

## **ENVIRONMENT SCAN 01-15 JAN 2019**

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

Brig RK Bhutani (Retd)

**China to Set Lower GDP Growth Target of 6-6.5 Percent in 2019.** As China gears up to cope with higher U.S. tariffs and weakening domestic demand, it plans to set a lower economic growth target of 6-6.5 percent in 2019 compared with last year's target of "around" 6.5 percent. Data later this month is expected to show the Chinese economy grew around 6.6 percent in 2018 - the weakest since 1990.

The proposed target was endorsed by top leaders at the annual closed-door Central Economic Work Conference in mid-December and will be unveiled at the annual parliamentary session in March.

According to one source, it's very difficult for growth to exceed 6.5 percent (this year), and there could be trouble if growth dips below 6 percent. China's top leaders are closely watching employment levels as factories could be forced to shed workers amid a trade war with the United States, despite a more resilient services sector.

Growth of about 6.2 percent is needed in the next two years to meet the ruling Communist Party's longstanding goal of doubling GDP and incomes in the decade to 2020, and to turn China into a "modestly prosperous" nation.

**(<https://uk.reuters.com/article/us-china-economy-targets-exclusive/exclusive-china-to-set-lower-gdp-growth-target-of-6-6-5-percent-in-2019-sources-idUKKCN1P50CJ>)**

**China's President Xi Threatens Taiwan with Force but also Seeks Peaceful 'Reunification'.** President Xi Jinping has stepped up pressure on the democratic island since Tsai Ing-wen from the pro-independence Democratic Progressive Party became president in 2016. Xi said on 2nd January, China reserves the right to use force to bring Taiwan under its control but will strive to achieve peaceful "reunification" with the self-ruled island that has a bright future under any future Chinese rule. Tsai rejected Xi's call and instead urged China to embrace democracy. Speaking to reporters, Tsai said Taiwan would never accept "one country, two systems" and was proud of its democratic way of life. "The vast majority in Taiwan resolutely opposes 'one country, two systems', this is the 'Taiwan consensus'," she said.

Xi reiterated that China was willing to talk with any party in Taiwan to push the political process - stalled by China since Tsai took office - as long as they accept the "one China" principle. Underscoring China's nervousness about U.S. support in particular for Taiwan, U.S. President Donald Trump on Monday signed into law the Asia Reassurance Initiative Act, which reaffirms the U.S. commitment to Taiwan, including arms sales.

**(<https://uk.reuters.com/article/uk-china-taiwan/chinas-xi-threatens-taiwan-with-force-but-also-seeks-peaceful-reunification-idUKKCN1OW049>)**

**US-China Trade War: Dispute is much Beyond a Mere Trade Imbalance.** As the trade war between China and the United States continues, its focus has shifted from deficits and surpluses towards more technological matters. Washington is not only demanding Beijing ends its practice of forcing foreign joint venture partners to transfer technologies to their Chinese collaborators, but also scrutinising the work of Chinese researchers based in the US. The US is using legislation to address its grievances.

The US President Donald Trump is attempting to use a piece of legislation that allows him to take unilateral action, free from the constraints of international treaties and World Trade Organisation (WTO) agreements, against another country. Section 301 of the 1974 Trade Act is one of Washington's most effective weapons in bringing pressure on Beijing.

For the president to be able to take such action against another country, an investigation initiated under Section 301 must first establish that it is engaging in "unfair trade policies".

And, a month before Trump fired the first shot in his trade war against China last April, US Trade Representative (USTR) Robert Lighthizer – nicknamed the "trade war general" by Bloomberg - produced just such a report; a 200-page document under Section 301 which reads like a charge sheet. It paints a sinister picture, accusing the Communist Party of carefully orchestrating an elaborate onslaught against American businesses to weaken the economic and technological advantages enjoyed by the US. The report provided the legal basis for Trump's escalating series of tariffs against Chinese imports, currently on hold at 10 per cent on US\$200 billion worth of Chinese goods, but threatened to rise to 25 per cent if the 90-day truce does not end in agreement.

The USTR investigation was ambitious and extensive – going far beyond the US trade deficit with China – with almost every area of China's economic and investment activities coming under scrutiny, particularly those related to technology. The main allegations leveled against Beijing included forced technology transfer, discriminatory investment restrictions, predatory acquisitions, cyber attacks and espionage.

Beijing has vehemently protested the report's findings and challenged the use of Section 301 at meetings of the WTO, which itself is coming under intense pressure from the Trump administration.

