

ENVIRONMENT SCAN 16-30 JUN 2018

CHINA (CONTINENTAL)

Brig Rajeev Bhutani (Retd)

US President Donald Trump and North Korean Leader Kim Jong-Un Summit at Singapore. As US President Donald Trump and North Korean leader Kim Jong-Un held their historic summit in Singapore on 12 June, a wary China made out a case for lifting of UN sanctions against Pyongyang and highlighted its central role in working out a new peace mechanism for the Korean Peninsula.

Highlighting the central role for China, which is a close ally of North Korea, the Chinese state councilor and foreign minister Wang Yi said, "I don't think anyone would doubt the unique and important role China has played in this process, and it will continue to play. China had provided its aircraft to Kim to travel to Singapore. There is also speculation that the North Korean leader would visit Beijing on his way back from Singapore or will soon apprise Chinese President Xi Jinping about his talks with Trump. Kim has already visited China twice to meet Xi, ahead of his meeting with Trump, to allay apprehensions of striking a deal with Washington on the back of Beijing.

In his post-summit press conference, Trump alleged that China was relaxing sanctions at its North Korean border as the situation improved. Chinese Foreign Ministry spokesman Geng Shuang denied Trump's allegation that Beijing, in the last few months, has relaxed implementation of sanctions in the last few months, saying the UN Security Council resolutions on imposing sanctions on North Korea also provides for relaxing or suspending them, if situation improves.

China has suggested that the UN Security Council consider suspending or lifting sanctions against North Korea if the country is in compliance with UN resolutions and making progress in diplomatic negotiations.

Regional powers China, Japan and Russia are keen to guard their own interests on the Korean Peninsula:-

Japan. Japan has been disappointed to have been somewhat sidelined as the US, and North and South Korea pushed towards a deal for the denuclearization of the Korean Peninsula. Tokyo remains a lone voice in the region continuing to call for applying "maximum pressure" on Pyongyang to comply with international demands over its nuclear arsenal and on human rights.

Mr Abe, and the Japanese people, do not trust the North Korean regime to stick to its promises because of its track record of decades of reneging on agreements. Japan is nervous of any hint of a walk-back on demands for the complete, verifiable and irreversible abolition of North Korea's nuclear weapons, and is anxious to include the destruction of short and medium-range missiles – that threaten Japanese territory – in any future deal. Tokyo also wants Pyongyang to destroy its large stockpiles of chemical and biological agents, which the North denies possessing.

According to Jeff Kingston, Director of Asian studies at the Tokyo campus of Temple University, "Mr Abe fears Mr Trump is ready to make an agreement that leaves Japan vulnerable". He said, "Mr Abe wants regime change."

Meanwhile the Prime minister is focused on another uniquely Japanese concern - the state-sponsored abduction of its citizens in the 1970s and 80s to train North Korean spies. Mr Abe had campaigned for their release for 20 years. Activists said as many as 100 disappeared, but officially Tokyo states 17 were kidnapped. Pyongyang admits to only 13, releasing five in 2002 and claiming the others had died.

China:- **The motivation behind President Xi Jinping's meeting with Kim Jong-un on two occasions in recent months:-**

- (a) After being briefed by Mr Xi, Kim will go into the summit knowing that he has a level of support from Beijing in his efforts to reduce sanctions.
- (b) But he will also know that Chinese support will depend upon him gaining concessions, which benefit not only Pyongyang, but also Beijing.

Beijing's involvement in the summit - by proxy - was seen as inevitable and essential by Chinese observers, given North Korea and China's historical and geographical ties. Many analysts believe, however, that Beijing's fundamental interest is ensuring that North Korea is not seduced by the US.

Beijing was angry with Pyongyang over the nuclear tests which were carried out across the border, but Mr Xi does not want the regime to move closer to Washington.

China will be hoping for limits on military hardware on its border, both in the North, but particularly in South Korea, where the US has significant weapons, and about 28,500 troops. The removal of US firepower from north-east Asia would give Beijing more room to project its power and cement its great power status.

An analyst has commented that the Chinese were trying to get Kim Jong-un to push for the removal of US troops of some kind. He said, "I also believe that what North Korea wants is to get out from under the thumb of China. There are a bunch of different games going on here where the North Koreans have been famous and quite adept at playing the big powers off of each other. They're going to see the best deal that they can get from everybody else and move forward."

Russia. Russia, meanwhile, appears to be eyeing its own economic interests as it lurks in the background of the peace talks. If a peace deal is signed, Russia has much to gain through the extension of its Trans-Siberian railway, linking North Korea to Europe. It will also finally be able to exploit energy infrastructure that has been hampered by regional instability.

