

ENVIRONMENT SCAN 01-15 DEC 2018

CHINA (Geo-Strat, Geo-Politics & Geo-Economics)

Brig RK Bhutani (Retd)

China Buys US Soybeans for First Time Since Trade War. China has bought US soybeans for the first time since the trade war between the two countries started in July. Private exporters have sold 1.13 million tonnes of U.S. soybeans for delivery to China.

China is by the far the world's biggest importer of soybeans, accounting for some 60% of the global trade in the commodity last year. The country, which uses the crop to feed livestock, has historically relied on supplies from both the US and Brazil. China last year purchased about 60 percent of U.S. soybean exports in deals valued at more than \$12 billion. The purchases confirmed on Monday were less than \$500 million. But purchases from US farmers - an important part of Mr Trump's political base - have plummeted since the trade war began. But these purchases have failed to excite traders in the US, who said the numbers fell short of estimates.

According to experts, since Brazil could never supply all the soybeans China needed, so ultimately [China has] been driven back to US soybeans. Hence it's being considered as convenient for them to do that right now.

China's finance ministry also confirmed it would temporarily reduce tariffs on US car imports from 40% to 15%, beginning on 1 January.

Comments. In announcing the tariff suspension, China is anticipating that the two sides would speed negotiations. Analysts also cautioned against interpreting it as a sign that the trade war was cooling.

(<https://www.bbc.com/news/business-46562384>)

Trade War Update: Another View - China Subverts Tariffs. Chinese exporters (and likely their American counterparts) have figured out a way for some items to skirt tariffs. U.S. Customs and Border Protection detected in December first week that Chinese hardwood plywood was circumventing lumber tariffs by using Vietnam. Business owners who could not be quoted on the record said similar moves were being made with steel and aluminum, going from China to Vietnam.

The trade gap has continued to widen with China. Part of the reason is the red-hot U.S. economy and companies building inventories in order to avoid extra costs due to tariffs.

The deficit, one of Trump's rallying cries against China, was up in October by 18.1% versus a year ago. It hit \$55.5 billion, its highest level in ten years. The deficit with China rose 22.3% and is now at \$344.4 billion.

Last year's trade gap with China was \$375.5 billion, up from \$346 billion in President Obama's last year, which happened to be the only year during Obama's two terms that saw the trade gap fall.

When China entered the World Trade Organization in 2001, China's trade gap with the U.S. was \$83 billion. The following year, it rose to \$103 billion. The gap has risen by an average of \$20 billion a year ever since.

The Trade War is not Over. The Xi-Trump "peace treaty" begins January 1 and ends around April Fool's Day (buyer beware). Trump seems to have come to understand that raising tariffs again in April may have a negative effect on the stock market. He has touted the strong economy and a rising S&P 500 as a testament to his presidency.

China, meanwhile, will have to make more than overtures to the U.S. on mandatory tech transfers in joint venture deals and intellectual property protections. Xi Jinping will have to open his country's market to prized sectors of the U.S. economy faster than he has been namely finance and energy.

(<https://www.forbes.com/sites/kenrapoza/2018/12/10/trade-war-update-china-subverts-tariffs-trade-gap-gets-wider/#562949ba50e5>)

NORTHEAST

Brig HS Cheema

Myanmar will Soon Grant Visa on Arrival to Indian Travellers¹. Travelling to Myanmar will soon be a bit easier, when the country rolls out visas on arrival to Indian travellers. At the moment, Indians visiting Myanmar need to apply for an eVisa through the official government website. The processing time for a regular tourist visa is 3 days and for an express tourist visa is 24 hours. Introducing the visa on arrival will eliminate the processing time entirely. Earlier this year, Myanmar and India had also signed the Land-border Crossing Agreement, which opened the doors to tourists travelling by road with two entry-exit checkpoints, the Tamu-Moreh and Rikhawdar-Zowkhawtar border.

Comments. It's a welcome step in improving India's relation with Myanmar. India also needs to complete infrastructure development projects being undertaken to improve connectivity and also improve infrastructure to facilitate transit facilities so that people to people contact can be increased.

