

Editoria

The thinking man of our time inhabits a juxtaposed matrix of coexisting realities. While we deliberate on the waning significance of nation-states, we also revel in its transience. The strictly political readily blends into the apparently economic to condition the manifestly socio-cultural. What happens around us shape our patterns of cognitive perception, and yields into the discourse of contemporary international relations and political economy.

Our world today vindicates contemporaneous trends of stability and turbulence, of peace and violence, of prosperity and poverty, of containment and contagion. This vicissitude nucleates a space, a vacuum where the alchemy of our imagination fits in.

It is to harness this imagination that we at Global India Foundation conceived the International Affairs Watch (IAW). IAW is designed essentially as a country report to study the trajectory of political, economic and strategic discourse in fifty countries, analysed in terms of the parameters of their domestic and foreign policy. The endeavour rests on a scholastic enterprise intended to harmonise the evolving trends in International Relations.

This issue of International Affairs Watch introduces each country in the light of its politico-economic and strategic policy dynamics. The subsequent issues of IAW shall attempt to connect the locus of this academic scholarship. The maturity of IAW lies in its ability to strike a chord between succinct journalism and solemn scholarship, woven into the lyric of language.

IAW has been able to secure the confluence of an exceptionally gifted team of contributors. The creative camaraderie of this association further chisels the merit of our endeavour. As an editorial team, we have tried to preserve the genius in each feature within the constraints of design and publication. We have worked very closely with the authors, the designers and the publishers in ensuring that each Feature in International Affairs Watch remains lucidly readable, sharply interesting and aesthetically pleasant. We sincerely appreciate the creative excellence of our associates.

We have worked around the clock and even against the clock to bring before you the introductory issue of International Affairs Watch. The culmination of this volume has been an exceedingly enriching experience. We hope to grow bigger and mature better in time with experience and excellence.

Looking forward to more conscious reading and informed writing...!

Sayantani

Sylvia

From the Foundation

The Global India Foundation is a registered not-for-profit institution premised on promoting national resilience and international interdependence within the broad spectrum of economic prosperity, liberal values and social commitment. The Foundation operates as a policy think tank straddling a range of aspects amidst an ambit of disciplines, and aspires to play an effective role in the research and dissemination of knowledge on issues of contemporary relevance.

Since its inception in January 2007, the Foundation has directed its research initiatives towards an array of subjects, ranging from issues of global importance to aspects associated with contemporary socio-political and economic change. What began primarily as a foreign policy study initiative has in course of time grown to acquire a more comprehensive research agenda. In keeping with this, and its professed objective of dissemination of knowledge on relevant contemporary issues, the Foundation has conceived a publication modeled along the lines of a country report. The **International Affairs Watch** is conceptualised as a quarterly publication that shall cover the political, economic and security related developments in 50 countries across the world.

Despite being a relatively nascent organisation, the Foundation has evolved into a seat of scholastic confluence and carved a niche for itself in the academic community. The Foundation relies on the promise of an exceptionally motivated team of young scholars to realise its scholarly potentials. The Foundation works to improve the quality of public policy debate in the country by drawing on the expertise of policymakers, theoreticians, practitioners and the academia. Through its multifarious activities, and with the help of track II techniques, informal bridge-building and dissemination of knowledge, the Foundation promotes its larger goal of projecting the image of a contemporary India – an India of liberal values, economic prosperity and social commitment based on the postulates of national resilience and international interdependence.

I acknowledge the support and guidance of Vice-Admiral P.J. Jacob, Chairman and cooperation of my esteemed colleagues in the Executive Council of Global India Foundation. I wish to congratulate the editorial team for accomplishing a difficult feat, considering the complications that a compilation such as this entails and wish them success in this endeavour.

Prof. Omprakash Mishra
Member Secretary

Afghanistan

Dr. Arpita Basu Roy, Fellow, Maulana Abul Kalam Azad Institute of Asian Studies

Public opinion in Afghanistan as well as the U.S has increasingly grown to oppose the presence of foreign forces. There is a perceptible anxiety about the preparedness amid Afghan forces to assume security responsibilities.

As apprehensions grow over the likely scenario in the wake of the withdrawal of international troops from Afghanistan by the end of 2014, UN assurances such as these seem to be on the rise. The United States and its allies in Afghanistan are beginning a draw-down of forces that should see most foreign soldiers out of Afghanistan by the end of 2014, at which time Afghan government forces are slated to take over offices of security in their country. There is also a sense of anxiety among several UN agencies and International Red Cross that there could be a humanitarian crisis if the international community fails in its commitment to Afghanistan in the midst of growing apprehensions over whether Afghan government forces will be prepared enough to assume security responsibilities. U.S. President Barack Obama has reinstated that there will be no "rush for the exits" from Afghanistan (March, 2012).

Public opinion, both in Afghanistan and the United States increasingly oppose the presence of foreign forces in Afghanistan. Public outrage against international intervention mounted as 16 Afghan civilians were killed in a rampage by a US soldier on March 11. The killings have further dampened U.S.-Afghan ties that were already tense following the news of U.S. troops burning copies of the Quran at the Bagram airbase in Afghanistan. The U.S Defense Secretary Leon Panetta confirmed that the soldier suspected of killing sixteen civilians is likely to face death penalty if convicted. The incident however, has given rise to apprehensions of anti-American backlash in Afghanistan. Nonetheless, there seems to be a growing impression that the Obama government and some of its Western allies in the face of declining public support looks likely to promote a quicker drawdown. The New York Times reported that the White House could reduce the US footprint in Afghanistan by almost 20,000 troops by next year.

According to the Annual Report on Protection of Civilians in Armed Conflicts of the United Nations Assistance Mission in Afghanistan (UNAMA), 2011 marks the fifth consecutive year showing a consistent increase in civilian casualties in Afghanistan. It is believed that changes in the tactics of the parties to the conflict were responsible for an eight per cent increase in Afghan civilian deaths in 2011 compared to 2010. UNAMA documented 3,021 civilian deaths in 2011 compared with 2,790 in 2010 and 2,412 in 2009. Over the past five years, the number of Afghan civilians killed in armed conflicts has increased every year, with a total of 11,864 civilian lives claimed since 2007.

The Bonn Conference (December 5, 2011) on the 'transition to transformation' of Afghanistan displayed the most dedicated commitment to enable the Afghan people engage with the international community. The conference deliberated on three themes — managing the transition as the West prepares to pull back its forces, the political process that ought to be institutionalised and long term engagement of the international community in Afghanistan. India for the first time received the attention it never could expect in similar international convergences.

India entered the Bonn conference riding on the confidence of its security pact with Afghanistan. Even the U.S., which has invested the most in the country, has still not been able to finalise the contours of a similar pact. The strategic pact with India seems to be “universally popular” in Afghanistan and there has been “no demand for its ratification” unlike the case of the proposed pact with the U.S. An Indian consortium has received mining rights to the region’s largest untapped iron ore deposits in the region South-west of Kabul. In the given situation, it would not be unrealistic to presume that in the event of de-escalation of tensions between the West and Iran, India will stand to gain from an alternative route to transport men and material from the Hajigak mine. China may have been successful with the Aynak copper mine, but unlike India it does not have a visible political role in Afghanistan.

A joint report, published in early December 2011, by a group of Afghan civil society organisations and the Afghanistan Independent Human Rights Commission entitled, *Afghan People’s Dialogue on Peace: Laying the Foundations for an Inclusive Peace Process* highlighted the views expressed by Afghans of varying professions, backgrounds, ethnicities and regions on the issues of peace, security, justice, economic development, and reconciliation, punctuating the importance of an inclusive peace process. The Joint Coordination and Monitoring Board (JCMB) met on October 19, 2011 and unanimously endorsed seven National Priority Programmes (NPPs) presented by the Government of Afghanistan prioritising socio-economic development alongside the monitoring and improvement of human rights situation in all of Afghanistan.

Since February, the Afghan Taliban has engaged in talks with the Presidential representatives and the United States government—a potentially significant development suggesting that the Taliban were dropping longstanding objections to face-to-face discussions with the government. In January, the Taliban announced that it had struck a deal to open a peace mission in Doha, Qatar, in a sharp reversal of its longstanding public denial that it was involved or interested in any negotiations to end its insurgency in Afghanistan. The mere possibility that the Taliban would even entertain talks with the Afghan government constitutes a significant progress, considering the fact that the Taliban have described President Karzai as a “puppet leader” and referred to the Afghan government as a “puppet government” in the past.

The coalition seems to be weakened militarily by a non-negotiated and inevitable withdrawal while alienating negotiating partners. Two critical problems threaten to undermine the U.S led mission in Afghanistan: the failure of the counterinsurgency strategy and an evident disconnect between political objectives and military operations.

Bangladesh

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The government maintains that Bangladesh has maintained 7 percent growth rate despite the global financial crisis. The government clearly has prioritised the strengthening and reshaping of its foreign policy agenda in a manner so as to facilitate economic growth.

The present Awami League coalition government headed by Sheikh Hasina came to power in Bangladesh in 2009. Awami League led coalition’s win with over three-fourths majority in the

9th *Jatiya Sangsad* (parliament) elections was momentous. After months of somber mood the country returned from altar of military rule to an elected and functional democracy once again. It was nothing short of an extraordinary moment for Bangladesh when its secular fabric was brought back with zealous gusto. The election registered a highest ever voter turn out (nearly 80 per cent) and included many of who were first time voters and a substantial section of women. Three years into the significant changes in the country, the countdown to the 10th *Jatiya Sangsad* elections sometime in early 2013 has already begun.

The popular support strength that Hasina government enjoyed in the early phase, however seems diluted presently. One of the latest opinion polls by a leading media house has revealed a declining popularity of the present Prime Minister Hasina, down from 81% to 39%. But more significantly the polls reveal a noticeable come-back by the opposition political party, Bangladeshi Nationalist Party (BNP). From a moderate 22 per cent people endorsing the BNP a year ago, the Party has now been able to garner 37 percent support. Clearly the move to abolish the caretaker government (that in the first place was introduced as a safety net and subsequently much misused by political parties) has not gone down well with the common people.

Indeed during the initial phase Hasina was riding high on popularity over the initiation of the trial of war criminals. However, government's lack of progress on this front has been disappointing. This apart, the problem of corruption, one of the main planks of the Awami League election manifesto is not perceived to have been addressed well either.

The government maintains that despite the continuing global financial crisis it has been able to maintain the desired economic growth with a 7 per cent GDP growth, despite the continuing global financial crisis. The central bank has announced several measures for furthering the objectives of its monetary policy. According to the latest ADB projections the GDP growth is at 6.2 per cent for fiscal 2012, dropping from 6.7 per cent a year ago. While the economy struggles with rising inflation, trickling of limited foreign and private investment, it has been able to tide over with strong export performance, sustained remittances in spite of global crisis and a moderate agriculture growth.

Without a doubt the government has clearly prioritised strengthening and reshaping its foreign policy. Sheikh Hasina's visits to China, United Kingdom, Unites States of America as well as visits to India and elsewhere, has opened up many new windows of opportunity especially from the economic perspective. Government's efforts to clear the country's name from the list of countries that harbour extremism and corruption has bore fruits. Indeed soon after taking over the government clearly set out to address its domestic problems and security issues. It began by reopening an earlier Chittagong arms haul case of April 2, 2004 which established the complicity of Bangladeshi official in harbouring Indian insurgents within Bangladesh. New Delhi and Dhaka worked immediately to maximize on convergences and sort out the divergences. The visit of Bangladeshi Prime Minister to India in January 2010 opened up the panorama of cooperation. The promise of shared prosperity became the cornerstone of Indo-Bangladeshi ties. At present, several outstanding issues have been resolved beginning with security and trade and border demarcations. Water sharing still remains embroiled in controversy. But the recent gesture by Bangladesh on their 41st Independence Day on March 26, 2012 to publicly thank Indians who had supported them during the liberation war was certainly exceptional.

The promise of shared growth has not been limited to just India. Asian giant China is Bangladesh's largest trade partner with total trade reaching nearly \$10 billion in coming months. China's marked presence in Bangladeshi infrastructure projects continued with the construction of 7th and 8th China-Bangla Friendship Bridges getting underway. Beijing has offered duty-free access to over 4,000 Bangladeshi products. Alongside it has also been urging Bangladesh to implement connectivity through Myanmar to China through road and railway links. Sheikh Hasina official visit to China last year resulted in a 10-point comprehensive Joint Communiqué.

Trade and economics have for long figured prominently in the Bangladeshi foreign policy matrix. Infrastructure development specially has assumed a natural priority. It was towards this end that Hasina undertook a visit to Japan, the largest donor and development partner of Bangladesh. Japan, besides lending support towards the construction of Padma multipurpose bridge, also relaxed trade rules to benefit Bangladesh. The recent Free Trade Agreement signed with Turkey hold great promise too.

The government has moved to revive old ties and sought reengagement with its erstwhile friends. The revival of ties with Russia was celebrated through the signing of an agreement to build a nuclear power plant in Bangladesh apart from other aspects of close bilateral cooperation. Moving further east, Hasina visited South Korea after a long gap of 15 years with an eye to tap the huge potential given the country's recent economic surge. South Korea has given duty free access to several thousand Bangladeshi items. Sri Lanka and Bhutan are the two other South Asian countries that in recent times are enjoying close ties with Bangladesh. Bangladesh and Sri Lanka signed five deals spanning trade, agriculture, fisheries, vocational education, and science and culture in addition to being assured of support for Bangladesh's candidature as a non-permanent member of the UN Security Council. Given the significance of remittance flow from Middle Eastern countries, the government has been particularly keen to ensure a sustained flow. It has been able to gain assurances from Saudi Arabia and Kuwait amongst other countries to widen the scope for recruitment of larger number of Bangladeshi workers. Indeed the UAE has already increased manpower import from Bangladesh.

Bhutan

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Bhutan evolved from an absolute monarchy to an enlightened democracy. Indo-Bhutan relations have been governed by a treaty of friendship signed in 1949 and renewed in 2007. Bhutan's border with China is not demarcated and is hence disputed in certain areas. The country shares cordial relations with the U.S, and several Asian and European nations.

Bhutan, strategically positioned in the heart of the Himalayas between India and China, has always commanded an important position in the region. It has not only been an important ally for India, but has always played a significant role in the South Asian political scenario.

Bhutan's political system evolved from an absolute monarchy into an enlightened democracy. On December 17, 2005, King Jigme Singye Wangchuck announced that the first general elections would be held in 2008 and he would abdicate the throne in favour of his eldest son. King Jigme

Khesar Namgyel Wangchuck ascended the throne on December 14, 2006 upon his father's abdication. In the process, he has now become the world's youngest reigning monarch and the head of a new democracy at an ornate coronation ceremony held in Thimphu on November 6, 2008. The new political system comprises of an upper and lower house, the latter based on political party affiliations. Elections to the National Council (the upper house) were held on December 31, 2007, while elections to the 47-seat National Assembly (the lower house), were held on March 24, 2008. The two primary political parties, the People's Democratic Party (PDP) headed by Sangay Ngedup, and the Druk Phuensum Tshogpa (DPT) led by Jigmey Y. Thinley, participated in the National Assembly elections. The DPT won the elections and formed the new government.

The economy of Bhutan has been growing rapidly in recent times. The economy is primarily based on agriculture, forestry, tourism and the sale of hydroelectric power to India. The industrial sector is in an embryonic stage and though most production comes from cottage industry, larger industries are being encouraged and some industries such as cement, steel, and ferroalloy have been set up. Most development projects, such as road construction rely on the Indian contract labour. Agriculture is the main source of livelihood for more than 80 percent of the population. Agricultural produce include rice, chilies, dairy products, barley, root crops, apples, citrus fruits and maize. The major industries include cement, wood products, processed fruits, alcoholic beverages and calcium carbide. Agrarian practices consist largely of subsistence farming and animal husbandry. Handicrafts, particularly weaving and the manufacture of religious arts are considered to be a major segment of the local cottage industry. Bhutan does not have any railways, although the Indian Railways plans to link southern Bhutan to its vast network under an agreement signed in January 2005. Bhutan and India signed a free trade accord in 2008, which allows Bhutanese imports and exports from third markets to transit India without tariffs.

With regard to foreign relations, in 2007, India and Bhutan signed a new treaty which clarified Bhutan's sovereign right on its foreign relations, an improvisation on the Treaty signed in 1949. The archaic Treaty confirms that the government of Bhutan is in charge of its own foreign affairs, including a sensitive border demarcation issue with China. Bhutan has diplomatic relations with twenty one countries and also with the European Union, with missions in India, Bangladesh, Thailand, and Kuwait. It has two UN missions, one in New York and one in Geneva. Only India and Bangladesh have residential embassies in Bhutan, while Thailand has a consulate office in Bhutan. Bhutan does not have formal diplomatic ties with its northern neighbour, the People's Republic of China. The first bilateral agreement between China (PRC) and Bhutan was signed in 1998, and Bhutan has also set up honorary consulates in Macau and Hong Kong. Bhutan's border with China is not demarcated on principle and thus, is disputed in certain areas. On February 8, 2007, the Indo-Bhutan Friendship Treaty was substantially revised. The Indo-Bhutan Friendship Treaty of 2007 clarifies Bhutan's status as an independent and sovereign nation. Bhutan maintains formal diplomatic relations with Canada, Brazil and several other Asian and European nations. Other countries, such as the United States and the United Kingdom, have no formal diplomatic relations with Bhutan, but maintain informal contact through their respective embassies in New Delhi and Bhutanese honorary consulates in London and Washington D.C. Bhutan is a member of the United Nations and the South Asian

Association for Regional Cooperation (SAARC). It hosted the sixteenth SAARC summit in April 2010.

Historically, both India and Bhutan have shared close ties and signed the first Treaty of Friendship in 1865. When Bhutan became a monarchy, British India was the first to recognize the country of Bhutan and renewed the treaty in 1910. Bhutan was the first country to recognize an independent India and renewed the age old treaty including a clause that India would assist Bhutan in foreign relations. Diplomatic relations between India and Bhutan were established in 1968 with the appointment of a Resident Representative of India in Thimphu. Prior to this, India's relations with Bhutan were looked after by a Political Officer in Sikkim. The basic framework of India–Bhutan bilateral relations is the Treaty of Friendship and Cooperation of 1949, which was revised and signed during King Jigme Khesar Namgyel Wangchuck's visit to India in February 2007. The restructured India-Bhutan Friendship Treaty not only reflects the contemporary nature of the relationship between the two countries, but also consolidates the foundation for their future development in the 21st century. The Treaty provides for perpetual peace and friendship, free trade and commerce and equal justice to each other's citizens.

The Kingdom of Bhutan would gradually learn to cope with its inherent problems which are often a result of its transition towards democracy. Measured egalitarian reforms which are being introduced by the new government have been a pragmatic step towards the same direction.

India

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Domestic political space and direction of economic policy in India has become crowded and contested. As a global player, India must necessarily promote strategic flexibility in its choice of alliances and take advantage of opportunities, be with regard to political-security convergences or to partake greater share of international economic interdependencies.

The growing divergences among the ruling UPA government, the opposition parties and sections of the civil society in addressing corruption dominated the public discourse for the greater part of 2011. Although the supremacy of the parliament was underscored by the end of the year, it eluded a decision on the anti-corruption Lokpal and Lokayukta Bill in the absence of requisite support from allies and supporting parties. Even the alliance partners opposed the provisions related to the Lokayukta, Ombudsman in states as it were perceived as an 'encroachment' on their legislative domain. Subsequently, debates on federalism and the rights of states have come to dominate the political discourse in the country, vindicated yet again in the opposition of some of the state governments to the proposed National Counter-Terrorism Centre (NCTC). Coalition compulsions, as admitted by the prime minister have undoubtedly constrained the functioning of the central government with the opposition crying over a 'policy paralysis' in decision making. This, along with the lack of consensus on the nature and pace of economic reforms, has weakened government's resolve to incentivise the economy by allowing foreign direct investment in retail or by introducing pension reforms. The electoral debacle in five states including Uttar Pradesh has added to the woes of the Congress, the main constituent of the UPA

coalition. The global economic scenario has contributed to decreased GDP growth and inflationary pressures on the economy, fueled by rising petroleum prices constraining the government's fiscal consolidation targets. The unprecedented controversy over the retirement age of the Chief of the Army Staff simmered for a while, easing out before fresh allegations of bribery and corruption in the purchase of army vehicles.

The inextricable linkage between the imperatives of domestic consideration and the requirements of pragmatic foreign policy was vindicated in India's recent engagement with Bangladesh and Sri Lanka. India and Bangladesh have achieved significant milestones in addressing multiple issues pertaining to the border, trade and commerce and mutual security concerns. However, domestic sensitivities emanating from West Bengal regarding the sharing of the Teesta waters has held up progress on the more vital issues of transit and access to the Chittagong port. Similarly, India's endorsement of the U.N Human Rights Council's resolution on human rights situation in Sri Lanka attested the country's increased preoccupation with the international outcry against human rights violations. The changed policy orientation however, was ordained by sensitivity over the issue in Tamil Nadu. The traditional espousal of India's foreign policy has been anchored on the inviolability of domestic jurisdiction issues. The change invests the country with revived confidence as a significant player in international arena, beyond bilateral and regional constraints.

The 17th SAARC Summit in Thimpu witnessed renewed efforts to strengthen the regional cooperation framework but in the absence of a politico-security convergence among member states, low key economic exchanges and schemes on interdependences were agreed upon alongside a SAARC Development Fund. The Summit however, offered India an opportunity to engage in bilateral discussion with neighbours including Maldives and Pakistan. Although recent developments in Male have been disturbing, India chose not to get embroiled. Goodwill gestures and investments with the Gilani-Zardari duo may not have paid off but a status quo in relations with minor progress seems welcome. While security threats to the stability of Afghanistan has become precarious in recent months, robust Indian participation in reconstruction efforts, smoothened by increasingly visible and growing Indian investment has ensured a better match in India's promise and deliverance.

India has been able to move forward in strengthening ties with ASEAN countries as her Look East Policy readies for take off. Opportunities are abound in the eastern neighbourhood and avenues through Myanmar have been a boon that India fortunately has been able to cultivate. As a global player, India must necessarily promote strategic flexibility in its choice of alliances and take advantage of opportunities, be with regard to political-security convergences or to partake greater share of international economic interdependencies. As such, a policy promoting a balance of interest and opportunity, rather than focusing on a traditional approach mired in old perceptions to international issues is being worked on. This would necessitate a greater and wider participation in international affairs and thereby would be in consonance with the claim to a permanent membership of the Security Council. This new assertion; however, is not inconsistent with India's traditional partnerships with countries in West Asia and Africa, though its contemporary manifestations dwell in aid, investment and infrastructure projects.

India's ties with Russia have received further impetus in recent months, particularly in the aftermath of the Indian President's visit to Moscow (March 2012). The 'strategic partnership' with the US has not involved any significant breakthrough in bilateral ties. The US expectations of payoff in the form of contracts have not fructified and though both the scope and content of mutuality has widened, discordant notes have not waned. While importance of trilateral dialogue with the US and Japan has gained momentum, bilateral confabulations with Japan and Australia have also been fruitful. A convergence with South Korea and Japan on major international issues has been facilitated by the mutuality of economic and investment policies.

Relations with China have been stable notwithstanding the occasional Chinese assertions over Arunachal Pradesh and the standoff between China and Vietnam on their mutual claims and counter-claim over South China Sea which was brought out in sharp relief during ONGC's exploration activity with Vietnam.

The BRICS (Brazil, Russia, India, China and South Africa) Summit held in March 2012 in New Delhi was hugely successful, considering the overall weight of the countries in the international system. The Delhi Declaration of the Summit sought to capture common positions of the members on international and regional issues. The Delhi Action Plan, part of the Delhi Declaration, underscored the importance of the listed activities to promote cooperation. However, in the absence of a convergence on political-security issues, the summit remained high on promise and low on delivery. After all, the political glue would be indispensable to translate the rhetoric of cooperation into substantive action.

Domestic political space and direction of economic policy in India is as crowded as contested. If cross-border incursions and instances of terrorist violence have subsided, the magnitude of the 'biggest internal security threat' in the form of Maoists has not eroded. Even while the Army admits of inadequacies in defense preparedness, the successful launch of Agni-V adds to a sense of credible nuclear deterrent capability.

Maldives

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In spite of the new President Waheed Hassan's proclamation that elections would be held in 2013, a sense of uncertainty prevails regarding the future course of events in Maldives. The global economic downturn impacted the tourism dependent economy. Its geo-strategic location and relations with China make it critically important for India. The issue of climate change enhanced Maldives international interaction amidst apprehensions of sea levels rising to the point of inundating its coasts.

Maldives first democratically elected President Mohammad Nasheed resigned on February 7, 2012. The resignation came following the defection of the militia against Nasheed's government. Nasheed claimed that he was forced to resign at gunpoint by a coup. Vice President Mohammad Waheed Hassan Manik has been sworn in as the new President on February 7, 2012 in front of the People's Majlis (Legislature) by the Chief Justice. On January 16, 2012 Nasheed's decision of arresting senior criminal court judge Abdulla Mohamed without the order of court was seen as

an unconstitutional move and sparked public ire. This unconstitutional detention of Judge Mohamed had provided the opportunity for Nasheed's detractors to rally against the President for undermining the due course of law and procedure established by the democratic norms. The breakdown of the democratic machinery is a cause of concern as this can be perceived as Maldives going back to autocratic means of governance. In spite of the new President Waheed Hassan's proclamation that elections would be held in 2013, a sense of uncertainty prevails regarding the future course of events in Maldives. Many experts feel that even though Maldives continues its democratic process, there is a strong likelihood of it being marred with conflict, violence and uncertainty.

Maldives economy is dominated by tourism, which accounts for a third of the GDP, 60 percent of foreign exchange receipts and 90 percent of government revenues. The global economic downturn had its impact on Maldives economy and tourism industry as growth rates have fallen by 2.29 percent. In 2011 Maldives has shown a GDP growth rate of 8 percent. The traditional fishing industry now only accounts for 2.4 percent of the GDP, although, it remains an important source of employment (11 percent of population) and export (over \$80 million in 2009). Manufacturing and Agricultural sectors are small and are constrained by low skilled workforce and also a lack of cultivable land. The International Monetary Fund (IMF) has categorised Maldives as a 'moderate risk of debt default' due to concerns over its fiscal budgets and lack of initiative in cutting fiscal expenditure and reform. The Government has thus introduced tourism goods, service taxes and a business profit tax to raise revenue. On the expenditure side, public sector and welfare reforms have been delayed due to political opposition. The fiscal deficit in 2010 is estimated to have been 18 percent of GDP, down from 29 percent in 2009.

The most important factors which directly affect Maldives foreign policy are its strategic geopolitical location and its limited resource base. The growing importance of Sea Lanes of Communications with regard to energy security and the rise of Piracy have made Maldives engagement with the United States, China and India more or less imperative. China, which is immensely concerned about securing its oil supplies, has resorted to increasing its presence in the Indian Ocean region and Maldives is an important factor in China's Indian Ocean policy. Maldives has been engaging with China and the bilateral trade between the two countries have grown to \$64 million in 2010. This year Maldives and China are set to mark the 40 years of diplomatic relationship. In May last year Wu Bangguo, Chairman of the Standing Committee of the National People's Congress visited Maldives. This had created a stir among the Indian strategic community who saw this move as China flexing its soft power to create a support base for its Indian Ocean Strategy, often branded as 'creeping expansionism'. The issue of climate change has enhanced Maldives interaction with the world. It has been forecasted that owing to global warming Maldives might be inundated by the Ocean and to this effect Maldives is looking for land where it can shift its population. President Nasheed had even proposed buying of land on Indian Territory to shift its population. Climate change and global warming has almost become the sole prism through which Maldives is viewed by the larger global community. Maldives joined the Commonwealth of Nations in 1982, is a founding member of SAARC and is committed to the Nuclear Non-Proliferation Treaty (NPT). In the post democratic period Maldives has shown keen interest in engaging with International Human Rights organisation and have acceded to numerous human rights instruments such as the [International Covenant on Civil and Political Rights \(ICCPR\)](#).

Maldives's location in the Indian Ocean is critical for India as well. The growth of religious extremism and the increase in Chinese influence ('String of Pearls Strategy') in Maldives has been a matter of concern for India. Following the visit of Defence Minister A. K. Antony, the defence ties between the two countries paved the way for Indian Navy and Coast Guard vessels to patrol the pirate infested waters of Maldives. While the immediate reason for enhanced defence cooperation is to build military assets in Maldives to guard against terrorism and pirates, observers contend India's military positioning in the Indian Ocean is also to militarily deter China. The Indian government shared a robust relation with Nasheed's government. Indian Prime Minister visited Maldives for the 17th SAARC summit in November 2011. During the visit, India announced a standby credit facility of \$100 million agreement for enhancing cooperation in national maritime security. Irrespective of the political developments in Maldives, Prime Minister Manmohan Singh spoke to newly sworn in President Dr. Mohamed Waheed and assured him of India's support. Being neighbours, sharing geo-strategic partnership, it is important to understand that India cannot remain insouciant about the developments in Maldives and India is ready to work along with the new Government in Male.

Nepal

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There continues to be a deadlock in Nepal's Constituent Assembly over the drafting of a Constitution although May 28, 2012 is the new deadline. The UCPN and Madhesi front seem to have reached a broad consensus on relevant issues. It is a fact that industry suffered during the years of political instability. The government is now concentrating on industries and investment opportunities to develop the Nepalese economy.

The politics in Nepal continues to remain unstable with a struggle to write the new constitution. Elections to the Constituent Assembly (CA) were held in April 2008 with a mandate to write the new constitution in the spirit of a federal democratic republic. The framing of the constitution suffered amidst inter and intra party differences, with the current deadline being set for May 28, 2012. In August 2011, the Prime Minister Baburam Bhattarai (United Communist Party of Nepal - Maoist) formed the new government with the support of madhesi parties. His government managed to get the constituent assembly extended by six months in November 2011, in what was held by the Supreme Court as the last extension. A petition from Bhattarai and Subhash Nemwang (Chairman of the Constituent Assembly) to review the decision was rejected by the court this year.

The Constituent Assembly failed to write the constitution within the stipulated time and was extended four times. The parties continue to disagree over issues like the restructuring of the state federal structure. Different parties have different proposals drawn up on the basis of ethnicity or geography or economy or a combination of two or more criteria. There appears to be no consensus on the form of government (Presidential or Parliamentary) either. The UCPN and Madhesi front have reached a broad consensus on the nature of the political system and the restructuring of the state.

A positive step towards political stability has come through the consensus on the integration of Maoist cadres with the Nepalese Army. This is often regarded as the culmination of the 2006 peace process and includes provisions pertaining to the inspection, integration and rehabilitation of the Maoist cadres. It has been agreed that 6,500 cadres can join the Army and the Nepal Army will assume control of such cantonments. Presently, 7000 cadres have taken voluntary retirement and taken a financial package as compensation while almost 9,700 have opted to integrate with the Army. Hardliners in the party such as Mohan Baidya and CP Gajurel are opposed to keeping Maoist combatants within the Army. It is yet to be seen how effectively the integration process shall be implemented and the impact it would have on the unity of the Communist Party of Nepal (Maoist).

The economy of country suffered under political uncertainties during long periods of conflict. Hindustan Unilever's subsidiary closed own, Dabur India and ITC's joint ventures faced trouble owing to indefinite strikes of Maoists over wage hikes, long spells of power cuts and deteriorating security conditions. In the last six months, seven textile industries have shut down faced with shortage of raw materials and differences between the management and labour unions.

Power deficit leading to power shutdown has also adversely affected industries in Nepal. Nepal has always resorted to its ample water resource to manage the power shortages. Nepal is second only to Mexico in terms of water resource, has 40,000 MW of actual potential of hydropower of which only 600 MW is utilised. In March 2012, Nepal signed an agreement with China's Three Gorges Corp Inc to construct a 750 MW hydropower project on West Seti river investing almost \$1.6 billion.

Agriculture remains its primary sector followed by remittances from abroad which bring more foreign exchange than industries. The tourism sector is yet another significant industry that provided 3.3 percent of the total jobs in 2011. According to a World Travel and Tourism Council estimate the total contribution of tourism to the Gross Domestic Sector was Rs 119.1 billion in 2011.