According to Craig Allen, president of the US-China Business Council, China's intellectual property and technology transfer are practices that are not sufficiently covered under the World Trade Organisation. The WTO is not clear enough on these issues.

**Comments.** It is appreciated from the ongoing trade negotiations that Section 301 sanctions will likely be lifted by 2nd March. Some Chinese experts see the USTR report as an underhand way to stop China from challenging US leadership in technology and the global economy.

**<https://www.scmp.com/news/china/diplomacy/article/2181740/why-us-china-dispute-about-so-much-more-trade-imbalance>**

## **NORTHEAST**

Brig HS Cheema

**After the Awami League Landslide, She Must Repair Bangladesh's Bitter Political Divisions.** PM Sheikh Hasina's government sought a fresh mandate with a formidable record of economic growth and social progress and her party, the Awami League, set the agenda for the election and dominated the campaign. Still, the scale of the victory would have taken even her supporters by surprise. The party's Grand Alliance won 288 of the 299 seats contested, more than the 234 seats it won in 2014 when the BNP boycotted the poll. This time, the Opposition coalition Jatiya Oikya Front, led by the BNP, secured only seven seats. But there are conflicting claims about the way the election was conducted. More than 40 Opposition candidates pulled out of the race after voting began on 30 Dec, alleging rigging.

The challenge before Ms. Hasina is daunting. To begin with, she has to heal a country rattled by political divisions and violence. The government and the Election Commission could have held the election without being open to charges that it was manipulated. There was a crackdown on the Opposition in the run-up to polling day. Pro-Opposition websites were taken down, thousands of activists were jailed, and political violence was unleashed to target BNP members. The victory is a chance for Ms. Hasina to mend her ways, to be more inclusive and run a government that respects the rule of law, the basic rights of citizens and institutional freedom. For India, Ms. Hasina's victory is good news. New Delhi and Dhaka have deepened economic, security and strategic ties under her leadership. This should continue, no matter what the general election outcome in India in 2019.

**<https://www.thehindu.com/opinion/editorial/hasinas->**

**Comments.** Will another sweeping mandate for Hasina make Bangladesh a model of political stability and resilience? Or will it keep bleeding this highly polarised country, impacting its growth and development? There are no easy answers only time will tell how she will steer her country. It is a welcome sign for India that Ms Hasina has come back into power. India needs to move forward to further cement its relations with Bangladesh. With the rise of religious radicalism and terrorism, defence and security issues will require greater cooperation between the countries. Bangladesh has taken strong and effective steps against those who have been inspired by the Islamic State and involved in terrorist strikes. Islamist organisations have been breeding grounds for religious radicals and extremist views. These forces will pose a considerable challenge for governance in Bangladesh in the future. Bilaterally, the issue of the illegal migration has already acquired a high profile in India with the publication of the draft National Register of Citizens in Assam. This will require deft handling of bilateral ties. Sharing of river waters will remain a challenge. China's security and economic footprint has grown in South Asia and managing this will remain a challenge for both countries. While Bangladesh is overwhelmingly dependent on military hardware from China.

**President Confers Honorary Rank on Nepalese Army Chief.** President Ram Nath Kovind on 12 Jan 19, conferred the honorary rank of 'General of the Indian Army on General Purna Chandra Thapa, Chief of the Nepalese army at a special investiture ceremony held at Rashtrapati Bhavan.

The President conferred the rank for General Thapa's "commendable military prowess and immeasurable contribution in fostering Nepal's long and friendly association with India", the citation read.

[www.newindianexpress.com/nation/2019/jan/13/president-confers-honorary-rank-on-nepalese-army-chief-1924352](http://www.newindianexpress.com/nation/2019/jan/13/president-confers-honorary-rank-on-nepalese-army-chief-1924352).

**Comments.** Conferring of the hony rank is an important gesture by India, more importantly Nepal Govt allowing this tradition to continue is a welcome sign. The relations between the countries has taken some beating since the new Govt has taken the rein of Nepal. India can do a more lot with Nepal in the field of military diplomacy, infact this could be a key driver. India is having about 32000 Nepalese citizens serving as soldiers in India's elite 'Gorkha Regiments' and almost triple this number as Indian army pensioners in Nepal. India could consider raising some new 'mixed battalions' or 'Army Formations' with citizens from both countries and allow them to be deployed in Nepal as part of Nepal Army. Every year India is training almost 250 Personnel of Nepalese Army (NA) in training institutes. For this purpose India could also place a Military Training Team (akin to one in Bhutan) which could impart training to larger number of Nepalese officers and soldiers in situ.