Mizoram Results: This Former Guerrilla Scripted Congress Defeat². Two-time chief minister and former guerrilla Zoramthanga will return to power in Mizoram after 10 years, a comeback shaped by Mizoram National Front (MNF) landslide win in state assembly polls. His main agenda is a ban on liquor. In 1986, the Mizoram Accord was signed between the central government and Laldenga. A year later a state of Mizoram came into existence and MNF became a political entity. Zoramthanga stepped out of the shadow of insurgency and into political arena. Zoramthanga has written two books, one on the Mizo movement and one autobiography. He wrote in his books that both Pakistan and China had backed the Mizo insurgency.

Comments. The books written by Mr Zoramthanga slated to be the next CM of Mizoram will be a good read for Military leaders to understand how the third country can fuel insurgency, the lessons drawn will be relevant today also and need to be included in our strategy and planning.

Centre to Provide 100% Funding for Northeast Projects³. The union government has decided to make 100% funding for central projects in Northeast India, a step aimed at addressing the financing concerns of projects in the region. Earlier, such projects were funded on a 90:10 pattern — 90% from the Centre and 10% from state. Projects worth Rs 10,200 crore, including Rs 3,500 crore of new works, are currently being implemented in the eight states of the region.

Comments. This is a welcome step and decision will help infrastructure development in north east region which has been neglected for many years and make the region as part of national main stream.

¹<https://www.cntraveller.in/story>

²<https://timesofindia.indiatimes.com>

³<https://economictimes.indiatimes.com>

JAPAN, MALDIVES, SRI LANKA

Col Arvinder Singh

Japan Moves Forward on Aircraft Carrier, Major F-35 Buy⁴. Japan is expected to announce new defense guidelines next week that would transform its newest warship into an aircraft carrier and pave the way for a major purchase of as many as 147 F-35s. 40 of the aircraft would be F-35Bs for the Izumo, and 107 would be F-35As to replace the F-4s and F-15s. The transformation of the Izumo helicopter destroyer into an aircraft carrier that would carry the advanced F-35B vertical takeoff Joint Strike Fighter would mark a major shift for Japan's Maritime Self Defense Forces. Since World War II Japan has maintained a force exclusively for self-defense, however in the last decade the country has increased its use of the military for regional humanitarian missions. The transformation of the Izumo makes Japan an even more expeditionary force, and that shift has been a sensitive political topic domestically, as Japan's post-World War II constitution forbids it to assume an offensive security posture.

Comments. The fundamental shift reflects Japan's need to defend against its top strategic concern, China's rapidly expanding reach in the Pacific. Japan's potential buy of 100 more F-35s would have big international significance which would allow it to operate from ships and send a message to China in the Pacific.

Maldives Applies to Rejoin Commonwealth⁵. The Maldives has applied to rejoin the Commonwealth, reversing a policy of isolation under autocratic leader Abdulla Yameen. His successor, Solih, wrote to the 53-member bloc on 07 Dec seeking readmission two years after Yameen pulled the atoll nation out of it.

Comments. Yameen withdrew the Maldives, from the Commonwealth after it mounted pressure on him to protect human rights and ensure the rule of law amid a ferocious crackdown on dissent. The Maldives' interest in re-joining the Commonwealth stems from a deep conviction that the values and principles enshrined in the Commonwealth charter are more vital than ever keeping in view the dire economic crisis in the Maldives due to its foreign debt and have asked international community and regional power India for help.

⁴<https://www.militarytimes.com>

⁵<https://www.channelnewsasia.com>

Sri Lanka SC to Rule on President Sirisena's Sacking of Parliament, Snap Polls⁶.

Sri Lanka is on the edge, ahead of a crucial Supreme Court ruling on President Sirisena's controversial sacking of Parliament and call for a snap election that pushed the country into unprecedented political turmoil. As many as 13 petitions have been filed against Sirisena's 09 Nov order sacking the 225-member Parliament, almost 20 months before its term was to end, and setting the election date for January 5. The Supreme Court on 13 Nov had issued an interim order ruling Sirisena's gazette notification as temporarily illegal and halted the preparations for snap polls. The hearing in the case was concluded last week as the court reserved its judgment. So far there is no indication as to when the apex court will give its ruling.