On assumption of office, Prime Minister Baburam Bhattarai visited India and emphasised on the importance of developing trade and investment ties with the country. The two countries signed the Bilateral Investment Promotion and Protection Agreement (BIPPA) assuring investors of compensation in case of wars, riots, insurrections or armed conflicts. Other agreements signed between the two countries were on **Indian grant assistance for the Goitre Control Programme in Nepal and the Dollar Credit Line Agreement** between Government of Nepal and Export-Import Bank of India.

Commensurate with the changes in the domestic politics in Nepal, India's policy towards Nepal has also changed from the 'twin pillar approach of monarchy and multi-party democracy' to 'People's choice'. All political forces in Nepal consider their counterparts to be more proximate to India and want India to exercise its influence to controlling such forces within the country. So when a Nepali politician talks about seeking Indian support for 'friendly advice' it usually begins with a plea to control the opponent and ends with an implicit demand of support for itself. India's

dilemma hovers over where friendly advice should end and interference should begin in perceptions about Nepal since she does not want to be seen as overtly interfering in the domestic politics of Nepal.

The present government of Nepal emphasises on improving relations with India and China based on the “objective judgement” of its location. The Maoists however, remain particularly inclined towards China as they believe that several democratic elements within India were supportive of other political parties, such as those who were not in agreement with them on issues such as restructuring of the state, integration of forces etc.

Nepal has emphasised on its one China policy and increased its engagements with its northern neighbour. China’s main concern in Nepal stems from any activity against their interests by the Tibetans and their supporters. China has started emphasising on Buddhism as a cultural link between the two countries. Nearly ten China Study Centres have come up in Nepal. China is also concentrating on Nepal’s military and para-military forces. During Premier Wen Jiabao’s visit to Nepal in January 2012, China assured \$135 million in aid for economic and technical assistance and towards the strengthening of Nepal’s armed and police forces.

Pakistan

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Pakistan continues to remain apprehensive about the nature of U.S withdrawal from Afghanistan over the prospect of repercussions on its own internal stability. The peace process with India is at a critical junction and much of its successful culmination shall depend on the cooperation from the Pakistani army.

As the withdrawal of troops from Afghanistan comes closer and the prospects of the Taliban taking over Kabul gets brighter, the mood in Islamabad appears unusually sombre. Pakistan’s military establishment has in a rare feat of generosity, allowed the Zardari government to reciprocate to Indian gestures. Pakistan has for once acknowledged the need to focus more on development than defense. Despite their preoccupation over Kashmir, the political forces in Pakistan have recognized the need to normalise relations with India. The ‘cruellest month of April’ seems to have bred lilacs out of dead ground. But is it real or just a tactical withdrawal? How long shall tis ‘spring’ last?

In a way the Army has reached a dead end. Pakistan’s relationship with the US, its traditional ally has plunged to a nadir, placing inevitable pressures on its economy. The Pakistani leadership is aware of the constraints to consistency from their durable neighbour (read China), which would perhaps translate beyond tall assurances. In such a situation, even joint assistance from China and Saudi Arabia would not rescue the mess.

Pakistan’s Afghanistan policy has boomeranged into producing the militants that no longer adhere to its diktat. The most notorious among them are the ‘al-qaedised’ that has now grown into a suicide squad. Despite persistent persuasions these outfits refuse to join mainstream politics and continue to engage the security forces in a constant challenge within the state.

The lure of martyrdom for a growing population of unemployed and illiterate youth amidst economic stagnation and soaring political difference is only likely to increase the base of 'jihadis'. The stark realization of such an end might have provoked the state to reconsider its attitude according to experts. The interest driven army may be found some expediency in engaging with Indian businesses to facilitate a trading boom in the economy.

Although this follows from a reasonable argument, there are counterfactuals that need to be roped in. The army has begun to show signs of division from within. The attack on PNS Mehran in April 2011, growing attacks on security forces, and the unearthing of a plot leading to a coup by a serving Brigadier, believed to be a Hizb-ut-Tahrir sympathizer, demonstrate effects of continuing Zia syndrome within the army. The prospect of a radicalised army or even an Islamist coup cannot be brushed aside.

Signals from the vernacular media (*Nawai Waqt, Ummat, Jasarat, Khabrein*), traditionally used by the army to generate and sustain an anti-India fervour seem particularly disturbing. Issues like water, conferring of MFN status on India and the apparent overtures of Zardari and Nawaz Sharif have continued to agitate the vernacular press in Pakistan. The more one hears of the nature of patronage and control of the army on the Pakistani vernaculars, the more evasive the prospect of peace between India and Pakistan appears. A cautious military establishment is playing both ways but if trade with India does not yield much promise, the army shall not hesitate to dismiss the civilian government.

It is also a fact that Pakistan's actions are dictated by the constraints in its policy options. It should try and stabilise its neighbourly dynamics given the fact that Pakistani militants are getting more defiant by the day. Pakistan is also apprehensive about the nature of U.S withdrawal from Afghanistan, which threatens to embroil the country in a more protracted imbroglio with the likelihood of its territory being used by the Taliban elements. The revision of its India policy thus, could be a strategy of expediency. The army is most unlikely to abandon its anti-India sentiment. It appears more likely that the focus on a peace process should rather shift the attention of the militants on *Ghazwa-e-Hind* (conquest of Hindustan), indigenously interpreted in terms of their faithful obligation. This diversion will enable the army re-establish its hold over such groups and manage the internal impact of their de-stabilising operations.

The choices for India in this context are quite limited. Several experts and even policymakers may suggest a policy of 'blissful unconcern' or 'benign neglect'. Such an option however, remains unrealistic given the India's need to normalise relations within its immediate neighbourhood to direct resources towards development and facilitate its claim for a permanent seat at the United Nations Security Council. While there is a strategic choice in "adopting counter measures" by exploiting the existing fault-lines (sectarian, ethnic and regional), the political leadership in India is decidedly averse to this on principle.

The most pragmatic option would be to continue to engage with Pakistan in a manner so as to nurture, strengthen and expand the prospect in the country, while absorbing the episodic bursts to peace by powerful lobbies within Pakistan. This would, as the argument goes, empower the democratic forces in Pakistan and gradually reduce the salience of the army in politics.

If engaging with Pakistan seems inevitable, perhaps, the old Reagan era mantra of 'trust-but-verify' could be the best way to proceed on the peace track. Every step forward will have to be carefully monitored and analysed in light of the reciprocal responsiveness from the other side. While India has already expressed its desire to advance on dialogues to facilitate peace the Pakistani Army will have to take a back seat and support the civilian leadership in its efforts to connect with India.

Sri Lanka

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Political developments in Sri Lanka, post civil war have caused great deal of consternation in sections of international community. While the island is faced with tremendous opportunities and tough challenges the state itself remains weak and dependent, though a lot less vulnerable. Post-war Sri Lanka however, has exacerbated the deep sense of powerlessness and alienation among the Tamils.

The end of the twenty-six year (1983-2009) long brutal civil war is a turning point in Sri Lanka's post-colonial history, but the political developments in the post-war period have caused a great deal of consternation among sections of the international community. The political reality today is that the island is faced with tremendous opportunities and tough challenges for establishing a liberal peace and order. The state still remains weak and dependent, but less vulnerable and more confident of securing itself. Internal challenges to security have been totally neutralized or eliminated and external pressure countered. Importantly, the military victory has emboldened the state assertive vis-à-vis the international community that seeks to establish accountability for the massive human rights violations during the final phase of the *eelam* war. Unitarianism has now become an uncontested national ideology, under which the post-civil war state has emerged as a highly centralized institution. The Sinhalese Buddhist identity has become popularly strong in view of its deep commitment to promote the Buddhist religion and culture. In the process, the state has become a full-blown ethnocentric entity. Further, post-war Sri Lanka is illiberal in the sense that the rule of law in the country is undermined and severe constraints are imposed on the freedom of expression and political dissent. The military victory has developed a sense of triumphalism among the Sinhalese nationalists whose assertion of their ethnic power and hegemony is reflected in their opposition to a political solution based on greater autonomy and power-sharing. Consequently, it has exacerbated the Sri Lankan Tamils' deep sense of powerlessness and alienation. The community is weak, vulnerable and insecure, and lacks power to oppose the state's anti-minority policies and homogenizing tendencies.

These developments provide a background to greater internationalization of the issue of human rights in Sri Lanka. For almost two years the global human rights organizations and some Western countries have focused on exposing the civil-war time behavior of the Sri Lankan military and political leadership. They have demanded credible investigations into the alleged war crimes in order to establish accountability for the human rights violations during the final phase of the *eelam* war. In this context, the April 2011 report of the UN Secretary-General's Panel of Experts, which estimated that about 40,000 civilians were killed due to widespread air

attacks and artillery shelling of even 'no fire zone', has sensitized the world on the accountability question. In response to international criticism and pressure, the Sri Lankan government appointed the Lessons Learnt and Reconciliation Commission (LLRC) which submitted its report to President Mahinda Rajapaksa in November 2011. Though the report has refused to hold the military responsible for civilian killings it acknowledges the fact that civilians died in the war and made positive recommendations in pursuit of peace and reconciliation. They are depoliticization and strengthening of independent civil institutions, demilitarization of the Sri Lankan Tamil dominated northern province, credible investigation into widespread allegations of extra-judicial killings and enforced disappearances, protection of the freedom of expression and rule of law, establishment of impartial land dispute mechanisms, re-evaluation of the detention policies and, above all, finding a political solution to the conflict. The report has maintained that “seeds of reconciliation can take place only if there is forgiveness and compassion. Leaders of all sides should reach out to each other in humility and make a joint declaration, extending an apology to innocent citizens who fell victims to the conflict as a result of the collective failure of the political leadership on all sides to prevent such a conflict from emerging”.

The Sri Lankan government's scant regard for the LLRC report, even though it has favoured the Rajapaksa regime that executed the war, has angered the international community. The West has exerted pressure on Colombo to implement the LLRC recommendations, by moving a resolution at the UN Human Rights Council in March 2012. It has called upon the government to initiate credible and independent actions to ensure justice, equity, accountability and reconciliation for all people in the country. Further, it has requested Colombo to present “a comprehensive action plan” as expeditiously as possible to implement the LLRC recommendations and also address the alleged violations of international law. The UN High Commissioner for Human Rights has been encouraged to provide advice and technical assistance to the government in implementing the above steps. Importantly, this provision is made non-intrusive and optional since the Sri Lankan government's concurrence is required for the office of the UN High Commissioner to extend any such assistance. This was apparently made at the instance of India, which voted for the resolution along with 23 other countries while 15 members voted against it and eight abstained. India's vote caused a strong sense of disappointment and even anger among the Sri Lankan political class and Sinhalese nationalists. Sri Lanka's External Affairs Minister, G.L. Peiris, held that the voting was determined by “strategic alliances and domestic issues” and not by the merit of the issue that the resolution sought to deal with. He maintained that the resolution set a dangerous precedent for ad hoc intervention by powerful countries in the internal affairs of weaker nations, and revealed the “cynical negation of the purposes for which the Human Rights Council was established”. India tried to defend its vote in the Council and mollify the Sri Lankan leaders' ruffled sentiments by interpreting the resolution as a way forward to achieve genuine peace and reconciliation in the island. Prime Minister Manmohan Singh's letter (of 24 March 2012) to President Rajapaksa highlighted the positive energies generated over the years for consolidation of India-Sri Lanka relations and also India's successful role in “introducing an element of balance in the language of the resolution”.

India remains concerned over the absence of a permanent political solution to the ethnic conflict. It has impressed upon the Sri Lankan leadership the need to develop a framework of solution that goes beyond the existing Thirteenth Amendment, which has devolved limited powers to the provincial councils. In the post-civil war period, the Sri Lankan government is inclined to believe

that there is no ethnic conflict and, consequently, the need for a political solution does not arise. Yet, in order to ward off international criticism and pressure, it likes to project to the world that it is interested in finding a solution through negotiations with the Sri Lankan Tamils leaders. Peace and reconciliation are elusive in the island, but these crucial issues cannot be brushed aside.

Indonesia

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Indonesia has taken consistent steps to rebuild its international image since its emergence from the political turmoil of 1998–1999. Despite the growing influence of Islam in its domestic politics, there seems to be an apparent wisdom in keeping Islamic overtures away from its foreign policy discourse to preserve the image of Malaysia as a moderate-Islamic nation.

Indonesia the world's largest Muslim majority nation, has adopted decentralization, effectively localizing power as a part of democratization to entrench good governance. It has taken measures to rebuild its international image ever since its emergence from the political turmoil of 1998–1999. The country has focused on re-establishing its leadership within ASEAN and demonstrated the desire to assume a global role by promoting itself as the world's third largest democracy with the largest moderate Muslim-majority, and as an interlocutor (in the past as ASEAN interlocutor for Cambodia) in dispute management. Indonesia will have to manage its democratic consolidation, the impact of internal nationalism on its foreign policy and the Islam component if it is to continue with a similar momentum in international affairs.

Indonesia is in a period that can simultaneously be defined by stasis and stability. It is yet to move into the next phase of its democratic consolidation and appears unlikely to do so in 2012. Several factors indicate an overall deterioration in earlier democratic achievements. The country's judiciary and police continue to remain notoriously unpredictable in upholding the rule of law. Significant sections of the bureaucracy are in disarray and look likely to perform inadequately for the foreseeable future. Indonesia's main political parties have fallen increasingly into internal turmoil over positions of influences, financial opportunism and corruption. Such problems are bound to produce friction among political parties.

Muhammad Nazaruddin was a member of parliament of repute till he was implicated in a scandal involving the construction of dormitories for athletes in Indonesia during the Southeast Asian Games. Such incidents prove that even after the corrupt Suharto regime nepotism among government officials, lawmakers and businessmen prevail. Mr Yudhoyono had won the presidential elections in 2004 and 2009 on a platform of zero tolerance for corruption, but Mr Nazaruddin has clearly hurt the Democratic Party's image and poll ratings. And whether Mr Yudhoyono's successor emerges as yet another Democratic Party leader remains to be seen, given the fact that Mr Nazaruddin implicated two potential presidential candidates in the scandal.

Indonesia has taken consistent steps to rebuild its international image since emerging from the political turmoil of 1998–1999. The success and legacy of Indonesia as 2011 ASEAN Chair

could very well rest on how effectively Jakarta translates the range of its vision for ASEAN within the paradigm of a globalized world. Indonesia also ratified the Comprehensive Test Ban Treaty, a global treaty banning nuclear test explosions on December 6, 2011.

The Indonesian economy grew by 6.5 percent in 2011, marking the biggest expansion since 1997-98. The volume of the Indonesian economy stood at (Rupiah) Rp 7,427.1 trillion at the end of 2011. A major reason behind the burgeoning strength of the economy can be attributed to growing domestic consumption. This consumer boom in Indonesia however will effectively mask its problems of corruption. Although it weathered the recent global economic downturn relatively well it remains to be seen whether global risk aversion will stem the flow of investments in the country. The ten year agreement between the infrastructure company Gayatri Projects and the Indonesian coal producer PT Bayan Resources is estimated at an outlay of Rs 6,869 crores, funded through a debt component of Rs 5,151 crores with Rs 1,718 in equity.

The US officially listed Indonesia's Jemaah Anshorut Tauhid (JAT), as a terrorist organization in February 2012. The organization, with Abu Bakar Ba'asyir as its chief patron is believed to be running terror networks through Indonesia. Despite US proclamation on JAT, Indonesia refused to ban the organization on grounds that the Indonesian police are still investigating the church bombing case. Indonesia's National Police spokesman Saud Usman Nasution said, "the group is allowed to carry on in Indonesia as long as it is not breaking the law."

Indonesia's democratization has affected foreign policy formation by replacing the old, highly-centralized authoritarian structure with a more pluralistic and competitive policy making milieu. Externally, however, Indonesia is expected to don a fairly minor role despite being the dominant power in Southeast Asia. This is largely because of the strong emphasis on purely domestic political issues. As the next elections draw close, the political parties will be increasingly preoccupied in the selection of candidates to prepare for the polls. By and large it is unlikely that Indonesia's status as a stable yet static democracy will change substantially during 2012.

A final variable in Indonesia's foreign policy is Islam. Indonesia's government seeks to articulate its version of Islam as a moderating voice between the Muslims and the rest of the world, and within the Muslim world itself. As such Indonesia's Ministry of Foreign Affairs embarked upon a series of initiatives by which it sought to incorporate Islam into its foreign policy. Consequently the admission of Islam into Indonesia's foreign policy now necessitates a delicate balancing act, as segments of the Muslim community have demanded that Indonesia identify itself with the Arab-Muslim world. When the government voted in favor of the UNSC Resolution No. 1747 in order address the issue of non-proliferation, domestic constituencies appreciated the vote — which placed sanctions on Iran, but to several other Islamic quarters it denoted the betrayal of another Muslim country. However, Islam's growing importance in Indonesia's domestic politics should not condition its foreign policy dynamics.

There were several disturbing incidents of religious violence in Indonesia in 2011 – the outbreak of communal violence between Muslims and Christians in Ambon, violence against the Ahmadis, and explosion of bombs in separate incidents at a mosque and a church in Java. This suggests that judgments such as the Blasphemy Law case may provide added justification for the

vigilante actions of hard line Islamic groups. And this in turn will leave the religious minorities vulnerable to convictions for blasphemy and the risk of violence in times to come.

Malaysia

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Malaysia becomes increasingly significant for India in the context of the ‘Look-East Policy’. Economic cooperation between the two countries received an impetus through the removal of trade barriers, respect for mutual concerns within a progressive political milieu.

Malaysia, located between Indonesia and Thailand, is composed of two noncontiguous regions: West Malaysia on the Malay Peninsula and East Malaysia on the north coast of the island of Borneo. The capital city, Kuala Lumpur, is the nerve-centre of dynamic economic activities of the state. Malaysia, since its independence in 1957 has substantially developed in terms of population, economy and international recognition. Malaysia is a highly diversified country with predominantly four major ethnic groups: the Malays, the Chinese, the Indians and the indigenous people. There are Europeans, Americans, Australians, Eurasians, Middle Easterners and Thais, as well as people of mixed ancestry inhabiting this country. Malaysia is highly heterogeneous in terms of cultures, religions, ethnicities and linguistic groups.

A number of congenial factors like excellent geographic location (in the middle of the most vibrant South East Asian countries), availability of ample land, existence of highly centralised banking system, extensive network of transport and communication system, high-standard of education system, government cooperation, well-maintained armed forces, industrious, hospitable, educated and fluent English speaking man-power make Malaysia a lucrative investment hub. It is generally being stated that Malaysia’s political stability has been the primary attraction for foreigners to invest in the country. Despite being hit by the Asian financial crisis in 1997, Malaysia’s relatively untouched political stability continued to draw foreign investment.

The Malaysian government known as the BarisanNasional or National Front consists of UMNO (United Malays National Organization) and parties from the other communities such as MCA (Malaysian Chinese Association) and MIC (Malaysian Indian Congress). The objective of the government is principally oriented towards the promotion of peace and prosperity of the society. The BarisanNasional (BN) coalition is expected to remain in power till 2014. The primary factors of political stability can be cited as:

- the persistent stability enjoyed by the Barisan National coalition;
- the abiding influence exerted by the United Malays National Organization over the BN;
- the continued support of the Malay majority for the United Malays National Organisation.

Malaysia is a member of the World Intellectual Property Organization (WIPO), the Berne Convention for the Protection of Literary and Artistic Works, and the Paris Convention. Malaysia is a founding member of the Association of South East Asian Nations (ASEAN) and the Organisation of Islamic Cooperation. It was also a part of the Non-Aligned Movement. Kuala

Lumpur was the site of the first East Asia Summit in 2005. According to the Economist Intelligence Unit, Malaysia is expected to move to a sustainable growth path around 2011-2014. Rebounding from a negative growth rate in 2009, economic forecasters expect real GDP to average at 4.9% per year. On the expenditure side, private consumption and investment will remain the main drivers of growth during this period and the export of goods and services are expected to grow at 9% p.a. during the same period. The service sector will be prominent as industry continues to dominate the economy. Agriculture will retain its traditional significance as the production of palm oil can help improve the condition of the rural stock. Malaysia's enthusiastic international ventures would steer its economy forward boost an investor friendly environment and thereby enhance its prospect of being a major economic force in a globally competitive environment. Available statistics reveal that the U.S. has consistently been a leading investor in Malaysia. Political risks are generally comprehensive and cover a wide array of issues ranging from internal strives and conflicts among neighbouring countries to the other unpredictable dangers unleashed by terrorism and other forms of violence.

Malaysia has a significant presence in the annals of India's foreign policy due to the Look-East Policy. Economic cooperation between Malaysia and India received a positive impetus through the five-day official visit of the Malaysian Prime Minister H. E. Najib Razak to India from 19-23 January 2010. The two G-15 countries signed an extradition treaty and several other pacts encompassing important aspects like trade, capital markets and education to further improve their relations. The agreements included a memorandum of understanding on higher education and a pact between the Securities and Exchange Board of India (SEBI) and the Securities Commission of Malaysia to strengthen ties and identify cross-border opportunities via the capital markets. Malaysia is the third largest trading partner of India within ASEAN, and India is the largest trading partner of Malaysia among the South Asian countries with the exception of China. With the coming-into-force of the India-Malaysia Comprehensive Economic Cooperation Agreement (CECA) from 1 July 2011, the bilateral economic engagement is expected to take an upswing. Based on direct investments from Malaysia to India, it is the 24th largest investor in India with cumulative FDI inflows valued at US\$ 2 billion from 1991 to 2010. In addition, about US\$ 6 billion in Malaysian investments are believed to be come through the Mauritius route. Notable among these are Maxis Communications in Aircel, Axiata in IDEA Cellular Ltd, Khazanah in IDFC, Apollo Hospitals, Yes Bank, etc. Malaysian construction companies are largely present in India. They have completed 52 construction projects worth US\$ 2.34 billion in India, while 35 projects of similar value are under various stages of implementation. The Indian companies have invested almost US \$ 2 billion, making it the seventh largest investor in Malaysia. Indian companies that made major acquisitions include Reliance Industries Limited, Ballarpur Industries Limited, Larsen & Toubro and WIPRO. Biocon India, Manipal University and Strides Arcolabs are amongst the companies who have announced fresh investments in Malaysia. There are over 100 Indian companies including 60 Indian joint ventures operating in Malaysia. There are also 60 Indian IT companies operating from Malaysia. IRCON International Ltd. has been actively engaged in the development of railways in Malaysia since 1988, and it is currently executing a double tracking project (Seremban – Gemas) worth over US \$1 billion.

Air links have improved significantly following a bilateral agreement in 2007. At present, there are 114 flights between two countries, of which 93 are operated by airlines from Malaysia and 21 by airlines from India. Regular meetings of the Civil Aviation Ministries are held to further

liberalize the connectivity. According to Malaysia Tourism Statistics, India is the tenth largest tourist destination with 160,000 Malaysians visiting India in 2011. Both the countries are keen to accelerate economic cooperation and to rejuvenate people-to-people contact. India and Malaysia have experienced a substantial boom in trade. This enhanced scale of trade and commerce reveals the extent and scope of exploration of available opportunities, which in turn unleash newer vistas for further expansion. Removal of trade barriers, mutual respect and commitment in a progressive political milieu to advance encouraging strides constitute the basic parameters of economic cooperation. The two sides have proactively been engaged in regular dialogue on wide-ranging issues and the relevance of dialogues and discussions are clearly visible in the advancement of cooperative endeavours by both the countries with renewed interest and vigour.

Myanmar

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The first democratically elected government in Myanmar in five decades is instituting visible changes in the system to make the political processes all-inclusive. Myanmar is trying to evolve into a market-based economy, where monopolies, nationalisation and demonetisation shall not be allowed. Myanmar should consider developing itself into a regional multi-modal hub, since it is the only land bridge through India, China and ASEAN.

The new government, in office since April 2011, has ushered in a new era for Myanmar. It is the first democratically elected government to come to power through general elections in five decades. The government has put in place measures to achieve positive changes in political, economic and social spheres in line with the market conditions and international circumstances. Within a year visible features of all-inclusive political process have been envisioned by the government. Political dialogue and peace talks have been launched with some success with the most notable being the participation of the principal opposition party, the National League for Democracy, in the by-elections. In the ethnic affairs, negotiations have been carried out with almost all the ethnic groups that have been engaged in armed insurrection for decades and most of them have resulted in preliminary agreements. There are also significant changes such as release of political prisoners, easing of media censorship, increasing the role of civil society, prioritising peace processes and making some important amendments to the constitution. Amidst questions, criticisms and challenges, the positive reforms have continued in Myanmar under the new one-year-old democratic government.

In the economic sphere, development ideologies and strategies are also to be altered in accordance with the change of government system. Myanmar is in the process of instituting a series of policy and strategic reforms with the aims of achieving national development and catching up with the economic success of neighboring countries. The new Constitution defines clearly the broad economic parameters for the country to be a market-based economy where monopolies, nationalizations and demonetization will not be allowed. The government is striving to reduce poverty rate of the nation from 26% to 16% in 2015, to lift the country out of the least developed country status, and to ensure job opportunities and health and social security benefits for its people.

At present, Myanmar's economy is dominated by the agricultural sector with drawing 40 percent of its GDP with almost 70 percent of population still living in rural areas. On the other hand, the economy still relies on resource-based industries. The most productive sectors are extractive industries, especially oil and gas, mining, and forest products, which makes the country vulnerable to the resource curse including serious environmental degradation. Manufacturing and similar modern facilitating sectors, which are areas that Myanmar should exploit to emulate the success of its neighbours, are growing at a relatively slower pace than expected. Myanmar is a major exporter of primary commodities and importer of manufactured produces. More than 70 percent of its exports go to the Asian region and about 90 percent of imports also come from it. Similarly, about 90 percent of total FDI into Myanmar comes from Asia. Myanmar's primary sources of FDI are China and Thailand which account for 73.8% of total foreign investment. FDI from India is very marginal and accounts for only 0.5%. From sectoral perspective, as high as 81 percent of total foreign investments are channeled into the power oil and gas industries.

In its first year 2011-2012, reform measures are being taken for macroeconomic stabilization, which remains the highest priority and a precondition for accelerated growth and economic takeoff in Myanmar. Institutional and legal reforms are also being initiated alongside macroeconomic policy reforms. An array of major policy reforms are underway to improve the productivity and profitability of agricultural sector, and to jumpstart growth in industrial sector. Myanmar is trying its best to mobilise the participation of local people and foreign investors by clarifying the economic policy and securing the rule of law. It is also in the middle of a process of eradicating hindrances to growth by enhancing institutional and business environment, modernising the financial sector, liberalising trade and foreign direct investment. However, many other changes in terms of policy and strategies have yet to be made to achieve macroeconomic stability and targeted outcomes, and to ensure institutional cohesiveness and private-public collaboration that are vital for the realization of development goals.

Myanmar's real GDP growth is estimated to increase by 5.5 percent in this fiscal year (2011-12) and expected to increase by 6.0 percent during the following fiscal (2012-13). Inflation projected at 4.2 percent for the year 2011-12 is expected to go up to 5.8 percent in 2012-13. Over the next few years, growth is expected to accelerate progressively as economic and institutional reforms initiated in early 2011 become more deep-rooted, economic sanctions ease and the country opens out to trade and foreign investment.

Despite being a small economy with a population of 60 million and a GDP of US\$ 58 billion, Myanmar's possession of natural resources and strategic location award it significance beyond its economic weight. Myanmar is the only land bridge between India, China and ASEAN and has a unique opportunity to develop as a regional multimodal transport hub. With a potentially vibrant agricultural sector, it can develop as the food basket of Asia. Its natural resource endowment coupled with its strategic location can also support and facilitate rapid industrial development. However, underdeveloped infrastructure and an unfavorable institutional and business environment seriously limit Myanmar's economic participation in regional and global networks. International sanctions also constraint the ability of government to institutes reforms. Myanmar needs financial and technical assistance from international agencies to design and implement necessary policy reforms to transform its growth potential into actual growth and to foster peace-

building and democratisation. Recently, the EU and U.S agreed to ease restrictions on Myanmar and the World Bank and IMF have pledged to resume the long suspended relations with the government. Myanmar will be expected to perform well in its duties as the ASEAN chair in 2014, and comply fully with AFTA (the ASEAN Free Trade Area) requirements by 2015. Deeper integration within ASEAN and increasingly expanding trade with China and India could be harnessed as potential drivers to growth in Myanmar.

Singapore

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Singapore's proximity to the South China Sea brings it close to one of the most complicated maritime disputes. Singapore reckons with the Chinese influence in the South East Asian region and manages her relations with the U.S to tread the fine diplomatic balance. Singapore and India share similar concerns over China's overtures in the Indo-Pacific Rim.

Singapore is known to the rest of the world as one of the emerging economic hotspots and a tourist destination. Singapore's entrepot facility does not only help it earn huge revenue but has also made the country indispensable for international shipping and transshipment facilities. This island country is of immense strategic importance as it sits on the Malacca Straits, one of the busiest international waterways of the world. Being surrounded by water bodies, Singapore's communications are totally dependent on maritime links and thus, any threat in its maritime domain constitutes a serious threat to its economic well being as well. If the geostrategic location of Singapore has been economically beneficial, then it has also increased Singapore's vulnerabilities exposing it to the vagaries of international maritime challenges both from traditional and non-traditional sources. Subsequently, Singapore's defence specialists and armed forces are concentrating on improving their maritime defences to counter such security challenges.

Singapore's close proximity to the South China Sea region brings it close to one of the most complicated maritime disputes of the world. Singapore, aware of the gravity of the dispute can almost feel the heat of an imposing China in its maritime domain. In June 2011, Singapore was visibly disturbed with the activities of the Chinese maritime vessel Huangxi-31 that called on its port. It was speculated that the vessel was patrolling the disputed waters to protect Chinese instalments while also checking on foreign vessels moving along or anchored in Chinese waters. Singapore is also well aware of China's political influence and economic reach in Southeast Asia. Thus, Singapore has to do a successful diplomatic act in balancing both the major ambitious actors – US and China.

Singapore supports United States' role in protecting the 'global commons' and leading a Global War on Terrorism (GWOT) and proliferation. Singapore has developed strong sustained relations with the US and shares responsibilities along with the US in protecting the global commons and combating counter-terrorism, maritime security and non-proliferation. In July 2005, President Bush and Prime Minister Lee signed the "Strategic Framework Agreement" to formalize the growing bilateral security and defence relationship in counter terrorism, counter-proliferation of

weapons of mass destruction, joint military exercises, policy dialogues, and shared defence technology. The U.S. Navy maintains a logistical command unit (Commander, Logistics Group Western Pacific) in Singapore that serves to coordinate the warship deployment and logistics in the region. The Changi Naval Base is perhaps, the only facility within Southeast Asia that can dock a U.S. aircraft carrier. Singapore was the first Asian country to join the Container Security Initiative (CSI), a series of bilateral, reciprocal agreements that allow U.S. Customs and Border Patrol officials at selected foreign ports to pre-screen U.S.-bound containers. Yet, the US is not comfortable with Singapore's domestic political developments and the stringent press laws within the country which has largely affected the state of relations between the two states.

Like some neighbouring countries of Southeast Asia, Singapore has been a witness to historical Communist insurgencies of the 1950s to realise that although China's ideological thrust may have waned, China can still be assertive in pursuing its objectives and strategic interests. The growing relevance of the maritime domain of this region has led Singapore to resort to a modest amount of hedging against China. Singapore has often come under the sway of Chinese influence as the country possesses a bulk of Chinese population. Nonetheless, Singapore has tried to maintain independent foreign relations with other countries. Singapore's trade talks with Taiwan (2002) to Deputy Prime Minister Lee Hsien Hoong's visit to Taipei (2004) is a reflection on Singapore's ability to formulate an independent foreign policy. However, one cannot deny China's very strong trade engagements with Singapore strengthened by a China-Singapore Free Trade Area signed in 2009. This trade engagement has also given China the scope to strengthen its relations with ASEAN, as China views its relationship with Singapore as a pathway to ASEAN-China relations. The 2012 CRS Report provides that China's naval modernization effort, which began in the 1990s, is expanding in quantity and improving in quality. Singapore has thus, undertaken contingency preparation that may arise from tensions in the maritime domain, including emerging threats of maritime crime and terrorism. On its behalf, it seems justified that Singapore should maintain a sustained relationship with the United States and support its naval presence in the maritime domains of the Indo-Pacific Region.