**Citizenship Bill that Triggered Protests in Northeast Passed by Lok Sabha.** The Lok Sabha on 8 Jan 19, passed a controversial Bill that seeks to provide Indian citizenship to non-Muslims from Bangladesh, Pakistan and Afghanistan amid protests by the opposition parties. The AsomGana Parishad (AGP) had on 7 Jan 19, withdrew its support to the ruling BJP in Assam over differences regarding the Bill. Protests had erupted across North East. The BJP's allies, Meghalaya's National People's Party (NPP) and Mizoram's Mizo National Front (MNF), also opposed the proposed law.

The Citizenship (Amendment) Bill will allow citizenship to Hindus, Sikhs, Buddhists, Jains, Parsis and Christians who fled religious persecution in Bangladesh, Pakistan and Afghanistan and entered India before December 31, 2014. To be naturalised, applicants must have in India during the 12 months leading up to December 2014 and for 11 of the 14 years prior to that. This bill contradicts certain clauses of Assam Accord. The Assam Accord deals with the aspect of protecting the culture of the indigenous people in the State. Former Tourism Secretary M.P. Bezbaruah, who was named to head a High Level Committee on how to implement Clause 6 of the Assam Accord, has withdrawn his consent to head the committee. Home Minister Rajnath Singh, while moving the Citizenship Amendment Bill in the Lok Sabha on 8 Jan 19, had informed that the nine-member High Level Committee would look at ways of safeguarding the interests of ethnic Assamese.

The Assam Accord, a tripartite agreement signed in 1985 between the Centre, the State government and AASU, had set March 25, 1971 as the cut-off date to grant citizenship to people who had migrated from Bangladesh. Right now, under directions of the Supreme Court, the National Register of Citizenship (NRC) is being updated in Assam to determine the number of people who have entered after the March 1971 cutting off date. Though the draft NRC puts the figure of such "outsiders" at 4 million, many have filed their claims and objections to be included as genuine citizens in the final NRC.

<https://www.hindustantimes.com/india-news/assam-s-burden-is-india-s-burden-rajnath-singh-defends-citizenship-bill>

**Comments.** North East has seen a very turbulent social and security situation for a very protracted period in the past due to immigrant issue. It is only last five to six years that peace in most of the NE states has triggered the economic growth and some kind of governance. This was primarily possible due to some political solution and agreements to solve this problem. Passage of this bill may rewind the clock back and NE could again see violence and uncertainty again setting in. India need to get out of religious and political divide if it has to progress and become power of reckoning such retrograde steps will not only create further hurdles but also create issues with our neighbouring countries specially Bangladesh. This will also give fuel to various insurgent's groups like ULFA now almost defunct to get back into business and disturb the peace. For Armed forces it will again be unwelcome task to get involved into CI operations than to prepare for its primary task.

## **JAPAN, MALDIVES, SRI LANKA**

Col Arvinder Singh

**Japan, Russia Face Difficult Road to Peace Treaty Talks<sup>1</sup>.** Japanese Foreign Minister and his Russian counterpart are meeting on 14 Jan, for the difficult task of smoothing the way for their leaders to advance bilateral peace treaty negotiations. The meeting in Moscow comes exactly two months after Prime Minister Shinzo Abe and Russian President Vladimir Putin agreed in Singapore to accelerate talks toward concluding a peace treaty to formally end World War II hostilities based on a 1956 declaration that mentions the transfer to Japan of two of four islands seized by the Soviet Union at the end of the war. But the prospects of resolving the disagreement over the Russian-held islands off Hokkaido are far from certain, and the talks will be a test of the two ministers' diplomatic skills.

**Comments.** Soviet Union seized the islands following Japan's 1945 surrender in World War II and Japan has maintained that they have been illegally occupied. The territorial issue was not solved even after the Soviet Union collapsed. Settling the decades-long dispute over the islands called the Northern Territories in Japan and the Southern Kurils in Russia is a top diplomatic priority for Abe, who has held dozens of talks with Putin so far. Abe's specific mention of the 1956 joint declaration has fueled the view that he will focus on the handover of Shikotan and the Habomai islet group -- a change from Tokyo's conventional policy of seeking to resolve the status of all four islands, including Etorofu and Kunashiri. Experts feel that the two countries are closer than before because of the agreement to negotiate on the basis of the 1956 agreement, which is a big step. Another major challenge is for Japan to address Russia's concern about the possibility of a future U.S. military presence on the islands.