Comments. If the ruling goes against Sirisena, it would put the president in a difficult situation given his public statement that he would not restore the pre-October 26 position by reappointing Wickremesinghe whom he ousted as premier and replaced him with ex-president Rajapaksa. If the court decides against the dissolution of Parliament the president will appoint a government comprising of whoever can command the 113-simple majority. Sirisena sacked Parliament when it appeared that Rajapaksa would not be able to muster the support of 113 MPs. Wickremesinghe on the other hand commands a majority. The Supreme Court ruling would be the first step in the resolution of the ongoing political crisis as Sirisena has said he will accept the Supreme Court's ruling on the petitions filed against his gazette notification dissolving Parliament.

TELECOM & IT

Brig Navjot Singh Bedi

Huawei & ZTE Facing Challenges in France, Germany & Japan. France's Orange said it would not hire Huawei to build its next-generation network and is likely to work with Ericsson and Nokia. Germany's Deutsche Telekom, Europe's largest telecoms company, pursues a multi-vendor strategy, relying on equipment from Ericsson, Nokia, Cisco and Huawei. It is however reviewing its vendor plans, given the debate on the security of Chinese network gear. Chinese telecom giant ZTE lost its biggest contract in Germany, which was to maintain mobile operator O2's network, which is owned by Spain's Telefonica. Telefonica Deutschland said in future it would work with a much smaller German firm, Dortmund-based GFTD, rather than with ZTE. British telecoms group BT's also announced that it would move away from equipment provided by Huawei in its mobile network. Japan's big three telecoms operators (NTT Docomo, KDDI Corp and Soft Bank Group Corp), plan to exclude network equipment from China's Huawei Technologies Co Ltd and ZTE Corp. The exclusion applies to current equipment and next-generation 5G equipment. Japan plans to ban government purchases of equipment from Huawei and ZTE to beef up its defences against intelligence leaks and cyber attacks. Huawei however says those security based concerns are unfounded.

⁶<https://www.news18.com>

So far, German officials have said they see no legal basis to exclude any vendors from the buildout of 5G networks in response to warnings from US. Nearly half of the German company's revenues come, from its profitable and fast-growing U.S. unit T-Mobile, which is undergoing regulatory scrutiny of its \$26 billion bid to take over Sprint Corp. Other German telecoms players are continuing talks with Chinese vendors as they draw up proposals to take part in Germany's auction of 5G licences in early 2019.

Comments. The shift by the national market leaders, both partly state owned possibly follows Huawei's exclusion on national security grounds by some US allies, led by Australia, from building their fifth-generation (5G) mobile networks. Huawei has been singled out by Western leaders for its alleged links to Chinese intelligence services. The US government officially asked telecoms operators not to buy the firm's products early this year. US officials have briefed allies that Huawei is ultimately at the beck and call of the Chinese state, while warning that its network equipment may contain "back doors" that could open them up to cyber espionage. German telecoms operators however depend heavily on Huawei. It will thus be hard to rip out and replace its existing gear or to cope without the Chinese company, the world's top network supplier, in building their 5G networks. Moreover if the Chinese companies are excluded, this would reduce the number of vendors, which could drive costs higher. Thus many vendors would be reluctant to do without Huawei. Though China's foreign ministry said it had never heard of any country having a security problem with Huawei Technologies Co Ltd, yet all nations are reviewing their vendor strategy in light of the security concerns flagged by the US.

(<https://telecom.economictimes.indiatimes.com/news/huawei-facing-fresh-set-of-problems-in-france-and-germany/67094312>; <https://telecom.economictimes.indiatimes.com/news/japans-top-3-telcos-to-exclude-huawei-zte-network-equipment-report/67021965> & <https://telecom.economictimes.indiatimes.com/news/chinas-zte-loses-major-german-mobile-contract/67101403>)

India's Electronic Market Set to Grow to \$1 Trillion by 2028. The India Electronics and Semi-conductor Association (IESA) is a Bangalore-based group that represents 300 companies including 70 start-ups. As per the IESA, the country's electronic market is estimated to reach to \$600 billion by 2026, and \$ 1 trillion by 2028. Approximately 147 mobile phone companies have started their production locally with 1 billion devices already shipped.

