the year of the nuclear deal with Iran, 2016 would bring some bargaining benefits for Pyongyang. Washington will be working overtime to crack this issue. But the US election process will not allow any serious action on the matter. Kim Jong-un may have to continue to make nuclear noises this year for it to be heard by the new US president soon after he/she takes office.

While lack of transparency hampers a clear assessment of North Korea's exact nuclear weapons capability, the fact that South Korea and Japan, and the US by extension, are concerned is evident. Their focus immediately shifts to protecting themselves through deployment of ballistic missile defences. Tokyo has also debated a reconsideration of its 'no nuclear' policy even as Seoul has hinted that the US should bring back tactical nuclear weapons to buttress deterrence. Whether or not such measures enhance national defence, they do add new value to nuclear weapons and take away from the possibility of their elimination. In fact, if anything, the current trends in all nuclear-armed states indicate an increase in reliance on these weapons in their security strategies.

The latest development in this context is the news that the US has tested small, smart nuclear weapons to address a new class of threats. Previously, micro-nukes were considered during

former US President George Bush's tenure, but the idea was abandoned for the adverse impact it could have on international security. Indeed, no nuclear weapon, however micro in yield, could avert a disaster with huge repercussions in space and time.

However, on 11 January 2016, The New York Times reported the test of the "nation's first precision guided atom bomb" by the US Energy Department and Pentagon. Russia and China are bound to move in the same direction. 2016 may then well prove to be the year to herald a cascade towards the so-called low yield nuclear weapons with 'low' collateral damage. But this could also increase temptation for their use, thereby blurring the lines between conventional and nuclear, and adversely impacting the taboo against nuclear use.

The implementation of the Joint Comprehensive Plan of Action (JCPOA) with Iran will be another issue that will dominate 2016. The conclusion of the agreement has initiated a long journey that will be closely monitored in many capitals. Iran-Saudi tensions that broke out early in the year will pose a challenge to the smooth implementation process, since there will be a tendency to politicise everything in Tehran and in Washington. As it is, critics of the agreement abound, and it will be a struggle to stay the course. Nuclear concerns around Iran, and by extension, around the West Asian region, are unlikely to fade in 2016 despite a ground-breaking deal in 2015.

Nuclear security will be the flavour of the Spring season this year given the scheduled Nuclear Security Summit in Washington. Over the last six years, these meetings of over 50 heads of governments and over 100 organisations have travelled across two countries before returning to the US capital for the last of such Summits. The initiative was kick-started by incumbent US President Barack Obama, whose 2010 Nuclear Posture Review had identified nuclear terrorism as the most potent threat to the US. He also realised that this was not a problem that he could tackle just by securing national borders. Weak links had to be removed worldwide, by getting every country possessing nuclear and radiological material to do the needful in its own territory.

Since the first Summit, there has been a tremendous increase in the awareness of nuclear security concerns. Enactment of national legislations that criminalise unauthorised possession of such materials and memberships of international conventions that provide best practices on nuclear security has evidently grown. At every Summit, country heads have presented national or regional gift baskets comprising actions taken to secure nuclear materials. The April 2016 Summit, one hopes, will not mark the end of focus and attention to a matter that must remain a topmost national and international priority in order to minimise chances of nuclear terrorism.

It is likely that participants will put their weight behind the International Atomic Energy Agency (IAEA) to carry this process forward. However it remains to be seen as to how much human and material resources will be additionally proffered to the IAEA to be able to fulfil a new task.

Nuclear energy programmes that had suffered from a public perception issue in the immediate aftermath of Fukushima in 2011 are likely to gain lost ground in 2016.

Over the past five years, nuclear establishments across the globe have proactively engaged with the public to address concerns, reinforce safety and security at nuclear reactors, and invest in research and development to devise new designs and technologies to make risk-free nuclear energy a viable option. Meanwhile, growing concerns about the adverse environmental impact of fossil fuels on climate change has also drawn attention to nuclear energy as a sustainable



source of base-load electricity. While huge energy deficient countries such as India and China never gave up the nuclear option despite Fukushima, and are today witnessing the largest amount of nuclear construction, others that had suspended their programmes for a while seem to be returning to the option. Vietnam, the UAE, and Bangladesh are likely to be some of the new nuclear kids on the block whose programmes will see greater activity in this year.