**Maldives won't be Used as a Plaything for Powers in Indian Ocean: Ibrahim Mohamed Solih<sup>2</sup>.** President, Solih has said that the island nation would not allow any anti-India activities from its soil and exhorted that Male would play the role of a stabilizer in the Indian Ocean Region. He said that Maldives is mindful of our geostrategic position in the India Ocean and are also aware of the need to maintain peace and security in the Indian Ocean, especially at a time of increased trade, shipping and geopolitical tensions. He acknowledged of shared security interests with India, and will not allow his territory to be used for any activity that is detrimental to the other.

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<sup>1</sup><https://japantoday.com/category>

<sup>2</sup><https://economictimes.indiatimes.com>

**Comments.** India and the Maldives can strengthen their defense and strategic partnership by conducting regular naval exercises, coordinated patrolling and maritime surveillance and have an understanding of common priorities, such as counter terrorism.

**ICGS Samarth Arrives in Maldives for Joint Surveillance Patrol<sup>3</sup>.** Indian Coast Guard Ship “Samarth” arrived on 12 Jan in Maldives to conduct a joint surveillance patrol and to ensure that there are no illegal activities being carried out in the Maldives Exclusive Economic Zone (EEZ). The joint surveillance patrol has been conducted serially since 2009. Coast Guard ship also carried an Advanced Light Helicopter CG853 onboard as replacement of CG852 which Maldives previous regime was asking to take back during unease of ties.

**Comments.** This comes at a time officers of both Maldives and India are jointly conducting training programs under the name “Exercise Dosti” annually which aims to strengthen military ties between Maldives and India as well as achieving inter-operability. The naval exercise further aims to enrich both countries to conduct counter terrorism and counter insurgency operations to ascertain the safety of sea farers in the region

**Sri Lanka: Report on Constitution Proposals Tabled<sup>4</sup>.** Prime Minister Wickremesinghe on 11 Jan 18 tabled an expert report on the proposals to draft Sri Lanka’s new Constitution at the Constitutional Assembly sitting held in Parliament. The move enables a discussion in the Constitutional Assembly, which in turn could help authorities present a draft of the Constitution in Parliament in the coming months. Once debated in Parliament, the draft would have to be passed by a two-thirds majority in the House, and later endorsed by citizens in an island-wide referendum.

**Comments.** Tamil National Alliance (TNA), the main political grouping of minority Tamils of the north and east, has been at the forefront of a campaign for a new constitution that could pave way for a political solution to Sri Lanka’s national question. New Constitution which, among other things, promises to devolve more powers to all provinces, including in the north and east, the TNA has underscored the need to expedite the process. However, as the government stepped into the fifth and final year of its term that too after a political crisis that left the country without a legitimate government for nearly two months, the national political terrain remains fragile. With few signs of the power struggle between President Sirisena and PM Wickremesinghe having been resolved, and the resistance to some proposals from sections in the south and north, enacting a new Constitution appears a challenging task.

## **TELECOM & IT**

Brig Navjot Singh Bedi

**Data Localisation versus Data Colonisation.** Amidst a debate on data localisation, Mr Mukesh Ambani said data of an individual or business belongs to them and not to Corporates who could use it to monetise from them. He further said “data colonisation” is as bad as previous forms of colonisation and India’s data must be controlled and owned by Indians. It was also stated that if data is used or monetised in any way, the gains of that need to be transparently shared with the individual owning the data.

<sup>3</sup><https://raajje.mv/en/news/48320>

<sup>4</sup><https://www.thehindu.com>

**Comments.** In this new world, data is the new oil. The government too is considering a draft data-security law that requires data centres for all companies be physically located within India. Also under consideration is an e-commerce policy that requires the storage of customer data in India. The Reserve Bank of India (RBI) in April had ordered companies to store the "the entire data relating to payment systems operated by them, in a system only in India" so as to ensure "unfettered supervisory access" for "better monitoring." Companies like Google had complained about the six-month deadline. However, for India to succeed in this data-driven revolution, necessary steps will have to be taken to migrate the control and ownership of Indian data, back to India - in other words, Indian wealth back to India. Data ownership and the way data should be monetised for every single entity, needs to be regulated. Data is the new wealth and India's data must be controlled and owned by Indian people and not by corporates, especially global corporations.