Comments. The Electronics and Semiconductor sector is currently contributing \$120 billion annually. 5G technology is a potential opportunity for the Electronics System Design and Manufacturing (ESDM) sector. The government could consider providing Preferential Market Access (PMA) to start-ups, which can also look at opportunities worldwide with the govt providing financial assistance. The govt is presently working on an electronics policy based on widest consultation, which would be released soon. At present, electronic components like chipsets continue to be imported mainly from China and Taiwan. However Government policies such as Make in India have started to bear fruits and design-led manufacturing is going to be the way forward for the sector.

(<https://telecom.economictimes.indiatimes.com/news/indias-electronic-market-set-to-grow-to-1-trillion-by-2028-iesa/67092688>)

Reliance Jio & Flex: Joint Venture For Smartphone Production. Approximately 118 million and 134 million smartphones were sold respectively in 2016 and 2017. Reliance Jio Infocomm is in talks with US contract manufacturer Flex for locally producing about 100 million mobile phone handsets. Reportedly Flex currently has the capacity to manufacture around 4-5 million devices per month at its factory in the Special Economic Zone (SEZ) near Chennai. However, the company wants to be able to sell the produced units in the Domestic Tariff Area (DTAs), without attracting the duties, at rates similar to that of FTAs.

Comments. Any move by the government to allow selling goods produced in the SEZ in DTAs without attracting duties would allow the handsets to be priced affordably, making it attractive for the first-time smartphone buyers. Reliance Jio is targeting the next low-hanging fruit ie the bulk of India's 500 million feature-phone users who would switch to smartphones, if the bundled price points for the service and handsets were attractive.

(<https://telecom.economictimes.indiatimes.com/news/mukesh-ambanis-reliance-jio-in-talks-with-us-handset-company-flex-for-smartphone-production/67101384>)

PAKISTAN, AFGHANISTAN & IRAN

Col Karan Singh, VSM

Blueprint for Boosting Economy Submitted to IMF by Pakistan. Pakistan has formally submitted to the IMF its Memorandum of Economic and Financial Policies (MEFP) envisaging macroeconomic stabilisation graduating into growth strategy over the next three years.

Comments. AS per MEFP, Pakistan Government plans a fiscal adjustment of about 2.5per cent of GDP in three years — almost the same as the last Fund programme ending September 2016 — to bring down fiscal deficit to about 4pc at the end of 36-month programme. This time, however, the programme implementation would be front-loaded compared to relatively balanced implementation schedule of the last programme and thus most of the pain would be immediate this time in the form of revenue measures and energy pricing. In absolute terms, the adjustment would entail more than Rs1 trillion of additional fiscal space with a combination of increased revenues and reduced expenditures.

Iran Confirms Missile Test in Defiance of U.S. A senior Iranian military commander has confirmed that Tehran recently carried out a ballistic missile test, the Fars news agency said on 11 Dec 18.

Comments. The comment came after U.S. Secretary of State Mike Pompeo's assertion in early December that Iran had test-fired a missile capable of carrying multiple warheads and reaching the Middle East and Europe. The U.N. Security Council also met last week to discuss the test, which the US, Britain and France said flouted U.N. restrictions on Tehran's military program. Under U.N. Security Council Resolution 2231, which enshrined the nuclear deal in 2015, Iran is "called upon" to refrain from work on ballistic missiles designed to deliver nuclear weapons for up to eight years. However, the analyst argue that the language of UN resolution does not make it obligatory. The

last missile was fired in October, at Islamic State militants in Syria after the Islamist group said it was responsible for an attack at a military parade in Iran.

Taliban Meeting US Officials again in UAE. The Taliban held another meeting on Monday (17 Dec 18) with US officials in the UAE. The meeting also involves Saudi, Pakistani and UAE representatives in the latest attempt to bring a negotiated end to Afghanistan's 17-year war.