The Russians have traditionally played a negotiating role in and around the Korean Peninsula, maintaining ties with all sides. But Moscow has also clashed with other actors, especially with the US over its attempts to water down punitive sanctions against Pyongyang.

[<https://timesofindia.indiatimes.com/world/china/after-trump-kim-meeting-china-makes-case-for-relaxing-sanctions-on-north-korea/articleshow/64562048.cms>;

<https://timesofindia.indiatimes.com/world/china/china-suggests-sanctions-relief-for-north-korea-after-us-summit/articleshow/64556224.cms>;

<https://www.telegraph.co.uk/news/2018/06/09/asias-regional-powers-eye-singapore-summit-warily-sidelines/>]

France Challenges Beijing in South China Sea. France is increasing its military presence in the Indo-Pacific region, sending warships through the South China Sea and planning air exercises to counter China's military build-up in disputed waters. In late May, the French assault ship Dixmude and a frigate sailed through the disputed Spratly Islands and around a group of reefs. The patrol involved passing close to these islets to obtain intelligence with all the sensors it is possible to use in international waters

So far the United States has taken the lead in confronting China over its territorial claims in the South China Sea, which are contested by several neighbours, particularly Vietnam. But France, which along with Britain is the only European nation to regularly send its navy into the region, has also waded into the dispute, sending its ships into the South China Sea three to five times a year.

In August, its Air force will stage its biggest-ever exercises in southeast Asia as part of a strategy to mark France's presence in a region that is home to 1.5 million French citizens in the country's overseas territories. Three Rafael fighter jets, one A400M troop transporter and a C135 refuelling tanker will fly from Australia to India, with several stop-offs along the way.

Besides protecting navigation, France has cited the need to defend the interests of its citizens scattered across five French territories in the Pacific, including New Caledonia and French Polynesia.

[<https://timesofindia.indiatimes.com/world/china/france-challenges-beijing-in-south-china-sea/articleshow/64552650.cms>]

PAKISTAN

Col Arvinder Singh

Pakistan Elections Around the Corner, But Many Say Results Already Decided¹.

Weeks before Pakistan's general election on July 25, a tweet that went viral said: "The elections have taken place, only the polling remains." This is a sentiment popular among many Pakistanis, who are openly questioning whether the forthcoming polls will be free and fair. More lately, several video clips of politicians have emerged on social media, the most recent being that of a PML-N candidate who was reportedly asked by the Inter-Services Intelligence to not contest on a party ticket as he would be "adjusted" elsewhere. "The level of army interference and political engineering is unprecedented," says Human Rights Commission of Pakistan. The media too has been a target as it has been silenced by the military through strong arm tactics. After silencing Pakistan's largest media house, Jang Group, which was issued a list of topics not to touch upon, the most respected newspaper, Dawn, is in the firing line. Last month, the army openly berated social media activists at a news conference. They were identified and told to step in line or face the consequences. Chief military spokesman told journalists that the security establishment is keeping tabs on social media and monitoring "anti-state" accounts. Former premier Nawaz Sharif has openly accused the ISI of pre-poll rigging. Hundreds of candidates from the PML-N have been either threatened or enticed to join Imran Khan's Pakistan Tehreek-e-Insaaf (PTI) party. The number of those who have decamped and been issued seats by Khan is so high that the PTI's own workers staged several protests at his house to express their anger. The army has also given its blessings to Chief Justice Saqib Nisar, who has started to take suo moto notice of issues and conducted raids on government institutions and other organizations. The other organization that has the military's blessings is the anti-graft watchdog, National Accountability Bureau (NAB), which has been used time and again to put politicians in line. They have been told to behave or face NAB cases.

Comments. According to some political analysts, the field is being set for a hung Parliament. No one party will emerge the winner; a coalition government will be formed, with possibly Shehbaz Sharif, the younger brother of Nawaz Sharif, as prime minister. The choice of prime minister is immaterial. What we will see is that the final arbitrator will be the army itself. It's like being under martial law without having any of the bad names that goes with it for the army. Irrespective of what happens in Pakistan during the forthcoming polls — three things are certain: The Army and the Islamic clergy will continue to call the shots in the strife-ridden country and its policy of bleeding India through a thousand cuts followed by successive regimes in Islamabad too will remain unchanged. And Pakistan will continue to be China's partner and a co-conspirator against India.

1 <https://www.hindustantimes.com>

Pakistan Placed on FATF Grey List for Failing to Check Terror-Funding². The Financial Action Task Force (FATF) has formally placed Pakistan on the 'grey list' for failing to curb terror funding. India promptly welcomed the decision, hoping Pakistan would now address global concerns relating to terrorism emanating from its territory. The highly-anticipated decision came on 29 Jun at the concluding session of the week-long plenary of the anti-terror finance watchdog in Paris. The global body took the decision on the basis of a monitoring report of the International Cooperation Review Group (ICRG). It came despite Islamabad strongly claiming at the meeting that it had made progress in the majority of areas identified as threat by the terror-financing watchdog.