It also provides an opportune moment for India to harness the forces of engagement and cooperation with Singapore to establish a long and sustained relation. Sharing the waters of the Indo-Pacific Rim, both the countries are also worried about China's overtures in the maritime sphere. India is prepared to strengthen defence ties with Singapore and has initiated defence dialogues and limited joint exercises. Increased engagements between the two countries will become necessary in context of an evolving strategic landscape in the region.

Thailand

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There continues to be constant speculation about the role of Thaksin Shinawatra in the present Yingluck Shinawatra led government in Thailand. Following the devastating floods, the Thai economy has concentrated on a comprehensive growth strategy for the agricultural sector to evolve into the 'kitchen of the world'. India's bilateral relations with Thailand received a fillip with Yingluck Shinawatra's visit to India and the subsequent conclusion of a Memorandum of Understanding on defense cooperation.

Thai Prime Minister Yingluck Shinawatra inherited the legacy of her brother Thaksin Shinawatra and it loomed large over her political career. The initial six months of her government were filled with scepticism about whether Thaksin will rule the country through his sister or does she herself have something to offer. She initiated populist policies like the increase in the daily wages and better price for the paddy crops. This was very much in sync with the Thaksin policies which emphasised on better facilities for the agricultural sector, subsidies and easy loans to farmers. In September 2011, the Yingluck government 'managed' to secure a visa for Thaksin's visit to Japan despite the fact that Japan does not issue visas to convicted persons. Thaksin has been evading arrest in Thailand on grounds of the disproportionate assets and tax evasion. Although Thaksin declared that he would not interfere with the functioning of the government, his loyal cabinet ministers have been following instructions from him, thereby undermining the effective control of Yingluck over the functioning of the government. With Thaksin determined to return to Thailand, the political struggle looks tough for Yingluck as she is likely to face opposition, coup threats and even street protests if the possibility of Thaksin's return edges closer.

The floods devastated the Thai economy to a large extent. According to the estimates of the National Economic and Social Development Board (NESDB) the devastating floods in last quarter of the 2011 led to a drop of 9 percent in Gross Domestic Product (GDP). Although this drop was preceded by the rise of 3.7 percent in GDP in the previous quarter it put the Yingluck government to test in the light of what she offers to the population as post-flood relief.

It is expected that in 2012 Thai economy would grow by 5.5-6.5% spurred by the increased domestic consumption and encouraging performance by the real estate sector. The Board of Investment (BOI) of Thailand released the figures for January 2012 in which Foreign Direct Investment (FDI) augmented by 60% on a year-on-year basis. The increase reflected foreigners' confidence in Thailand after it was hit by the flood. As per the BOI estimates, the FDI has been mostly in metal, machinery and transportation, followed by electronic and electrical appliances, chemicals, pulp, paper, paper products, plastics and its derivatives. The encouraging sign was the fact that investment also trickled in into the infrastructure sector.

Thailand also announced its international agriculture strategies (2012-2016), approved on March 12, 2012, which listed out the comprehensive strategy for the growth of the agricultural sector. It highlights the need for Thailand to become the "Kitchen of the World". As part of strategy, Thailand would take steps for the promotion of agricultural products like rice, sugar, and tapioca in the international market. Thailand would also make efforts to overcome protectionist tendencies in the international market. It proposes to provide financial and personnel support for research and development, better production technology, and transfer research knowledge to the farm sector.

In terms of foreign policy, Thailand has been trying to win over friends and striving hard to keep contentious issues on the back burner. Therefore, in her initial days Yingluck undertook visits to Brunei, Laos, Indonesia, Cambodia and Malaysia. Brunei was among the first countries to send its approval for the visit since it was meant to reinvigorate trade and investment ties with the Sultanate. Thereafter, Yingluck visited Indonesia to get the Indonesian counterparts onboard for the mediatory role in the southern Thailand insurgency. Indonesia has proposed for mediation of

the long standing insurgency which has religious overtones between the Buddhists and the Muslims. The Cambodian visit came quite late in September 2011 and was mostly at the behest of his brother who was stated to have facilitated the amicable joint statement. Thaksin was the adviser to the Cambodian government for some time while he was in exile. Thailand has been balancing the US and China while at the same time trying to work on a long lasting relationship with its neighbour Myanmar. It is working out modalities for the closing of refugee camps along its border to initiate dialogue with the Myanmar government for the return of the Myanmar's minority refugees back to their country.

India's relations with Thailand received a fillip when Yinluck Shinawatra visited India as the Chief Guest for the Republic day parade as part of state visit to India from January 24-26, 2012. India has been maintaining very cordial relations with Thailand especially after the visit of the then Prime Minister Abhisit Vajirajiva in April 2011 who outlined areas of cooperation between the two countries. As a corollary to the earlier visit of her predecessor, Yinluck Shinawatra in the joint statement released during her visit to India, emphasised on the deepening of bilateral relations, stressing on regional security, education, health, science and technology. However, the main focus was on the early conclusion of the negotiations on bilateral Comprehensive Agreement on Trade in Goods, Services, and Investments. Thailand has been investing in India in sectors like infrastructure development including ports and highways, automobile spares, food processing, power, as well as tourism. Thailand has been getting Indian investment from companies like Tata, Mahindras, Kirloskars, Reliance and Birlas in sectors like IT, electronics, manufacturing and automobiles. During the visit a Memorandum of Understanding on Defence Cooperation was signed, emphasising on defence exchanges, starting of bilateral Defence dialogue, coordinated patrols and cooperation on terrorism and transnational crime. Issues like connectivity, people to people exchanges and non-traditional security issues were also highlighted.

Vietnam

Dr. S.D Pradhan, Former Deputy National Security Advisor and Secretary, NSCS, Government of India.

The South China Sea issue remains sensitive to Vietnam, and seems elusive to any solution as China refuses to discuss the matter at any multilateral forum. Despite differences over the South China Sea issue, Vietnam maintains cordial relations with China to preserve peace and stability in the region. India-Vietnam strategic partnership focuses on political and diplomatic cooperation, economic and defence cooperation and people to people contacts.

Vietnam is a 'law governed socialist state under the leadership of the Vietnamese Communist Party (VCP)'. The Government is the highest body of State administration of the Socialist Republic of Vietnam. The Government administers the implementation of the State's affairs in the fields of politics, economics, national defence, security and foreign relations. It ensures the efficiency of the State apparatus from central to grassroots levels. The economy of Vietnam is in good shape with annual average of GDP growth rate around 7.5 percent. The economic structure has gradually shifted to industrialization and modernization. While industrial production value

has on an average increased by 15.9 percent, agricultural production has on an average increased by 5.5 percent during the last five year plan period. The 11th Congress of VCP in May 2011 spelt out the priorities of Vietnam's national and foreign policy. Vietnam placed diplomacy in the forefront to maintain peace, stability and national security in the region. The 11th Congress also directed that Vietnam should anchor itself to ASEAN and promote relations with neighbours and important powers like China and United States. One of the main areas of concern for Vietnam is to maintain peace and resolve the South China Sea dispute. The country is also looking to engage with other regional powers to enhance its defense capability and induce economic development to become a "modernity-oriented industrialised country" by 2020.

The South China Sea dispute has been responsible for generating tension between different claimants of Paracel and Spratly Islands. There are overlapping claims made by nations around the South China Sea. While China claims most part of the South China Sea, countries like Vietnam, Philippines, Taiwan, Brunei and Indonesia too are staking their claims. In 2002 ASEAN and China signed an agreement on the Guidelines for the implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC). There has been virtually no progress made on the agreement mainly because of China's refusal to discuss the issue at a multilateral forum. However, in 2011 an important development took place where an agreement was reached at the ASEAN- China Foreign Ministers' meeting on July 21, 2011 at Bali. It was agreed that the differences between the claimants would be resolved peacefully through friendly negotiations on the basis of an international law, particularly 1982 UN Convention on the Law of Sea. Since then, all the involved countries are making efforts to prepare an acceptable draft. ASEAN Foreign Ministers have agreed to set up a working group to draft a Code of Conduct and have also proposed an action programme for the implementation of the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity for the period of 2011-15. Despite the dispute on the South China Sea with China, Vietnam has made efforts to engage with China in view of its broader objectives of foreign policy and for maintenance of peace in the region. There have also been several high level exchanges recently between the two countries. China and Vietnam have signed a key pact in mid-October 2011 during the visit of General Secretary of the Vietnam Communist Party Ngyun Phu Trong to end their maritime disputes. Both sides agreed to ensure steady progress in negotiations regarding the maritime demarcation of areas beyond the mouth of the Gulf of Tonkin. This was followed by the visit of the Chinese Vice President Xi Jinping to Vietnam in December 2011, who met the Vietnamese President Truong Tan Sang and called for more sustained efforts to develop a joint action plan on a comprehensive strategic partnership. China- Vietnam trade has reached over \$ 140 bn in 2011 which is almost 33 percent higher from the previous year.

India and Vietnam have a long history of close relations. This bilateral relation was formally strengthened by "strategic partnership" in 2007. The three main pillars of India-Vietnam strategic partnership are political and diplomatic cooperation, economic and defence cooperation and people to people contact. The visit of Vietnamese President Truong Tan Sang in October 2011 to India saw a realization in both the countries for revision of the strategic partnership. The agreements signed during October 2011 included a commitment to increase trade to \$7 bn by 2015 from \$ 3.5 at present, extradition treaty, work plan for raising agriculture production 2011-13, MOU on tourism and sports and more importantly cooperation between Petro Vietnam and OVL of ONGC in the South China Sea. The Indian PM's statement during the visit of

Vietnamese President made it clear that Vietnam and India are maritime neighbours and have several common security challenges ranging from terrorism and piracy to natural disasters. A biennial security dialogue had been agreed upon between the Indian Ministry of Home Affairs and its counterpart in Vietnam on these issues. In addition, both the countries wish to ensure the safety and security of vital sea lanes of communications. Several other areas of cooperation were also identified like people to people exchanges, sharing of information and communication technologies and also conservation of Indian cultural relics in Vietnam. Both the countries are cooperating at various international and regional forums on issues such as UN reforms, Mekong –Ganga Cooperation project and also on the ASEAN platform. In defence sector, India is providing training to Vietnamese personnel and is helping Vietnam in the maintenance of its defence equipment. The year 2012 is celebrated as the Year of Friendship to mark the 40 years of the establishment of diplomatic relations between the two countries and 5 years of strategic relationship. An Institute of Indian and South-West Asian Studies has been established that has entered into an agreement with an Indian institute for encouraging exchange of scholars between the two countries. Recent initiatives of Vietnam in international affairs reflects its maturity to manage the sensitive issues dexterously while keeping focus on the resolution of the South China Sea and maintaining good relations with foreign countries.

Australia

Ms. Anindita Sarker Das, Research Assistant, Global India Foundation

The change in government has opened new vistas of economic cooperation in Australia. Alongside the free trade agreements, Australia proposes to build closer ties with the Asia Pacific and South-east Asian regions. Bilateral relations between India and Australia show marked signs of improvement in the direction of new business and investment initiatives.

Julia Gillard's government in power has led Australia to inculcate changes in the very core of Australia's domestic and foreign policy orientations. Australia has maintained a stable liberal democratic political system which functions as a federal parliamentary democracy and constitutional monarchy.

The year 2012 has brought the fractions of Australia's domestic and international politics into limelight. Changes in ministries offer opportunities for revision. This change is vindicated in the appointment former New South Wales Premier Bob Carr as Australia's new Foreign Affairs minister, who promises a vision of change given the magnitude of his political charisma. Bob Carr's immediate priorities on assumption of office focused on improving relations with neighbours like Indonesia and Malaysia. Acknowledging the importance of the ethos of multilateralism within the frame of contemporary international dynamics, Australia recognises the importance of strengthening bilateral relations with the rising Asian Giants, India and China.

Australian foreign policy, over the years has reflected an institutional focus on multilateralism to secure a greater role for Australia in World Affairs. The consolidation of Australia's membership in the G20 bears testimony to this. Australia is a part of the Australia-New Zealand-U.K Agreement and the Five-Power Defense Arrangement. It is also a part of similar arrangements with Britain and New Zealand to ensure the security of Singapore and Malaysia. Australia

participates in a Trilateral Security Dialogue with the United States and Japan. As an active member of the ASEAN Regional Forum (ARF), Australia has devoted attention to relations between developed and developing nations, with particular emphasis on the 10 member countries of the ASEAN and the island states of the South Pacific.

Australia is the world's 13th largest economy with the 5th highest per-capita income. Australia was ranked third in the 2011 Economic Freedom Index followed by Hong Kong and Singapore and continues to provide an optimum environment for business and investment. With a stable, strong economy Australia can be expected to maintain a steady growth rate. The International Monetary Fund (IMF) in the World Economic Outlook predicted a 3 percent growth in the Australian economy during this fiscal on the presumption that the economic situation in Europe and the United States shows signs of lesser volatility. The economy is significantly trade oriented but the government is trying to diversify the economy into other sectors to facilitate a more rounded economic development.

The economy has received a boost from the expansion of mining and natural resources. The Australian economy was ranked the fastest growing advanced economy in the world in 2011 with a Gross Domestic Product (GDP) of approximately US\$1.6 trillion. Australia has entered into free trade agreements with ASEAN, Chile, New Zealand, Singapore, Thailand, the United States and the EU to foster better economic prospects. Travel and transportation are among the major services that Australia deals in with the European Union (EU). The EU is Australia's third-largest trading partner in education-related services after China and India.

India-Australia economic relationship has grown significantly in recent years and shows the potential to increase further if India were to continue on its development trajectory. Trade between the two nations is expected to touch \$40 billion in next three years. On May 12, 2011, the Australian Minister of Trade, Craig Emerson and the Indian Minister for Commerce and Industry, Anand Sharma formally launched negotiations to conclude a Comprehensive Economic Cooperation Agreement (CECA) between the two countries.

The initiatives to improve economic and strategic relations with India have endowed the government with greater prospects for the future of bilateral relations. On previous occasions, bilateral relation between the two countries have suffered on several pretexts - Australia's refusal to sell uranium to India, the spate of racial attacks on Indian students in 2009. However, the Julia Gillard's led ruling Labor Party's decision to lift the ban on the sale of uranium has helped thaw relations between the two countries. The appointment of Bobb-Carr as the Foreign Affairs minister is further expected to improve bilateral relations with India. The main predicament in bilateral economic ties has been over the fact that India has not been able to adequately access the Australian market. Nevertheless, there has been strong Indian interest in investing in Australia's resource deposits that may benefit from the free trade initiatives. Regional security concerns have also brought the two countries closer. Both the countries are seized with the challenges of maritime security, especially relating to piracy and the freedom of navigation. The Australian Defence Minister Stephen Smith's three-day visit to India in December 2011 demonstrated Australia's desire to deepen strategic engagement with India.

Countries in the Asia-Pacific region have experienced rapid economic development accompanied by changes in their political systems. As Australian economy develops closer trade and investment ties with Asia, it becomes increasingly imperative for the ruling elite and its political representatives to revisit its old isolationist and chauvinistic policies.

Democratic Republic of Korea (North Korea)

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North Korea's non-committal adherence to assurances and persistence with its nuclear weapons programme has caused intense security apprehensions in the region and earned it international ire, amidst the prospective possibility of retaliation from the U.S. However, the possibility of tough action against the regime beyond rhetoric and non-enforceable U.N resolutions remains dim.

Communist ruled Democratic Republic of Korea (North Korea) has once again demonstrated that it would continue to uphold its nuclear weapon ambitions, and irrespective of the apparent concessions it agrees to, it would steadfastly adhere to its genre of totalitarianism and militarism under the Kim dynasty that has governed the country since the Korean War (1953).

The three generations of governance by the dynasty began with Kim Il-sung, followed by his son, Kim Jong-Il and grandson, Kim Jong-un. Kim-Jong-Il was posthumously bestowed with the military title of 'Generalissimo', a rank enjoyed by his father, Kim Il-sung. In February 2012, North Korea announced it would celebrate the birth centenary of its founder leader to commemorate his and Kim Jong-Il's contributions and prepare the nation for the succession of Kim-Jong-un as the next Supreme Leader. Following the death of Kim-Jong-Il, Kim-Jong-un was hailed as the 'Great Successor' and Chairman of the National Defense Commission. The endorsement and ratification of this succession by the Korean Workers' Party however, has been no more than a formality.

The dictatorial regime has been able to hold on to all levers of power in the country. In the absence of freedom of expression or association and in the face of brutal suppression of dissent, political prison camps and executions, an improvised mass has been unable to mount any protest against continued communist domination. The government denies the existence of political prisoners and labour camps but researchers have collected evidence of political repression, torture and executions. It is estimated that more than 150,000 political prisoners are held in secret camps mostly in the mountainous regions. Many out of the estimated 30,000 North Korean refugees in Seoul have spent years in these camps. Their account of the totalitarian system and its methods and instrumentalities presents a grim picture of the prison camps. In a succession of resolutions, the UN General Assembly has raised serious concerns about "systemic, widespread, and grave violations of civil, political, economic, social, and cultural rights" in North Korea. VititMuntarbhorn, the United Nations special rapporteur on human rights in North Korea has documented innumerable instances of "harrowing and horrific human rights violations".

North Korea insists that it needs nuclear arsenal to defend itself given the military presence of a hostile U.S in South Korea and Japan. Increased military capability and technological prowess is necessary for the country to showcase its achievements to the world and attract international buyers for North Korean weapons, its most significant export item.

In end February 2012, North Korea had reached an agreement with the US for the desperately needed food aid in exchange for partial freeze on the country's nuclear activities, with a moratorium on its missile tests. The announcement of the plan to launch a rocket to mark the birth-centenary of Founder, Kim-Il-sung caused intense speculation over the nation's commitment. Though the Korean government maintained that the launch was only intended to place a satellite in orbit, the U.S believed that the exercise was meant to test a long-range missile. For a change, North Korea even permitted the presence of select journalists, albeit under strict supervision, to witness the launch. While U.S, South Korea and Japan raised an international alarm over the launch, China insisted on 'dialogue and communication'. The U.S maintained that the launch would violate North Korea's obligations under the U.N Security Council resolutions, while both Japan and South Korea threatened to shoot the rocket down if their territory were violated. The failure of the launch however, came as a big relief for the US, South Korea and Japan. Pyongyang acknowledged the embarrassing failure but also warned South Korea of 'special actions', by 'unprecedented peculiar means and methods of our own style'.

In view of the rocket launch (long-range missile test), U.S announced the suspension of the February deal. The suspension was considered a 'hostile act' by North Korea and it announced that the suspension would enable it to 'take necessary retaliatory measures, free from the agreement'. This has meant that North Korea would no longer allow the return of the inspectors from the International Atomic Energy Agency and possibly go ahead with a third nuclear test.

North Korea had first carried out a nuclear test in 2006 and followed it by yet another test in 2009. The second test was preceded by North Korea walking out of an international dialogue meant to end its nuclear activities. The current standoff signals the country's preparedness to go in for a third nuclear test. The government has clarified that it is no longer bound by the February 2012 agreement. The incident is reminiscent of the developments prior to North Korea's second nuclear test, which preceded Pyongyang's declaration that it were not bound by the provisions of the 1953 truce that ended the war between North and South Korea. Many analysts believe that North Korea would now opt for a uranium enriched nuclear device for its third test and attempt manufacturing a nuclear warhead that can be mounted on a long-range missile.

The possibility of tough action against the regime beyond rhetoric and non-enforceable U.N resolutions is dim. The North Korean leadership may not hesitate using nuclear weapons in the face of a certain defeat. The specter of the country crashing down would hugely impact the neighbouring South Korea as well as China and Japan. For the South Koreans though, stability and their own economic wellbeing is more paramount than the humiliation of its belligerent neighbour, even if that achieves the goal of unification. War and instability in Korea is not in the best interest of China either. Even as it discourages international action, China remains equally concerned about the North Korea's nuclear programme and the implications of the same for the region.

Japan

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Prime Minister Hatoyama's advocacy of an 'East Asian Community' led many analysts to expect a historic shift in Japanese foreign policy so as to limit the scope of Japan-U.S. alliance and instead, increase coordination with neighboring countries on regional challenges. A series of provocations from North Korea and indications of growing assertiveness from the Chinese military in disputed waters have impeded the pursuance of the 'vision'.

When voters in Japan handed a landslide victory to the Democratic Party of Japan (DPJ) in mid 2009 ending five decades of almost uninterrupted rule by the Liberal Democratic Party (LDP), there was a considerable uncertainty in the international community regarding the future course of Japanese foreign policy. There were five main tenets of DPJ's envisioned 'independent diplomacy':

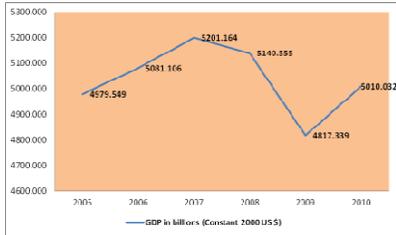
- Pursuing a more 'mature' alliance in which Japan is less dependent on and deferential to the United States
- Re-establishing Japan as a 'member of Asia' through economic and trade initiatives, historical reconciliation and multilateral institution building
- Contributing to international security through the UN, with Japan providing finance, peacekeepers and an impetus for reform
- Working for nuclear disarmament via international, regional and modernizing bilateral diplomatic efforts
- Modernizing Japan's national security apparatus to prioritize citizen rights and taxpayer savings

Prime Minister Hatoyama's commitment to relocate the U.S. military's Futenma Marine Air Station on Okinawa and his advocacy of an 'East Asian Community' led many analysts to suggest that a historic shift in Japanese foreign policy would occur under the DPJ. The country would limit the scope of the Japan-U.S. alliance and instead, increase coordination with neighboring countries on regional challenges. A series of provocations from North Korea and indications of growing assertiveness from the Chinese military in disputed waters have impeded the pursuance of the DPJ 'vision'. The new National Defense Program Guidelines (NDPG) exhibits a new appreciation for the need of Japan's Self Defense Force (SDF) to respond to threats quickly and effectively. In June 2011 U.S. Secretary of State Hillary Clinton and Secretary of Defense Robert Gates convened a Security Consultative Committee (SCC, or "2+2" meeting) with their Japanese counterparts. It was the first SCC held in four years and the first

since the DPJ government took power in 2009. It remains to be seen if the DPJ government’s reorientation towards the United States is more than ‘reluctant realism’. This is because the Japanese economy continues to struggle with severe economic downturn. Japan’s export oriented economy was hit hard by the global financial crisis and the subsequent devastating earthquake and tsunami in March 2011 has further worsened the situation.

In 2011 with real GDP loss of almost 1 percent and the first recorded trade deficit in more than 40 years, the IMF has downgraded its projections for Japan’s economic growth in 2012 from 2.3 percent to 1.7 percent. Exports, which increased 24.2 percent in 2010, increased just 0.02 percent in 2011. Borrowing to fund a reconstruction would add to Japan's already high national debt, which was running at almost 200 percent of GDP prior to the disasters. In november 2011, the Japanese government had committed 18 trillion yen (US\$234 billion at the time) to a reconstruction fund, but it is likely that more funds will be needed.¹

Fig 1: Japan’s Gross Domestic Product (GDP)



Source: World Development Indicators, World Bank (2011)

In fact exports to Asia have underpinned the recovery of the Japanese economy with Japan now sending more than half of its exports to the rest of the booming continent. At the same time choices facing Japan vis-à-vis China are not easy. With China overtaking Japan to become the world’s second largest economy, the rivalry between the two countries has become more pronounced and has brought the Japanese economic dependence on China into sharper focus.

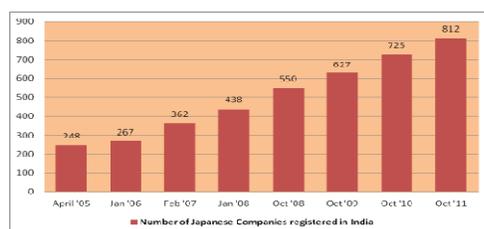
There has been tangible improvement in India-Japan economic relations in recent years as economic relations between India and Japan have gathered momentum after several years of stagnation.

Fig 2: Regional Share in Total Exports of Japan



Year	Regional Share in Total Exports of Japan (%)					
	China	ASEAN	Korea	US	India	EU
2005	13.4	12.7	7.8	22.6	0.6	14.7
2006	14.3	11.8	7.8	22.5	0.7	14.5
2007	15.3	12.21	7.6	20.12	0.86	14.8
2008	15.99	13.25	7.6	17.55	1.01	14.1
2009	18.9	13.9	8.1	16.1	1.1	12.5
2010	19.4	14.7	8.1	15.4	1.2	11.3
2011	19.7	15.0	8.0	15.3	1.4	11.6

Fig 3: Number of Japanese Companies in India



The number of Japanese companies with business operations in India has doubled in three years. The sectors attracting Japanese investment are automobile industry, electrical equipment, trading, service sector (financial & nonfinancial), and telecommunications. The factors that have contributed to the changing Japanese perception of the Indian economy include economic growth despite the global economic downturn; domestic demand; projections of expansion of India's working population aged 15-64 over the long term; strengthening ties with other East Asian economies particularly South Korea; and geo-strategic position of India to develop as a production and export base for the growing market in the Middle East and Africa. The institutional framework to further accelerate and consolidate business activities between India and Japan has been put in place with the Comprehensive Economic Partnership Agreement (CEPA) that came into effect in August this year. As part of the CEPA, India will eliminate tariffs on 90 per cent of its imports from Japan, and Japan will remove tariffs on 97 per cent of Indian imports on a trade value basis within 10 years. India's economic growth is thus extremely favorably placed in Japanese perspectives and is generating strong imperatives for Japan to engage with India in a substantial manner. The Japanese Prime Minister Noda's visit in

December 2011 has reaffirmed this. The key announcements during this visit included a revised bilateral currency swap arrangement from 3 to 15 billion US dollars and the intention of the Government of Japan to make available for Delhi-Mumbai Industrial Corridor (DMIC) projects public and private finance totaling US\$ 4.5 billion in the next five years. The Indian policy makers need to actively encourage and foster bilateral economic engagement and enlist Japan as an important partner in our long-term growth strategy.

People's Republic of China

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The rise of China is perceived as an opportunity on one hand and as a threat on the other. China envisions a 7 percent growth target in its 12th Five Year Plan (2011-15). Despite signs of slowdown in the economy, the government seeks to refurbish its economy by along the yuan to float more freely. China defends its assertive foreign policy in terms of the preservation of its core national interests (*hexin liyi*).

The rise of China as an emerging global power is largely undisputed. This phenomenon is being debated and analysed by scholars at various levels. On the one hand, China is seen as an opportunity and on the other, a challenge. Given China's expanding Comprehensive National Power and its rising profile in international politics, its economic and political as well as foreign and security related developments have attracted great attention across the globe.

The initiation of Deng Xiaoping's economic reforms and opening up of the economy in 1978 led to an impressive growth in past 30 years to become the second-largest economy of the world. China used economic means in its diplomacy quite prudently. However, China's economic diplomacy also faced challenges in protecting overseas investment interests and had to deal with various disputes related to trade and exchange rate in 2011.

China has planned an economic growth target of 7 percent for its 12th Five Year Plan (2011-2015). China's annual economic growth rate has been set at 7.5 percent for the year 2012. A lower growth rate (as compared to previous years) has been planned to achieve an inclusive growth for its people and enable a shift to an energy conserving and environment protecting economic model of development.

There have been signs of slowdown in the economy in recent years. China has posted a **trade deficit** of \$31.5 billion in February 2012, the biggest in a decade as imports increased faster than exports. The valuation of China's currency - yuan has also been an issue of debate worldwide. Speaking at the annual session of the National People's Congress (NPC), Premier Wen Jiabao said that he "feels sorry" about the problems that the economy has had to deal with during his tenure. He announced that **China** would reform its currency regime and allow the yuan to float more freely. China proposes to extend yuan denominated loans to BRICS (Brazil, Russia, India, China and South Africa) countries which marks a step forward in the internationalization of its currency. The Chinese Development Bank (CDB) may sign a Memorandum of Understanding with BRICS partners during the fourth BRICS Summit in New Delhi (March 28-29, 2012).

The issue of political reforms has come to a critical stage now. Chinese Premier Wen Jiabao admitted that without a successful political reform it will be impossible for China to institute economic reforms “and the gains we have made in these areas may be lost, and new problems that popped up in the Chinese society will not be fundamentally resolved, and such historical tragedies as the Cultural Revolution may happen again in China.” The CCP is more upset by domestic problems especially the rise in social inequality and corruption in China which poses a serious threat to its legitimacy.

China became difficult to deal with as it exhibited increasingly assertive behavior towards several of its Asian neighbours. Although most western observers emphasise on a potential threat from China’s posture, Chinese scholars interpret it in terms of her defense of ‘core interest’ (*hexin liyi*). China’s declaration that South China Sea is a ‘core national interest’ vindicates her stand on issues. This expansion of core interest by China has alarmed neighbouring countries especially those who share land or maritime borders with China. Such declarations, along with remarks over the People’s Liberation Army’s (PLA) military strategies vis-à-vis neighbouring countries have further fueled the debate about the “China threat”.

The Chinese media has highlighted that future order in the Asia Pacific depends on a contest between China and the US. However, China’s maritime disputes with its neighbours have been influenced greatly by geo-political considerations and increasingly vocal nationalism, attributed to China’s growing assertiveness in international affairs.

The ‘Arab Spring’ has been a focus of attention in world affairs. The Chinese position on Syria is different from most others and ignores the ground reality of Syria. China exercised its veto to block the United Nations (UN) Security Council from passing a resolution calling for the Syrian president to step down in February 2012.

India’s relations with China are multidimensional and complex. Both countries have long standing border disputes. Various issues including China’s build up in Indian Ocean, Chinese plan to build a dam on Brahmaputra river in Tibet and issue of oil and natural gas exploration in South China Sea has dominated India-China bilateral relations in recent past.

India’s bilateral trade with China crossed 67 billion dollar in 2011. However, economic relations also present a complex picture. Investment flows between the two countries have not kept pace with trade. Indian investment in China is just a total of US\$ 433million, while Chinese investment in India is only about US\$ 300 million. Further, issues of trade imbalance, diversifying the trade basket and commercial disputes have created irritants in the bilateral economic relationship.

Both countries have taken important initiatives to build trust and strengthened relationship. The 15th meeting between the Special Representatives of India and China on the Boundary Question took place in New Delhi on 16-17 January 2012. During this round, the two sides continued their discussions on a framework for a resolution of Boundary Question and agreed to establish “Working Mechanism for Consultation and Coordination on India-China Border Affairs” to deal with important border issues and to ensure peace along the border.

India and China have decided to start a bilateral maritime dialogue to boost mutual trust. This is a very important confidence building measure. The decision came after a meeting between External Affairs Minister Mr S M Krishna and his China's Foreign Minister Mr Yang Jiechi who visited India in the run up to forth BRICS summit in Delhi.

Republic of China

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Despite being overshadowed by Mainland China, Taiwan has retained a unique identity that contributed to its economic success story. Taiwan has relaxed restrictions on unofficial contacts with China over the years providing significant impetus to cross-Strait interaction. Cooperation with India primarily deals in IT and related areas.

Devoid of diplomatic status and overshadowed by Mainland China, Taiwan has maintained a unique identity of its own developing itself into a regional voice and economic success story overcoming several constraints over the decades.

While today the Republic of China (Taiwan) and the People's Republic of China (China) have inched closer than before, Taipei makes conscious efforts to maintain its political identity. Beijing's attempt to develop a special economic zone with joint Taiwanese management has irked Taipei as it views the initiative as a ploy by the Mainland to make political inroads into Taiwan.

Despite the separation since civil war, China considers Taiwan a part of its territory and is determined to assimilate the island within its geo-political space. The civil war between Chiang Kai-Shek's KMT and Mao Zedong's CCP began prior to WWII and ended in 1949 with 2 million refugees from the Nationalist government, military and business communities fleeing to Taiwan. In October 1949 the People's Republic of China was founded on the Mainland by the victorious communists. Chiang Kai-shek established a "provisional" Republic of China (R.O.C.) capital in Taipei in December 1949.

During the 1950s, the KMT implemented far-reaching and highly successful land reforms in Taiwan. They redistributed land among small farmers and compensated large landowners with commodities certificates and stock in state-owned industries. Though this left some large landowners impoverished, others used their compensation to start commercial and industrial enterprises, marking the genesis of Taiwan's industrial capitalists. Along with refugee businessmen from the Mainland, they managed Taiwan's transition from an agricultural to an industrial economy.