Comments. The peace process has seen a definite progress with appointment of Khalizad as special envoy by US. There has been similar effort by Russia last month. By engaging directly with the Taliban, US and Russia intent to pursue their own geopolitical interests

So far, the Taliban have refused to hold direct talks with the Afghan government and insisting only on negotiating with the US. While Afghan officials are not expected to attend Monday's meeting, their presence in the UAE (NSA of Afghanistan) is a significant step in efforts to get the two sides talking. President Ghani has also announced a "roadmap to peace" and as part of that plan, has announced the formation of a 12-members team to engage in direct negotiations with the Taliban. President Ghani has been insistent that the peace process has to be "Afghan-owned and Afghan-led", implying his administration cannot be excluded from the process. The presence of the Saudis and Emiratis in this meeting is significant as both of them have significant influence over the Taliban, and who might be able to help secure concessions from the group eventually leading to face-to-face talks with Kabul

Pakistan, China, Afghanistan Sign MoU on Anti-Terrorism Cooperation. Pakistan, China and Afghanistan signed a Memorandum of Understanding (MoU) vis-a-vis anti-terrorism cooperation during a second trilateral ministerial dialogue in Kabul on Saturday (16 Dec 18). Calling Afghanistan and Pakistan as "friends of China", Chinese Minister said that Beijing will extend an every possible cooperation to build trust and confidence between the two countries. He also added that China will also assist in establishing connectivity projects including a rail line between Peshawar, Kabul and Kandahar and desires to make Afghanistan a part of the China Pakistan Economic Corridor.

Comments. The MoU was signed by Pakistan's foreign minister Shah Mehmood Qureshi and his Chinese and Afghan counterparts Wang Yi and Salahuddin Rabbani. The signing of the document was witnessed by Afghan President Ashraf Ghani. This was the second meeting of the three foreign ministers after their kick-off meeting in Beijing last year. Pakistan and Afghanistan continue to have huge trust deficit on handling terrorism across border and the China attempts to bring these two nations together to have better control over its NW borders.

RUSSIA

Col Harpreet Singh

India-Russia and India-US Air Force Exercises. The Indian Air Force is holding simultaneous joint exercises with US and Russia in the eastern and western sectors of the country. While the Cope India exercise with the US Air Force is being held

at Kalaikunda, West Bengal, the Aviaindra exercise with the Russian Federation Aerospace Force is being held at Jodhpur, Rajasthan. While the Jodhpur exercise kicked started on 10 December and will continue till 21 December, the Kalaikunda exercise started on December 3 and will conclude by December 14.

There are significant differences between the exercises. Aviaindra unique exercise in which foreign participants do not bring their air assets. The Aviaindra exercise is the second phase of drills between India and Russia this year, with an earlier exercise taking place at Lipetsk, Russia, in September. During the first phase, IAF pilots flew Russian Air Force aircraft. The exercises include a counter-terrorism scenario, which saw Indian and Russian pilots fly fighters, transport aircraft and helicopters of Russian origin. It primarily focuses on counter-terrorism operations.

Cope India, on the other hand, has seen the IAF and USAF practice airborne assaults on 'enemy' territory using their C-130 aircraft as well as manoeuvres involving the F-15s and the SU-30MKI, Mirage-2000 and Jaguar fighters from India. This is the fourth Cope India exercise.

Comments. The Indian Air Force is using only Russian origin systems during the ongoing joint exercise Aviaindra, probably as it coincides with the Cope India exercise between the Indian and the US Air Force currently underway at Kalaikunda. The exercises are reminiscent of India's non-aligned policy, better known as 'balancing act' in today's parlance.

<https://sputniknews.com/military/201812111070580494-indian-air-force-joint-exercise/>

ASEAN

Col Shyamji Yadav

With China on its Mind, India Deepens Engagement with Myanmar. India continues to deepen its strategic engagement with Myanmar, a key interlocutor in its Act East policy, amid growing concerns of Chinese influence in the country.

Indian President Ram Nath Kovind concluded a five-day state visit to Myanmar on Dec 14, during which India sought to synergise its Act East and Neighbourhood First initiatives with Myanmar's "independent, active and non-aligned" foreign policy.

The presidential visit to Naypyidaw, the first since 2006, came a little over a month after China and Myanmar finalised a deal to build a deep sea port in Kyaukpyu on Myanmar's western coast in the Bay of Bengal. It gives China an alternative route for energy imports from West Asia and avoids potential choke points in the Malacca Strait.