Comments. If Islamabad fails to comply with the FATF blueprint, it could be even moved to the blacklist next year. The FATF's decision could hurt Pakistan economically as the country runs the risk of being downgraded by multilateral financial institutions. Being on the 'grey list' could also mean that accessing funds from international markets could become tougher for Pakistan.

China Lends US\$1 Billion to Pakistan as Speculation over IMF Bailout Grows³. China has lent Pakistan US\$1 billion to boost its plummeting foreign currency reserves amid growing speculation of another International Monetary Fund bailout. The latest loan highlights Islamabad's growing dependence on Chinese loans to buffer its foreign currency reserves, which plunged to US\$9.66 billion last week from US\$16.4 billion in May 2017. With the latest loan, China's lending to Pakistan in this financial year ending in June is set to breach US\$5 billion.

Comments. Beijing's attempts to prop up Pakistan's economy follow a strengthening of ties in the wake of China's pledge to fund badly-needed power and road infrastructure as part of the US\$57 billion China-Pakistan Economic Corridor (CPEC), an important cog in Beijing's vast Belt and Road Initiative. But analysts say China's help will not be enough and predict that after the July 25 national election the new administration is likely to seek Pakistan's second bailout since 2013, when it received a package worth US\$6.7 billion from the IMF.

² <https://www.thestatesman.com>

³ <http://www.scmp.com>

IRAN

Col Arvinder Singh

Iran to remain integral part of India's foreign policy⁴. The US is acting tough on India regarding energy imports from Iran and New Delhi, despite its efforts to preserve energy independence, may be forced to comply to avoid sanctions from kicking in. The Iran message was delivered most clearly by US ambassador to the UN Nikki Haley during her visit to the city. India can live without Iranian energy, but Iran will remain an important part of India's foreign policy. As the US under Donald Trump takes an extreme view of Iran sanctions, it promises to constrain India's maneuvering space significantly. Iran moved back into third place as a source of energy in 2016, soon after the JCPOA unshackled global engagement with Tehran. A sizeable number of Indian refineries are configured to working on Iranian crude. But with the US openly calling for a "zero" by November 4, things begin to look difficult. Notwithstanding Indian government's brave words, Indian companies, banks, even India's oil PSUs, are scaling back faster. Between Iraq, Saudi Arabia, Nigeria, even Equatorial Guinea and now US, India is not short of suppliers. Prices will be an issue for a while, but energy experts expect a leveling out once production ramps up again.

During the earlier round of sanctions, India, like China and Japan, got a sanction waiver, because they "demonstrated" significant reductions (about 20 per cent every 6 months). India moved Iran transactions from dollars to Euros, and even after Turkey's Halkbank refused to process Indian payments, a rupee-rial deal was worked out. The trouble with buying Iranian oil in Indian currency remains the same — while Iran has tons of things it wants to buy from China, there's very little it wants to buy from India beyond basmati rice and some pharmaceuticals. Post sanctions, the rupee-rial deal has not yet taken off.

A bigger issue will be connectivity. Energy dominated the discourse in the last round of sanctions, but this time the focus is multi-modal connectivity. India needs Iran for keeping it connected to Central Asia and Russia. India wants to use the Chahbahar port not only as an access point for Afghanistan but link it to the International North-South Corridor (INSTC). Iran had also asked India to build a new extension of the rail link at Zahedan (which connects to Afghanistan as well as to Iran's national network) to Mashad, and thence to central Asia. But now that's uncertain. A carve-out for Chahbahar was written into the US sanctions the last time around, as it was connected to Afghanistan. This time, logically India could hope for a similar provision. But Washington is unpredictable these days. In addition, there has been virtually no high-level contact between the Modi government and Trump's people in the past few months. Chahbahar and INSTC is key to India's geopolitical ambitions of providing an alternative to China's OBOR with a very different collaborative philosophy.