*(<https://telecom.economictimes.indiatimes.com/news/mukesh-ambani-says-data-colonisation-as-bad-as-physical-colonisation/67171409>)*

**5G Network Readiness.** As per a Gartner survey, nearly two-third of organisations globally plan to deploy the 5G technology by 2020 but are wary of the lack of readiness of Communications Service Providers (CSPs) in making 5G networks ready by then. Reportedly, in the short to medium term, organisations wanting to leverage 5G for use cases such as IoT communications, video, control and automation, fixed wireless access and high-performance edge analytics cannot fully rely on 5G public infrastructures for delivery. It was predicted that by 2022, half of the CSPs that have completed commercial 5G deployments will fail to monetise their back-end technology infrastructure investments, due to systems not fully meeting 5G use case requirements. Most CSPs will only achieve a complete end-to-end 5G infrastructure on their public networks during the 2025-to-2030 timeframe as they focus on 5G radio first, then core slicing and edge computing.

**Comments.** The IoT communications & video remain the two most popular target use cases for 5G, with 59 & 53 per cent respectively of the organisations surveyed expecting 5G-capable networks to be widely used for these purposes. To fully exploit 5G, a new network topology is required, including new network elements such as edge computing, core network slicing and radio network densification. One major issue that 5G users face is the lack of readiness of CSPs. Reportedly their 5G networks are not available or capable enough for the needs of organisations. CSPs are likely to initially focus on consumer broadband services, which may delay investments in edge computing and core slicing, which are much more relevant and valuable to 5G projects. To meet the demands, technology product managers planning 5G infrastructure solutions should focus on 5G networks that offer not only 5G radio but also core slicing and edge computing infrastructure and services for private networks.

*(<https://telecom.economictimes.indiatimes.com/news/most-firms-bet-big-on-5g-but-wary-of-network-readiness-gartner/67158605>)*

**Huawei to Spend \$2 Bn on Cybersecurity Over Next 5 Years.** Telecom giant Huawei is set to invest \$2 billion in cybersecurity over the next five years as part of its efforts to ease security concerns. Through the investment, the company proposes to hire more people and upgrade its laboratories, after several governments expressed doubt over the safety of its products. A security transparency centre is proposed to be opened in Brussels in the first quarter of 2019 to assure clients that their products are reliable.

**Comments.** The announcement came weeks after the detention of Huawei's Chief Financial Officer Ms Meng Wanzhou in Canada for alleged violation of economic sanctions imposed by the US against Iran. Reportedly Huawei is waiting for a "just conclusion of Meng's case".

*(<https://telecom.economictimes.indiatimes.com/news/huawei-to-spend-2-bn-on-cybersecurity-over-next-5-years/67171546>)*

**5G Trials by Huawei Telecom.** Amid reports of Chinese technology major Huawei being banned in several countries, including the US, on security concerns, Telecom Secretary Aruna Sundararajan said the Indian government has allowed the company only to carry out trials for 5G connectivity as of now. It was clarified that the government would put the necessary safeguards in place before allowing companies to deploy 5G connectivity and access the core networks. Huawei has applied to DoT for participating in the trials, which is different from deployment.

**Comments.** Along with the US, Canada and the UK some other European countries have raised concerns over snooping by Huawei Telecom. Local equipment manufacturers have also urged the government to stop the procurement of Huawei products for public sector projects. Union Communications Minister Mr Manoj Sinha has however told Rajya Sabha that there is no proposal yet to ban the company in the country. With the necessary safeguards in place before allowing Huawei Telecom to deploy 5G connectivity and access the core networks, the DoT would possibly like to utilise the opportunity to understand Huawei's architecture and to what extent it would comply with the networks in India.

*(<https://telecom.economictimes.indiatimes.com/news/chinese-huawei-can-carry-out-only-5g-trials->)*

## **ASEAN**

Col Shyamji Yadav

**Govt Releases Rs 193.16 cr Fund for India-Myanmar-Thailand Highway Project<sup>5</sup>.** India is undertaking construction of two sections of the 1,360 Km long India-Myanmar-Thailand trilateral highway, in Myanmar, that entails building 120.74 km Kalewa-Yagyi road section and constructing 69 bridges along with the approach road on the 149.70 km Tamu-Kyigone-Kalewa (TKK) road section.

On 03 Jan 19 India released Rs 193.16 crore from the Rs 1,830.87 crore fund approved for the construction of Kalewa-Yagyi road section and to build bridges on the India-Myanmar-Thailand trilateral highway.