He also handed over the first 50 units of prefabricated houses meant for Rohingya refugees built in Rakhine state with money from the Indian government. India has also said it may expand the Rakhine State Development Programme, once the current allocation of US\$25 million (S\$34.4 million) is "fully committed".

Comments. Myanmar occupies a central place in India's Act East and Neighbourhood First policies. Its importance comes from the fact that the country is the only physical gateway for India to connect with South-east Asia and beyond. It shares a 1,600km land border with India.

The country is also a key security partner in India's campaign against different insurgency groups, some of whom have a presence in Myanmar.

China has often been accused of supporting rebel groups in India's north-eastern states, who also depend on supply of arms from there. It is important for us to see that China doesn't have too much of a presence in the sensitive zone around the north-east.

Proposed development of deep sea port in Kyaukpyu is the latest addition to a Chinese "string of pearls" across the Indian Ocean that comprises ports such as Gwadar in Pakistan and Hambantota in Sri Lanka. These projects will allow the Chinese military greater access into its extended neighbourhood.

The two countries also signed a Memorandum of Understanding in September to establish the China-Myanmar Economic Corridor, which forms part of Beijing's Belt and Road Initiative (BRI). China has already constructed dual-carriage motorways connecting Kunming, the capital of Yunnan province, with towns on the Myanmar border.

China also enjoys a historical edge, as it has always stood by the military junta in Myanmar, unlike India which heavily criticised the Myanmar regime in the 1990s for its suppression of the democracy movement.

It is this fear of strategic encirclement by China and loss of influence to Beijing that explains India's decision to court Myanmar by offering to fund and work on a range of development projects there and boosting connectivity with the country.

Playing catch up, India has launched a range of connectivity projects, including a trilateral India-Myanmar-Thailand highway, tested bus services and opened border markets. It is also working with Myanmar to develop the Kaladan Multi Modal Transit Transport Project, that connects the East Indian city of Kolkata to the port in Sittwe, the capital of Rakhine state, which is then further connected to India's north-east via inland road and river networks.

<https://www.straitstimes.com>

WEST ASIA

Col Sumit Rana

SYRIA

Iran, Russia, Turkey to meet UN Envoy Next Week on Syria: UN. Staffan de Mistura will hold high-level talks next week to work on setting up a constitutional committee, the UN said.

The United Nations Special Envoy for Syria Staffan de Mistura will hold talks with high-level officials from Iran, Russia and Turkey in Geneva early next week on setting up a constitutional committee, a UN statement says.

The talks on forming a "credible, balanced, and inclusive" committee to draft a new constitution for Syria and usher in elections will take place before de Mistura's monthly presentation to the UN Security Council set for December 20, a UN statement said on Friday.

Last month, Syria's warring sides and mediators meeting in Kazakhstan failed to agree on the formation of a constitutional committee which is key to ending the seven-year civil war. De Mistura, whose term ends at the end of the year, called it a "missed opportunity".

Sudan's Bashir First Arab Leader to Visit Syria Since War Began. Omar al-Bashir expresses hopes Syria will soon recover important regional role in talks with President Bashar al-Assad.

Sudan's President Omar al-Bashir has become the first Arab League leader to visit Damascus since the war in Syria began nearly eight years ago.

Syria's state-run news agency SANA said al-Bashir was greeted on Sunday at the capital's airport by Syrian President Bashar al-Assad before they both headed to the presidential palace. The two leaders discussed bilateral ties and the "situations and crises faced by many Arab countries", the Syrian presidency said.

IRAQ

US Sanctions on Iran Threaten Iraq's Energy Supply. Iraq relies on Iranian gas for nearly half of its energy, but US sanctions are threatening the supply. There is a fight over energy in Iraq between the United States and Iran.

Iraq relies on Iranian gas for nearly half of its energy - gas that is now subject to US sanctions on Iran. The Iraqi government originally obtained a 45-day sanctions waiver from the US, but that waiver is set to expire next week.

Iraq is particularly sensitive to the issue after protests against electricity cuts rocked Basra earlier in the year and Iraq's new government is treading a thin line trying to keep both the US and Iran happy, and its people satisfied.