4 <https://timesofindia.indiatimes.com>

Comments. In the 1990s, India and Iran were on the same page regarding Afghanistan, when both countries supported the Northern Alliance against the Pak-Saudi supported Taliban. Now, Iran is on a different wavelength — Iran, like Russia, is more sympathetic to the Taliban, seeing them as a buffer against US presence and the growing footprint of ISIS. That has put a wedge with New Delhi. But as a friendly nation to the west of Pakistan, Iran remains invaluable to India. India's Iran woes have few sympathizers — not the US, and definitely not India's closest partners in the Gulf and Middle East, all of whom have so far held their noses at India's Iran ties. Israel and Saudi Arabia would lead the cheering squad if India has to scale back ties with Iran, as would the UAE. All of them and the US blame Iran for the troubles in the Middle East. Iran has done precious little to help its case. In the past three years, Iran has preferred to focus on the Syria war and less on its economy after the sanctions were lifted. From the beginning of this year, Iran has been wracked by protests, by students and young workers, and, in the past week, by merchants and shopkeepers. The rial has plummeted; the Iranian economy is in shambles. Meanwhile, this week Iranian Supreme Leader has asked the parliament to disregard recommendations by the FATF in drafting anti-terror financing legislation.

The question is no longer whether India can survive US sanctions. It can. But with its economy becoming more integrated with the world, does India want to subject itself to secondary sanctions from the US, especially with a vast private sector that would take the rap? The EU revived an older law that promises its companies compensation if they come under US sanctions — despite this, energy biggies like Total and Shell have already pulled out from Iran. The Indian government is working on ways to circumvent the coming sanctions while trying to preserve its ties with Iran. A lot of creativity has to come out of South Block in the coming months.

Iran Is Under Pressure⁵. The Iranian rial has gone from 25,000 per U.S. dollar to 43,000 per dollar in the past four years. But that is only the official rate; on the black market it is double that. The Iranian economy is in trouble and there are demonstrations against the government in the streets of Tehran and other cities. The demonstrators are calling for an end to Iranian involvement in Syria and Yemen. The Russians, in cooperation with the Saudis, are breaking ranks with OPEC and that will keep the price of oil down – more bad news for the Iranian economy, which is based primarily on oil. The European signatories to the agreement – France, the United Kingdom and Germany – although not withdrawing from the deal, but have let it be known that the agreement needs to be amended and that Iranian ballistic missiles and their expansion into Syria and Yemen should be limited. Israel has made it clear that it will not agree to the presence of Iranian troops and installations in Syria. Attacks by the Israel Air Force have made that point. The Russian-Iranian alliance in Syria seems to be unraveling. Vladimir Putin and Benjamin Netanyahu are holding frequent discussions on the subject. Putin agrees that

5 <https://www.haaretz.com-s-good-news-for-israel-1.6223772>

Iranian troops should not be allowed near the Israeli border. Now Trump is going to meet Putin in Helsinki on July 16. Syria, no doubt, will be on the agenda. That should give the rulers in Tehran cause for concern. We may be witnessing a major change of strategic proportions regarding Iran's role in the Middle East. Barack Obama was prepared to acknowledge that Iran was and should be a major regional power and was prepared for an agreement that would provide Iran with vast resources for the implementation of such a role, in complete disregard of Israel's concerns. Trump, fully aware of Israel's concerns, wants to see the Iranians getting out of Syria. The wind seems to be blowing the other way now. That is good news for Israel. Recent developments may bring about a weakening of Iran's government and possibly even its downfall. If that turns out to be the case, Israel will be able to breathe a sigh of relief. Hundreds of people took to the streets in the southwestern city of Khorramshahr over the weekend in a demonstration prompted by anger at dirty drinking water that turned into an expression of broader grievances against the government in Tehran. The upheaval came after thousands of people swarmed Tehran's Grand Bazaar last week, as the government of Iranian President Hassan Rouhani struggles to deal with soaring unemployment, a collapsing currency and other economic woes. Businesses in the bazaar shut down for days. While smaller in scale than the winter protests, the more recent actions have highlighted the daunting challenges Iran's rulers' face as they grapple with a bid by the U.S. and regional rival Saudi Arabia to curtail the country's oil income, something that could seriously destabilize the already precarious economy. Following the bazaar protests and strikes, almost two-thirds of Iran's parliament members sent Mr. Rouhani a letter asking that he overhaul his economic team. Mr. Rouhani said that his government wasn't going to resign.

AFGHANISTAN

Col Arvinder Singh

Afghan government calls off ceasefire with Taliban⁶. The Afghan government has formally called off the unilateral ceasefire with the Taliban it had announced for Eid al-Fitr. The government ceasefire, which was expected to last 10 days, was supported by NATO-led US forces and reciprocated by the Taliban, which called for a three-day halt on attacks against "internal enemies." The Taliban resumed attacks on government targets on June 17. During the three-day truce, Afghan journalists, students and diplomats reported unusual scenes of peace between Taliban members and Afghan forces and civilians. Images showed handshakes and hugs in many parts of the country. But the period also was marred by bloodshed, with dozens of lives lost in two suicide bombings in Nangahar province. ISIS, which was not party to any ceasefire, claimed responsibility for one of those attacks.