The funds released by the Ministry is Rs 188.32 crore out of the approved cost of Rs 1,459.29 crore for the Kalewa-Yagyi road section and Rs 4.84 crore out of the approved cost of Rs 371.58 crore for the 69 bridges along with approach road on the TKK road section. Both the projects are being funded by the government of India under grant assistance to the Government of Myanmar.

<sup>5</sup> [www.business-standard.com/article/economy-policy/govt-releases-rs-193-16-cr-fund-for-india-myanmar-thailand-highway-project](http://www.business-standard.com/article/economy-policy/govt-releases-rs-193-16-cr-fund-for-india-myanmar-thailand-highway-project)

The work on these sections were awarded on engineering, procurement and construction mode in May 2018 and November 2017. The schedule time for completion of both the projects are three years from the date of commencement at the project site by the executing agency.

**Comments.** This is the ambitious project that seeks to connect India with Myanmar and onwards to Thailand, which Delhi hopes will be its gateway to ASEAN. The first 160 km stretch is called the India-Myanmar Friendship Highway (IMFH).

The project of connecting three nations, which grew from small beginnings in 2002, is a work in progress. But India and Myanmar recently opened two land crossings to travellers with valid visas and passports, a significant step in this grand scheme for “free movement of people and goods” between India and South East Asia. One through Moreh in Manipur, opposite Tamu in Myanmar’s north-western Sagaing division, the other in Zokhawthar in Mizoram, opposite Rhikhawdar in Myanmar’s Chin state.

The 1,360 km long trilateral highway will connect Moreh, India with Mae Sot, Thailand via Myanmar and is expected to boost trade and commerce in the ASEAN-India Free Trade Area. The trilateral highway will only become ‘meaningful’ once we finalise the India-Myanmar-Thailand Motor Vehicle Agreement as it will help in seamless movement of passenger, personal and cargo vehicles along roads linking the three countries.

On a sub-regional level the possibilities of creating a development corridor with rural development projects, special economic zones and exclusive economic zones would be a boon to the people of the region.

**Chinese Warships Dock in Cambodia to Boost 'Military Cooperation'**<sup>6</sup>. Three Chinese warships docked in Cambodia's Sihanoukville port on Jan 9 for a four-day visit, as Beijing parades its naval prowess alongside its staunch South-east Asian ally.

The goal of the visit is to boost ties and military cooperation, especially between the navies from both countries," Cambodian Defence Ministry spokesman Chhum Socheat told AFP, dismissing suggestions that the display was about touting "Chinese influence".

**Comments.** China is the largest investor in Cambodia and has pumped billions into the economy. Several joint military exercises have also taken place, while in June, Beijing promised US\$100 million (S\$135 million) to modernise Cambodia's armed forces.

While doling out cash, China has also sought high-profile military exchanges, fuelling speculation that it is building a naval base off the Cambodian coast, claims vehemently denied by Prime Minister Hun Sen.

China has also backed Cambodia on sensitive issues, including a controversial election in July held without the opposition

In return for its longstanding support, Cambodia has proved a reliable ally among countries in ASEAN regarding disputes with China over its activities in the South China Sea.

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<sup>6</sup><https://www.straitstimes.com/asia/se-asia/chinese-warships-dock-in-cambodia-to-boost-military-cooperation>

The mutual support comes as US influence declines. Cambodia accused the US of conspiring with an opposition leader to overthrow the government and suspended military exchanges with the country.

But while Chinese-bankrolled developments may have fanned growth, they risk incubating resentment among some Cambodians, who fear the country is increasingly in the pocket of the regional superpower.

**Singapore and Andhra Pradesh Start Work on Start-up Area in Amaravati<sup>7</sup>.** Singapore and Andhra Pradesh have taken the first steps towards developing the commercial core of the upcoming capital city of Amaravati.

The ignition switch was flicked on 10Jan 19 when Minister-in-charge of Trade Relations S Iswaran and Andhra Pradesh Chief Minister Chandrababu Naidu unveiled a commemorative plaque as part of the ground-breaking ceremony for the setting up of the Welcome Gallery.

Singaporean firms Ascendas-Singbridge and Sembcorp Development are the master developers for the 6.84 sq km stretch of the planned city. The firms are working with the Amaravati Development Corporation, an Andhra Pradesh government agency.

The gallery will be the first structure to be built in this central zone, which is also known as the start-up area.

It will be erected across 2.6ha and will be able to accommodate 2,000 to 3,000 visitors a day with features such as a city gallery, exhibition and community zones and co-working spaces for start-ups.