ISRAEL

Facebook Temporarily Bans Israeli PM's Son over Posts. A son of Israeli PM Benjamin Netanyahu says Facebook blocked him for 24 hours amid a spat over several posts railing against Palestinians and Muslims.

Last week, Facebook removed a post by Yair Netanyahu in which he called for "avenging the deaths" of two Israeli soldiers killed by a Palestinian.

A post in which the 27-year-old said he would prefer if "all Muslims leave the land of Israel" was also taken down.

He called Facebook "thought police". But it accused him of hate speech. Mr Netanyahu drew widespread criticism last year after he posted a meme mocking some of his father's critics, including billionaire financier George Soros, which the Anti-Defamation League said was anti-Semitic.

TURKEY

Trump did not tell Erdogan he would Extradite Gulen: WH Official. An official told Reuters Trump didn't commit during G20 to extradite Fethullah Gulen.

US President Donald Trump did not commit during a meeting with Turkish President Tayyip Erdogan at the G20 summit two weeks ago to extradite a Muslim religious leader based in the United States, a senior White House official said on Monday.

"While meeting with President Erdogan at the G20, the president did not commit to extradite Fethullah Gulen," said the official, who spoke to Reuters news agency on condition of anonymity.

Erdogan blames Gulen for a failed coup in 2016. Gulen denies any involvement. Turkey has long sought the extradition of Gulen, who has lived in self-imposed US exile for nearly two decades.

Turkmenistan Neutrality Reconfirmed. Turkmenistan has observed the principal of neutrality, something like non alignment status since 1995. It has been recognised by the UN as a permanently neutral state. It has consciously abstained from joining the regional groupings such as CIS, CSTO, SCO and EEU in spite of several promptings especially from Russia. Turkmenistan's President Gurbanguly Berdymukammedov celebrated the International Day of Neutrality on 12 December and pardoned a large number of prisoners.⁷ The President congratulated all citizens, stating that the neutrality is a greatest heritage recognized by the world community as this doctrine promotes peaceful coexistence, friendship, humanity, goodwill, cooperation and progress.

⁷The Times of Central Asia dated 13 December 2018;

<https://www.timesca.com/index.php/news/20603-turkmenistan-president-marks-int-l-day-of-neutrality-with-prisoner-amnesty>

Military Expenditure. A recent SIPRI report revealed that overall the world arms expenditure in year 2017 was 2.2% of the cumulative GDP's of the countries. In that, India and China were among the five biggest military spenders. China's military spending, at an estimated USD 228 billion, accounted for 48 per cent of the total defence spending in the Asia and Oceania region. It was 3.6 times that of India which spent USD 63.9 billion on its military in 2017 an increase of 5.5 per cent compared with 2016.

The reason for increase in defence spending of India is ascribed to the modernization of the armed forces which incidentally got push in the current regime and more so due the perceived Chinese and the Pakistani military threat. The expenditure is likely to remain in the same zone in future due to security scenario in the region and the continuing push to meet the modernization needs of the armed forces. The shortfall of equipment in all the three services is much more and needs attention. The Indian Air Force has been awaiting procurement of fighters as replacements for the impending retirement of its old fighter aircraft for over a decade. Despite the induction of 36 Rafale and 83 indigenous Tejas fighter aircraft, by 2025, the air force will have only 31 squadrons of fighters as against the overall requirement of at least 42. This is due to the impending de-induction of 10-odd squadrons of MiG 21 and MiG 27 aircraft. The Indian Army has also been running mostly on obsolescent equipment. Other than upgrading its tanks and infantry fighting vehicles, the army urgently needs the future infantry combat vehicles. The Indian Navy needs naval utility helicopters, naval multi-role helicopters, submarines through Project 75(I) and multi-role carrier-borne fighters for its aircraft carriers. All these would lead to huge expenditure but, these are urgently needed for the security of the country.

India has intentions of self-reliance in defence manufacturing. However, the problem with setting up a manufacturing facility for any product is that it costs much less when bought off the shelf than when manufacturing it. The government needs to invest much more to manufacture these. Moreover, there remains the problem of obtaining the cutting edge technology from abroad as developing it means inventing the wheel again and at huge cost.