6 <https://edition.cnn.com>

Comments. Ghani first spoke about the possibility of a ceasefire with the militant Islamist group in February, when he announced the Afghan government was willing to recognize the Taliban as a legitimate political party as part of a potential agreement. The Taliban has been waging a bitter fight in Afghanistan, with the ultimate goal of ruling the country and imposing its strict interpretation of Islamic law. The group controlled Afghanistan until its 2001 ouster by the US-led coalition that invaded following the 9/11 attacks. In recent years, a resurgent Taliban has taken control of significant swaths of the country and terrorized Afghans and foreigners. Brazen terrorist attacks have even shaken the resolve of those who live in the heavily secured capital, Kabul, and raised questions about the Afghan government's ability to protect the country.

Senate Confirms Miller to Lead US Mission in Afghanistan⁷. Army Gen. Austin Scott Miller was confirmed by the Senate as the new commander of U.S. forces in Afghanistan on 28 Jun. Miller, 57, who currently serve as commander of Joint Special Operations Command, also received his fourth star as part of the confirmation. Miller is expected to take over NATO's train, advice and assist mission and the U.S.'s separate counterterrorism mission in Afghanistan in the fall. He replaces Army Gen. John Nicholson, who after more than two years in charge became the U.S.'s longest-serving commander of the 17-year war. During his confirmation hearing, Miller endorsed the U.S.'s revamped war strategy which has allowed for more airstrikes against Taliban targets but said he didn't foresee an end to the conflict anytime soon.

ISIS claims attack on Sikhs, Hindus in Afghanistan⁸. The Islamic State group on 02 Jul claimed responsibility for a suicide bombing in eastern Afghanistan that killed at least 19 people, mostly Sikhs and Hindus. The bomber targeted a delegation from the minority communities as it was travelling to the governor's residence in the eastern city of Jalalabad on Sunday for a meeting with President Ashraf Ghani. Avtar Singh Khalsa, a longtime leader of the Sikh community, was among those killed. Another 20 people were wounded.

Comments. Sikhs and Hindus face discrimination in the conservative Muslim country and have been targeted by Islamic extremists in the past, leading many to emigrate. The community numbered more than 80,000 in the 1970s, but today only around 1,000 remain. The UN Security Council condemned the Jalalabad attack.

NORTHEAST

7 <https://www.military.com>

8 <https://www.ctvnews>

Brig HS Cheema

Nepal PM Visit to China. Prime Minister KP Sharma Oli returned on 26 Jun concluding his six-day official visit to China at the invitation of his Chinese counterpart Li Keqiang. During his second visit to China in two years, a 14-point joint statement was issued on June 21. Some agreements, memoranda of understanding (MoUs), letter of exchange and a protocol were signed at the delegation level. Both the sides agreed to intensify the implementation of the MoU on Cooperation under the Belt and Road Initiative (BRI) to enhance connectivity through ports, roads, railways, aviation and communications within the overarching framework of trans-Himalayan Multi-Dimensional Connectivity Network. One of the major understandings reached between the two sides is building a railway from Keyrong to Kathmandu to enhance better connectivity between the two countries. Apart from the bilateral agreements in 10 important areas, including communications, highland agriculture (herb), north-south transmission lines and building economic corridors in Koshi, Gandaki and Karnali river basins, the private sectors from both sides also reached three separate understandings to jointly generate up to 1,000MW of energy under the cascade projects in the Marshayngdi and Trishuli rivers. The Chinese side has also agreed on a protocol for the utilisation of highways in Tibet by Nepal for cargo transport.

China has also agreed to provide support in technology and personnel training on the operation of the railway. However, the joint statement has said financing modality of the railway connectivity will be negotiated later “as proposed by Nepal”. After issuing the joint statement, Foreign Minister Pradeep Gyawali said in Beijing that financial modality of the railway will be discussed at a bilateral level only after its DPR is finalised in one-and-a-half years to come. Regarding the financial modality of the railway, the government ministers and negotiators are divided into two schools of thought: The railway should be built fully under a Chinese grant or Nepal also should make some investment on its own. But PM Oli wants it to be built fully under the Chinese grant if Oli’s statement that “whoever has got the money would invest on it” is to be believed. Did he personally discuss this issue with his Chinese counterpart or President Xi? Given the difficult and gradient topography, it is technically challenging to build the railway across the Himalayas. Will China be ready to build it under grant even if its cost is too high and cost of its recovery is too long? It demands national debates. As the joint statement has not cleared the air on building the railway connectivity, the PM must address Parliament and clarify as to how the cross-Himalayan railway project will benefit both sides in the long run.

The Himalayan Times 25 Jun.