Through decades of hard work and sound economic management, Taiwan resurrected itself into an economic power as a leading producer of high-technology goods. In the 1960s, foreign investment in Taiwan helped introduce modern, labor-intensive technology enabling Taiwan become a major exporter of labor-intensive products. In the 1980s the focus shifted towards increasingly sophisticated capital and technology intensive products and the development of a service sector. Taiwan developed steadily into an international trading nation with its volume of

trade amounting to U.S \$526 billion (2010). Taiwan's accession to the World Trade Organization (2002) expanded its trade opportunities and further strengthened its standing in the global economy.

Prosperity on the island has been accompanied by economic and social stability. Chiang Ching-Kuo began the liberalization of Taiwan's political system with the process receiving further impetus under President Lee Teng-Hui. The electoral victory of Chen Shui-Bian (Democratic Progressive Party) in March, 2000 marked the beginning of peaceful democratic transfer of power in Taiwan.

Prior to 1986 elections, several "nonpartisan" groups came together to create the Democratic Progressive Party (DPP). The DPP and independent candidates captured more than 20% votes in the 1986 elections. In 1987, President Chiang Ching-kuo ended almost four decades of martial law and since then Taiwan has worked to improve standards of human rights, created a democratic political system and lifted restrictions on free press.

Under President Lee, the Parliament passed the Civic Organizations Law in 1989, which allowed the formation of new political parties, thereby legalizing the DPP. In 1996, the KMT's Lee Teng-Hui was elected President and Lien Chan Vice President in Taiwan's first popular participatory elections. In a three-way contest in March 2000, the DPP candidate Chen Shui-bian became the first opposition party candidate to win the presidency. His victory resulted in the first-ever transition of the presidency from one political party to another, validating Taiwan's democratic political system. President Chen was re-elected by 50.1% of the popular vote to a second term in a very tight contest on March 20, 2004.

Taiwan's second democratic transition from one ruling party to another followed the March 22, 2008 presidential election, which went decisively (58%) to KMT candidate Ma Ying-jeou. In his first term, President Ma's administration resumed the cross strait dialogue, expanded the frequency of flights, and in a major step to enhance cross strait relations signed the Economic Cooperation Framework Agreement with Beijing. The January 2012 presidential and legislative elections were held concurrently for the first time according to a 2004 constitutional amendment. In the presidential race, incumbent Ma Ying-Jeou was re-elected by a 6-point margin over DPP candidate Tsai Ing-wen.

Over the years Taiwan has relaxed restrictions on unofficial contacts with China, giving a significant impetus to cross-Strait interaction. In January 2001, Taiwan formally allowed the "three mini-links" (direct trade, travel, and postal links) from Kinmen (Quemoy) and Matsu Islands to Fujian Province and permitted direct cross-strait trade in February 2002. Cross-Strait trade has grown rapidly over the past 10 years with China emerging as Taiwan's largest trading partner, and Taiwan as China's seventh-largest. Estimates of Taiwan's investment in the Mainland, both officially approved by Taiwan authorities and in terms of investment made by the Taiwanese firms through third parties range from \$110 billion to over \$300 billion, making Taiwan and Hong Kong by some measures the two largest investors in China. This trade generally runs in Taiwan's favor and continues to grow, providing yet another engine of growth for the economy.

Following 6 months of negotiations both the sides signed an Economic Cooperation Framework Agreement (ECFA) in 2010 to promote cross-Strait liberalisation of trade in products and services and eventually creating a free-trade regime. Since the ECFA a total of 558 weekly cross-Strait flights were in operation with more than 1.72 million Mainland Chinese visiting Taiwan in 2011, besides the 1.31 million tourists.

India enjoys a special place among the people of Taiwan with contacts growing every year. The Taiwanese consider Indians as intelligent and value their expertise in the information technology sector. In Taiwan, IT is often interpreted as India-Taiwan. India continues to be a strong presence in software development while Taiwan remains a leader in hardware. There is ample scope cooperation based on mutual partnership in such areas. India's economic growth story and culture continue to gain popularity in Taiwan.

Republic of Korea

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Given the evolving power dynamics in the Asia-Pacific, India-South Korea relations assume critical importance. South Korea has emerged into an economic powerhouse and ranks 14th in terms of its GDP. South Korean popular culture, in terms of fashion, television soaps, music (K-pop) has made huge forays among Southeast Asian countries leading to no less than a 'Korean Wave'

South Korea is emerging as an important pivot of India's Asia-Pacific policy orientation. Given the evolving power dynamics in Asia-Pacific, India-South Korea relations will be of critical importance. In fact the preparatory meetings of the external affairs divisions of India and South Korea in the run up to the Nuclear Security Summit further reinforce the trend.

The population of South Korea is roughly 50 million, which is about half the population of Bihar and about 41 million less than that of West Bengal. In spite of smaller territorial size and demographic strength South Korea is an economic powerhouse. It ranks 14th in the world, in terms of Gross Domestic Product (U.S\$ 1,014,483 million) according to a World Bank Study. The impressive GDP does not result from the export of natural resources or the manufacture of cheap and relatively inferior quality products. The strength of the economy lies in the capital and technology intensive industrial strategy. It is estimated that South Korea has one of the largest number of Multi-National Corporations (MNCs). According to the Yale Global Online review some 7,460 MNCs are headquartered in South Korea compared to 3,387 corporations in the US and 4,334 in Japan. While one can contest the operational parameters of such studies, there is no denying the fact that South Korea is home to an impressive number of MNCs. It is home to some of the world's best known MNCs like Samsung, Hyundai, Daewoo and LG.

South Korea's economic achievement is indeed impressive considering the level of destruction and division it witnessed owing to Cold War rivalries. While several countries are seeking to replicate the Korean economic miracle, as the South Korean MNCs are reaping the benefits of globalisation, it appears that the economic miracle is not as much a consequence of free-market economic principles. Ha-Joon Chang in his work, *Bad Samaritans*, contends that South Korean

steel and auto industries received considerable support of subsidies and protection in the form of higher tariffs for international products and it was such protection that enabled South Korea to withstand international competition during the early years of incubation. It is thus not surprising that despite the absence of any natural resource advantage, South Korea has emerged as a leader in steel and auto manufactures. South Korea has also emerged as a leading Foreign Direct Investment (FDI) destination and a fairly large chunk of its own investments have moved into the manufacturing sectors of developing countries. In fact several Southeast Asian countries have benefitted immensely from South Korean FDI.

Along with its economic prowess, the South Korean influence is also being felt in the realm of popular culture in East and Southeast Asia. This can largely be attributed to the economic and technological progress that provided the necessary impetus for the South Korean culture to travel to distant places. During a study trip in Myanmar, I noticed that the hotel staff were avid followers of South Korean soaps, which I presumed were produced by Burmese or Thai production companies. South Korean TV serials have drawn remarkable viewership from Singapore to Tokyo. Korean music (“K-pop”) and fashion have also found a large audience in East and Southeast Asia. This growing popularity has often been referred to as the ‘Korean Wave’ and not surprisingly Dr. Surin Pitsuwan, Secretary-General of ASEAN, compared the ‘Korean Wave’ to the Beatles phenomena in the 1960s.

The increasing economic clout and the growing influence of Korean popular culture have substantially enhanced the soft power potential of South Korea. *Joseph Nye defines soft power as a capacity to generate favourable outcomes through persuasion and attraction rather than through coercion.* Cultural influences and success stories either in economic and/or political realms create an ambience of emulation which in turn may create a congruence of values and policies.

Given its geopolitical context (located in the midst of great powers) and the limitation that comes with it, South Korea in the coming years will have to work hard to further expand the scope and reach of its soft power. The growth of South Korean soft power can also be advantageous for India, as India-South Korean relations have been on an upswing since the last decade. The proliferation of weapons of mass destruction and their delivery systems have created common concerns in Seoul and New Delhi. The level of bilateral trade (\$20.5 bn in 2011) and FDI from South Korea have grown steadily. It is estimated that almost 84 per cent of Korean investment in India has been in the manufacturing sector. The South Korean steel conglomerate, POSCO is setting up a steel plant, with a production capacity of 12 million tons of steel annually, near Paradeep in Orissa. While the project has had its own share of challenges with reference to land acquisition, POSCO’s investment near Paradeep happens to be one of the largest in India. Since its inception, Hyundai Motors invested close to U.S\$ 1 billion in India. Indian companies have also undertaken massive investments in South Korea.

Beyond the realm of soft power, nation-states form alliances and develop partnerships to pool their resources to promote common interests. India and South Korea need to explore this possibility to generate mutually beneficial outcomes. There are many nodes around which such partnership can take place. In the economic sphere, Indian and South Korean companies can develop the existing engagement and explore avenues of enhanced strategic collaboration in third countries. Politically, both countries can share their individual experiences and use it to create a

more lasting presence in South East Asia. India has had strong historical connections and cultural presence in Southeast Asia. India and Korea can explore the possibility of collaboration among artists of the countries, to extend the canvas of cooperation and enrich the scope of their popular culture.

Russia

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Although Russia was adversely affected by the global financial crisis it came out of the crisis due to strong state interventionist strategies. The European debt trail threatens to risk Russia's banking sector. Russia's post-Soviet foreign policy has attempted to create a conducive environment domestic environment for economic reforms while retaining Russia's global stature.

Russian Federation is the largest country in terms of surface area, spanning nine time zones. Emerging from the ruins of the Soviet Union in 1991, the country faced the difficult task of transition from a one party socialist political system to a multi party liberal democracy and from a centrally planned command economy to a market economy.

The 1993 Constitution of the Russian Federation created a political system, often referred to as 'super-presidential' with a powerful president and a relatively weak parliament. The advent of Putin, first as the Prime Minister and later as the President in 2000, changed the equation between the Duma (the popularly elected lower house) and the President. Putin's immense popularity (ensuring clear majority for political party supported by him in the Duma elections of 1999, 2003 and 2007) coupled with his tactful handling of Duma ensured that the legislature became a subordinate organ of the presidency.

In September 2011, Putin announced his intention to return to presidency in 2012 and many predicted another dozen odd years for 'Tsar Putin' (as the presidential term has in the meantime been increased to 6 years). However, the December 4, Duma Election turned out to be a watershed in Russian politics. The opposition believes that the official electoral data were falsified and unprecedented public protest in various parts of the country demanded the cancellation of the elections. The Kremlin ordered probe into these allegations and promised a set of political reforms that would ease registration rules for opposition parties and restore the direct election of regional governors and alongside other electoral reforms. In the absence of any serious opposition, Putin won the Russian presidency in March 2012 with over 63 percent of votes. But observers believe that his moral authority and legitimacy is already compromised and his countrymen are far more assertive and vocal than when he first took power 12 years ago.

Russian economy has been amongst the fastest growing and is the ninth biggest economy of the world in dollar terms. Although Russia was adversely affected by the global financial crisis it came out of the crisis due to strong state interventionist strategies and emergency rescue plans for financial sector. Oil and gas industry which is considered as the backbone of the Russian economy continues to remain crucial. The share of oil and gas exports has gone up from less than

one half of total exports in 2000 to two thirds in recent years. Increasing global oil prices have helped in re-emergence of Russian economy to its pre-crisis level. There are serious attempts to diversify the economy. Besides, the government is promoting modernisation of the military sector which has been lacking in terms of newer technologies and innovation. Russian defense industry has seen continuous decline in the past two decades due to decreasing state investment in the sector on the one hand and strong challenge being posed by the French, German and American companies on the other. The European debt crisis has been putting strong pressure on the Russian banking sector. According to the World Bank, the two foremost challenges before the Russian economy in the coming decades are: first, increasing competitiveness of the economy and second, fostering innovation to diversify the economy.

In the post-Soviet period the main objective of Russian foreign policy has been to create conducive atmosphere for successful domestic economic reforms and to retain Russia's global role. Russia is annoyed by NATO enlargement into Eastern Europe and into the Post-Soviet space (Lithuania, Latvia and Estonia) and possibility of even Ukraine and Georgia (both members of the Commonwealth of Independent States).

In August 2008, Russia took the decisive step to stop Western interference in its backyard, by first repelling Georgian moves in breakaway regions of South Ossetia and Abkhazia and later recognising their independence. This elicited sharp criticism from NATO and the EU. But they pulled back from the brink and refrained from imposing any sanctions against Russia. Since then the two sides have resumed ties with energy security topping the agenda. This illustrates how both Russia and the Western countries are interested in maintaining cooperative ties.

A new era is said to have begun in Russia – US relations with Barack Obama's election as American president and his "reset button" approach. This was followed by resumption of full fledged military cooperation including joint exercises, signing of a landmark bilateral nuclear arms reduction treaty, Russia's ascension to the World Trade Organisation, transit rights for the NATO mission in Afghanistan and Russia's refusal to deliver missiles to Iran. However, Moscow and Washington continue to differ over missile defence and Syria and Russia's continuing involvement in Iran's civil nuclear programme. In recent time, the newly appointed US ambassador to Russia, Michael McFaul, has been targeted by Russian media, politicians and Kremlin youth activists. Though McFaul has attempted to boost trade and favours the repeal of Jackson-Vanik, a Soviet-era amendment that limited trade because of US concerns over Russia's human rights record, the move by some American senators to replace it with new sanctions over human rights under Putin has enraged many in Russia.

Russia's multi-vector foreign policy has been informed by a pragmatic approach and aims at building cooperative relationship with various countries like India and China but in recent years even Pakistan. Russia and India have elevated their ties to privileged partnership in recent times and the two have cooperated in various forums such as BRICS, whose latest summit was held in New Delhi in March 2012. Moscow has also started engaging with Pakistan at the bilateral as well as multilateral levels like the Dushanbe Four (which also includes Tajikistan and Afghanistan).

In the last two decades of its independent existence, Russia has been able to achieve economic and political stability and reassert its global position as an influential player. However, its politics is still marred by criticism about lack of democratic freedom and accountability and its economy remains critically dependent on hydrocarbon exports and needs to diversify.

Kazakhstan

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Kazakhstan has earned uninterrupted global attention in the post-Soviet space owing to its multi-tasking ability of balancing domestic governance within the scope of regional competitiveness, while retaining its position in Asia. The consolidation of the nationalist identity has been a priority with the Kazakh brand poised to reflect its political, economic and cultural parameters.

In the post-Soviet space, Kazakhstan has acquired uninterrupted global attention for its multi-tasking capabilities, positioning itself well within the community of Asia, by balancing its policy of domestic governance on the one hand and maintaining its competitive profile in the Central Asian region on the other. The third leg in this tripod is its Eurasian vision that gives space to a new order of global amity. Kazakhstan is regarded as a success story in terms of good governance. The Kazakhstani leadership has been unwilling to undertake fast-track changes through coalition politics. Instead, it has decided to focus on establishing a strong presidential system. It has set for itself specific targets: consolidating national independence, building authoritative institutions, ensuring inter-ethnic co-existence and modernizing the national economy. Despite debates about introducing pluralism in the parliament either by converting the dominant Nur Otan party into a combination of power circles or through a merger of several small parties, the overall appeal for making the presidency strong, steady and stable, remains. After the presidential elections of May 2011, President Nursultan Nazarbayev is more firmly saddled as the cautious supervisor of the process of political and institutional pluralism in his country.

In the post-independence years, a repertoire of narratives unfolded the shifting discourses about multi-ethnicity. In the wake of criticism of Kazakization as a mobilization drive for Kazakhs at home and abroad (which resulted in the mass exit of Russians), the rhetoric of social harmony proved advantageous for popularizing a 'permissive environment' emphasizing on intra-group relations not only between the Kazakhs and Russians, but also the Mongols and Kazakhs and the Kazakhs and Uyghurs in the borderlands. The non-titular minorities like the Uzbeks and the Uyghurs perceive themselves as autochthonous population of the Shymkent region and the Semire'chie region of Kazakhstan. The harmonization of inter-ethnic relations, based on tolerance and endurance among Kazakhs (dominant in many Kazakh tales and legends) has also been emphasized. The idea of repatriating *oralmany* (the 5 million odd Kazakh returnees spread over south Kazakhstan districts) and their integration based on Kazakh ethnicity has had a huge public mandate. Often, the *oralmany* have preferred to live in the more temperate regions of south Kazakhstan.

The issue of multi-ethnicity has opened up a wide discourse on diversity, transnationalism and multiculturalism. Scholars have differed over their opinions on such issues, with some nostalgia about how a confluence of nationalities has taken place in the Central Asian region and others critical about degeneration of the trend. Recent years have also seen alternative narratives on a Kazakhstan that went out of the regime's control. The image building offensive portrayed in the Hollywood film *Borat* (2006) as a raw satire represented Kazakhstan as a country devoid of values and eroded the regime's monopoly over image-building. The Kazakh government has sharply reacted to the Borat issue.

The consolidation of the nationalist agenda has been at the top of Kazakhstan's wish list. The Kazakh national brand is poised on the country's political, economic and cultural aspects. In the last two decades following Kazakh's independence, the nation's branding has acquired greater attention among academics, policy makers and international relations' experts. Nation-branding involves the aspect of image building to showcase the newly independent republic's credibility in the international arena. The 'economics of competitiveness' also consider the notion of a 'brand' in state rhetoric. This notion of brand of a nation has been used for the development of tourism and improvisation of business ambience in states. Kazakhstan has seen distinct attempts on part of the state to impart this image of a 'brand'. Cultural events organized by the state in the embassies abroad and Diaspora-related commemoration have helped improve Kazakhstan's performance internationally. Kazakhstan has hosted the 7th Winter Asian Games in 2011 and has competed (with Russia) to host the Winter Olympics in 2014. Kazakhstan has obtained the chairmanship of OSCE in 2010 and in 2011 as well as the Chairmanship of the Organization of Islamic Conference (OIC). 'Kazakhstan-2030' strategy defines Kazakhstan's commitment to educational reform (the emphasis being on the Bolashak programme of Nazarbayev University designed for young professionals), energy sector and resource development (oil and gas as levers of economic modernization).

Among several messages that have been promoted in the international media, the one that has been most popular is 'Kazakhstan-the Heart of Eurasia', conveying a more general idea about Kazakhstan as a member of the international community. The book *At the Heart of Eurasia* analyses the motives of the formal transfer of Kazakh capital from Almaty to Astana in 1998 although the real transfer of the capital did not begin before 2003]. The justification of the syncretism of the Astana landscape through architecture (indicated by cupolas on top of the official buildings), the promotional campaigns of Kazakh Ministry of Foreign Affairs about the country being at the crossroads of civilization constitutes a line of branding which is consistent with Nazarbayev's ambitious plan to build a Palace of Nations in Astana that proposes to would house a mosque, a Church and a Buddhist temple all under one roof are further examples of Kazakhstan's nation-branding initiative.

The rationale of making Astana the heart of Eurasia has been explained in Nazarbayev's 2005 monograph *V serdtse Evrazii* and his autobiography *The Kazakh Way*. Another catchy title *The Road to Europe* aims to firmly link the country with the West. The critical reaction to the film 'Borat' can also constitute a brand initiative by reaching out to the international audience by disseminating counter-information about the film that portrays the American journey of a fictional Kazakh director Borat Sagdiyev. This has been conveyed by Robert Saunders in his article in the special issue of *Slavic Review* (Vol 67, No 1, Spring 2008) that reviews the film

Borat: Cultural Learnings of America for Make Benefit Glorious Nation of Kazakhstan. According to Saunders, the film has provided Kazakhstan with a precipitous increase in the global profile of Kazakhstan.

The use of symbols to certify the Kazakh brand is also apparent. The National Flag of Kazakhstan depicts the national colours, sky-blue and golden yellow as well as the iconic figures—the golden sun and the steppe eagle. The pictures of *shanyrak*, showing the cupola of the *yurt* (tent), the three Kazakh *zhuz* (tribe) and the *aul* (village) and *baiterek*, which is the mythical world tree with a widening crown that is interpreted as the Tree of Knowledge, on the Astana emblem symbolize continuity of tradition on the one hand and transition on the other.

In reappraisals of two decades of Kazakhstan's independence, there are varied images of Kazakhstan's performance as a state and its sustainability as a nation. It suffices to say that the country has a far more dynamic role compared to the rest of Central Asia. Its advantage is its economic potential as well as its adaptability with its regional and global partners. What also needs to be considered is the multi-layered Kazakh identity that has imparted a cosmopolitan image to the brand named Kazakhstan.

Kyrgyzstan

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Kyrgyzstan, 'the island of democracy' in Central Asia opted for a Parliamentary form of government by a referendum in June 2010 to ensure greater transparency and openness. The geographical divide within the country is reflected in the social attitudes of the people, corroborating to the orthodoxy or openness. Lack of border settlement, forces of religious extremism, terrorism and water issues continue to plague Kyrgyz foreign relations with its neighbours.

What stands out clearly in Kyrgyzstan's short history as a modern and an independent nation-state since 1991 are its pronounced democratic tendencies. Kyrgyzstan is often referred to as the 'Island of Democracy' in Central Asia. The epithet is well earned, as in 2005 the Kyrgyz people exasperated by economic hardship protested against the rule of President Askar Akayev, and did not give in until he had left the country. A similar pattern was repeated in 2010 when people protested against the rule of Kurmanbek Bakiyev and did not give up until he fled the country. In both the cases the root cause was economic exasperation and these protests were at times accompanied by violence. In June 2010, a referendum was held and the country opted for a constitutional change; a change to Parliamentary form of government from the existing Presidential one. It was felt that a Parliamentary form was more transparent and open. It is noteworthy that Interim President Rosa Otunbayeva, the first women president in Central Asia, voluntarily gave up power setting a historic precedent of a peaceful transfer of power.

Developments in Kyrgyzstan have largely been shaped by history and geography. Historically, Kyrgyzstan was a melting pot of numerous tribes who came from the east, the west and the north. These tribes settled here and retained their distinct characteristics, leading to the emergence of a multiethnic society. Another noticeable feature was that the settlers in the north were nomads.

This outlook has inculcated in the people values of freedom and openness. The Kyrgyz flag symbolises these tendencies. The flag depicts a sun against a red background. The flag has forty rays signifying the equality of the forty tribes that are part of the Kyrgyz nation. It also implies that there never was nor there is a strong elite or a political group/ a Party that could exercise an influence over the political system.

Geographically the Tien Shan mountains cut into Kyrgyzstan in the centre creating two distinct regions; the northern inhabited by the Kyrgyz and the southern region largely by ethnic Uzbeks. The northerners have still retained their nomadic psyche while the southern part lay on the famous silk route and the fertile Fergana Valley leading to a settled way of life. The geographic divide of the country has accentuated ethnic schism as well. This is reflected in social attitudes; the Uzbeks are orthodox while the Kyrgyz are open though both are Sunni Muslims. For instance Akayev was driven out by the southerners, while Bakiyev, a southerner was forced to leave by the northerners. In the events that followed Bakiyev's ouster, untold violence and misery was inflicted on the Uzbeks.

However, it would be incorrect to say that there is no 'core' to Kyrgyzstan. Nation building process in Kyrgyzstan is slow and inching forward. There was fear in June 2010 of a break up but the Interim President Otunbayeva succeeded in keeping the nation united.

After the October 2011 elections Almazbek Atambayev became the Prime Minister of a coalition government. He is also the leader of the Social Democratic Party of Kyrgyzstan. His support base is more in the urbanized north, though the campaign slogan "Kyrgyzstan is for all" seems to have fetched him more than fifty percent of the polled votes. It remains to be seen whether Atambayev would be able to solve the critical question of economic progress and the well being of his people.

At the economic level, Kyrgyzstan's biggest asset is its hydel power potential. It is home to several rivers, but the most important one is the Syr Darya, a trans-boundary river. Kyrgyzstan's prestigious project Kambrata- one is operational while Kambrata-two is awaiting investments. Kyrgyzstan accounts for 22 percent of the region's total hydel potential and could generate electricity up to 2.2 billion KWh which is sufficient to meet its domestic requirements as well as for export purposes to neighbouring countries. To a large extent Russia is the main investor. The kambrata – one was supported by World Bank, Asian Development Bank, the Islamic Development bank , private sectors and some governments. However, Kyrgyz hydel power projects are mired in controversy because the downstream countries, Kazakhstan, Uzbekistan and Turkmenistan have expressed severe reservations on the proposed and existing power projects. Construction of power projects on Syr Darya and Amu Darya by both Kyrgyzstan and Tajikistan would affect their agriculture. Often there are clashes and at times they take an ethnic colour.

Besides, Kyrgyzstan has strategic reserves of gold, defence industries and earns transit revenue due to the road and rail connection that passes through its southern part connecting China with Uzbekistan. Another source is the rent that accrues to it by leasing out the Manas air base to the US, a crucial link in the supplies to the coalition forces in Afghanistan.

In foreign relations, Kyrgyzstan has opted for a multi vector foreign policy. Nevertheless, it has been caught in 'great power competition' like other Central Asian States. However, Kyrgyzstan's priority is Russia given that its security, strategic, political, economic, demographic and cultural interests are substantial that Russia would continue to be an important player in Kyrgyzstan. The issue of Manas air base has been a sticking point between Kyrgyzstan and Russia. A senior Russian official once remarked rather arrogantly that " In Kyrgyzstan there should be only one base---Russian". Of equal importance are relations with its neighbours. Lack of border settlement, the presence of forces of religious extremism and terrorism, strains over water resources are issues that lead to tension. Regional cooperation is the best way forward. India enjoys tremendous goodwill in Kyrgyzstan and it could explore the possibility of playing a meaningful role in its defence industries, hydel power potential, human resource development among other areas.

For the present the coalition government led by Atambayev is stable. In the long run the root cause of the past problems and the ability to meet the rising expectations of the people is a challenge before the new leadership.

Tajikistan

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Russia has been concerned over Moscow's waning political influence in Dushanbe, at a time when the United States, China and Iran are growing their diplomatic clout. While Russia remains Tajikistan's closest partner, economic and military relations have been sluggish. Both China and Iran have been able to exploit this economic gap and make inroads into Tajikistan.

Much alike its position in the erstwhile Soviet group of republics, Tajikistan qualifies as the poorest country in Central Asia today. The current economic situation remains fragile, largely owing to corruption, ill-conceived economic reforms, and faulty economic mismanagement. Foreign remittance flowing from Tajik migrant workers abroad, mainly in Russia, has emerged as the main source of income for millions of Tajiks and represents an additional 36.2 percent of the country's GDP directly reaching the poverty-stricken population. The World Bank observes that remittances have played an important role as one of the drivers of Tajikistan's robust economic growth during the past several years, have increased incomes, and as a result helped significantly reduce poverty. With foreign revenue precariously dependent upon remittances from migrant overseas workers, and the exports of aluminum and cotton, the economy is highly vulnerable to external shocks. In 2000, international assistance remained an essential source of support for rehabilitation programs that reintegrated former civil war combatants into the civilian economy, thus helping keep the peace. International assistance also was necessary to address the second year of severe drought that resulted in a continued shortfall of food production.

In addition to facilitating the aluminum industry – it has the biggest aluminum plant in Central Asia and one of the biggest in the world - Tajikistan wants to turn hydro power into a major source of its revenue. Tajikistan is home to the Nurek, the highest dam in the world. Lately,

Russia's RAO UES energy giant has been working on the Sangtuda-1 hydroelectric power station (670 MW capacity) that commenced operations on January 18, 2008. Other projects at the development stage include Sangtuda-2 by Iran, Zerafshan by the Chinese company SinoHydro, and the Rogun Power plant, at a projected height of 335 meters, would supersede the Nurek Dam as highest in the world if it is brought to completion. However, Tajikistan's ambitious hydro – power plans may lead to a war between Dushanbe and Tashkent. Tension is already palpable between the two Central Asian states on the issue of water division.

Drug trafficking is the major source of illegal income in Tajikistan as it is an important transit country for Afghan narcotics bound for Russian and, to a lesser extent, Western European markets; some opium poppy is also raised locally for the domestic market. However, international assistance from UNODC, US, Russia, EU and Afghan authorities has helped mitigate this scourge considerably. Tajikistan ranks third in the world for heroin and raw opium confiscations. Narcotics revenue has been known to fund the protracted civil war and funded nepotism in the country.

Tajikistan pursues a multi-vector policy, much to the chagrin of its traditional ally Russia, the largest stakeholder in the region. It attempts to harness the best from the great powers that have been competing to have a strong foothold in Tajikistan. Russia is trying to bolster its influence in Dushanbe by pressing for the return of Russian border troops in the name of containing a surge of Afghan narcotics into Tajikistan, but Tajik leaders have been rebuffing Moscow's initiative. Russian officials are also concerned that spreading violence in northern Afghanistan could spill over into Central Asia given that Tajikistan shares a 1,300 km long border with Afghanistan. Approximately 60 Russian advisers are attached to Tajik border units. In addition, Moscow maintains the 201st Motor Rifle Division, comprising about 7,000 troops, in the country.

Tajik and Russian officials appear to hold irreconcilable positions on the border guard issue, highlighted by Tajik Foreign Minister Hamrokhon Zarifi's statement that ruled out the possibility of a return of Russian troops, instead suggesting that Russia should start paying rent for the stationing of Russian forces in Tajikistan. While Moscow has not responded publically to Zarifi's comments, Russian analysts have been consistent in pointing out that in demanding payment for the 201st military base, Tajik politicians have been overlooking the fact that during the 1992-1997 civil war, it was the personnel of this very Russian base who protected key Tajik infrastructure facilities, which could have been destroyed. In the past, however, whenever Dushanbe has raised the possibility of seeking rent for the 201st division's base, the Kremlin has threatened to impose a visa requirement for Tajik labor migrants. Such a restriction could drastically curtail the number of Tajiks working in Russia, and thus have a devastating impact on the Tajik economy so heavily dependent on remittances.

Russian policymakers have long been concerned about a fall in Moscow's political influence in Dushanbe, at a time when the United States, China and Iran enjoy growing diplomatic clout there. Although China is perhaps the most aggressive player in Tajikistan, pouring significant amounts of investment into various projects, its orientation seems to be chiefly towards increasing its influence in the country through economic penetration. Russia, therefore, seems more preoccupied with the United States. To ensure its continuing military presence in Central Asia, Washington has been employing all means to take the local elite under control. In the back drop of strained relations with Russia, Tajikistan seems to be facilitating a long-term

presence of the United States on its territory. Many view this as anti-thetical to Dushanbe's natural interest because the fact of US focus on Afghanistan would imply that "neither Tajikistan nor the other countries of the region are destined to enjoy their independence and wealth."

Tajik analysts, meanwhile, assert that through its discomfiture of trying to adjust to the new realities stemming from Tajikistan's multi-vector engagements, Russia should be able to accurately understand the reasons for such changing realities and appreciate that it is perhaps a failing on its part that fuelled this change. While Russia remains Tajikistan's closest partner in terms of traditions, mentality, and language, economic and military relations have been sluggish. Both China and Iran have been able to exploit this economic gap and make inroads into Tajikistan by spending significant funds on local infrastructure and providing the country with long-term soft loans.

Turkmenistan

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Despite being a part of the UN, the IMF, the World Bank, the European Bank for Reconstruction and Development (EBRD) and the Economic Cooperation Organisation (ECO), President Niyazov ensured that such affiliations did not interfere with his policy space. India has begun to focus on cultivating ties with Turkmenistan to address its growing energy requirements. In a rare show of unity Indian and Pakistani governments signed the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline agreement in December 2010.

With the collapse of the Soviet Union, Turkmenistan and the other Central Asian republics were initially in favour of maintaining a reformed version of the state, mainly because they needed the economic power and common markets of the Soviet Union. Nonetheless, Turkmenistan declared independence in October 1991, being one of the last Soviet republics to secede. Amidst the disintegration of the Soviet Union in the second half of 1991, President Saparmurat Niyazov established his complete authority in Turkmenistan. Once initial acceptance of Turkmenistan's independence had been obtained, the priority was to retain policy autonomy. This centered on neutrality, which was cemented by a United Nations Declaration on Turkmenistan's Neutrality in 1995 and which in turn remained the centerpiece of Turkmenistan foreign policy until the death of Niyazov in December 2006. Following the dissolution of the Soviet Union, Turkmenistan became a member of the successor organisation, the Commonwealth of Independent States (CIS). In 1992, Turkmenistan also joined the United Nations, the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development (EBRD) and the Economic Cooperation Organization (ECO). However, President Niyazov was careful to ensure that none of these affiliations restricted his policy space. Relations with the IMF, World Bank and EBRD were extremely limited. The preferred multilateral institution was the United Nations, which makes no attempt to influence domestic policy. In August 2005 Turkmenistan changed its CIS standing to associate member, citing considerations of consistency with its UN-recognised international neutrality status and effectively withdrawing from the organisation.