From the Indian perspective, 2016 will be an important year for at least two reasons: the first relates to the implementation of the many peaceful nuclear energy agreements that the country has signed with a number of countries after its exceptionalisation in 2008. Australia, Japan and Canada are three of the newer countries that have agreed to support India's nuclear energy ambitions and some of the pending wrinkles might get sorted out during this year. On the indigenous front, it is expected that the Prototype Fast Breeder Reactor would go critical later this year. Long delayed, the operationalisation of this reactor at Kalpakkam will mark a step into the second phase of India's three-stage nuclear programme.

Secondly, India's full accommodation into the nuclear non-proliferation regime with its membership into the four export control groups is also likely to dominate the work and discourse of Indian nuclear diplomacy. High level inter-state politics prevented the Missile Technology Control Regime from granting India membership to the body that controls transfer of missiles and related technologies in 2015.

Since all the groupings work on the principle of consensus, the process will not be easy. And despite India fulfilling basic criteria for membership of the groups, it will be the political lay of the land that will determine whether the task is completed this year. However, India will have to maintain a high octane nuclear diplomacy to continue to make its case and undercut any attempts to hyphenate it with a similar deal for Pakistan.

Alongside its efforts towards building a credible nuclear deterrent, while regular testing of missiles shall continue to achieve operational readiness for Agni V and the conduct of user trials for other missiles, the major development that can be expected in 2016 is the formal induction of INS Arihant into the Indian Navy after a series of successful sea trials through 2015. Though this first nuclear submarine does not provide an operational sea-based deterrent for India yet, it nevertheless marks a huge step in technology demonstration that the country should well be proud of.

In a nutshell, 2016 promises to be another busy year for nuclear watchers. Happy new year!



IRAN, US AND THE JCPOA: FIDELITY TO THE CAUSE

Ruhee Neog

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The sanctions imposed on Iran are arguably the most focused and effective in modern history. In fact, if there is one adjective that appears to be unanimously favoured by commentators when describing them, it is “crippling.”

It was in this environment of economic chaos that President Hassan Rouhani rode to electoral victory in the 2013 elections, promising the Iranian people relief from a debilitating sanctions regime.

The timing of President Rouhani’s victory proved opportune – with economic despair, a ‘reformist’ victory and increased willingness to negotiate on the nuclear programme all coming together at the same time. Several rounds of negotiations finally culminated in the Joint Comprehensive Plan of Action (JCPOA), colloquially referred to as the Iran nuclear deal, between Iran and the P5+1.

Given the history of tensions, all concerned states, especially the US and Iran, had to walk a political tightrope both at home and abroad. The deal was a major diplomatic coup for the Obama administration. For the Rouhani administration, it was the validation of a risky political gambit involving a rapprochement with the West on a hitherto unprecedented scale.

Against this background of the risks and failures associated with the deal, what has been achieved, and what issues are likely to be encountered through the course of the year since the successful conclusion and beginning of the formal execution of the JCPOA?

Meeting Your Commitments

Between December 2015 and January 2016, Iran undertook measures to demonstrate its compliance with those conditions of the deal that enabled the introduction of ‘Implementation Day’, i.e. the official beginning of the lifting of sanctions. Significantly, during this period, Iran took steps to reduce its stockpile of low enriched uranium (LEU) with 8.5 tons being shipped to Russia, removed centrifuges from the Fordow and Natanz uranium enrichment facilities bringing the number of working centrifuges down to 5,060, and disabled the calandria in the Arak heavy water reactor, which was filled with concrete shortly thereafter. These measures were vetted and declared authentic by the IAEA less than a week later, leading to the formal announcement of sanctions relief on 16 January, or ‘Implementation Day’.

In a bid to hold up its end of the bargain and lift the restrictions surrounding Iran’s economic transactions, the US announced that it was going to buy thirty-two metric tons of heavy water from Iran for approximately US\$ 8.6 million. In his meeting with Iranian Foreign Minister Javad Zarif, US Secretary of State John Kerry declared the Obama administration’s commitment to meeting the conditions of the nuclear deal i.e. facilitating and expediting the process of doing business with Iran.

Both countries however seem to be playing a balancing game where they have to mollify



domestic constituencies while remaining committed to maintaining the forward movement of the JCPOA.