Comments. Nepal PM second visit to China has resulted into signing of number of bilateral agreements and MoUs which may boost economy of Himalayan state or lend itself to debt trap as it has already happened to Sri Lanka and Pakistan is heading towards it in times to come. All development activities which are going to take place likely to be at very heavy cost and will provide substantial strategic and economic advantage to China. The moot question is why then elected leaders of our neighbouring countries want to follow this path. India has much to lose in these development activities primarily it will affect bilateral economic and environment issues. India needs to work out comprehensive strategy and focuses to highlight the pitfalls as also provide alternative solution to Nepal so as to avert any major crisis in times to come. Some projects which may benefit to us either should be proposed to be carried out by India or offer to be partner with both Nepal and China.

Nepal's Uncertain Transition to Federalism. Nepal has experimented with different governance systems over 250 years of its existence. The country has witnessed executive monarchy, hereditary prime ministership, constitutional monarchy and Westminster system of state governance. All of these systems have shared a common characteristic - all of them were centralized and unitary. However, following the promulgation of a new constitution in 2015, the country is making a monumental departure from history. The constitution mandates massive restructuring of the state governance system. Instead of one government at the centre ruling all over, the country would now be governed by three levels of government - federal government at the national level, and provincial and local governments at sub-national levels.

Implementation of federalism is, therefore, at the centre of the country's agenda. As a stepping stone towards that transition, the country held a marathon of elections in 2017. Three nationwide elections spanning nine months from May to November saw more than 20,000 representatives taking offices of 753 local, seven provincial and one federal government. However, one year on, the transition towards federalism is mired in profound uncertainty - political, legal and administrative - risking the implementation of the constitution.

First, there exists a debate on defining power relationships among three levels of governments. Are different levels of government autonomous or does the federal government sit at the top of the hierarchy, wielding political and legal supremacy over sub-national governments? Nepal's constitution states that "the state power...shall be used in accordance with (this) constitution" based on "the principles of cooperation, coexistence and coordination". This suggests that national and sub-national governments draw their respective sovereign powers from the constitution and, therefore, are politically independent of one another within their jurisdictions.

Unfortunately, the constitution is not very clear in delineating the state powers among the three tiers of governments. The power is distributed through lists of absolute and concurrent functions of these governments. But functions are so vaguely defined that it is not clear who can exercise power and to what extent. Several of these functions overlap among jurisdictions of federal, provincial and local-level governments. Matters related to the health sector, for example, fall under the jurisdiction of all levels of government.

Various laws and regulations are needed for proper separation of functional responsibilities and accountability. In fact, nearly 110 new laws and regulations have to be brought into effect and many more amendments are needed. A third of them need to be enacted in the next nine months to avoid a constitutional vacuum. Yet, no meaningful action has been taken towards completing the mammoth task on time. The transition process is supposed to redefine state-citizen relationship. But representatives at sub-national levels seem to have no idea of their powers and their limitations. People, on their part, are clueless as to which government is responsible for what, and therefore, how they can be held accountable. The overlapping roles are likely to allow elected representatives to pass the buck to other governmental bodies for failure to deliver public goods and services to citizens.

The second important factor in the successful implementation of federalism is fiscal devolution. Previously, the central government had the sole authority on income and expenditure of state. In the changed context, resources should be shared and transferred down to sub-national governments too. The constitution has envisioned establishment of the Natural Resources and Fiscal Commission "to determine detailed basis and modality for the distribution of revenues between the federal, state and local governments". But the commission has not been instituted even after two budget

sessions. Intergovernmental transfer is being done on an ad-hoc basis. Consequently, sub-national governments are unsure about the availability of resources and are not able to prepare for basic “plans and programmes”. So much so, the salaries of many officials like chief ministers, provincial ministers and mayors of municipalities are yet to be determined.

Third, timely administrative devolution is necessary for the effective functioning of sub-national governments. The government has enacted the Employee Adjustment Act, 2017, that allows existing public service employees of the central government to be assigned to local and provincial governments. Yet, there is a lot of resistance from employees to work locally or at the provincial level. This has resulted in serious shortage of manpower at sub-national levels. More than half of ward offices of local governments are operating without secretaries a year after local elected officials took office. The situation at the provincial level is worse.

The roots of political chaos in Nepal, both in design and on implementation, run deep. To start with, federalism was never an agenda of most national-level political parties. It came about as a political compromise among parties. As a result, breadth and depth was missing in the discourse of federalism. During the course of drafting the constitution, the debate over federalism primarily centred around the number of provinces and their names. No substantive discussion was held over issues like economic viability of provinces and local governments, accountability framework and intergovernmental relationships.