Links between Singapore and Andhra Pradesh have been deepening over the collaboration to develop the new capital city.

**Comments.** Andhra Pradesh is building the city from scratch across agriculture land in the Guntur Vijayawada region because it lost its capital city Hyderabad to the new state of Telangana.

Singapore has been involved in the project since 2014 with Surbana Jurong submitting the city's masterplan in 2015. In 2017, a consortium of Ascendas-Singbridge and Sembcorp Development was announced as the master developers.

Apart from Amaravati, efforts are also underway to deepen economic links. Plans, by the AP-Singapore Business Council, anchored by the Singapore Business Federation (SBF) and the Confederation of Indian Industry (CII), are in place to facilitate more partnerships in Andhra Pradesh between Indian and Singapore companies.

"SBF has launched 'The Sunrise Programme', a dedicated platform for Singapore companies to secure projects within Andhra Pradesh". The Sunrise Programme "sets in motion bilateral trade activities and establishes institutions of commerce between Singapore and the Indian state of Andhra Pradesh". Seven Singaporean firms exchanged

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<sup>7</sup> <https://www.straitstimes.com/asia/south-asia/singapore-and-andhra-pradesh-start-work-on-start-up-area-in-amaravati>

Memoranda of Understanding and Letters of Intent with Amaravati Development Partners to incorporate their technologies into the Welcome Gallery.

Separately three MOUs were signed between three Singaporean firms - Erect Group, CKR Group of Companies, and By BiTech - and the Andhra Pradesh Real Estate Regulatory Authority (APRERA) and the AP Economic Cities Promotion and Development Corporation (APEDCO) to bring Singapore technologies and solutions to “Amaravati Construction City”,

They are investing in the Amaravati Construction City, a one-stop location providing construction technologies, building materials and leasing of construction equipment.

Development of the startup area is expected to spur wide economic activity as the Singapore consortium will help attract foreign investment that will enable job creation.

1.25 lakh families are expected to settle in the new capital in the next 15 years as 2.50 lakh jobs will be created.

The start-up area, once developed, is expected to contribute Rs 1.15 lakh crore to the state's gross domestic product and generate revenue of Rs 8,000 crore to Rs 10,000 crore to the government in different taxes. The consortium will also try to get industrial and economic clusters set up in the startup area.

**India Cuts Duty on Crude, Refined Palm Oil Imported from ASEAN Countries<sup>8</sup>.** The government has cut import duties on crude and refined palm oil effective 01 Jan 19 to comply with preferential trade pacts with Southeast Asian nations. The import duty on crude palm oil, originating from Malaysia, Indonesia and other members of Association of South East Asian Nations (ASEAN) has been cut to 40 per cent from 44 per cent, the Central Board of Indirect Taxes and Customs (CBIC) said in a notification.

The duty on import of refined palm oil has been lowered to 45 per cent from 54 per cent, if it is imported from Malaysia, and to 50 per cent, if it is imported from members of the ASEAN, which includes Indonesia.

**Comments.** India is the largest importer of palm oil, Indonesia is a major producer of edible oils, particularly palm, followed by Malaysia. Palm oil accounts for bulk of the total edible oils imported annually. The duties have been cut, to provide deeper tariff concessions in respect of specified goods when imported from ASEAN under the India-ASEAN Free Trade Agreement and Malaysia under the India-Malaysia Comprehensive Economic Cooperation Agreement (IMCECA). The duty cuts are effective from January 1, 2019.

The industry said the duty reduction would lead to increased imports of palm oil and it was too early to say if Indian consumers would benefit. The Solvent Extractors Association said that the duty cut, would impact the domestic palm oil refining industry and hit oil palm cultivation. The industry pegs the country's edible oil consumption at 23.5 million tonnes for 2018-19 and expects to import 15.5 million tonnes, with 60 per cent from Malaysia and

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<sup>8</sup>[www.timesnownews.com/business-economy/economy/article/crude-import-duty-asean-india-cuts-duty-on-crude-refined-palm-oil-imported-from-asean/](http://www.timesnownews.com/business-economy/economy/article/crude-import-duty-asean-india-cuts-duty-on-crude-refined-palm-oil-imported-from-asean/)

Indonesia, followed by soyabean oil from Argentina and Brazil, sunflower oil from Ukraine and Russia and canola oil from Canada.

“This decision of government is contrary to the ‘Make in India’ efforts and would also seriously stymie the efforts at improving palm cultivation in the country. This will also harm the interests of the oilseed farmer who was lately getting enthused with relatively high import duties.