Zarif, in an interview with *The New Yorker's* Robin Wright, recorded his disappointment at the pace at which the US was delivering on its promises, especially as they relate to the lifting of sanctions, which has also been acknowledged as "slow" by the US. Many within Iran, including Supreme Leader Ayatollah Khamenei, have echoed this sentiment. One of the chief reasons for this public expression of Iranian displeasure could be an attempt to allay domestic political opinion that Iran has bartered away far too much to a demanding West.

The concept of dignity and the preservation of its rights as a legitimate member of the NPT were important determinants of the nuclear compromises that Iran conceded. Since the negotiations began, there has been recurring doubt that Iran is not an equal participant at the table and is playing by the US' rules. Concomitant moves by Rouhani's government can be expected, whether by words or deed, to demonstrate that it will not put up with perceived dawdling on reciprocal concessions by the West. At the same time, it will reassure Iranians that the nuclear commitments it continues to meet are fair and within reasonable limits.

The US is to some extent mirroring this. A mix of conciliation and toughness is being sought to defray Congressional opposition to the deal. For example, the purchase of heavy water from Iran – a sticking point with Congress – is being balanced with statements like, "The United States will not be Iran's customer forever."

This trend can be expected to continue through the year, especially since financial respite for Iran will probably remain sluggish for some time. The lifting of sanctions does not translate into an immediate economic revival. One main reason has been low energy prices, which means that Iran cannot earn as much as it used to. In addition, Western trade with Iran is limited by the investment climate and other risks and uncertainties. Some of this has to do with the possible 'snap-back' of sanctions if Iran were to renege on its deal obligations, leaving companies without a clear understanding of their position in this situation. Given the ambiguity surrounding the technicalities of sanctions relief, it will be some time before Iran is able to visibly benefit to its satisfaction.

Minding Your Language

Although conflictual in appearance, there seems to be a deliberate method in being tough in English and conciliatory in Farsi.

In her column, 'Iran issues first progress report on nuclear deal' (*Bulletin of the Atomic Scientists*, 19 April 2016), Dr Ariane Tabatabai analyses the representation of the deal's implementation. These reports are to be presented every quarter to the Iranian parliament. Dr Tabatabai argues that while the apparent reason for the periodic presentation of these reports is to monitor the deal, it is also an indication that Rouhani and his government are "still trying to sell the deal at home."

Words have power, and Dr Tabatabai establishes, through her reading of the text of the report, how subtle spin doctoring has been employed to affirm the "deal's benefits" and "underplay Iranian concessions." For example, instead of focusing on the vast reduction in the number of centrifuges at Fordow and Natanz, the report seeks to highlight those that are in operation, and that the ones that were removed were in any case not used for uranium enrichment even before the deal.



Interestingly, as Dr Tabatabai also observes, the report does not hold the US responsible for Iran's slow economic recovery and acknowledges the role played by both domestic and international constraints. This is a notable departure from statements made abroad by important representatives of the country.

The reason for this divergence in opinions expressed by the same people in different contexts – domestic and external – could be two-pronged. To blame the US for not delivering on its obligations at a time when there is renewed criticism of the Iran-West entente within Iran would be rash, especially since Rouhani's government actively championed the thawing of relations. Despite this, however, Iran would continue to play hardball on foreign platforms to maintain a steady momentum of pressure on the US and to signal Iran-US equivalence to its domestic audience.

Spoilers

There has much conjecture about possible spoilers, the most significant of which have been Iran's ballistic missile programme and the upcoming US presidential elections. The quest to condemn Iran's ballistic missile programme will persist, but this has one important caveat: tests are a violation of UNSC Resolution 1929, but not of the JCPOA.

For Iran, its ballistic missile tests are a variation of the theme, and serve the same dual purpose and audience: strengthening and signalling capacity, and conveying its dedication to the pursuit of national interests even at the risk of inviting the ire of the US. This approach could pay off, especially since the prevalent belief is that it would not jeopardise the deal which functions on its own track. Indeed, in October 2015, just a week after the testing of the Emad - a precision-guided ballistic missile - the JCPOA was formally adopted by Iran and the P5+1.

Further, regardless of who becomes the next US president, the deal is likely to be upheld because the political costs are far too high. A heckler in the opposition or on the campaign trail is not necessarily also a heckler in office. Hypothetically, if a new president were to pursue a watering down of the deal or attempt to put sanctions back in place, it would be useful to remember that the US is one of six states that negotiated the JCPOA with Iran. This collective bears the entire weight of the P5.

Applaud or vilify, the deal is here to stay.



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