The political establishment at the centre seems to have disowned federalism in spirit, if not in law. Advent of federalism in Nepal is meant to address the perceived disparities among different sections of society. However, the political attention has now shifted to “prosperity and development” and there is a palpable disconnect between the two. This is also evident from the lack of planning to guide the transition process from political leaders. Of course, uncertainty in the process is integral to federalism transition. Yet, this can be minimized if proper homework had been done in a timely manner.

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Live Mint Last Published: Mon, Jun 18 2018. 03 15 AM IST***

Comments. This article gives in detail the present state of affairs of governance in Nepal. The flux at the moment is such that it would be difficult to assess how the things are going to turn in time. The situation can be manipulated by some which can undermine the interest of India.

China Wants to Restart Disputed Myitsone Dam in Myanmar. If a recent article in the *Global Times*, a semi-official Chinese publication, is anything to go by, China has not given up hope of restarting its hydroelectric power project at Myitsone in northern Myanmar. Suspended by the Myanmar government in September 2011, the US\$3.6 billion project would have flooded 600 square kilometers of forest land and 90% of the electricity was earmarked for export to China. At the time, then-President Thein Sein said that any implementation of the project would be “against the wishes of the people”. Thousands of people had demonstrated against the project, which they said would devastate northern Myanmar with little benefit for people in the country. The June 14 article in the *Global Times* said that the “hydropower station is a commercial cooperation that China and Myanmar have agreed upon” and “its long suspension is likely to drive down investor confidence amid concerns over the uncertainty of Myanmar’s economic policy.” The paper did acknowledge, though, that because of “a complicated public opinion surrounding the project” it’s unrealistic to expect breaking news about Myitsone

any time soon. But “China will keep talking to Myanmar over the stalled dam and try to find a practical way to resume the project based on mutually beneficial cooperation. “It is unclear why the Chinese are raising the issue now, and they are obviously aware of the fact the project is immensely unpopular among the Myanmar public at large. Any serious effort to have it resumed would inevitably lead to a resumption of anti-Chinese protests in Myanmar, which China can ill-afford given the decline of its influence in the country since 2011. It is more likely that China is using the specter of Myitsone to push for concessions from the Myanmar government for a much more important project: the deep-sea port at Kyaukphyu on the Bay of Bengal. That is not a very popular project either, but somewhat less so than Myitsone, which would have a disastrous impact on northern Myanmar’s ecosystems.

Asia Times: 17Jun

Comments. China has a sole aim to get its economic projects of its interest moving at all cost. China applies various long term strategies to win over its projects.

RUSSIA

Col Harpreet Singh

India moves towards acquiring Russian S-400 missile systems despite US opposition. India is now swiftly moving towards acquiring five advanced S-400 Triumph air defence missile systems from Russia despite the looming threat of US sanctions, with the defence ministry clearing the decks for the proposed Rs 39,000 crore deal. The defence acquisitions council approved the “minor deviations” in the mega S-400 deal that had emerged during the recently-concluded commercial negotiations with Russia.

The S-400 procurement case will now go to the finance ministry for clearance and the PM-led Cabinet Committee on Security for the final nod. The country’s top political leadership will have to take a call on when the actual contract can be inked.

India had kicked off plans to acquire the S-400 missile systems, which can detect, track and destroy hostile strategic bombers, stealth fighters, spy planes, missiles and drones at a range of up to 400km and altitude of 30km, in what was being touted as a game-changing military acquisition. Subsequently, the inter-governmental agreement for the five S-400 systems was inked during the Modi-Putin summit at Goa in October 2016. Even as India and Russia were putting the finishing touches on the complex S-400 contract ahead of the next Modi-Putin summit in October this year, Washington jumped into the fray to warn New Delhi against going ahead with the deal.

Under the proposed S-400 deal, the IAF will get the first S-400 squadron, with its battle-management system of command posts and launchers, acquisition and engagement radars, and all-terrain transporter-erector-launcher vehicles, 24 months after the final contract is inked. All the five squadrons, with two firing units each, will come in 60 months. Once India inducts the highly-mobile and automated S-400 systems, which have different kinds of supersonic and hypersonic missiles as well as long-range radars to track 100 to 300 targets simultaneously, they can be used to protect cities during war or vital installations like nuclear power plants.

The plan is to fully integrate the S-400 systems with the IAF’s air defence network called IACCS (integrated air command and control system), which combines a wide array of sensors and weapons, to further enhance their lethality and plug gaps in the country’s airspace. China, incidentally, has already begun to induct six S-400 batteries, which is designated the ‘SA-21 Growler’ by NATO, under a \$3 billion deal inked in 2014.

Comments. The game of who will blink first is on with US is giving indications that it is unhappy with India over Iranian and Russian deals/links. The DAC was held just a day after the US on Wednesday night once again cancelled the inaugural “two-plus-two” dialogue between foreign minister Sushma Swaraj and defence minister Sitharaman with their American counterparts— Mike Pompeo and Jim Mattis— which was slated for July 6 in Washington.