**China Promotes Use of Yuan Among ASEAN Countries<sup>9</sup>.** China published a five-year blueprint on 11 Jan 19 seeking economic and financial integration between southern Guangxi province and Southeast Asia, representing Beijing's latest effort to promote international use of the Yuan currency.

China's state council, or cabinet, has agreed to build Guangxi, which borders Vietnam, into a financial gateway between the Association of Southeast Asian Nations (ASEAN) and China, the world's second biggest economy, the People's Bank of China (PBOC) said in a statement on its website.

As a key objective of the plan, China will promote the use of the yuan among ASEAN countries, with plans to facilitate cross-border trade settlement, currency transactions, investment and financing in the Chinese currency.

More specifically, China will encourage the use of yuan in its commodities trade with ASEAN, support yuan-denominated lending to projects in the region, seek to build offshore yuan markets and promote cross-border financial investments.

**Comments.** For China, the move would help broaden the yuan's influence and improve liquidity overseas. The option of invoicing half of trade between the BRICS nations -- Brazil, Russia, India, China and South Africa -- in yuan had already been discussed by the group.

India is considering allowing some imports from China to be settled in yuan as the South Asian nation moves to limit its currency's loss against the dollar. The plan would enable direct convertibility between the rupee and yuan and will help cut transaction and hedging costs. The proposal would allow Indian exports of pharmaceuticals, oilseeds and sugar to China to be settled in rupee. India-China trade is mainly settled in U.S. dollars since currencies between the two nations aren't directly convertible. By allowing Indian importers to pay for Chinese goods in yuan, the nation would be able to save on dollars to pay for escalating oil import costs and the rupee's slump to a record low.

## **SCO**

Air Cmde T Chand (Retd)

**India-Central Asia-Afghanistan Cooperation Enhancement to a New High Level.** External Affairs Minister Sushma Swaraj visited Uzbekistan on 13-14 Jan 2019 to attend the first India-Central Asia Dialogue which focused on a plethora of regional issues

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<sup>9</sup><https://www.thestar.com.my/business/business-news/2019/01/12/china-promotes-use-of-yuan-among-southeast-asian-nations/>

including enhancing connectivity to Afghanistan.<sup>10</sup> The Dialogue, held in Samarkand, was co-chaired by Swaraj and Uzbekistan's Foreign Minister Abdulaziz Kamilov. The Foreign Minister of Afghanistan also participated in the dialogue as a special invitee for the session dedicated to connectivity issues in the region. Foreign ministers of Kyrgyz Republic, Tajikistan and Turkmenistan and the First Deputy Foreign Minister of Kazakhstan also participated in the dialogue.

Prime Minister Narendra Modi had visited five Central Asian countries in 2015 with an aim to deepen India's engagement with the hydrocarbon rich region. Swaraj visited the region last August. The India-Central Asia Dialogue, with the participation of Afghanistan, is expected to take India's engagement with all the countries of the region to a new level.

External Affairs Minister Sushma Swaraj proposed to set up 'India-Central Asia Development Group'.<sup>11</sup> The group will work on Government to government basis. A business council has also been set up avail the emerging opportunities. India focused on Afghanistan at first India Central Asia dialogue.<sup>12</sup> With Afghanistan joining, the participants of the Dialogue will also deliberate on developing viable connectivity options between India and Afghanistan and Central Asia to further facilitate trade and economic activity in the region.

Active participation of all the regional countries including Afghanistan in the group is an important development which will benefit the region and India in many ways. Operationalisation of the Chabahar port and its connectivity to Afghanistan and the CARs will strengthen the INSTC, provide warm waters access to the countries of the region and provide better connectivity of India to this region. The trade potential is likely to be utilised fully now and several cooperation areas identified during this group meeting are likely to see meaningful progress now.

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<sup>10</sup> <https://www.timesnownews.com/india/article/sushma-swaraj-on-2-day-visit-to-uzbekistan-to-attend-first-india-central-asia-dialogue/346451>

<sup>11</sup> *The Economic Times* dated 13 January 2019; <https://economictimes.indiatimes.com/news/politics-and-nation/india-proposes-setting-up-of-india-central-asia-development-group-eam-swaraj-in-uzbekistan/videoshow/67519497.cms>

<sup>12</sup> Siddhant Sibbal, *India focuses on Afghanistan at first India Central Asia dialogue.* <http://zeenews.india.com/india/india-focuses-on-afghanistan-at-first-india-central-asia-dialogue-2170275.html>