In the economic sphere, Turkmenistan has been an important supplier of raw materials, especially natural gas, petroleum products, and raw cotton. With the estimated 2009 harvest of about 823,000 tons, Turkmenistan is the second-largest cotton producer in the former Soviet Union after Uzbekistan. However, the crop yield has been steadily declining since independence because of poor irrigation and management practices. Outside estimates place Turkmenistan's proven natural gas reserves of 7.94 trillion cubic meters (tcm) among those of the top four gas-producing countries. A 2008 audit conducted by the British firm Gaffney, Cline and Associates concluded that the three most significant gas fields in the country, Yoloten, Osman, and Yashlar, hold between 4.25 and 15.5 tcm of natural gas. In 2008, Turkmenistan was the second-largest gas producer in the former Soviet Union after Russia with estimated production of around 70 billion cubic meters (bcm). Turkmenistan's 2009 production declined to about 34 bcm. Gas production declined significantly when exports to Russia stopped on April 9, 2009, following a blast on the Central Asia-Center gas pipeline. Gas exports to Russia resumed at a reduced level (approximately 10.5 bcm/year) and price in January 2010. Since the end of 2009, Turkmenistan has been exporting natural gas to three countries – Russia, Iran, and China. In 2010, exports to Russia were expected to total 10-11 bcm, exported through the old pipeline system built during the Soviet era. Gas exports to Iran were expected to reach 7-8 bcm in 2010, exported through two pipelines: Korpeje-Kurtkuyi (built in 1997) and Dowletabat-Sarakhs-Khangiran (built in 2009). The total capacity of the two pipelines is 25 bcm per year, providing room for further increase of exports in the future. At the end of December 2009, Turkmen gas started flowing to China through the newly built Turkmenistan-Uzbekistan-Kazakhstan-China gas pipeline (Central Asia-China pipeline). Turkmen gas exports to China were expected to total 3-4 bcm in 2010. Turkmenistan and China plan to boost gas supplies to 40 bcm by 2014-2015 when the pipeline reaches full capacity.

With regard to recent foreign relations, the arrival of Austrian President Heinz Fischer in Turkmenistan in October 2011 on an official visit is the latest of top-level diplomatic exchanges between the world leaders and the Central Asian nation. The main purpose of the visit was to explore further bilateral economic cooperation, likely focusing on Turkmenistan's vast gas reserves. President Fischer appealed to Turkmenistan President Gurbanguly Berdimukhamedov to contribute and support the creation of the Nabucco pipeline, a gas pipeline that is to run 3,300 kilometers from Turkey to Austria with gas from Iraq as well as other Central Asian nations, such as Turkmenistan. The pipeline would give a gas supply to the European Union from a source other than Russia, something which has long been in the interest of many EU nations. Recently high-level meetings were held by China with Turkmenistan in an effort to strengthen economic and diplomatic ties with Ashgabat. The US also held official talks with the Turkmenistan Government in early 2011, in order to discuss the full spectrum of its bilateral relationships. These two nations are only a few of the long list to have engaged in discussions with the Berdimukhamedov administration, with dignitaries from India, Pakistan, Russia and the European Union having visited Ashgabat during recent times. The majority of these visits have been undertaken in order to secure deals to obtain Turkmenistan's gas supplies, which are among the largest in the world.

Such visits and meetings indicate two important facts. Firstly, it helps reinforce the fact that energy security is a top global priority and, more importantly that Turkmenistan continues to be one of the few countries at the forefront addressing energy security needs. India has also recently

attempted to strengthen its relations with Turkmenistan as part of its own increasing energy security needs. In a rare sign of unity and agreement, India and Pakistan signed an intergovernmental agreement on the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline with Turkmenistan in December 2010. India also held talks with a delegation headed by Turkmen Petroleum and Mineral Resources Minister Bairamgely Nediroy which centered on securing a contract to sell gas to India. Like China, India too has been focusing on Turkmenistan to address its energy security requirements.

Uzbekistan

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The waiver of the ban on military assistance to Uzbekistan by the Obama administration vindicates the growing strategic importance of Uzbekistan for the Pentagon. With the most developed railway network in Central Asia, Uzbekistan operates as the hub for Northern Distribution Network (NDN) traffic. The indispensability of this railway network between Uzbekistan and Afghanistan makes it strategically expedient for the U.S to extend security oriented military assistance to Uzbekistan.

This feature on Uzbekistan examines its increasing significance to the U.S vis-à-vis the latter's stake in Afghanistan, viewed in terms of the recent waiver of the ban on military assistance by the Obama administration in the light of the preeminence the state in the Northern Distribution Network (NDN). The Obama administration waived the ban on military assistance to Uzbekistan in a move to bolster ties with a state that is a vital part of the supply line to Afghanistan. Secretary of State Hillary Clinton signed the waiver on January 18, 2012, that will allow the US to provide non lethal defensive equipment to Uzbekistan. The waiver will be effective up till the end of September 2013 and is subject to bi annual renewal. Uzbekistan, which shares a border with Afghanistan, has been largely barred from receiving US military assistance since 2003 because of human rights record. US Congress last year included a provision in an appropriations bill to allow the US to lift restrictions on aid to Uzbekistan temporarily, if the Secretary of State certified a waiver was necessary to ensure access to and from Afghanistan. It was officially stated that the waiver would provide Uzbekistan with defensive equipment to enhance her ability to protect the borders through which cargo destined for US forces in Afghanistan flows. This is seen as an endeavour to enlist Uzbekistan's support in the post conflict reconstruction in Afghanistan. As part of this Hillary Clinton visited Tashkent in October 2011 with a promise that the US would remain engaged in the region after the planned pullout. The focus of the visit, however, was on the New Silk Road, a commercially oriented initiative that seeks to expand links between Central and South Asia, with Afghanistan acting as the transit hub.

The lifting of the ban underlines Uzbekistan's increasing strategic importance to Pentagon. Uzbekistan is part of an overland supply route to Afghanistan known as the NDN that was negotiated by US officials as an alternative to sending supplies through Pakistan. The NDN is a network of road, rail and air routes that traverses the Central Asian states. It was developed in 2009 as an alternative to the Pakistani supply line. Despite higher transit costs the NDN carries nearly seventy five percent of all non-military items bound for Afghanistan. The NDN was a diplomatic boon to US- Uzbek relations which had received a blow in 2005 when following the

criticism of the Uzbek government post Andijan, the US access to the Karshi-Khanabad base, located not far from the Afghan border, was closed to the Americans.

Uzbekistan has the most developed railway network in Central Asia and thus serves as the hub for the NDN traffic carrying as much as ninety eight percent of it. The need for moving cargo through Uzbekistan has become more urgent in recent months. In November 2011, Pakistan closed border crossings to Afghanistan used by US and NATO supply convoys following an American airstrike that killed Pakistani troops. The Northern Distribution Network is currently used for bringing non lethal military cargo into Afghanistan. The US hopes to expand the northern supply chain to create a path for withdrawal from Afghanistan. The US military operates an airbase outside the Kyrgyz capital Bishkek but also requires to securing an overland supply line into Afghanistan. Officials and defense planners are also on the look out for alternative arrangements to move military equipment out of the country after the planned withdrawal of US troops by the end of 2014.

However, there has been for some time criticism of the attitude of the Uzbek government and the opinion that despite bad roads and weather conditions use of the Kazakhstan-Kyrgyzstan-Tajikistan trucking route would be more feasible. The feasibility of opening air corridors that would supersede the NDN is also being examined. Similarly, the option of trucking goods from Europe to Afghanistan via Turkey is being explored as is the Trans Siberian route. Despite this criticism, it is difficult to marginalize Uzbekistan as the rail connections between Uzbekistan and Afghanistan is irreplaceable. Some sixty percent of the fuel deliveries to the US forces in Afghanistan are shipped via the NDN and the bulk passes over the Termez-Hairaton crossing on the Uzbek Afghan border. The US Army and Air Force's requirements for fuel are not projected to decrease in the near future. However, the real value of the NDN may not just be the number of containers it handles. The lucrative contracts that the network provides helps align the states of Central Asia with US policy objectives in Afghanistan.

The US funded supplies to Uzbekistan would be limited to items meant to bolster the country's border and transportation security with military equipment like body armour and other protective equipment, night vision goggles and thermal imaging sensors for border patrol forces. Apart from the message that this waiver sends about the geostrategic significance of the state (which nullifies human rights objections) the items that will be supplied seem to indicate that the Uzbek government is keen to portray the 'nation under threat' image that it has cultivated over the last decade. This is bolstered by the US State Department comment that the lifting of the ban will enhance the ability of the Uzbeks to counteract trans-national terrorism. Most of the equipment is defensive in nature and would be used to protect the state from extremist threats.

Iran

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The unpredictability in Iranian society was vindicated during the Islamic Revolution (1978-79), which established a monolithic Islamic Republic under the Guardianship of the Islamic Jurist. The U.S led sanctions on Iran owing to its uncompromising nuclear programme has adversely affected the Iranian economy. Driven by strategic and commercial interests Iran focused on developing ties with the BRICS countries.

“The era of procrastination, of half-measures, of soothing and baffling expedients, of delays, is coming to its close. In its place we are entering a period of consequences.”- Winston Churchill (1936)

The rhetoric of Winston Churchill is relevant to this day. More so, its relevance is felt in the wake of unrests which Islamic Republic of Iran faces. Faction-laden politics at home, a slumped economy battered by economic sanctions, staggering currency, vilification by West to make Iran toe the nuclear red lines and an uncompromising diplomatic stance; Iran is embroiled in a geo-political strategic crisis which would determine the course of war and peace and landscape of the changing Middle-East. Any attempt to critically assess Iran’s response to the crisis would prove difficult owing to its unpredictability, evidences of which are replete in its national history. The rise of a theocratic state from the paraphernalia of a modern liberal society runs counter to the wisdom of popular revolutions and yet, the Islamic Revolution of the 1978-1979 established a monolithic Islamic Republic with the guiding principle of ‘Velayat-e-Fahiq’ meaning absolute Guardianship of the Islamic Jurist.

The political apparatus enables the Supreme Leader Ayatollah Ali Khamenei to wield the highest power to set the tone and direction of domestic and foreign policies, while popularly-elected President Mahmoud Ahmadinejad is the head of the Executive. Power struggle between the clerical leader and the President had been simmering for months and reached its nadir in April, 2011 when the President ousted Intelligence Minister Heyder Moslehi without Khamenei’s approval. Khamenei reinstated the minister adding to the President’s fury, which led him to boycott work for 11 days provoking the Supreme Leader to recount the act as a direct challenge to his authority. Fractious elements in Iranian politics were vindicated in the recent Parliamentary election to elect 290 members to the unicameral Islamic Consultative Assembly (Majlis) in March 2011, when the United Front of Principlists (Khamenei’s loyalists) won a landslide victory (75%) over the Resistance Front (Ahmadinejad’s supporters). Khamenei’s regaining of influence on affairs of the state has pushed the ‘Golden Boy’ of Iranian politics onto the back foot.

Domestic concerns in politics have driven Iran’s nuclear programme. In spite of the deep fissures observed in the conservative ranks, leadership at home has presented a united front on Iran’s nuclear rights. Iran has prevaricated over the nuclear issue for more than a decade. In June 2011, Iran announced that it would use the highly entrenched Fordow plant to enrich uranium by 19.75% (medium-enriched uranium). Western observers have long worried over Iran’s changing statements pertaining to uranium enrichment. The breaking point came when United Nations’ nuclear watchdog, International Atomic Energy Agency (IAEA), circulated a report on November 2011 stating that Iran was close to making a bomb. Iran, being a signatory country to the Non-Proliferation Treaty (NPT), was found in non-compliance with the provisions of the same. While the West accused Iran of trying to develop nuclear weapons, Iran rubbished such allegations maintaining its commitment to a civilian nuclear programme and insisting that the West’s demands are ‘politically tainted and illogical’.

The US-led sanctions (arms embargo, tough restrictions on Iran’s Central Bank and Revolutionary Guard Corps) aimed to curtail Tehran’s nuclear ambition have affected the country’s economic condition. Economic pressures following the pull-out of major international firms have affected Iranian economy and impeded development across the energy sector. Iran’s Rial dropped precipitously since December 2011 (-50% against \$) leading Iran to be virtually cut-off from the international banking system. An inflation of 21.5% further impeded the ability of

the Central Bank to help contain currency devaluation. The country now has resorted to trading through barter arrangement. It is estimated that once the EU-embargo is fully implemented, Iran's oil sales (5th largest) would fall by 40%. Iran has retaliated by imposing "counter-sanctions" to cut-off oil supplies to EU countries (Spain, Greece and Germany). The imposition of these counter-sanctions is viewed as a nominal display of coercive diplomacy as it would barely impact the European countries, which have already intensified trade with Iran's rival Saudi Arabia. Iran's threat to close the Strait of Hormuz would indeed throttle the flow of oil and gas through which one-fifth (17 million barrels/day in 2011) of the global oil supplies pass. Such an action would also simultaneously cut Iran's trade route to the world. A marked change in the Iranian rhetoric during April 2012 encounter with the P5+1 (the United Nations Security Council and Germany) has paused the ringing of war drums leading the world powers to hope for a "sustained process of serious dialogue".

Driven by strategic concerns and commercial interests, Iran has focused its attention to improve trade ties and diplomatic relations with BRICS (Brazil, Russia, India, China and South Africa) countries. India views its relationship with Iran in a pragmatic sense as both the countries are symbiotically entwined in energy security and geo-strategic concerns. India is dependent on Iran to sustain its galloping energy needs (12% of oil imports or 370,000 barrels/day). Both countries interests converge on security concerns such as the developmental process in Afghanistan and fighting terrorism in Pakistan. Though supportive of Iran's path to peaceful nuclear technology, India has finely balanced its commitment to favour UN sanctions on one hand and restricting voluntary trade on the other. Recently, the Indo-Iranian equation suffered a setback because of a terrorist attack on the Israeli embassy vehicle in New Delhi. India being a responsible nuclear power is likely to lessen its oil dependency on Iran by slashing crude-oil imports by 10% from Iran in order to tighten sanctions. The fear of a rogue nuclear Iran looms large on Western countries. Economic sanctions have laid bare its teeth. Iran has felt the squeeze. The Khamenei-Ahmadinejad tandem can be a homicidal regime but hopefully not suicidal. In all likelihood, the Iranian regime would be a rational actor in international politics, protective of its security interests and disembark from a path which might jeopardize the delicate fabric of the volatile Middle-East.

Iraq

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Rebuilding the country seems not even remotely simple as security threats persist even after the withdrawal of U.S forces. Factions within the government are turning more assertive without sharing the responsibilities of governance. There are large-scale developmental disparities emanating from the centralised development agenda leading to alienation demands for autonomy in the provinces.

After almost nine years the US withdrew militarily from Iraq in December 2011, following the invasion in 2003 that resulted in the loss of more than 1,00,000 lives. The country is in the process of rebuilding and this does not seem to be an easy task for the Iraqi regime as there are serious security threats in the country from militant groups that came into existence after the US invasion.

Several militant groups have international linkages, with some having links with the Al Qaeda as well. Despite the reduced intensity of conflict, incidents of intermittent attacks on civilians persist. According to the United Nations Secretary General, Ban kiMoon (April 2012), the volatile state of Iraqi security could even worsen if the political crisis is not contained. It is interesting that this apprehension over Iraq's security stands in contrast to a 2008 report from the Secretary General's office which commended the improvement in the security situation. The latest concern over security however, stems from the interplay of cross-linked forces that often work on conflicting agenda.

The root of this political crisis can be traced to the sectarianism that has been closely linked to Iraq's history. The Iraqi Governing Council (IGC), which was formed on July 2, 2003 and was to operate until June 1, 2004 also drew its members on the basis of the existing divisions within the Iraqi society with thirteen Shias, five Sunni Arabs, five Kurds, one Turkmen and one Assyrian comprising the council meant to place an inclusive democratic system in Iraq. Since then, the allocation of administrative responsibilities has generally followed a sectarian pattern in Iraq.

The 2010 elections however, witnessed the growth of political groupings that were prepared to contest elections in coalition. Two prominent blocs emerged out of this trend – the Iraqi National Movement (al-Iraqiyya) led by Ayad Allawi whose bloc won the largest number of seats in the parliament with 91 seats, and Nouri al-Maliki's State of Law, which secured 89 seats. Nonetheless, Iran's intervention brought State of Law to power with Nouri-al- Maliki continuing as the Prime Minister for a second term. Maliki however, is not being able to contain the coalition forces as the Iraqi National Alliance (INA), which was formed by the association of Muqtada-al-Sadr's Supreme Islamic Council and the State of Law seems to be witnessing defections. The defections seem to stem from Maliki's attempts to monopolise authority and his failure to deliver on real issues of governance.

With the withdrawal of US forces, the political crisis in the country is magnifying as factions within the government are turning more assertive without sharing the responsibilities of governance. There is a sense of distrust as Maliki charges the Sunni Vice President, Tariq al-Hashimi of terror activities, with the Sunni dominated provinces seeking for greater autonomy on the pretext of incompetence of the central authority.

With the political forces engaged in a battle for power, the security situation shows no signs of improvement. Militantism prevails and poses a formidable challenge to the authorities. The Islamic State of Iraq, the Iraqi node of the al-Qaeda motivated by its ideology of global jihad sustains attacks on the civilians, targeting primarily the Christian minorities and thus leading to a mass exodus of Christians to Beirut. Despite a grim security situation, the inter fighting political factions are surprisingly united in seeking US withdrawal, vindicating their rejection of U.S presence as a guarantee to security.

A country as divided on sectarian, ethnic and religious lines calls for inclusive and equitable development but the Iraqi economy remains far from this. There are large-scale regional disparities resulting from the centralization of development in the national capital, promoting a sense of alienation and demand for autonomy in the provinces. Progress has been made in paper at least – the 2005 constitution did not only remove public sector domination of the economy,

but also distributed the oil revenue (more than 48% of GDP and 96% of government revenues) to the provinces based on to their population, and made the provincial governments partners in drawing and managing the oil and gas resources of the country. The 2005 constitution also provides for the devolution of authority to the provinces but such provisions still remain far from practice. The second national plan (2010-2014) allocated \$12.5 billion for the redressal of regional disparities, but the management of such funds has been entrusted to the provincial governing councils of politicians and lawyers who lack the necessary technical expertise to appropriately utilize the funds.

It is necessary to revive the regional development centres that were conceived during the first national plan (2005-07) with competent personnel to execute the task of equitable national development. The absence of uniform development creates a sense of relative deprivation among the different provinces and provokes a restoration around sectarian identities which places the nation-building process under threat.

It is also important to ensure that the U.S remains engaged in Iraq despite the withdrawal with the association directed towards military and police training and overall assistance towards the revival of the economy. The task of inclusive growth and consolidation of representative democratic system if left midway could make Iraq will a haven for terror outfits like the Al Qaeda which continues to hold the international community ransom.

Israel

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Opinion polls indicate a clear victory for the Likud under Netanyahu. Despite the global economic slowdown and the euro zone crisis, Israel maintained a high growth rate of about 4.8 percent and kept inflation within acceptable limits. Concerns over the Iranian nuclear programme continue to dominate the security polemics in the country.

The Likud-led coalition government under Prime Minister Benjamin Netanyahu, which came to power in March 2009, is relatively stable. The social protests late last year that imitated the Arab Spring have largely dissipated. Internal disarray within the main opposition Kadima party and the split in the Labor Party have ensured that there are no real challengers to Netanyahu's leadership.

Next Knesset elections are due before October 2013 but there are indications that mainstream political parties are preparing for early elections. In a primary held in January, the Likud re-elected Netanyahu as its leader and prime ministerial candidate. While the Labor party elected Sheli Yachimovich as its leader in September 2011, contest for Kadima leadership will be held on March 27. Ehud Barak who broke away from the Labor Party in January 2011 to form the Independence Party continues as the Defense Minister.

Opinion polls indicate a clear victory for the Likud under Netanyahu and also predict that Barak's Independence Party would not cross the threshold and hence would not make it to the Knesset. Likewise, the Labor Party's representation is expected to drop to single digit, thereby

marking the nadir of a party that continuously governed Israel for nearly three decades (1948-1977).

Despite the global economic downturn and the financial crisis in Euro zone, Israel has managed to maintain a high growth rate of about 4.8 percent (2011) and kept inflation under control at 3.3 percent. High-technology industry continues to dominate and drive its economy. The housing sector is under stress because of high rental cost and contributed to popular protest last year. The government is currently discussing subsidized housing package for the weaker section. However, diversion to social welfare issues such as education, housing etc., are straining the budget leading to delays in some key defense expansion programmes.

Concerns over the Iranian nuclear programme dominate the security debate in the country. While the timeframe for a nuclear Iran continues to be uncertain, there is a widespread consensus over Iran's nuclear ambitions. Opinions are divided as to Israel's policy options. Led by Defense Minister Barak, one section strongly advocates military options as a means of preventing or delaying Iran becoming a nuclear power. It also argues that the window of opportunity for such an option is shrinking. Another group, believed to be led by President Shimon Peres, is less inclined towards a military option to contain the Iranian threat. There is skepticism over the effectiveness of anti-Iranian sanctions and media reports indicate that Israel might choose a military option if there is no agreement with the Obama administration over Iran. Given the logistical problems and political fallouts, Israel would have to exercise extreme caution before making any decision concerning Iran.

The Middle East peace process has stalled for quite some time. The unilateral Palestinian bid for statehood has considerably diluted the resolve of the Rightwing government for peace agreement. Internal Palestinian squabbles between Fatah and Hamas has not helped the situation. Meanwhile, Israel is opposed to any Palestinian unity government that has Hamas as its component. Since mid-January Jordan facilitated intense negotiations between Israel and Palestinian officials but these talks could not bridge the gap between the two sides, especially over border and other territorial issues.

Widespread popular protests against the rulers in many Arab countries are also undermining Israel's regional security environment. For many Israelis, the Arab Spring would not result in the ushering in of democracy during this interim period there seems to be greater uncertainty, political instability and even lack of governance. Egypt is of greater concern partly because of the peace treaty and because of its importance to the region. The overthrow of President Hosni Mubarak was a setback and internal instability in Egypt has resulted in some sort of lawlessness in the Sinai Peninsula. The repeated sabotage attacks on the Egyptian gas pipelines to Israel and Jordan and increasing weapons smuggling in the area have heightened Israeli concerns. Similarly, growing unrest and opposition in Syria and the possible collapse of the Assad regime have serious ramifications for Israel.

The US continues to occupy a pivotal role in Israel's foreign policy. Under the Obama Administration, bilateral relations have lost some of its traditional warmth. Differences over the peace process have led to an unusual degree of tension between the two. Netanyahu defiance over American opposition to settlement activities in the occupied territories has not helped

matters. There have also been differences between the two countries over the Iranian nuclear programme. Though opposed to the idea of a nuclear Iran, the Obama administration has reservations over the wisdom of an Israeli military strike, considering the regional ramifications of Israeli action. Therefore, since early 2012 a number of officials have been visiting each other to coordinate their positions on Iran.

Bilateral relations between India and Israel have been progressing well. The long absence of high-level political visits from India ended in January when External Affairs Minister S M Krishna visited Israel. This was the second such visit since normalization of relations in January 1992 and the first after the visit of Jaswant Singh in July 2000. During the visit, Krishna met his Israeli counterpart Avigdor Lieberman as well as President Peres, Prime Minister Netanyahu and Finance Minister Yuval Steinitz. Beside political ties, they also discussed bilateral trade including possible Israeli export of natural gas.

The bomb attack on an Israeli embassy vehicle in New Delhi on 13 February once again raised the issue of terrorism. The wife of an Israeli diplomat and three others including the driver of the vehicle were slightly injured. It was the first such attack in India after the attack against the Jewish Chabad House in Mumbai on 26 November 2008. While Israel has immediately blamed Iran for the terror attack, initial Indian investigations indicate the some external involvement in the attack.

Libya

Ms. Sreya Maitra Roychoudhury, Honorary Fellow at Global India Foundation

The future of a new Libya, post the revolution is wrought in severe political dilemma. The rise of militias demanding legitimacy for their role in the revolution have only thwarted the process of reconstruction. While most Libyans are counting on the ballot box to end four decades of authoritarianism, a more realistic assessment of ground realities indicate a long road ahead to democracy.

The people of Libya find themselves grappling with an uncertain political fate, despite valiantly rebelling en masse against autocracy and repression a year ago. In February 2011, as the sudden “spring revolution” overwhelmed the Arab world, it engulfed several cities of Libya as well. Termed as the ‘day of rage’ in Libya, the civilians violently challenged Colonel Muammar el-Gaddafi’s iron-fisted regime that had prolonged for four decades. However, even a year after Gadaffi’s death, Libya is far from realizing the consolidation of a democratic rule and is being pulled in divergent directions. Eastern Libya’s demand for regional autonomy, the weakness of the interim National Transitional Council (NTC) to impose its authority on the country, and the increasing political might of the militia leaders are creating tendencies for the political vacuum to be filled by fragmented, local solutions. Observers are apprehensive that the current scenario might undermine the forthcoming elections, significantly reversing hopes for laying the foundation of a new democracy in Libya.

The present complications in Libya, as is mostly the case, are rooted in history. Under the aegis of the Ottoman Empire, this oil-rich region had been the province of Cyrenaica, separate from

Tripolitania to the west where the Libyan capital now lies. Colonial Italy brought the provinces together, eventually reviving the classical name "Libya" in the 1930s. Benghazi acted as Libya's commercial capital while the east served as the family homeland of King Idris, and Omar al-Mokhtar, who subsequently led the resistance to Italian occupation. After independence in 1951, Benghazi became the home of Libyan monarchy and for ten years the country was run along federal lines with three regions; power was devolved to Cyrenaica, to the southern province of Fezzan, and to Tripolitania in the west. Colonel Gaddafi took power in a bloodless coup in September 1969 and ruled as a despot, seeking to spread Libya's influence in Africa. The characteristic features of his were his personality, cultivated by a network of family and tribal alliances and financed by the spoils acquired from Libya's oil resources. The easterners in Libya argue that it was during this time, that they suffered from sheer political neglect. Infrastructure remained underdeveloped, and their schools and hospitals poorly equipped. The same could be said of other parts of Libya, but for Benghazi the decline felt sharper and more grievous.

Libya's struggle against Colonel Gaddafi began from a relatively organized core of anti-government opponents in Benghazi, but then swiftly spread to the capital of Tripoli and three other locations, receiving mass support for its course of six months. The climax of the conflict was reached with Gaddafi's killing on October 20th. Rebels battling the vestiges of his fallen regime finally wrested control of his hometown of Surt. The country was formally declared liberated three days later by the provisional government, the NTC, setting in motion the process of creating a new constitution and an elected government. Members voted to name Abdel Rahim el-Keab as prime minister, a critic of Gaddafi.

However, post the revolution, the vision for the future of new Libya hardly seems unified among its populace and the country faces yet again, a severe political dilemma. On the one hand, rise of militias in positions of political power, with claims of legitimacy for their leading role in the revolution have thwarted the reconstruction process. Additionally, they have become a menace to security, trading deadly gunfire in the streets of the capital, detaining and torturing suspected Gaddafi loyalists, and even kidnapping two members of the ruling National Transitional Council for two days. On the other hand, eastern Libya has seized this moment to demand regional autonomy, in the hope of redressing the step-motherly treatment meted out to it in the past. On March 2012, in a symbolic gesture of defiance, militia and tribal chiefs from eastern Libya gathered in Benghazi to demand a return to the loose federation that had prevailed before Colonel Gaddafi's rule and provocatively announced the creation of the federal region of Barqa. The congress held its second conference recently on April 17 to show its strength of support, a move that angered Tripoli. Meanwhile, other cities such as Misrata and Zintan in western Libya are also quietly following Benghazi's example.

Eastern Libya is home to the country's biggest oil fields and its Arabian Gulf Oil Company, subsidiary of the National Oil Corporation, pumps 331,000 barrels of crude oil a day. Their autonomy would substantially jeopardise the economic future of a democratic Libya, aside from rendering problematic the plans for elections in June to choose a national constituent assembly that would form a new government and draft a constitution. Unemployment is currently estimated to be as high as 30 percent and much of the potential work force is insufficiently trained. It is probably for these pragmatic concerns that the call for federalism has been sharply contested by the non-easterners. The NTC has sharply criticized the declaration. Libya's leading

mufti issued a fatwa against federalism and Egypt, Tunisia, and the Organization of the Islamic Conference have issued statements expressing support for a unified Libya and rejecting federalism.

While most Libyans are counting on the ballot box to end four decades of authoritarianism, a more realistic assessment of ground realities indicate a long road ahead to democracy. Moreover, cynics argue that a failed state in Libya could create a haven for violent militant Islam, weapons smuggling and the drugs trade right on Europe's doorstep, apart from severely jeopardising energy supplies. Libya's interim leaders have thus far, remained hopeful stating that an elected government will have the legitimacy to rein in the militias. The two largest cities, Benghazi and Tripoli, plan to hold local elections by May, while the NTC has promised elections in June. But in the absence of an effective centre of power, a national army or police force, there is scope for the militias to daunt voters, and rig the electoral process, leaving Libya mired in internecine violence and torn by regional tensions.

Palestine

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Since the beginning of the Arab Spring Uprisings across the Middle East and the soaring tensions over Iran's nuclear program, the Palestinian leadership has found itself isolated. Politically divided, its peace talks with Israel collapsed and with its foreign support waning, the Palestinian Authority appears to be sidelined, perplexed and apprehensive that its people may resort to violence.

As the revolts of the Arab Spring swept through the Middle East, the Palestinian Authority (PA) President, Mahmoud Abbas all but abandoned the possibility of fruitful negotiations with Israel and began concentrating on two new tracks: healing the rift with Hamas and securing the United Nations recognition for full Palestinian statehood.

The efforts at achieving a unity deal between the rival Palestinian factions Fatah and Hamas culminated in the Doha Declaration of 2012. The Palestinian Islamic Resistance Movement-Hamas, represented by its political bureau chief Khaled Meshaal, and the Fatah Movement, represented by its leader and Palestinian Authority President Mahmoud Abbas, signed the Doha Agreement on 6 February 2012. The agreement, sponsored by Qatar and the Emir of Qatar, aims to achieve the formation of a Palestinian unity government headed by Mahmoud Abbas. According to Robert M. Danin, *Eni Enrico Mattei* Senior Fellow for Middle East and Africa Studies at the Council on Foreign Relations (CFR), the Doha Plan is indicative of "the changing dynamics in the region," in the aftermath of the Arab uprisings in Egypt (Fatah's traditional backer) and in Syria (Hamas's traditional supporter) were both notably absent from the negotiations while Qatar emerged as a new player and brokered the deal. In addition to the emergence of Qatar, Danin also emphasizes the growing role of Jordan in sponsoring talks between Israel and the Palestinians. The unity agreement stipulates that President Abbas would serve both as president and as prime minister of the Palestinian Authority (PA). This has led to a strong negative reaction from elements within the Fatah and as well as Hamas on grounds that the

innovation violates the Palestinian Basic Law. The dissidents on either side seem concerned over the President "aggregating too much power, just as his predecessor Yasser Arafat did."

On 23 September, 2011, the Palestinian leader Mahmoud Abbas took his bid for Palestinian statehood to the UN, formally handing the request for UN membership to Secretary General Ban Ki-moon with a speech to the General Assembly. Calling for a "Palestinian Spring," Abbas laid out the Palestinian grievances against what he called Israel's "colonial-military occupation," calling for negotiations based on 1967 borders, an end to settlement expansion, and other parameters. Israeli President Benjamin Netanyahu agreed on the demand of a Palestinian state but pushed for "serious peace negotiations" and vehemently pressed on the imperative of Israel's security, stating that the "Palestinians should first make peace with Israel, then have a state." The Palestinian efforts however, fizzled out in the face of American opposition in the Security Council. To several analysts though this Palestinian bid for statehood suggested the waning influence of the United States in the Middle East. As Helene Cooper and Steven Lee Myers commented in the *New York Times*, "The United States is facing the prospect of having to share, or even cede, its decades-long role as the architect of Middle East peacemaking." Moreover, as pointed out by Alvaro De Soto, former UN coordinator for the Middle East Peace Process, the Palestinian leadership's willingness to a confrontation at the UN revealed a welcome sense of urgency which, coupled with the changes sweeping the Middle East--could spur the paradigm shift that is needed for peace.