India and Russia have worked on a roadmap to get around the financial sanctions flowing out of the recent US law called CAATSA (Countering America’s Adversaries through Sanctions Act) that seeks to deter countries from buying Russian weapons. New Delhi and Moscow have new military projects worth over \$12 billion hanging in the balance, as also the entire question of maintaining the huge inventory of Russian-origin weapon systems in the Indian armed forces.

CAR & STRATEGIC RELATIONS

Air Cmde T Chand (Retd)

Resolution of the Caspian Sea Status. After negotiation for nearly 20 years the Caspian Sea status appears to be heading towards resolution. The Russian newspaper kommersant published a report on 23 Jun 2018 stating that The Russian government has approved the draft convention on the legal status of the Caspian Sea and has invited the president to sign it⁹. The draft agreement states that “Caspian States will be able to lay pipelines on the seabed without obtaining the approval of the entire “five”, but only on the basis of the agreements of the countries whose sector the pipe should pass through”. Heads of Governments of five countries sharing the Caspian Sea coast; Russia Kazakhstan, Turkmenistan, Iran and Azerbaijan are expected to meet on 12 August to sign the final agreement. Caspian will be considered as a sea and not a lake as insisted by the Iran during all these years. Disputed southern part of the Caspian is likely to be shared by the three countries Iran Turkmenistan and Azerbaijan through mutual understanding. This agreement is likely to open the door for the construction of the Trans-Caspian gas pipeline from Turkmenistan to Azerbaijan. The supply of Turkmenistan gas through Georgia and Turkey to Europe via transit could also become a possibility. Most likely Russia is more concerned about Turkmenistan’s growing dependence on China as a gas export market and wants to improve its leverage over Ashgabat.¹⁰ The draft agreement includes a provision on the non-presence of the armed forces of third countries in the Caspian. Also the Caspian states will undertake not to provide their territory to anyone for the commission of aggression and other military actions against any other country. Russia and Iran have at present deployed their military forces in the Caspian Sea.

The final agreement will be of immense interest to India as well as it may have long term effects on the supply of gas to India from Turkmenistan through TAPI pipeline project which is under construction.

⁹ <https://www.kommersant.ru/doc/3667577>, “Five countries agreed on the division of the Caspian Sea”, 23 June 2018.

¹⁰ <https://lobelog.com/resolution-of-caspian-sea-status-closer-than-ever/>, Loblog, “Resolution Of Caspian Sea Status Closer Than Ever”, 30 June 2018.

SPACE

Gp Capt G D Sharma, VSM (Retd)

Space Mining. India to launch a lunar rover in October this year to explore for the presence of water and a rare and expensive material Helium-3 on the moon. The hunt for Helium-3 is important as it could become alternative source of energy and is available in abundant supply on the moon surface. Many space faring nations including India are in the race to secure the rare source of energy from the moon. Its presence on the earth surface is extremely limited, hence very expensive. The speculation is that Helium-3 can become the future energy source. This happens with fusion of Helium-3 atoms with resultant release of large amount of energy without causing the surrounding material radioactive. Hence, it has a potential to be used as a fuel in future nuclear fusion power plants without fear of producing dangerous waste products unlike the nuclear material (Uranium and Plutonium).

There is very little Helium-3 available on the Earth. However, there are thought to be significant supplies on the Moon (estimated to be five million tons). This because that unlike like Earth, which is protected by its magnetic field, the Moon has been bombarded with large quantities of Helium-3 by the solar wind.

In current nuclear fusion reactors, the hydrogen isotopes tritium and deuterium are used as the fuel, with atomic energy released when their nuclei fuse to create helium and a neutron. One of the main reasons helium-3 is sought as a fusion fuel is because there are no neutrons generated as a reaction product and there is no spillover radioactive waste.¹¹

Currently, China and US are in the race to mine the Helium-3 from the moon which will solve the energy problem for long time to come. US president's instructions to maintain US domination in the space by creating a space force and in the same breath, Trump has sought more commercial use of the space is a pointer towards the future commercial exploitation of the space. Apart from the space tourism, the race for the space could also to be to mine of the rare metals from the space. According to NASA, the minerals that lie in the belt of asteroids between Mars and Jupiter could hold wealth to a staggering 100 billion for each person on the earth. There is lack of clarity on the ownership of this wealth but, clearly these are not barred by space laws hence, whosoever has the technology or capacity could claim.

The issue is futuristic as means to reach and transport the gases and minerals is still long way ahead

¹¹ <https://www.extremetech.com/extreme/197784-china-is-going-to-mine-the-moon-for-helium-3-fusion-fuel>