Since the eruption and spread of what is popularly termed as the 'Arab Spring Uprisings' across the Middle East and the soaring tensions over Iran's nuclear program, the Palestinian leadership has found itself isolated. Politically divided, its peace talks with Israel collapsed and with its foreign support waning, the Palestinian Authority appears to be sidelined, perplexed and apprehensive that its people may resort to violence. "The biggest challenge we face — apart from occupation — is marginalization," Salam Fayyad, prime minister of the Palestinian Authority, said in an interview. "This is a direct consequence of the Arab Spring where people are preoccupied with their own domestic affairs. The United States is to face election and has its share of economic problems; Europe has its own woes. We're in a corner." In the region, the Arab Spring may have augmented popular attention to the Palestinian cause, liberating the Egyptians and others to articulate anti-Israel sentiments but in reality it has made things more difficult for the Palestine Liberation Organization, which has been negotiating with Israel. Popular affection has shifted to the Islamists of Hamas. However, the Hamas too has had to face difficulties, abandoning their political headquarters in Syria, facing reduced help from Iran and contending with their increased divisions. The consequence is successive rupture in the Palestinian movement, a loss of state sponsors and impending paralysis for those attempting to build a state next to Israel. Just six months ago, there was a moment of optimism when the Palestinian Authority presented its case for recognition to the United Nations, and later when Hamas closed a deal to free hundreds of its prisoners in exchange for the release of an Israeli soldier, Gilad Shalit but at the moment, as the momentum for a peaceful two-state solution loses ground, and the effort at the United Nations remains stymied, no viable alternatives have emerged and the attention has shifted to other conflicts in the region, primarily on the volatile situation in Syria. The drama of the uprisings has contributed to a "lack of focus" on the Palestinian question.

The general perception is that the 'Arab Spring,' would eventually consign the Palestinian issue to the political periphery. While the key concerns of the Arab demonstrators have been internal corruption, lack of government accountability, and absence of economic opportunity, it does not imply that the Palestinian question itself has been eclipsed. The words of Mathew Duss, "just as many American politicians are expected to pay at least lip service to Israel to demonstrate their national security bona fides, so we should expect politicians in the Arab world to continue to declare support for the Palestinian cause in order to demonstrate theirs," echo the reality of Middle Eastern politics.

Saudi Arabia

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Islam has been the guiding principle in Saudi Arabia's foreign policy. They have spend millions to facilitate the spread of Wahabism around the world. This Islamic orientation coupled with the oil wealth makes Saudi Arabia a dominant power in the Gulf and West Asian region.

The Kingdom of Saudi Arabia is an absolute Islamic monarchy, based on Islamic principles. The King is the head of the government who is assisted by a crown prince and a council of ministers to discharge his duties. All the major ministries and departments of the government are held by the members of the royal family. While the King is the Prime Minister as well as the commander in chief of the country's military, the Consultative Council (Majlis Al-Shura) is an advisory body to advise the government on issues of importance. The Council also proposes new laws to the government and expresses its opinions on important issues but has no real legislative powers. The royal family controls the political reigns of the country and political participation of the people in the affairs of the country is limited as formation of political parties are prohibited. Though there have been demands by the people for political reforms and liberalisation, the royal family has not welcomed such demands. This has led dissent to oppose the authoritarian rule and have demanded participation of the people in the affairs of the state. Such demands have been quelled by the government. Saudi Arabia is an oil based economy with the petroleum sector accounting for 45 percent of budget revenues, 55 percent of GDP, and 90 percent of export earnings. Saudi Arabia has the largest petroleum reserve and is also the largest supplier of oil in the world. It also acts as a swing producer, keeping the ability to produce more oil in case of an increase in demand. About 80 percent of the country's total work force is expatriate workers. With growing unemployment (at present about 11 percent) Saudi Arabia is looking towards the 'Saudisation' process, whereby it intends to recruit more of its own nationals to contribute to its economic growth. After several years of negotiation, in 2005 Saudi Arabia became a member of the World Trade Organization (WTO) to integrate itself with the global economy.

From the beginning, Islam has been the guiding principle underlining the foreign policy of the country. Being the land of the two Holy mosques of Islam, Saudi Arabia claims itself to be the leader of the Muslim world. It has also used Islam as an instrument of its foreign policy to spread its influence among the other Muslim countries and have spent millions of dollars to spread their influence as well as the Sunni Wahhabi brand of Islam. The combination of oil wealth along with being a pious land for Muslims has made Saudi Arabia a dominant power in the Gulf and the

West Asian region. It is also a founder member of two regional organisations like Arab League and the Gulf Cooperation Council (GCC) where it plays a leading role. In the Gulf region, Iran is the main rival for Saudi Arabia for several reasons. Differences between the two countries range from ideological rivalry on the Shia-Sunni lines to regional power struggle between the two as Iran is trying to be nuclear capable. Saudi Arabia has questioned the Iranian nuclear programme and has supported the USA in imposing sanctions against Iran. The Saudi-Iranian clash of interests has been witnessed in Iraq and Yemen where both countries are trying to extend their sphere of influence. Saudi Arabia has been a proactive regional power through the Arab Spring. It has sent forces to Bahrain to suppress the protests and appealed for more cooperation and unity among the GCC member states. Saudi Arabia has also led protest against Libyan dictator Muammar Gaddafi and has been continuously voicing protest against the atrocities in Syria by the Assad regime.

Indo-Saudi relations have witnessed several setbacks in the past however, both the countries have moved forward to strengthen their bilateral relations in recent years. The lack of communication during the Cold War era has been replaced with high level visits between the two countries. King Abdullah's visit to New Delhi in 2006 and the return visit of Prime Minister Manmohan Singh in 2010 as well as several other ministerial level visits have consolidated bilateral relations. The "Delhi Declaration" signed during the visit of King Abdullah marks a foundation of strong Indo-Saudi relationship in modern times. During Prime Minister Manmohan Singh's visit both the countries signed the "Riyadh Declaration" which was termed as a 'new era of strategic cooperation' between the two countries encompassing political, economic and security ties. Bilateral trade between the two countries is also increasing with Saudi Arabia becoming the fourth largest trade partner of India. Total trade volume between the two has crossed USD 25 billion in 2010-2011. Saudi Arabia is also the largest supplier of oil for India and has exported around 27 million tonnes of crude oil to India in the year 2010-2011. Both the countries are making efforts to cooperate in defence and security and embarking on exchange of defence delegations from both the sides. During the visit of defence Minister A.K. Antony to Riyadh in February 2012, both the countries have agreed to set up a joint committee to formulate Memorandum of Understanding (MoU) on defence cooperation, joint military exercises and high level visits. More importantly, the Committee would also explore the possibility of cooperation between the defence industries of the two countries as both the countries are looking to collaborate in combating terrorism, piracy and crime. The two million strong Indian Diaspora in the Kingdom also form a natural link between the two.

Syria

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The crimson Arab Spring has come to haunt Syria as well, with the prospect of transfer of power not even remotely close. While the intrepid struggles, vague dilemmas and unspoken fears of an unknown transition dot Syria's political landscape, it is destined to remain a major flashpoint of west Asian politics that may have implications well beyond it.

The crimson Arab Spring has come to haunt Syria, another Arab state with no transfer of power for over three decades. It has witnessed sustained anti-government protests and a violent backlash by President Bashar al-Assad's troops that has plunged the state into a bitter and unceasing cycle of retributive violence for more than a year. The 2011–2012 Syrian uprising (2011-2012), part of the wider Arab Spring is an ongoing internal violence. Public demonstrations began in late January 2011, and gradually culminated into a nationwide uprising to remove the authoritarian President and his government and end almost five decades of rule by the Syrian Ba'ath Party.

The Western media has played a leading role in galvanizing the forces. The Time magazine suggested that all protests needed to explode into a full-fledged rebellion and on March 15 the protest movement began to escalate into simultaneous demonstrations across Syrian cities. The city of Daraa emerged as the center for cumulative protests as more than 100,000 people marched in the streets on March 25. The spread of protests to other Syrian cities like Homs, Hama, Baniyas, Jassem, Aleppo, Damascus and Latakia resulted in large casualties. Later in the month, the government began to negotiate with the rebels and offered concessions with the President announcing the release of 200 political prisoners.

The uprising became more extensive in April with scores of protesters falling to army bullets and cities being enveloped in more bloodshed. Between April 1 and April 15, 2011 over 150 lives were lost in clashes between security forces and protesters. Tens of thousands of protesters were prevented from entering Damascus but it failed to stem the tide as popular protests engulfed many more Syrian cities. The protests were particularly strong in Daraa, Baniyas, Al-Qamishli and Homs. The Syrian government used firepower to force people off the streets. Civic amenities were put on hold and communications disrupted in a number of cities. Throughout the month of May, the Syrian army columns marched into the rebellious towns to suppress crowds but met little success.

The Syrian authorities tried diversionary tactics to ward off the crisis. In early June, the Syrian government accused Israelis of killing 20 Syrian demonstrators at Golan Heights, while attempting to cross the cease-fire line. The Syrian army also intervened in the northern cities of Jishrash-Shugur and Maaratal Nuuman near the Turkish border. They claimed those towns to be sites of mass graves of Syrian security personnel killed during the uprising and described their intervention as operations to rid the region of "armed gangs".

The siege of Daraa created almost famine-like situation in the city. Yielding to foreign pressure, Assad on June 20 promised a "national dialogue" involving reform, fresh parliamentary elections and more freedom to meet the demands of protesters. He also requested refugees to return to Syria from Turkey promising them amnesty and accusing only a small number of "saboteurs" for disturbances. Assad's reassurances were largely dismissed by protesters. In July, pro-government protesters attacked the US and French embassies in Damascus. The US Secretary of State Hillary Clinton condemned the attacks, stating that al-Assad had "lost legitimacy," and urged the Syrian President to step down from power. On July 31, the besieged town of Hama saw massive escalation of violence leading to the dark "Ramadan Massacre", in which at least 136 people were killed and hundreds wounded when Syrian forces attacked demonstrators across the country, employing tanks, artillery and snipers. The Syrian navy also joined in the operation to crush the anti-government forces.

It is however a fact that Damascus and Aleppo, the larger cities of Syria, have generally remained uninvolved in the anti-government protests. Pro-Assad rallies have frequently rocked the central squares of these cities. The absence of spontaneous, mass participation in protest from these cities is largely responsible for the survival of Assad's regime unlike the events in Egypt, Tunisia or Libya.

On December 12, local elections were held under reformed electoral law amid the tensions. Activists reported over 100 killings on December 19, including nearly 70 defectors who were massacred while fleeing their military outposts along the Syria-Turkey border. Suicide bombing added a new dimension to the Syrian crisis with two security facilities being hit in Damascus, killing 30 civilians and soldiers. While the exact nature of these attacks remains unclear, there have been speculations of al-Qaida influence in these explosions.

On February 1, Riad al-Asaad, commander of the Free Syrian army, claimed that "Fifty percent of Syrian territory is no longer under the control of the regime," and that half of the country was now effectively a no-go zone for the security forces. Protests have meanwhile continued to amass on to the doorsteps of Syrian embassies. On February 15, 2012, Syrian state television announced Assad's resolve to hold a referendum on a new constitution on February 26, to extirpate conflict. Assad adopted the new constitution with 89.4% votes in favour from a turnout of 57.4%. Elections to the new parliament were mandated within ninety days following the ratification of the new constitution. Nonetheless, the main opposition group, Syrian national Council (SNC) is reluctant to concede to the arrangement as the country at large is still swept in violence and unrest.

Syria remains engulfed in civil war and violence with international actors playing crucial roles. The UN is urging a cease-fire as the U.S. and its allies try to strengthen the opposition without outside military involvement. The unceasing record of violence in Syria suggests that the country still remains under siege and no immediate respite is in site as parties share no trust whatsoever. With a zero-sum game situation prevailing within, there seems no scope of any transformation of this ongoing conflict in the immediate future. While the intrepid struggles, vague dilemmas and unspoken fears of an unknown transition dot Syria's political landscape, it is destined to remain a major flashpoint of west Asian politics that may have implications well beyond it.

Egypt

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Amidst speculations over the role of religion, the power of the military and the emerging shape of the Arab democracy, there seems to be a definite expectation pertaining to Cairo's foreign policy. Egypt's proximity with Washington unnerved its people as they saw in it an imminent estrangement from the rest of the Arab world. Post-Mubarak Egypt looks poised to cultivate warmer relations with Iran.

This feature on Egypt is treated like a curtain raiser, where I touch upon the Arab spring narrative while dwelling on the quintessential prevarications of post-Mubarak governance, foreign policy orientations and economic dependencies of Egypt.

As the largest Arab country, Egypt has played a central role in contemporary Middle Eastern politics. Egypt pioneered the Arab nationalism and the non-aligned movement under the leadership of President Gamal Abdul Nasser during the 1950s. President Anwar Sadat's Camp David agreement with Israel in 1979 led to the expulsion of Egypt from the Arab league. The protests that ousted President Hosni Mubarak in 2011 once again brought Egypt at strategic crossroads.

Despite providing stability and ensuring a semblance of economic progress, Hosni Mubarak's control over Egypt remained inwardly repressive. An emergency law, in operation since 1967, with only a brief eighteen month interregnum in 1981 muzzled all forms of political dissent. Brutality within the security forces remained as commonplace as corruption. Encouraged by the protests in Tunisia, popular discontent erupted in the form of anti-government protests in January 2011, compelling President Mubarak to step down from office. He was arrested and tried for crimes committed during the popular protests in August 2011.

The interim military administration that took charge of governance after Mubarak promised to effect a quick transition to democracy. In the face of mounting pressure from pro-democracy protesters, a new interim government was formed and a series of constitutional changes, paving the way for early elections were approved. However, a key demand of the revolutionaries to lift the emergency law has not yet been fulfilled. There are also apprehensions over the fact that the first post-Mubarak elections could bring in the dominance of Islamic groups in the mainstream with the possibility of adverse repercussions on religious minorities like the Coptic Christians and vulnerable sections like women and tourists.

Amidst speculations over the role of religion, the power of the military and the emerging shape of the Arab democracy, there seems to be a definite expectation pertaining to Cairo's foreign policy. Although Washington would prefer a secular victory, it looks fairly certain that notwithstanding the disposition of the government, the new Egypt will be far less compliant to U.S demands as it is set to cultivate warmer relations with Iran. Activists, experts and candidates from across the political spectrum agree that Egypt should seek friendlier relations with Iran and its allies to build greater influence in the region. "There is no reason for us to have hostilities toward Iran," said Mustafa el-Labbad, the director of the Middle East Center for Regional and Strategic Studies in Cairo, "although there are vast differences between us." Even the Supreme Council of the Armed Forces (SCAF), Egypt's transitional military government, which is sometimes touted to be most closely aligned with U.S, agreed that if Egyptians want improved relations with Iran, Hezbollah, Hamas, and Syria, the SCAF would be hard-pressed to ignore the sentiment.

The SCAF's stance towards Iran was apparent since the early phases of the revolution when Iranian ships were allowed through the Suez Canal for the first time since the 1979 Islamic Revolution. The Iranian regime also reciprocated by appointing an ambassador to Egypt for the first time since diplomatic ties were severed in 1978. The relations between the two countries have thence begun on a new leaf with both governments working to strengthen ties.

Egypt's spring revolution may have been directed towards President Mubarak's failed domestic leadership, but Egyptians were also tired of his foreign policy orientations. President Mubarak remained reflexively hostile toward Iran and its allies –the Hezbollah, the Hamas, and Syria to maintain hospitable relations with the U.S and Israel. He is reported to have even condoned Israel to conduct its bombing raids on Hamas in the Gaza Strip in 2008. It is a fact that relations between Egypt and Iran have barely displayed amity. The strain in relations with Iran is telling considering the Iranian regime named a street in Tehran in the honour of the assassin that killed Egyptian President Anwar Sadat.

As the most populous Arab speaking countries, housing the Al-Azhar university and mosque (the seat of Sunni learning) and being virtually the soul of Arab cinema, Egyptians view their country as the core of the Arab world. As such, they prioritise better relations with the various centres of power to secure a more influential role in the region. This yearning for regional influence is concomitant with the transpiration of Egypt's relations with Israel and the United States. Egypt's proximity with Washington unnerved its people as they saw in it an imminent estrangement from the rest of the Arab world. Animosity towards Israel spreads across masses and elites in Egypt and transcends religious and political affiliations. Such grievances, however, remained largely tacit in the Tahrir Square protests as the demonstrators burned no foreign flags and chanted no anti-United States or anti-Israel slogans.

The Egyptian economy traditionally relied largely on agriculture, tourism and remittances from Egyptians working in Saudi Arabia and other Gulf countries. Since the overthrow of Hosni Mubarak, Egypt's army-backed government has been supporting the economy largely by drawing on reserves and borrowing from domestic banks, but the interest rates have risen meteorically as funds have grown tighter. The government has spent more than \$20 billion in foreign reserves to prop up the currency since last year's uprising. Reserves fell by another \$600 million in March to \$15.12 billion, equivalent to less than three months worth of imports. Economists warn that with foreign reserves running low, the country risks a disorderly devaluation of the currency unless it secures new sources of funding. A political or economic shock could increase pressure on the pound if it prompted people to switch funds out of pounds and into dollars. Nonetheless, barring shocks, the country should have a decent financial cushion to see it through, until an elected government is installed with a popular mandate to push through an IMF agreement.

Nigeria

Ziba Mirza is associated with Global India Foundation in independent research capacity

Nigeria continues to reel under the pressure of communal rivalry between the Muslim northerners and the Christian southerners. Despite unimpressive economic performance in the initial years following independence, Nigeria has evolved into Africa's second largest economy. Excessive reliance on its oil revenue has proven to be a resource curse for the Nigerian economy.

Nigeria rises to prominence in our collective consciousness as the subject of several key discussions: as a case in point for its natural resources, in the context of its history and a similar colonial legacy, if not more ubiquitous to India, and more persistently in its seemingly

interminable struggle with ethnic violence. Like India, it is a paradoxical example of ‘dashed expectations’ of not having realized its full potential, and yet at the same time identified as one of the ‘the next eleven’ economies to look out for.

	1960	1967	1970	1980	1985	1990	1995	1999	2001	2003	2005	2007	2010
Politics	Independence from British.	Nigerian-Biafra War	Military Rule with two periods of brief return to democracy				Democratic Election in 2000, 2003, 2007 won by PDP				Incumbent President dies. Vice president Goodluck Jonathan sworn in		
Economic Indicators													
<i>GDP Growth</i>				4.2	-4.8	8.2	2.5	1.1	3.1	7.1	6.9	6.4	7.9
<i>GDP Per capita on PPP (USD)</i>				694	941	1005	1014	1078	1216	1597	1794	2052	2436
<i>Inflation</i>					7.40%	7.40%	72.80%	6.60%	18.90%	14.00%	17.90%	5.40%	13.70%
<i>Unemployment rate</i>													21%
Demographic and social indicators													
<i>Life Expectancy</i>				45	46	46	45	46	51.07	51.01	46.74	47.44	47.24
<i>Adult literacy rates</i>								55%					61%

The British formally established their rule in Nigeria in 1901. Before the British defined what we now know as Nigeria, there was no history of a formal state or single ruler. Rather there were fragmented political settlements and tribes. Even though British influence in Nigeria was significant still, the British invested little in transforming Nigeria’s political systems, building capacity, infrastructure and reinforced existing decentralized and regional fragmentation. Administratively, the colonizers demarcated the country into north and south, which was later further divided into North, South East and South West, a division that persists during modern times and perpetuates political and social identities. Northern Nigeria is dominated by the Muslim Hausas and south by the Igbo and Yoruba who are predominately Christians. It is also noteworthy that the British kept missionary activity and western education concentrated in the South creating a class of western educated elite. Towards the end of the colonial rule, although the anti colonial impulse was weak and elitist, independence was granted to Nigeria by Britain in 1960.

Nigeria is Africa’s most populous state with a long history of struggle with ethnic and cultural rife. The country continues to reel under the pressure of communal rivalry between the Muslim northerners and Christian southerners in the shadowy past of the bitter separatist war fought by the secessionist state Biafra (South-East Nigeria) from 1967-1970. In January 2012 ethnic violence in retaliation to government crackdown in the North left hundreds dead. Since its return to democracy in 1999, politics has been dominated by the People's Democratic Party (PDP), with the Action Congress of Nigeria (ACN) and the Muslim dominated All Nigeria Peoples Party (ANPP) forming the main opposition. A radical Islamic sect known as the Boko Haram, created with a mandate of transforming Nigeria into an Islamic state is responsible for major acts of terror and aggression in Nigeria, including an attack on the United Nations (UN) headquarters in Abuja in August 2011 and a series of bombings on a church on Christmas day in 2011. Most recently the group has threatened to bring down the government led by President Goodluck Jonathan of PDP, who succeeded Umaru Musa Yar'Adua after his death in May 2010. The 2007 general election retained power in the hands of PDP. The election was marred by violence and controversy with irregularities reported by the Economic Community of West African States (ECOWAS) observation mission, European Union (EU) observation mission, Amnesty International and domestically by Nigerian Bar Association and the Transition Monitoring

Group. Rampant poverty and unemployment perpetuates much of the ethnic violence making Nigeria fall abysmally behind in global ranking of press freedom (ranked 126 out of 179) as well as in human development index (156 out of 187) in the year 2011-2012.

Given its historical legacy and disadvantageous start, Nigeria's post independence economic performance has been far from impressive. Despite its poor economic performance in its early post independence phase, Nigeria has now grown to become Africa's second largest economy, primarily since its return to democracy. There however, still continues to be several structural issues. Manufacturing and industrial growth was poor and continued to contribute a small percent to the economy even till 2000 at just 10 percent. The GDP per capita in PPP terms has grown at an average of 2.06 percent from 1980 to 2000 and has only increased by an average of 7.7 percent to USD 2436 (India is at USD 3500). Over reliance on its oil revenue has been a resource curse for Nigeria, accounting for almost 80 percent of the GDP share and above 90 percent of the total exports. Despite being one of the largest producers of oil in the world, Nigeria has not been able to channel its oil wealth towards the prosperity of the nation. Owing to years of inefficiencies in its oil production, most of the oil that is consumed is imported and subsidized. Trade in stolen oil has in fact become the cause of widespread violence and corruption. An Economist report estimates that corruption has cost Nigeria \$4 billion-\$8 billion dollars per year and has been the main deterrent for foreign investors. Frustration over decades of corruption and patrimonial politics has led to widespread protests in early 2012 that were triggered by the removal of fuel subsidies, a decision that was later reversed by President Goodluck Jonathan.

USA, UK, China and India are major trading partners of Nigeria. USA accounts for 37.5% of all exports and India 10.5%. Primary import partner is China (17%). Nigeria and India have a shared colonial legacy and similar struggles with ethnic and religious diversity, which give it common ground for rich bilateral ties. Economic and bilateral relations between the two countries have grown since 2005 and were further cemented with the visit of Dr. Manmohan Singh to Nigeria in October 2007. In 2009-2010, bilateral trade exceeded USD 8.7 Billion and touched USD 12 Billion in 2010-11. Exports to India, significantly oil exports, account for a bulk of this amount. Exports from India to Nigeria are comparatively lower at USD 1.4 Billion, presenting tremendous opportunity to expand from existing products (machinery and instruments, pharmaceuticals, transport equipment and electronic goods) to other industries and services such as IT and telecom. India is in a position to impact the growth trajectory of Nigeria in a way that could address some key human rights and development issues without infringing on Nigerian sovereignty.

South Africa

Cauvery Ganapathy, Fellow and Programme Coordinator, Global India Foundation

Leveraging an engagement with South Africa today allows not just a harnessing of the country's vast potential, but simultaneously affords an opportunity to engage with the continent as a whole. South Africa stands valuable not merely of its own accord but also due to its hinterland, so assiduously beyond global involvement thus far.

South Africa's identity has for long been animated by the narratives of the anti-colonial struggle and the Apartheid movement. The country today, however, offers testimony to how success could be achieved in an exercise of nation building which despite being determined by the vagaries of its past has as its fundamental objective an emboldened transformation from that very past.

Over the last decade, the African continent has made an inspired attempt at being counted as more than just a development aid statistic. South Africa has been leading this effort. The turbulence and inconsistency that the global financial crisis brought to the fore necessitated that alternate growth poles and markets be engineered and cultivated in order to sustain economic order. It is in answer to this felt need that South Africa offers a very viable alternative, not least because it may also be considered a vista to foray into the larger African continent itself.

South Africa qualifies as a significant and receptive investment destination due in chief to the fact that the country offers investments the opportunity to traverse a huge space without having to contend with the issue of investing in basic infrastructure. The preparations for the FIFA World Cup of 2010 reversed the infrastructure deficit of the country and transformed it into a veritable haven for investors looking to harness its potential in not just mining but in sectors such as banking, telecommunications, information and communications. Additionally, the country offers a robust financial architecture. It is, however, pertinent to point out that the country suffers from the specific issue of ambivalent policy directions while in a state of contested elections. Traditionally, such a state of affairs, dissuades investors who need for the core tenets to be codified before making the investments.

The South African constitution came into effect in 1996 and marked the beginning of the country's democratic experiment. It is an experiment whose success finds reflection in the unhindered record of Parliamentary governance in the last decade and a half, as also the reasonable dilution of divisive undercurrents in the social fabric. A cursory assessment of President Zuma's State of the Union Address 2011 paints an optimistic picture of the growth markers, and yet, closer scrutiny validates the perception that perhaps the benefits of the growth trends have not translated into *improved incomes and irreversible human development gains*. In real terms, the South African growth story appears to bear the uneasy caveat of positive trends being offset by structural governance deficits.

South Africa continues to be plagued by phenomenally high rates of crime. It is an unfortunate reality of the South African state that the benefits of growth and development have not percolated through to its social indices adequately. The Bureau of Statistics computed the Total Crimes per Capita in South Africa to be 77.1862 per 1000 people in the year 2011. Atrocities against women feature the highest on the violations of law and order scale. The country reported 56,000 rapes in the year 2011 alone. Also, South Africa has been consistent in its efforts at tackling health epidemics by way of a national strategic plan for HIV, TB and socially transmitted diseases. Yet, despite the Government's sustained campaign and the interventions of international affiliates, the scourge of rampant HIV and malarial afflictions continue to affect the country's populace.

South Africa's international profile posits it as developing country and its membership of the IBSA and BRICS affords it forums to articulate its own position in the discourse. Interestingly,

domestically South Africa has had to contend with disparate viewpoints that questioned the credence of the country even featuring in a group that was identified as the coming together of 'emerging markets'. However, the Johannesburg Stock Exchange played a proactive role in honing public opinion to be more enthused of the membership and working towards deriving the obvious benefits accruing from such inter-linkages. The implications of the financial contagion charted the course for the emergence of South and South-East Asian trade hubs. The common financial wisdom in South Africa today contends that by 2020 the BRICS nations would subsume 40% of global wealth and to partake in that statistic, the country needs to judiciously exploit its membership of the forum to leverage better trade deals.

In terms of South Africa's India dynamic, it has been a bilateral tie infused with the ethos of past alliance and the promise of future collaborations. Importantly, it is an alliance whose greatest merit, beyond the recourse to a shared struggle, is that it is founded on a principle of solidarity and the sinews of strength are not tested by any '*fundamental conflict of interest*'. The large Indian Diaspora in South Africa has been a crucial coordinate in this mapping. In global forums, the two countries have exhibited considerable coincidence of interest and intent in issues pertaining to Climate Change, Multilateralism, UN Reforms, Global Trade Negotiations et cetera. In addition to the shared objectives animated by the BRICS principles, India and South Africa share common grounds in multilateral platforms such as IOR-ARC, WTO, G-77, G-20 and NAASP.

The total trade between the 2 countries in the FY2010-11 was \$10.6bn; significantly a figure higher than the target of \$10bn by 2012 identified during Jacob Zuma's visit to India in June 2010. A revised bilateral trade target of \$15bn has been set for the year 2014. It is the India-SACU Preferential Trade Agreement that has been fuelling this successful bilateral trade trajectory and both countries view this as a pre-cursor to an eventual Free Trade Agreement between India, SACU and MERCOSUR. The major investors fuelling this bilateral tandem include Tata, UB Group, Mahindra and a number of pharmaceutical companies, including Ranbaxy and CIPLA, as well as IT companies and some investments in the mining sector. The South African component in this trade relation is led by SAB Miller, ACSA, SANLAM and Old Mutual ALTECH, Adcock Ingram, and Rand Merchant Bank.

Sudan

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A new epoch in the history of Sudan began with the Comprehensive Peace Agreement (CPA) in 2005, following 17 years of tension emanating from the civil war between North and South Sudan. South Sudan's declaration of independence on June 9, 2011 has posed new challenges arising from the division oil wealth, debt, export fees, border issues and citizenship. Mistrust and disagreement coupled with Sudan's failure to arrive at a peace process could spell war and state collapse.

Secessionist history has been rife with complete demolition of political and social order, bloodshed, genocide and rapes. Strong ideological differences, opposing notions of nation-

building, ethnic divide and divergent interpretation of history and society compelled the secessionist crisis in Sudan. An understanding of Sudan is possible through an analysis of its complicated relationship with South Sudan as it traverses through the vicissitudes of war in the savage landscape. Coup politics brought President Omar al-Bashir of National Congress Party (NCP) to power in 1989 which spurred an Islamist revolution. The April Presidential election in 2010 was the first multi-party election held after 24 years. Ironically, major political parties boycotted the election citing concerns of irregularities in voter registration and insecurity in Darfur, thus leading President Bashir to power (68 percent of more than 10 million valid votes) for a period of 5 years. Sudan's political fabric rests delicately on the premise of power maintenance and sharing of it between the Central government and opposition groups at the periphery. In spite of the Darfur Peace Treaty signed in 2006 with the two rebel groups (the Justice and Equality Movement and the Liberation and Justice Movement), the NCP government remains unstable owing to the volatility of the Western Darfur region. The Khartoum government faces a gamut of challenges ranging from ensuring macroeconomic stability and rebuilding foreign reserves to controlling fiscal deficits and maintaining low inflation.

The peace treaty of 2005 enabled the North and the South to divide their oil revenues equally as three-quarter of daily 500,000 barrels of oil came from the South. The economy has been adversely affected post the loss of oil-rich South which has halted access of billions of dollars in exchange of crude oil reserves. Voicing concern, political secretary of the NCP, Ibrahim Ghandour, stated in *The Financial Times* that it could take at least two years for the North's economy to adjust to the loss of the South. While the non-oil industry in the country remains nascent, problems of irrigation and transportation remain the greatest constraint to dynamic agriculture. As Sudan faces an enormous amount of debt of \$40 billion (40 percent of GDP), its integration with International Financial Institutions (IFIs) and the world economy remain difficult. Social tension is on the rise as the Sudanese pound has fallen by 60 percent with the decline in foreign currency inflow leading to an annual inflation of 21 percent. According to the latest release of *World Economic Outlook*, Sudan's economy has achieved a growth of (-)3.9 percent in 2011 and will further contract by (-)7.3 percent. The International Monetary Fund (IMF) has projected that consumer prices in Sudan will rise by 23.2 percent in 2012 which is the highest in the region. Sudan's economy continues to receive setbacks as South Sudan has stopped oil production to hurt the North's economy.

Chronic strife over the control of the oil fields has escalated the heat of cold war between Africa's newest neighbours such as Chad. Post the territorial split, 75 percent of the oil fields lie in South Sudan while 90 percent of the oil pipelines pass through Sudan making it difficult for both the states to identify an agreed way to regulate oil production and export. A ruling by the Permanent Court of Arbitration in Hague (2009) put Heglig oil field on the Sudanese state of Southern Kordofan. Skirmishes over Heglig began immediately following Sudan's decision to retain the entire share of Heglig oil revenues and Juba government's flagrant dismissal of the decision which stated that the arbitration court was 'specifically for the disputed region of Abyei and not Heglig'. As oil accounts for 98 percent of revenues for the South Sudan, Heglig becomes a vital strategic revenue interest. Capturing of Heglig by South Sudan and recapturing it by Sudan has caused a stand-off between the two nations. Sudan has declared a state of emergency along the conflict-ridden borders of South Kordofan and Philip Aguer, spokesman for South

Sudan's army, has accused that the Sudanese war-planes have bombed oil fields and Panakuach region in the Unity State. Sudan People's Liberation Army (SPLA) chief has also indicated that Sudanese army in South Kordofan and Blue Nile states has taken control of the South Sudanese town of Talodi. The two neighbouring states have come to a brink of war and tension has heightened surrounding Sudan's arrest of a Briton, Norwegian and South African citizen alleged for being SPLA spies. The African Union has issued an ultimatum to both North and South Sudan to immediately cease hostilities. While the South is agreeable, Sudan is yet to respond leading Russia to call on world powers to take economic measures against Sudan.

Straddling myriad crises of forced migration, food security, climate change, insecurity and impoverishment has often led Sudan into large scale conflicts. To avoid such conflicts, Sudan's integration in world politics is vital to ensure a sustained process of dialogue with government. Sudan and India share a cordial bilateral relation and Sudan appreciates the role India plays to support developing countries through the Non-Aligned Movement platform. The failure of the Heavily Indebted Poor Countries Initiative by the IMF and World Bank in 1996 is a harsh reminder to the world community of its inability to percolate economic relief in Sudan due to civil war when countless died due to lack of food, water and medical facilities. Nonetheless, Sudan's cooperation with the Obama administration in 2009 to negotiate with Special Envoy J. Scott Grattion, allowing entry to four NGOs to help address humanitarian crisis issues, are fresh indicators of Sudan's willingness for negotiation. In Sudan, benefits from oil could act as a positive driver, drawing the North and South to an agreement of mutual interdependence and end the conflict. Oil benefits could also prove to be a deterrent to peaceful relations between the two states. Conscientiousness among the Sudanese government and rebel groups to embark on a peaceful path leading to progression rather than strife would be desirable both by the Sudanese civilians and the world community.

Zambia

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The crisis in Europe has had minimal effect on the Zambian economy as of now, but a further deterioration in global economic conditions could squeeze trade credit lines, reduce demand for Zambian exports, and lower copper prices. The onus thus lies heavily on Sata's regime under the Patriotic Front to ensure politico-economic stability in Zambia.

The democratic republic of Zambia has remained in news recently for its steady political and economic progress. Following elections in September 2011, the long rule of two- decades by Movement for Multiparty Democracy (MMD) under Levy Mwana Wasa and Rupiah Banda was replaced by Michael Sata's Patriotic Front. Unlike Banda's Presidential election in 2008, which was touted to be rigged, this election has largely been deemed peaceful and fair. Banda himself has bowed out gracefully, expressing respect for the mandate of the people of Zambia. This electoral episode bears testimony to the increasing political maturity and democratic consolidation of this country, which embarked on a period of re-democratization in 1991, displacing the hegemonistic rule of Kenneth Kaunda's United National Independence Party (UNIP) but experienced backsliding soon after, with streaks of authoritarian political rule under the MMD. On the one hand, complex legislative processes and corrupt practices perpetuated personalistic and neo-patrimonial rule, placing exclusive powers in the hands of the President; on the other hand, the explicit lack of impartiality and fairness in the electoral process, fragmented

political opposition and weak democratic institutions bred a culture of silence which persistently prevented the culmination of a responsible democracy in Zambia through decades. Concomitantly, socio-economic inequalities deepened with faulty privatization measures, inflation and corruption. In fact, even by the beginning of 2000, Zambia was ranked as one of the poorest countries in the world.

However, in the last five years, inflation has declined to 7.2 per cent and the Zambian economy has expanded at an annual average of 6 per cent. An International Monetary Fund (IMF) mission has predicted a robust growth of 7.7 per cent real GDP growth in 2012. Subsidies, debt reliefs and recent spate of foreign direct investment, especially in copper mining and growth in non-maize agricultural production made the economy more buoyant. The mission has recommended implementation of sound policies in taxation, public financial management for creating fiscal space for increased infrastructure spending, improvement in technical capacity for efficient administration of larger capital and diversification of the economy for sustaining the momentum and prompting more inclusive growth. The crisis in Europe has had minimal effect on the Zambian economy as of now, but a further deterioration in global economic conditions could squeeze trade credit lines, reduce demand for Zambian exports, and lower copper prices. The onus thus lies heavily with Sata's regime under the Patriotic Front to ensure politico-economic stability in Zambia.

In his electoral campaigns, Mr. Sata raised promised "more jobs, less taxes and more money". His charismatic personality, oratory and the nick name of 'King Cobra' earned him popularity and his fresh political appeal compared to Mr. Banda gave him an edge to realise the desire for electoral change in the increasingly discerning people of Zambia. President Sata has dealt with rampant corruption in the public sector with heavy handedness and introduced several pro-poor measures including lowering taxes for low-income earners. However, with his decision to increase mining levies, he unsettled foreign investors. Though he promised to utilise the extra money to build hospitals, roads and power stations, observers refer to a larger trend of 'resource nationalism' increasingly visible in the African continent, which is turning investors weary and creating a highly unpredictable business environment. President Sata however, continues to appease the Chinese, who still possess the highest share of investments in Zambia, despite his initial anti-Chinese rhetoric. He has also earned unpopularity by sacking the governor of the central bank, and blocking the previously agreed sale of a state-owned bank.

Zambia's relations with India have improved with the latter playing a catalyst to economic development by establishing the *Indo Zambia Bank Limited* in Lusaka, Zambia as a joint venture. Starting with a single branch bank in 1984, the bank now has twelve branches spread over major business centres in Zambia and has become a household name as 'The Bank You Can Trust'. It offers innovative schemes and products catering to the requirements diverse sections of the Zambian economy and society; agriculture, mining, tourism, trade, manufacturing, small and medium enterprises and real estate. The bank also follows transparent, progressive business-oriented policies that are not just customer friendly, but also comply with the good corporate governance, enabling the bank emerge as a "professionally run institution", lending greater credibility to the business environment in Zambia. The Government of India contributed its share of 60% in the joint venture through three largest public sector banks – the Bank of Baroda, Bank of India and Central Bank of India, each contributing 40% to the share capital of the Bank, apart

from seconding senior personnel from their banks. The Government of Republic of Zambia contributed the remaining 40% shares initially through Zambia Industrial and Mining Corporation (ZIMCO) which was subsequently transferred to Ministry of Finance and Planning, Government of Zambia. India has regularly extended lines of credit and grants for infrastructure and social development (health, education, food security) and waived off three million US dollars worth of outstanding credit in the recent past. The number of Indian Technical and Economic Cooperation (ITEC) slots available to Zambia has been increased to ninety one in the year 2011-2012.

Since March 15, 2012 the MMD has been de-registered by the Registrar of Societies for non-compliance with the Societies' Act, and non-payment of fees amounting to 390 million Kwacha (about US \$ 73,600) and Rupiah Banda has stepped down as the party's president. Though the MMD condemns this to be 'an assault on democracy' and denies charges by calling for judicial review, they might eventually lose appeal. The impossibility of by-elections at this stage and the absence of a consolidated, constructive and functional opposition once again threaten to throw the country into the domination of one party. The risk of instability has once again crept into Zambia's political matrix. It would be interesting to monitor the unfolding of political events as Zambia takes the litmus test for democratic consolidation and maturity once again, in the days to come.

France

Cauvery Ganapathy, Fellow and Programme Coordinator, Global India Foundation

For long now, the French state has identified itself with the ideological and practical moorings of the European edifice and the idea of the Welfare state. However, the France of 2012 is confronted with a complex web of options and compulsions that are in conflict – often in spirit and sparingly in action - with both these notions. Confounding this state of affairs further are the facts of the recent economic turmoil and the attempted reconfiguration of strategic arrangements in international affairs.

France goes to polls in April 2012 grappling with critical issues internally – issues of public debt, vulnerable solvency, the question of immigration, the debate on protectionism, the choice between energy transition or complete abandonment of nuclear energy, the cost of adhering to European supranationalism or intergovernmentalism, et al. Yet, the French Institute of Public Opinion (IFOP) contends that a worryingly large section of the populace has decided against exercising their franchise in these elections. The fact that the election campaigns have emerged as an instance of a war between political personalities instead of a substantive contest between discernable differences in manifestos, is employed to explain this trend of abstention. In the face of protracted personal attacks by all parties, the French populace complains of feeling increasingly disenfranchised by the political discourse and disillusioned with the possibility that any of the real challenges affecting their country may be met adequately on the strength of their preference of a candidate.

Although varying shades of the French political discourse find expression in the candidacies of Marine Le Pen of the Far Right, Francois Bayrou, the '*great Centrist of French politics*' and

Jean-Luc Melenchon among others, the chief contenders in the race continue to be the incumbent to the Elysee Palace the conservative Right's Nicholas Sarkozy and the radical Socialist Francois Hollande. Although it could be seen as a clearly demarcated contest between the Right and Left of the French political spectrum, the circumstance that the nation presently finds itself in, may well determine the most prudent option to be employed instead of it hinging on the nature of the victor's affiliation.

The one issue on which there is an obvious and considerable difference is the pursuit of the ideal of positing itself as a Welfare State. President Sarkozy has been vociferous in criticizing the impact that the machinations of a Welfare state have on an economy that is grappling with the European Debt Crisis. In his public pronouncements, the French President has implored the country to give up on the allegedly sclerotic nature of the Welfare State and allow the economy to subsume the forces of an irrevocably globalised economic order. Should there be a distinctive strand that may determine their fate at the ballot boxes, the two front-runners in this race would have this particular issue to contend with, given its obvious social, political and economic ramifications. Despite this, however, no arguments much less propositions, have been forthcoming on the crucial issues of control and reduction in public spending.

The one credit that the last Presidency may claim is that it has marginally insulated the economic health of the country from the turmoil in the other EU member states. However, the French economy continues to persist on very shaky foundations. Public debt stands at 90% of GDP and continues to rise, there exists a very high rate of unemployment and spending on public services appears to be eating into the public revenue that could be infused into reviving the economy. France's economic status stands further compromised with it losing its AAA credit ratings with Standard & Poor's in January 2012. Although the country's public finances continue to be under scrutiny by market analysts, the economy may still survive the turmoil on the strength of the fact that France continues to have more big firms in the global Fortune 500 than any other European country and retains its strength in services and high-end manufacturing.

Two other issues that while affecting the nature of the French economy will deeply impact France's European endeavour and the social and political fabric of the French nation are the debates on Protectionism and Immigration. The French populace has, in general, been wary of participation in the Euro Zone lately and believes that there still is time for France to isolate itself just enough to avoid being the next domino. Monnet's supranationalism is rarely well received today in a France that finds many of its apprehensions of the European edifice coming to life.

While it comes to terms with its regional obligations and compulsions, the cleavages in the French society itself appear to be exacerbating. While religious organizations offering to run schools have been attracting the bulk of the state's finance despite the separation of the Church and the state being a cornerstone of the French Republic, the secular nature of the state is being increasingly called into question through several recent lawsuits against the French Interior Ministry by immigrants on charges of racial profiling. In many ways, however, the French society offers a study in contrasts, when despite these trends and charges against "*Islamification*", an increasing number of recruits in the elite wings of the French armed forces are Muslims, a possible sign of growing integration of Muslims in France.

In its international dealings, France has been a significant partner to India over the past few years. Through the international outcry over India's nuclear ambitions and in India's leveraging for a Permanent Seat in the Security Council, France has been consistent in its support. The most recent accomplishment in this relationship has been the conclusion of the defense procurement deal of 126 French Dassault Rafales. Despite the trouble that the French AREVA supported Jaitapur nuclear plant has run into, France continues to be a very important player in India's nuclear ambitions. Since 2008 and the NSG waiver, France has maintained its commitment to the supply of nuclear fuel to India through the 'Framework Agreement for Civilian Nuclear Cooperation' signed between the two countries.

Germany

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Germany has defied the downward trend of European economies and experienced modest growth, relatively low unemployment and strong export performance. In fact, the crisis has strengthened Germany's position in Europe with the Chancellor, Angela Merkel assuming a critical role in containing and managing crisis.

Germany is highly integrated into the international community and its political role is slowly starting to catch up with its economic importance on the world stage. The country's relations with India are growing strong especially in the areas of economic, strategic, and cultural cooperation.

Economically, Germany has not been hit as hard as other European countries by the economic downturn and has defied the region's downward trend. It has experienced modest growth rates (3% in 2011), relatively low unemployment rates (7.4% in February 2012) and enjoys continuously strong export performance. In fact, the Euro zone crisis has strengthened Germany's position in Europe rather than weakened it and Chancellor Angela Merkel has assumed a leadership role in the EU's attempts to contain and deal with the crisis. As Europe's strongest-performing economy and largest net contributor towards the EU budget, this leadership role has much to do with Germany being on the donor-side of the rescue mechanisms. Merkel has successfully pushed for a German inspired fiscal treaty among 25 of the EU member states, which imposes sanctions for breaching budget deficit rules and is hoped to prevent a repetition of the crisis. It means that Germany has managed to assert its vision of a European Union of fiscally prudent states with tight budgetary laws. Following German pressure, only those countries that ratify the new fiscal treaty will have access to the EU's permanent bailout fund.

Germany's heavy reliance on its strong export rates is reflected in a set of recent foreign policy guiding principles adopted by the cabinet at the beginning of the year. The guidelines envisage the expansion of Germany's strategic partnerships with the world's emerging economies, which is hardly surprising given the huge opportunities these markets hold for German companies. At the same time, the policy paper advocates a shift in the existing global power constellations both in the economic and financial realm as well as in security politics and calls for stronger representation of emerging economies in the international institutions governing these areas, including the International Monetary Fund and the UN Security Council.

The domestic media coverage has been dominated by corruption claims against German President Christian Wulff, which eventually led to his resignation in February. The pressure on him had been growing after prosecutors had initiated proceedings to lift his immunity, a first in Germany's history. At the centre of the scandal has been his alleged acceptance of political favours from business executives, including a home loan at low interest rates during his time as Prime Minister of Lower Saxony, although Wulff has so far denied any wrongdoing. Wulff had been appointed two years earlier with the strong support of fellow Christian Democrat Merkel, who has been left weakened by his resignation. The major parties hope to restore the public trust in the largely ceremonial role of the President with their joint candidate Joachim Gauck, a 72-year-old former pastor and leading figure in the peaceful protest movement in the former GDR that led to the fall of the Berlin Wall. He is best known in the country for having been the commissioner of the Stasi files. Only 21 years after reunification, this means that the two most important political roles will soon be held by East Germans. However, his appointment has been fraught with power politics as Angela Merkel had initially opposed his candidacy and by accepting him over two years earlier for her personal choice Christian Wulff. Nevertheless, Gauck is a popular choice and enjoys high levels of trust.

Internationally, Germany is still pursuing a permanent seat in the United Nations Security Council. Along with a number of other countries including India, Brazil and Japan, it has been lobbying for a reform of the body to include additional permanent members and integrate countries from Africa and Latin America.

As the world's third largest arms-exporting country and with its stake in the European aerospace and defence corporation EADS, Germany's relationship with India, which has become the largest global arms importer recently, has been particularly close in the defence sector. Angela Merkel therefore had tried hard to a close massive deal for EADS Euro-fighter jets with the Indian government, even offering India to become a fifth-partner country next to Germany, Spain, Italy and Britain. Despite the efforts, India announced it would instead purchase fighter jets from the French manufacturer Dassault in one of the biggest deals in global defence history worth around US\$ 10 billion. This move will tarnish the relationship, but will not take away from the fact that Germany and India remain important partners in the defence realm. Germany has participated in the NATO operation in Afghanistan since 2002, deploying now the third largest share of the ISAF troops. However, similar to the other nations involved in Afghanistan, the German government has started to implement its exit strategy. The first part of the withdrawal of troops is scheduled to be completed by January 2013 and the process is due to be completed by 2014. There has been some degree of public discontent with the government's decision to join the war in Afghanistan, and the departure of the German army now enjoys broad support among the population.

In 2011, Germany has chosen to abstain from vote on the UN resolution authorising force against Muammar Gaddafi and had not directly participated in the military intervention in Libya. This is more a reflection of the domestic political arena, even though the country still displays a general reluctance to deploy its army.

Germany has continued to play an important role in international affairs over the past few months and cooperation with India as one of the world's emerging nations remains in both countries' mutual interest. The strong ties between Germany and India are currently marked by 'The Year of Germany in India'. The event celebrates 60 years of diplomatic relations between both countries and is expected to further strengthen the Indo-German partnership.

Italy

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When the political and economic weaknesses of the Berlusconi Government became manifest, President Napolitano appointed Mario Monti as the new Prime Minister. Despite the massive efforts sustained by the Italian population in backing the financial and economic reforms, the GDP value has contracted by 0.7%, anticipating a trend of recession in the coming years echoing the apprehensions of the World Bank and the IMF.

The economic crisis within the Eurozone is the key to understanding the massive changes in the Italian political and economic landscape over the last six months. The last three months of 2011 vindicated the helplessness of the Berlusconi government to introduce necessary reforms to counteract the negative effects of faulty macroeconomic calculations while realising the real effects of the crisis on the population. Such policy stagnation can be attributed to the widespread feeling that the crisis was "soon-to-be over", the personal scandals and judicial deadlocks affecting ministerial efficiency and personal rivalry between the Prime Minister and his Treasury Minister, Giulio Tremonti.

Acknowledging its inability to manage the economic situation, vindicated during the Cannes Meeting (November, 2011), the government accepted monitoring of the European Commission and the IMF. The skyrocketing BTP spread to over 500 points, spiralling unemployment, soaring debt levels alongside inflationary pressures of over 3% progressively isolated Italy in bi-lateral and multilateral economic dialogues provoking a general institutional dissatisfaction over the delay in adoption of measures to check the deterioration of the domestic economy.

When the political and economic weaknesses of the Berlusconi Government became manifest, President Napolitano appointed Mario Monti as the new Prime Minister. Professor Monti's new government had a larger share of academics, practitioners and experts like Monti which fostered a sense of trust among the Italians as they agreed on the propriety of austerity to help improve their economic situation.

During the initial months, the Monti government managed to initiate several essential reforms in the tax system to tackle fiscal evasion, systematised the pensions scheme, included several of the Roman Church properties under the general framework of taxation and the reduced military expenditure in terms of military personnel and equipment while facilitating its rationalisation and integration with the European forces. The international markets seemed to have regained trust in Italy, the third largest economy in the Eurozone. Though the yield of Italian bonds has dropped, from averaging above 7 % to 5.61 %, the country looks set to reacquire a dynamic and proactive

role within the European Union by presenting itself as a reliable model to base the stability of the common currency on. Internationally, Italy has moved from the earlier days of bilateralism based to a wider spectrum of enhanced multilateralism and repaired the lines of its partnership with the US and the rest of the Atlantic community.

Italy still faces several changes ahead and does not seem likely to be challenged on those grounds any time soon. Despite the massive efforts sustained by the Italian population in backing the financial and economic reforms, the GDP value has contracted by 0.7 %, anticipating a trend of recession in the coming years echoing the apprehensions of the World Bank and the IMF. According to latest estimates, the steadily rising prices of consumer goods show no possibility of declining levels of inflation in the short term. Unemployment continues to be a problem especially among the young with one out of two graduates jobless down South. The pensions' reform does not appreciate the rapidly aging reality of the Italian population or acknowledge the joblessness in the youth seeking to replace this displacement.

The efforts of the government to handle the issue have not been able to arrest nepotism which continues to reign in government circles. According to Transparency International, Italy stands 67th in the corruption index making its position worse every passing year. A more comprehensive reform of the country's economy should incorporate effective labour reforms and liberalise such professions that continues to remain covered by corporate benefits as those of lawyers, pharmacists and taxi-drivers. The Monti government however, faces bitter resistance as more strikes and more rallies continue to agitate an already belligerent social climate in Italy. There are political challenges as well. Little has been done about the future of constitutional assets in the country. Italy still has one of the most crowded parliamentary systems in the world with a “mirroring bi-chamberism”, where both the lower and the upper chambers have similar competencies, thus making regular delays in political processes customary.

While Italy and India share a long-standing respectable relation and strategic partnership with Italy being the fourth largest exporter and sixth largest importer to and from India respectively. The countries could however, reap greater benefits from their bilateral engagement by institutionalising the scope of their shared benefits. The last official Italian visit to India dates back to 2007 with Indian visit to Italy dating back to 2009. Both countries can do more to enhance the proximity of bilateral ties to facilitate increased business and commerce.

Italy has probably passed the toughest test in many years in managing to survive the threats to its economy and polity. It still remains unclear as to how the future of challenges will be interpreted and tackled in a volatile and unstable environment. While there are reasons for hope, the next six months and the following year continue to pose the ultimate test for the political and strategic visions of the Italian government, as a relapse could well prove more dangerous than the illness itself.

Serbia

Asim Pada Chakrabarti, Consulting Editor of Daily Sakalbela

Serbia's foreign policy since 2008 has centered around its membership and integration into the European Union on the one hand and its opposition of recognition of Kosovo on the other. The Serbian economy followed a consistent growth trajectory until the global financial meltdown of 2008. The economy is reeling under the pressures of inflation and soaring unemployment.

In the summer of 2006, through a referendum and Montenegro's declaration of independence, Serbia became the legal successor of the erstwhile union of Serbia & Montenegro. A pro-Western coalition governed the state which had recently begun to come to terms with the ruinous remnants of protracted conflict. President Boris Tadic of the pro-Western Democratic Party came to power in the run-off elections held in the January of 2008, with a slim majority of 50.6 percent against his opponent Tomislav Nikolic's 47.7 percent. In the Parliamentary elections of May 2008, Tadic's 'For European Serbia Bloc' won 102 out of 250 seats. A Democratic Party led coalition government including other pro-Western groups and representatives of ethnic minorities was formed under Prime Minister Mirko Cvetkovic.

The global economic crisis and the austerity measures taken to confront it have hurt the popularity of the government. There have been increasing demands by the opposition for early elections, although the next Parliamentary elections are not due until May 2012. President Tadic, however, is keen on securing EU membership before facing the electorate again, with the expectation that this would lend some credence to his government's position. While the fact of war criminals being brought to book has enhanced the international profile of President Tadic's government, domestically they have had to contend with the populace's dissatisfaction stemming from economic hardships and unemployment.

Serbia marked a consistent economic growth until the global financial crisis impacted it in 2008. Serbia's GDP fell by 3 percent in 2009. Lately, however, the economy began to recover with the GDP increasing by 1.8 percent in 2010. Estimates suggest an increase by 3 percent for the year 2011. Serbia's unemployment rate remained 17.2 percent at the end of 2010. By European standards, Serbia's inflation rate continues to rank very high. Serbia's currency Dinar suffered severely during the economic crisis. Depreciation of the Dinar stimulated export on one hand and aggravated inflation on the other. The Serbian National Bank responded by increasing the interest rate to rein in inflation.

In January 2009, the IMF approved a \$530 million stand-by loan for Serbia. In April 2009, the IMF provided Serbia with an additional loan of U.S \$ 4.2 billion on the condition that Serbia would have to allow a 3 percent curtailment in its GDP. Serbia's contemporary economic condition however, does not provision such a compromise. As such, the IMF modified the terms of disbursement and allowed Serbia to run a 4.5 percent deficit in its GDP in 2009 and 4 percent in 2010. On August 31, 2011, Belgrade and IMF agreed on a precautionary stand-by arrangement of 1 billion Euro for a period of eighteen months subject to the approval of the IMF Executive Board.

The main focus of Serbia's foreign policy since 2008 centered around two objectives - Serbia's integration within the European community and the obstruction of international recognition for Kosovo. On April 29th 2008, the European Union concluded the Stabilization and Association Agreement (SAA) with Serbia. In December 2009, Serbia applied for EU membership. However,

the non-arrest of War criminals charged in ICTY was a great obstacle in Serbia's integration with EU. The arrest of Mladic and Karadzic, however, removed the obstacle and agreement between Serbia and Kosovo on February 24, 2012 facilitated the path of Serbia's entry into EU. On the Kosovo front however, count, Serbia is hard-pressed to avoid confrontation with the 22 EU nations that have already recognized the independence of Kosovo.

Serbia currently maintains stable diplomatic relations with all its neighbours except Kosovo. Among the 'big powers', Serbia maintains cordial relations with U.S, Russia, and China partly in an effort to ensure economic advantages and partly to ensure Russia's support of its opposition to Kosovo's independence. Kosovo is a critical flashpoint in the relations between Serbia and the U.S. Both countries continue to work on their bilateral ties while avoiding their conflicting views on Kosovo. In his recent visit to Belgrade the U.S Vice-President Joseph Biden declared that the US would agree to disagree with Serbia on Kosovo issue and stressed on exploring other sectors in their bilateral relationship. Periodically, the U.S has been sanctioning large amounts of aid for Serbia's development. Serbia is also keen to develop close ties with the NATO. In December 2006, Serbia joined NATO's partnership for peace program. The Serbian government has pledged to enhance cooperation with NATO which is exhibiting a positive interest in improving relations with Serbia and maintains an "open door" policy on the issue of membership. While Serbia's relations with other countries have continued to improve markedly, issues persist with Croatia and Bosnia due to the suit filed against Belgrade in the ICJ on the genocide during the wars of the 1990s. Serbia filed counter charges against Croatia in the ICJ. Diplomatic maneuvering by both the countries is presently aimed at the withdrawal of the charges and resolution of the dispute.

The Serbia-Kosovo agreement of February 24, 2012 is a tremendous breakthrough in resolving regional conflict. The agreement outlines the conditions under which Kosovo could be represented at international meetings and forums and outlines technical parameters for border control. Although it is a diplomatically complex agreement stating that 'Republic' may not appear next to the name of Kosovo, it has undoubtedly launched a new chapter in Serbia-Kosovo relations.

Since gaining independence, Serbia has been sincere in its pursuit of the ideals of Western Democracy and free market economy. Within the country, however, radical and nationalist elements have been vociferous in their opposition to the current pro-western policies. After the arrest and extradition of war criminals to ICTY and the recent resolution of the controversy regarding Kosovo's independence, the prospect of Serbia's complete integration with Western Europe and full membership of EU appear far less problematic. Should Serbia successfully chart the present course, it may be expected to overcome the negative impacts of the economic crisis and achieve a substantive degree of economic prosperity and political stability.

Switzerland

Dr. Lopamudra Bandyopadhyay, Fellow, Global India Foundation

Switzerland has one of the most stable governments in Europe. Switzerland refrains from alliances that necessitate military, political, or direct economic action. The economic liberalisation of India from 1991 onwards led to a new phase in economic relations. Today India is one of Switzerland's main partners in Asia.

Switzerland's meticulous neutrality has ensured its political stability towards becoming one of the world's foremost economically affluent countries. Formally neutral since the Napoleonic wars of the early 19th century and informally for about 300 years before that, Switzerland joined the United Nations in September 2002. In present times Switzerland is gradually engaging more closely with its powerful neighbours and other international organisations. Switzerland has one of the most stable governments in Europe as well as a diverse society. In recent decades, Switzerland has seen a measured swing with regard to political changes. The rightist Swiss People's Party (SVP), which had traditionally been the junior partner in the four-party coalition government, has almost tripled its share of the popular vote from 11 percent in 1987 to a peak of 29 percent in October 2007, thus overtaking its three major rivals. In the October 2011 elections, the SVP fell back to 26.6 percent leading to 60 seats in both houses. The 2011 elections led the Social Democrats to acquire 57 seats, Christian Democrats 44 and Free Democrats 41 seats. The Green Liberals acquired 14 seats and the Conservative Democratic Party 10 seats in both houses. The Constitution limits federal influence in the formulation of domestic policy and emphasizes on the roles of private enterprise and cantonal government. However, the Confederation has been compelled to enlarge its policymaking powers in recent times to survive national problems relating to education, agriculture, energy, environment, organised crime, and narcotics.

In 2011 Switzerland was ranked as the wealthiest country in the world in per capita terms. It has the world's nineteenth largest economy by nominal GDP and the thirty-sixth largest by purchasing power parity (PPP). It is the twentieth largest exporter and eighteenth largest importer of goods. Switzerland's most important economic sector is manufacturing and it consists largely of the production of specialised chemicals, health and pharmaceutical goods, scientific and precision measuring instruments and musical instruments. The principal exported goods are chemicals (34 percent of exported goods), machines/electronics (20.9 percent), and precision instruments/watches (16.9 percent). Exported services amount to a third of the exported goods. The services sector especially banking and insurance, tourism, and international organizations are other important industries of Switzerland. Agricultural protectionism has contributed to high food prices. Nonetheless, the domestic purchasing power of Switzerland is one of the highest in the world. Apart from agriculture, economic and trade barriers between the European Union and Switzerland are minimal and Switzerland has free trade agreements all over the world. Switzerland is also a member of the European Free Trade Association (EFTA).

With regard to foreign relations, Switzerland refrains from alliances that might necessitate military, political, or direct economic action and had been neutral since the end of its expansion in 1515. Its policy of neutrality was internationally recognised at the Congress of Vienna in 1815. In 2002 Switzerland became a full member of the United Nations (UN) and it was the first state to join UN by referendum. Switzerland maintains diplomatic relations with almost all countries and historically has served as a conciliator between other states. Switzerland has chosen not to be a member of the European Union, as the Swiss people have time and again rejected its membership since the early 1990s. Numerous international institutions have their

seats in Switzerland, primarily because of its policy of neutrality. Geneva, the birth place of the International Red Cross and Red Crescent Movement and the Geneva Conventions, has since 2006, hosted the United Nations Human Rights Council. Even though Switzerland is one of the most recent countries to have joined the United Nations, the Palace of Nations in Geneva is the second biggest centre for the United Nations after New York.

Apart from the United Nations headquarters, the Swiss Confederation has hosted several UN agencies, like the World Health Organization (WHO), the International Labour Organization (ILO), the International Telecommunication Union (ITU), the United Nations High Commissioner for Refugees (UNHCR) and around 200 other international organisations, including the World Trade Organization (WTO). The annual meetings of the World Economic Forum in Davos is the economic arena for influential business and political leaders from Switzerland and foreign countries keen on discussing issues pertaining to both politics as well as economics. With regard to bilateral relations vis-à-vis India, Swiss mercenaries fought in the service of France and England during the colonisation of India in the 18th century. They were followed at the beginning of the 19th century by Swiss Jesuits and Protestants. In South India, the Basel Mission was very active in the fields of religion, medical provision, education and business. In 1851 the Volkart Trading Company was established in Basel and Bombay (now Mumbai). It rapidly expanded its network of branches and diversified its activities in India and became the backbone of Switzerland's economic and consular presence in India. In the first half of the 20th century, the number of Swiss nationals working in India rose rapidly. Switzerland recognised India immediately after its independence in 1947 and soon established diplomatic relations. In 1948, Switzerland was the first state to sign a Treaty of Friendship and Establishment with the newly-founded state. Economic and trade relations developed rapidly. The first major investments by Swiss companies came in the mid fifties and Swiss development cooperation began in the sixties. During the Bangladesh dispute, Switzerland represented the interests of India in Pakistan and those of Pakistan in India from 1971 to 1976. India remained the principal recipient of Swiss development aid until the 1980s. The economic liberalisation of India from 1991 onwards led to a new phase in economic relations. Today India is one of Switzerland's main partners in Asia. Bilateral and political contacts are constantly developing. Trade, scientific, cultural and economic partnerships between the two countries is now being enhanced on a regular basis.

United Kingdom

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The 2008 financial contagion severely affected the British economy, provoking the implementation of measures to stimulate the economy and stabilise the financial markets. Bilateral relations with India hinge on subjects like development, regional stability, trade and investment, education, climate change, India-UK civil nuclear cooperation, counter terrorism and reform of the global international systems.

In 2008, the global financial crisis hit the British economy with the financial sector pushing the economy into recession in the latter half of 2008. The Brown government implemented a number of measures to stimulate the economy and stabilise the financial markets including nationalising parts of the banking system, temporarily cutting taxes, suspending public sector borrowing rules, and moving the public spending on capital projects. Facing burgeoning public deficits and debts the Cameron led coalition government (between Conservatives and Liberal Democrats) initiated a five-year austerity programme in 2010 which sought to reduce London's budget deficit from over 10 percent of GDP in 2010 to nearly 1 percent by 2015. In November 2011 Chancellor of the Exchequer George Osborne announced additional austerity measures through 2017 following slower-than-expected economic growth owing to the impact of the euro-zone debt crisis. The Cameron government raised the value added tax from 17.5 percent to 20 percent in 2011. It has pledged to reduce the corporation tax rate to 23 percent by 2015. The Bank of England implemented an asset purchase program of up to 325 billion (approximately \$525 billion) in February 2011. Though Britain still remains outside the European Economic and Monetary Union and despite best efforts of containment UK's production levels declined at an annual rate of 1.2 percent in the last quarter of 2011.

The British Parliament witnessed the absence of a majority for the first time since 1974 paving the way for a Conservative- Liberal Democrat coalition in 2010. The Labour government that had been in power since 1997 under Prime Minister Tony Blair and then under Gordon Brown, lost its majority in the House of Commons in the May 6, 2010 election. David Cameron (of the Tories) subsequently announced a formal coalition with the Liberal Democrats in exchange for five Liberal Democrat cabinet seats and policy compromises. As part of the coalition deal, Liberal Democrat leader Nick Clegg became the Deputy Prime Minister. The Conservative-Liberal Democrat coalition has an 83-seat majority in the House of Commons, and the Labour Party forms the official opposition. Following the resignation of Gordon Brown as Labour leader, Ed Miliband now leads the party following the party elections of 2010. The United Kingdom is a founding member of the North Atlantic Treaty Organization (NATO) and is one of NATO's major European maritime, air, and land powers. The United Kingdom has been a member of the European Community (now European Union) since 1973. In the United Nations, UK is a permanent member of the Security Council. The UK held the Presidency of the G-8 during 2005 and it held the EU Presidency in July - December 2005. The United Kingdom stood shoulder to shoulder with the United States following the September 11, 2001 terrorist attacks in the US, and its military forces are, after US forces, the second-largest contingent of the coalition force in Afghanistan. The UK force in Afghanistan stood at approximately 10,000 as of June 2011, and the Prime Minister recently has announced the departure of 450 personnel as part of the drawdown of NATO forces and the transition to Afghanistan taking the lead on security. In addition, the U.K. has committed over £700 million (\$1.1 billion) to development in Afghanistan over the next 4 years, making it the second-largest donor after the US. UK was the United States' main coalition partner in Operation Iraqi Freedom and its combat forces were withdrawn from Iraq in July 2009. UK has recently (in the beginning of 2012) run into various diplomatic encounters with Argentina over the Falkland Island on the 30th anniversary of the Falkland.

United Kingdom's bilateral dynamics with India hinges on a ranges of mutually beneficial subjects like development, regional stability, trade and investment, education, climate change, India- UK civil nuclear cooperation, counter terrorism and reform of the global international systems. Both countries have facilitated the cooperation through bilateral diplomatic visits. Some of the important diplomatic visits have been that of External Affairs Minister S.M Krishna, Finance Minister Pranab Mukherjee, Minister for Heavy Industries Praful Patel, Minister for Urban Development Kamal Nath, and Minister of State for Communications and Information Technology Sachin Pilot. High level visit from the UK counterpart has been that of Minister of State in UK Foreign and Commonwealth Office Jeremy Browne, former UK Secretary of State for Defence Liam Fox, Minister of State in UK Foreign Office Lord Howell, Secretary of State for Justice Kenneth Clarke, Secretary of State for DEFRA, Caroline Spelman, Lord Mayor of London, Alderman Michael Bear, UK Minister of State for Energy and Climate Change Gregory Barker, MoS for Universities & Science David Willets, and Secretary of State for International Development Andrew Mitchell. India has always shared friendly relations with United Kingdom. This proximity was augured by the Strategic Partnership of 2004, which had its modest beginnings in the Joint Declaration on 'India-UK: Towards a New and Dynamic Partnership' adopted by the Prime Ministers of both countries (Manmohan Singh and Tony Blair) in September 2004 to ensure regular summit level exchanges between foreign ministers of both countries. UK supports India's proposal for permanent membership of the UN Security Council and play an important interlocutor for India in the EU, the G-8, the G-20 and similar global convergences. The new coalition government led by David Cameron (May 2010) has called for a new 'Special Relationship' with India, synchronizing with the growing diplomatic presence in the country.

Argentina

Amrita Chowdhury is associated with Global India Foundation in her independent research capacity

The economy registered a 9.2 percent growth in 2011. The Falkland issue remains at the crux of the brouhaha in Argentinean policy circles. President Kirchner's resolve to claim sovereignty over the Islands, and Britain's unrelenting attitude towards Argentina's demand, has resulted in the deterioration of relations between the two countries.

Argentina is a classic example of paradoxes – of speculation and realities, of possibilities and failures. Towards the end of the 19th century, Argentina had the potential to be a major power owing to its rich natural resources and a burgeoning economy. The international community speculated Argentina's rise as a powerful nation. Argentina however mired in economic downturns, political upheavals and social unrest, never could make the mark in the international arena.

Argentina is making headlines today due to the brouhaha over the Falkland Islands. President Kirchner's resolve to claim sovereignty over the Islands, and Britain's unrelenting attitude towards Argentina's demand, has resulted in the deterioration of relations between the two countries. The issue in fact has moved beyond its political scope with Argentina refusing to import goods from Britain and imposing an embargo of sorts on the Islands. The South American

countries have supported Argentina with MERCOSUR, a South American trade bloc of countries like Brazil, Paraguay and Uruguay banning the docking of boats with the Islands' flag. The issue has reached the United Nations with Argentina accusing Britain of 'militarizing' the Islands (Britain supposedly deployed a nuclear submarine to the area which it terms as a routine deployment but Argentina interprets it as a deliberate threat to discourage Argentina from pursuing the matter). Ban Ki Moon's appeal to the two nations to resolve the issue peacefully through consultation and coordination fell flat with the states adopting a confrontationist approach. The Falkland Islanders however are content with their British status and demand status quo. British Prime Minister David Cameron does not encourage any dialogues over the Falkland Islands and stated the Islanders should have the sole right to determine their future.

April 2nd marked the 30th year of Falkland war and though the issue has been on the forefront for years, it resurfaced in 2010 with Britain allowing companies to explore oil in the Island waters. Argentina seized the opportunity to renew its claim over the islands and its oil reserves by opposing Britain. President Kirchner's popularity in Argentina and her unexpected comeback compels her to make this a political agenda in order to keep the vote bank ringing. Nonetheless, it remains to be seen whether a turn of events resolves the issue or it fizzles out on its own.

Yet another related aspect pertains to the Argentine government's dissatisfaction with the YPF, Argentina's largest oil company over issues relating to production. The government blamed YPF for falling levels of production accusing it of insufficient investment. Political observers speculate the probability of nationalization over the situation.

Argentinean politics has been intermittently linked with its economy. President Cristina Fernandez was reelected last year with a clear majority. When she assumed the role as the President of Argentina in 2007, succeeding her husband and former President Nestor Kirchner, she was largely unpopular amongst people and no one could predict her comeback at that point. However after Nestor Kirchner's death in 2010 followed by a rebound in the economy, Cristina Fernandez was reelected for a second term in October 2011. Under her Presidency the country registered a 9.2 percent economic growth in 2010. Despite problems and uncomfortable issues like high inflation rates and the government's intolerance for any form of opposition, the people of Argentina decided to give her a second chance. Thus despite the problems and the criticisms President Kirchner emerged as a clear winner in the 2011 elections. Heavy commodity prices coupled with heavy government spending resulted in growth and the Argentineans decided to give her a second chance. The government policies including subsidies, increase in wages, welfare programmes won popular support for the government with Kirchner's ratings rising up to 60 percent. The Falkland Island issue too is popular with the Argentines who are in favour of claiming sovereignty over 'Malvinas'. The opposition and critics have often blamed the government of tampering with inflation figures and warned them of dire economic consequences to the government's heavy spending ways. The overall political atmosphere in the country however, remains stable.

Argentina's economy registered a whopping 9.2 percent growth in 2010 owing to high consumer spending, an increase in demand for its manufacturing goods and high prices for its grain exports. Argentina witnessed a financial crisis in 2001 but has been on the road to recovery ever since. The country's rich natural resources and a sustained demand for its agricultural products

and Soy oil from China, India and other countries, ensured an economic growth over the last 2 years. The economic data and figures registered in 2011-12 paint a positive picture of the economic condition as a whole, but the economy is still threatened by double digit inflation exacerbated by the government's continued reliance on expansionary fiscal and monetary policies. Economists predict slowing down of growth in the near future driven by a far from stable economy.

India has maintained cordial relations with Argentina supporting each other's cause on major platforms. The trade relations between the two countries have increased significantly over the years especially after President Kirchner's 2009 visit to India. The enhancement of the two way bilateral trade benefitted both India and Argentina and India became one the largest exporters of Soy Oil after China. Indian companies have a limited presence in Argentina but reflect promising possibilities for the future. High literacy rates amongst Argentines coupled with low cost of operations pave the way for Indian BPOs KPOs and other software and IT companies to successfully operate in Argentina and companies such as TCS, Cognizant, and HCL have already made a headway in the direction by opening IT centres and Units in the country. More and more Indian companies are showing interest to invest in Argentina in various sectors such as Petroleum, pharmaceuticals, agro- based industries etc.

Brazil

Dipanjan Roy Chaudhury, Special Correspondent, Mail Today

Brazil's natural resources, particularly its iron ore is highly sought for among industrialising economies. The sustenance and recovery of the Brazilian economy during and after the 2008 financial crisis posed Brazil as an influential global player. Brazil's presence in forums like BRICS and IBSA has provided it an effective mandate in contemporary international relations.

Latin America's biggest country Brazil has come a long way to be recognized as a leading economic power and a political player. Brazil seeks to realise its full potential to secure its rightful place in the international arena.

With its 190 million inhabitants, Brazil has the largest population in Latin America and ranks fifth in the world. Brazil is South America's most influential country, an economic giant and one of the world's biggest democracies. But like some of its South American neighbours, it has a history of economic boom and bust and its development has been hampered by high inflation and foreign debt. However, from the mid 1990s it has witnessed steady and uninterrupted economic growth improving the lifestyle of millions of Brazilians.

Brazil's natural resources, particularly iron ore is highly sought for by major manufacturing nations, including China. Thanks to the development of offshore fields, the nation has become self-sufficient in oil, ending decades of dependence on foreign producers. Brazil has had to be bailed out in times of economic crisis, but reforms in the 1990s, including privatisation brought some financial stability. The country's Aids programme has become a model for other developing countries. It has contained the spread of HIV and significantly brought down the

number of HIV deaths. Brazil has successfully bypassed major drug firms to produce cheaper, generic AIDS medicines.

Brazil has a history of military coups prior to its experience in democratic governance. The 1964 coup leaders chose Humberto Castello Branco as president, followed by Arthur da Costa e Silva (1967-69), Emilio Garrastazu Medici (1969-74), and Ernesto Geisel (1974-79), all of whom were senior army officers. Later Geisel began a democratic opening that was continued by his successor, Gen. Joao Baptista de Oliveira Figueiredo (1979-85). Figueiredo permitted the return of politicians exiled or banned from political activity during the 1960s and 1970s and allowed them to run for state and federal offices in 1982.

Much of Brazil as we see it today took shape under President Fernando Henrique Cardoso (1994). Cardoso pursued a program of ambitious economic reforms. He was re-elected in 1998 for a second 4-year term. Luiz Inacio Lula da Silva, commonly known as Lula, was elected president in 2002. He was re-elected in 2006 for a second 4-year term. President Lula, a former union leader, was Brazil's first President from the working class. In office, he took a prudent fiscal path warning that social reforms would take years and that Brazil had no alternative but to maintain tight fiscal austerity policies. At the same time, he made fighting poverty through conditional transfer payments an important element of his policies. Lula's successor and his close confidante Dilma Vana Rousseff, the Workers' Party (PT) candidate, won a runoff election against the Brazilian Social Democratic Party candidate, becoming the first woman president of Brazil.

The Brazilian economy's solid performance during the 2008 financial crisis and its strong and early recovery, with a growth rate of 7.5 percent in 2010, have contributed to the country's transition from a regional to a global power. The economy is expected to grow by 3.5 percent in 2011 and 4.0 percent in 2012. The Brazilian economy constitutes the world's seventh-largest and is expected to rise to fifth in the next few years. During the administration of former President Lula, surging exports, economic growth, and social programs helped lift tens of millions of Brazilians out of poverty. For the first time, a majority of Brazilians are now middle-class, and domestic consumption has become an important driver of Brazilian growth. Dilma Rousseff has indicated her intention to continue the former president's economic policies, including sound fiscal management, inflation control, and a floating exchange rate. The major international athletic competitions that Brazil will host every year until the 2016 Rio Olympics are also leading the government to invest in roads, airports, sports facilities, and other areas.

Brazil has one of the most advanced industrial sectors in Latin America. As Brazil's domestic economy has grown and diversified, the country has become increasingly involved in international economic and trade policy discussions. Brazil was a leader of the G-20 group of nations and in 2009 became a creditor country to the International Monetary Fund (IMF). The U.S, Western Europe, and Japan are primary markets for Brazilian exports and sources of foreign lending and investment. China is a growing market for Brazilian exports. Brazil accentuated its commitment to nonproliferation through the ratification of the nuclear Non-Proliferation Treaty (NPT), signing a full-scale nuclear safeguards agreement with the International Atomic Energy Agency (IAEA), acceding to the Treaty of Tlatelolco, and joining the Missile Technology Control Regime (MTCR) and the Nuclear Suppliers Group.

Together with a growing India, Brazil is defining the shape of global economy and governance through multilateral forums like BRICS and IBSA. The shared vision of the evolving global order has enabled forging of close cooperation and coordination in multilateral arenas like the G-4, BASIC, G-20 or other organizations. Both have felt the need for reforms of UN Security Council (UNSC) and rightfully deserve permanent seats in the highest body of the UN. India-Brazil bilateral relations are in a state of clearly discernible upswing. Although the two countries are divided by geography and distance, they share common democratic values and developmental aspirations. Both are large developing countries, each an important player in its region, both stable, secular, multi-cultural, multi-ethnic, large democracies as well as trillion-dollar economies. There is ongoing cooperation between the two countries in the trade and investment, oil and gas, automobiles, IT, Pharmaceutical, engineering goods, bio-fuels, agriculture and allied areas (the bulk of Brazilian cattle livestock is of Indian origin and Brazil still imports fresh embryos from India to rejuvenate its cattle breed), agro-food sectors which could further be enhanced. Science and Technology also offer promising avenues of cooperation.

Canada

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Despite shifts towards neo-conservatism and militarization, Canada continues to be a middle power more or less tied to its northern neighbour - the United States, though the country has started evaluating its geo-political role afresh. Canada however, is keen to be recognised as a global player with enormous economic and political influence.

Since the beginning of 21st century, particularly during the second term of the Conservative government since 2011, Canada has taken a fresh look at globalisation. Canada's acceptance of globalisation and its commitment to free trade have generated impressive levels of national wealth, though Canada still finds itself a part of an evolving continental partnership. The bedrock of that partnership is the Canada – U.S. relationship, built upon more than two centuries of close, economic, security and personal ties. Apart from the US, Canada enjoys close ties with Mexico. The success of the Canada-U.S. Mexico Free Trade Experiment (NAFTA) bears testimony to this. To ensure the continuity of this compatibility, Canada attempts to secure more expansive partnership with both United States and Mexico. It is also trying to strengthen relations with the European Union.

While strengthening its relation with traditional partners Canada has also focussed on emerging economies like China, India and Brazil. With China it has fostered trust through the efforts of the Strategic Working Groups, a crucial mechanism for expanding trade and investment through regulatory policy dialogue, cooperation in science and technology, and safeguards for foreign investment. It would probably also prove sensible to open access to oil from China, given recent instances of US protectionism. With India, bilateral relations concentrate on air links, investment protection, science and technology partnership to tap into the growing information and technology sector. Canada's engagement in Asia generally has lagged behind the pace of economic growth. Further taking note of its own geo-political and economic interests, in recent

carbon reduction talks in Durban, Canada insisted that other nations also commit to carbon emission reduction.

Indeed, Canada has been moving towards a neoconservative doctrine. Till the close of 20th century, Canada had been pursuing a foreign policy, particularly from the period of world wars, based on the ideas of building a new and better world order through rule-based multilateral process. This came to be known as liberal Internationalism. The basic tenets of this perspective had been functionalism, middle powermanship and benevolent internationalism or volunteerism. A basic limitation of Canada had been its closeness and somewhat dependence on the U.S.A and thereby following the U.S. perceptions in most situations. Now Canada seems to be aggressively asserting its sovereignty in the North.

Canada is keen to be recognised as a global player with enormous economic and political influence. It is showing its political will and military muscle. Prime Minister Stephen Harper in his 2011 Triumphalist speech to the Conservative party painted a dark picture of the world around Canada. He said, 'Power is shifting. New forces are coming to the fore. Some we will be pleased to work with, some we must resist. In such a world, strength is not an options, is a vital necessity. Moral ambiguity, moral equivalence are not options, they are dangerous illusions Canada won't just go along and get along with every one else's agenda.' He said "Now we know where our interests lie, and who our friends are and we take strong principle position in our dealing with other nations, whether popular or not. Canada's purpose is no longer to please every dictator with a vote at the United Nations," Harper said, adding he never understood why others felt that was in Canada's national interest. "Our Party's great purpose is nothing less than to prepare our nation to shoulder a bigger load, in a world that will require it of us", he said.

Commentators see Prime Minister Harper's mission as to instill patriotism, aggressive nationalism, militarism and fear of a more dangerous world. He has been forthrightly supportive of Israel, ready to militarily intervene in limited ways such as in Libya through NATO, and quick to check Syria's repressive and murderous regime. He has openly expressed his concern on Muslim militancy, thus alienating some Muslim countries.

Canada's military has made a significant contribution to the international mission in Afghanistan as well as operations in Haiti and Libya and the anti-piracy maritime efforts in the Horn of Africa. At the same time armed-forces are being re-equipped and strengthened. Observers see the Harper Government moving quickly to institutionalise its emphasis on war fighting which the conservatives earlier initiated at the end of cold war. The objectives were three fold: to expand the Canadian forces, the defence – industrial base and the constituency of defence so as to ready the nation for protracted conventional war. Major capital acquisition programmes such as stealth F-35 strike aircraft, new nuclear submarines, fighters and destroyers consolidate a weapon-driven defence policy. According to observers, despite the absence of a direct military threat Canada's defence budget has nearly doubled over the past decade reaching a new high of \$22.3 billion per year.

Canada, at present it seems, is skeptical of its traditional multilateralism. It is considered to be a weak nation's strategy. Its implications are yet not clear. But in October 2011, Canada lost its bid

for a rotating seat on the U.N. Security Council for the first time since 1945. May be some countries are concerned about so radical assertions in Canada's foreign and strategic policies.

In spite of current shifts towards neo-conservatism and militarization, Canada continues to be a middle power more or less tied to its northern neighbour the United States, though the country has started evaluating its geo-political situation and role afresh. Recognising the importance of bilateral relations in addition to multilateralism in international affairs and giving importance to military power has been the central theme of the recent changes in Canada's international outlook and foreign policy.

Cuba

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Cuba has emerged as the largest trading partner of China in the Caribbean and the neighboring communist regime of Venezuela. Since 1960 its relations with India have been friendly and Cuba has received soft loans, disaster relief grants and also the waving of a principal and interest of loan amounting to U.S \$ 62 million in 2008.

After the Revolution in 1959 Cuba emerged as a bastion of Marxist regime in the Caribbean. Of course, the erstwhile Soviet Union and its allies were there to support and the US to oppose through an economic embargo since 1960. The Non-Aligned Movement also extended support to this new revolutionary state and countries like India and China not only recognized the new regime but also extended political and economic assistance. Since then Cuba has undergone many ups and downs but the communist state continues to maintain its status-quo under the one party system led by Raul Castro, the younger brother of the great revolutionary Fidel Castro who remained the head of the state for a long time.

It has a multi- layer system of governance with devolution of power to the local Municipal Committees who in turn elect members to the National Assembly .The National Assembly in turn elects the Council of State i.e. the Cabinet. Often, because of the one party rule under the Communist Party of Cuba has been subjected to criticism for lack of democracy, civil liberties and violation of human rights along with a continuous war of words with the US. This is an ongoing issue and many observers feel that the communist regime will soon pave way to a more democratic society. Such critics failed to realize that the Cuban political system has not only provided ample space to its citizens to carry out their activities by raising critical issues but has also provided platforms for open discussions. The state controlled Cinema can be cited as an example in this regard. Moreover, the Papal visit to Cuba in March 2012 of Pope Benedict and his open speeches in front of thousands, declaring that "Marxism no longer corresponds to reality" and "Cuba could be helped for looking at new models" demonstrates the changes the Communist regime has undergone in terms of accepting the freedom of speech. Yet, President Raul Castro's officials maintained that Cuba is not in for political reforms.

After the debacle of the Soviet State, Cuba lost its major supporter in practically all fields and the continued US embargo has had an adverse impact on the economy in recent times. Both sugar

and tourism sectors have shown a declining trend which used to be the mainstay of the economy. Energy production which grew tremendously between 2001 and 2008 started slowing down from 2009. The global decline contributed to a fall in prices of Nickel, a major export item. Under international pressure of liberalization the state controlled planned economy has authorized limited foreign investment, particularly in the services sector as almost 75 % of the economy rests in this sector.

Over the years Cuba has emerged as the largest trading partner of China in the Caribbean and the neighboring communist regime of Venezuela too lends a supportive hand. In spite of the embargo many heads of states, political, business and cultural delegations keep visiting Cuba on a bilateral basis. Since 1960 its relations with India have been friendly and Cuba has received soft loans, disaster relief grants and also the waving of a principal and interest of loan amounting to U.S \$ 62 million in 2008. Efforts are on to further strengthen the trade ties between the two countries. Cooperation in the field of IT and energy is increasing and many Indian organizations are hiring Cuban coaches for boxing, athletics and diving. India has consistently supported Cuba in the United Nations for lifting of the economic sanctions and has developed strong cultural ties through the exchange of cultural groups with this country which gave the world the dances Salsa and Cha-cha-cha.

Cuba is known for its medical education and health care systems and is known for exporting doctors. Last year itself the Government of Trinidad & Tobago announced the hiring of Cuban doctors for its medical system.

As of today it appears that the Cuban state may not face the same fate as faced by the ex-Soviet Bloc countries as the regime is quite alive not only to the problems and challenges being thrown by globalization and liberalization but also to the issues of freedom in divergent areas and civil liberties.

Mexico

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Status quo will dominate Mexican political and economic reforms until the July 2012 elections. Economic projections indicate a GDP growth from 3.1 percent to 3.3 percent. This could largely depend on the internal dynamics and economic improvement within Mexico's largest trading and investment partner – the United States (US). The July 2012 elections will rest on the dynamics between the three main parties (i) PRD (Democratic Revolutionary Party) (ii) PRI (Institutional Revolutionary Party) (iii) PAN National Action Party and will possibly lead to new alliances and coalitions, with PRD proving to be an important 'swing' party.

Mexico has gone through a political transformation since the 1980s from a single party centralized rule of the PRI to a multiparty political system featuring increased political contestation from the PRD and PAN. The move from centralized federal power to local and state levels has forced new political relationships between different political stakeholders i.e. political

leaders, government bureaucrats and drug cartel leaders. Specifically, the emergence of the new party system has shifted from clientelistic and programmatic agendas to partisan de-alignment resulting in 'catch all' policies. Riding on the emergence of this new party system, the PAN and PRD has leveraged on their local and regional voter bases and strengths to reinforce a pro-regime, anti-regime cleavage i.e. pro-PRI and anti-PRI.

The 2011 showed increasing popularity and strength of the PRI. Fundamentally, the party has not changed since its long lasting rule of Mexico for over 70 years, but appears to be the most viable option for the Mexican people struggling with increased drug violence, political uncertainties and challenges to economic growth. The PRD is still too small and weak to win by itself, but has the clout to put enough pressure on the ruling party to push through some of its own reforms.

The last year has seen dynamic political developments in Mexico. Although the PRD has criticized a number of policies of the PRI in the run up to the elections, exit polls show that the PRI candidate Enrique Pena Nieto will win the 2012 elections. Two main interest groups will shape the 2012 elections along with political actors – drug cartels and labor unions. Political decentralization has led to the cartel-bureaucrat-political networks being threatened, resulting in greater drug induced violence in Mexico especially in the absence of the role of the state as a broker between the stakeholders. Since the 2012 presidential campaign is only for 90 days, to gain electoral popularity, all parties need to be focused on concrete public works campaign to improve economic opportunities among low income youth in drug violence affected areas. Political reform will be crucial both in political propaganda and programs in the upcoming elections.

Mexico has taken a global stand in a number of economic issues, most important of which is energy. The current government believes in energy reform as the path to economic development; that is indicative in Mexican diplomacy as it prepares to host the G20 meeting on energy subsidies in June 2012. Both public and private sector actors have invested interests in energy reforms. Pemex, the national oil company accounts for almost one third of government revenue, while the government has implemented a number of energy price reforms and delivered successful outcomes to the 2010 Cancun climate talks.

Energy reforms have been supplemented by economic development. 2012 has seen a stronger than expected economic growth of almost 4 percent in Mexico, one of the strongest in Central and Latin America. With improving economic forecasts in the US, Mexico's economic growth forecast looks to be more positive than conventionally believed. The issue of immigration has been high on President Obama's agenda as he promises to do more to 'promote economic development in Mexico'. The bulk of US development assistance to Mexico, however, has been focused on law enforcement and reducing drug violence and less on job creation that poses a challenge for Mexican economic development.

On the supply and production side, export oriented manufacturing in Mexico continues to suffer in the immediate future. Moreover, increasing crime has severely hit the tourism sector and coupled with stagnant agricultural production will adversely affect Mexico's projected growth. Medium term projections look more positive. Restructuring of the US automotive industry could

assist Mexico by shifting production to more cost effective Mexican locations. This trend is also noticed in Chinese firms investing in Mexico due to lower transportation costs in Mexico.

The most worrying threat for Mexico at the moment is unabated drug violence particularly in its four major municipalities – Culiacan, Ciudad Juarez, Tijuana and Chihuahua. Drug related violence accounted for almost 48000 murders between December 2006 and September 2011. Not just the increasing number, but the tactics used i.e. increasing brutality by the drug cartels have led to questions on the efficacy of incumbent President Felipe Calderon's counter strategy to engage armed forces to confront drug cartels and calls for a new state approach to drug violence. Targeted tactics on drug trafficking organizations like Sinaloa Cartel and Los Zetas coupled with broader long-term programs to tackle police and justice reform, along with poverty alleviation and national development programs should form the long-term goals of the incoming Mexican government.

The second major geopolitical concern for Mexico is its bilateral relationship with the US. Cooperation between the two countries especially on drug and security related policies, is expected in the short and medium term. However, there is a tension between the US desire for an active role in training and advising Mexico's security forces with Mexico's long standing aversion to increased US involvement in its internal affairs. This played out in the politics of Obama's proposed reform on US immigration policy to assimilate undocumented Mexican workers in the formal workforce that encountered difficulties with the resurgence of the Republicans in mid 2010. The second contentious issue between the two countries is benefits and distribution of NAFTA (North American Free Trade Alliance) that arguably continue to benefit Mexican labor and businesses. However, with weak domestic US economic forecast, Mexico will in turn suffer from decline in trade and investment unless they start to look for other trading partners like Brazil.

United States of America

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While Americans prepare for polls amidst expectations of recovery and speculations of slowdown, the complicating course of Europe's debt crisis further perils the state of investor confidence in the United States. 2012 conjures a whole range of speculations in the U.S pertaining to the credibility of nominations, the perceptions of the economy and on orientations of its foreign policy.

Perhaps a comprehensive assessment of strategic or politico-economic diplomacy can belie the criticality of the United States as a significant player in the discourse of contemporary international relations. The United States has always played an important and influential role in global relations. Any commentary on contemporary developments in the United States therefore becomes fairly inclusive and extensive.

As the year of Presidential elections, 2012 conjures a whole range of speculations pertaining to the credibility of nominations, the perceptions of the economy and foreign policy. It is imperative that the incumbent as well as the imminent President will have to manage a host of strategic equations domestically and internationally. Crucial geo-strategic considerations have

always conditioned and structured the orientation of American policies towards different countries. This feature reflects on America's general apprehensions in the wake of the Presidential elections and assesses its policy dynamics vis-à-vis the European debt crisis, Syria, Iran, China and N.Korea alongside other issues that influence the course of contemporary international relations.

The primaries to the Presidential elections may not be over yet, but the exit of Rick Santorum positions Mitt Romney as the Republican nominee. The Republicans seem to have a fair chance in November, 2012 given less than half of America's voters approve of Barack Obama's governance. Obama is likely to face a more partisan campaign this time around, as an already polarised America looks set to brace an even more polarising election. Considering the circumstances, the incumbent President cannot be said to have performed too badly. He managed to prevent a great recession from turning into a great depression, rescued Detroit's carmakers and stabilized the banks. With the Al-Qaeeda battering and the killing of Osama bin Laden, the government has also managed to disprove the notion that the Democrats are soft on terror. Nonetheless, "it could have been worse" as a re-election slogan cannot be even as remotely inspiring as "Yes we can". With the economic recovery still weak and 12.7 million Americans still unemployed, the November contest promises to be nastier than the one in 2008.

While Americans prepare for polls amidst expectations of recovery and speculations of slowdown, the complicating course of Europe's debt crisis further perils the state of investor confidence in the United States. The problems in the Arab spring spinning a rise in petrol prices, the disrupting supply chains following Japan's earthquake and tsunami only add to the threat of more setbacks for the economy. Fiscal austerity remains a concern with the Congress again locked in confrontation over a payroll-tax break. There is in this economy, like in soccer absolutely no guarantee that the second half will be easier than the first.

The Arab spring, with its latest manifestation in the Syrian unrest has produced a range of speculations and counter speculations over the prospective stability of an otherwise volatile geographical contiguity. A resolution against Syria in the United Nations Security Council in February this year fell through owing to vetoes from Russia and China. This division eviscerated international cooperation just when the turmoil whipped up by the Arab spring makes it most essential. Since the beginning of the Syrian unrest, the United States has issued tough targeted sanctions to mount pressure on the regime and its enablers. The U.S remains actively engaged in ratcheting the pressure on Assad bilaterally and multilaterally with the sanctions being the strongest that the government has imposed on any country.

With reference to Iran, U.S sanctions are borne out of apprehensions over the possibility of an arms race in one of the most volatile regions in the world. United States also does not wish to empathise with a regime that has been labeled a state sponsor of terrorism and fears that it might act with greater aggression and impunity if it were nuclear capable. While the U.S government does not dismiss the prospect of a diplomatic resolution of the situation, such a solution depends on the ability of the Iranian regime to concede to the requisite compromises. The U.S policy towards Iran does not surmise containment but prevention of the regime from obtaining nuclear capability.

Barack Obama's policy of engagement with North Korea premised on the latter's abandonment nuclear weapons programme in exchange of desperate food aid fell through following Pyongyang's defiant but failed attempt to launch a long range rocket. Despite a tougher policy take on North Korea, compared to the Bush administration, U.S policies towards North Korea have generally been considered more cautious than those towards Iran.

The U.S prioritises strong working relations with China, based on the recognition of mutual interests to forge effective partnerships in the Asia-Pacific region to facilitate trade and commercial engagements. The prospect of cooperation with China remains imperative to address contemporary challenges emanating from proliferation, climate change and global economic security.

South Asia has been increasingly vital for U.S policy interests since the 21st century. India, as the region's dominant actor with a growing economy and increasing global presence is viewed as an "indispensable partner" of the U.S as a potential counterweight against China's growing clout in the region and beyond. New Delhi and Washington have pursued a policy of "strategic partnership" to promote mutual interests based on shared values. The Indian Diaspora in the U.S constitutes a fairly large, relatively wealthy and increasingly influential community. The civilian nuclear cooperation agreement (2008), bilateral security cooperation, joint military exercises and arms sales manifest the diverse prongs of bilateral cooperation. The U.S announcement of a bounty on the LeT chief, Hafiz Saeed reflects a mutual commitment and bilateral camaraderie to check the implosion of global terror. The volume of trade between the two countries tripled between 2004 and 2008 and continues to grow steadily.

While the U.S retains a decisive role in devising policy prerogatives tailored to domestic compulsions and international priorities, domestic and international developments continue to kindle the policy polemics within the country.

