

**CHINA (CONTINENTAL)**

Brig Rajeev Bhutani (Retd)

**Impact of US – China Trade War.**

**Soybean Imports.** China on 12 September, slashed its forecast for 2018/19 soybean imports as farmer reduce their use of the bean in animal feed because of the Sino-U.S. trade conflict. Imports of soybeans in the crop year that starts on Oct. 1 will be 83.65 million tonnes, down 10.2 million tonnes from last month's estimate of 93.85 million tonnes. The forecast is lower than the 93.9 million tonnes imported during the 2017/18 crop year.

The outlook illustrates how China's vast pig farming sector is rapidly adjusting to a possible prolonged trade dispute with Washington. In July, Beijing levied an additional 25 percent tariff on U.S. soybeans, threatening supplies from the second-largest exporter of the oilseed to China.

The ministry said the lower forecast for soybean imports was due to the promotion of lower-protein feed for livestock and poultry. Additionally, falling profits at pig farms should reduce demand for soymeal feed for the herds.

**Hong Kong's Exports.** Around 7 percent of Hong Kong's total exports could be impacted if the United States imposes a new round of trade tariffs on China, according to the city's commerce and economic development secretary, Edward Yau. Hong Kong is the world's seventh largest exporter of merchandise trade.

The U.S. administration is considering imposing tariffs on a further \$267 billion worth of Chinese imports to the United States, on top of the \$200 billion in imports primed for levies soon.

**Heavy Toll on Chinese Stocks, and investors.** Sino-U.S. trade war has already driven China's stock markets into the same league as debilitated emerging markets such as Turkey, Argentina and Venezuela. With around a 20 percent loss so far in 2018, Shanghai's stock market SSEC has joined the crisis-hit trio among the world's four worst performers. In stark contrast, the technology heavy U.S. Nasdaq index is one of the world's biggest gainers, up about 15.5 percent.

Besides the headline drop in share values, China's currency has fallen sharply and share transaction volumes have shrunk. Money managers are preferring cash over investments and investors have dashed into the safety of lower-yielding government bonds.

Chi Lo, Greater China economist at BNP Paribas Investment Partners, fears China's economic growth could slip next year to 6.2 percent, the slowest since 1990, as the full impact of the tariffs kicks in. UBS Securities estimates a full-blown trade war would wipe out profit growth at major China-listed companies.

Some U.S. sectors, such as technology, are seen by investors as less exposed than many more export-focused Chinese companies, spurring Chinese buyers to shift funds into U.S. stocks.

**Steel Prices.** Prices of steel and its raw materials fell sharply in China for a second session on 12 September, hitting multi-week lows, as more investors liquidated positions with oversupply risks rising as Beijing mulls a flexible implementation of its output curbs.

An initial draft plan called for cuts of 50 percent in steel production and 30 percent in primary aluminum in some areas, similar to last winter's measures.

**Further Impetus for US – China Trade War.** China's trade surplus with the United States widened to a record \$31 billion in August as exports surged despite American tariff hikes, potentially adding fuel to President Donald Trump's battle with Beijing over industrial policy.

Exports to the United States rose 13.4 percent to \$44.4 billion. Imports of US goods rose 11.1 percent to \$13.3 billion, decelerating from the previous month's 11.8 percent.

That could help reignite US demands that Beijing narrow its trade gap, which has temporarily been overshadowed by their clash over complaints China steals or pressures foreign companies to hand over technology. Trump said he was ready to step up pressure by raising tariffs on yet another \$267 billion list of Chinese imports. That would mean penalties cover almost all goods from China sold to the United States.

**Comments.** With no settlement in sight, the spiraling conflict between the two biggest economies has fed fears that it will chill global trade.

<https://www.reuters.com/article/us-china-crops/china-slashes-2018-19-soybean-import-forecast-as-u-s-trade-war-crimps-buying-idUSKCN1LS0HL>

<https://www.reuters.com/article/us-hongkong-trade/u-s-china-trade-typhoon-could-impact-7-percent-of-hk-exports-official-idUSKCN1LS16C>

<https://www.reuters.com/article/us-usa-trade-china-markets-analysis/trade-war-takes-a-heavy-toll-on-chinese-stocks-and-investors-idUSKCN1LS1CU>

<https://www.reuters.com/article/us-asia-ironore/steel-raw-materials-extend-slump-in-china-as-flexible-cuts-eyed-idUSKCN1LS0Y0>

<https://www.telegraph.co.uk/business/2018/09/09/chinas-trade-surplus-us-hits-record-31-billion/>

**Russia starts biggest war games since Soviet fall near China.** Russia began its biggest war games since the fall of the Soviet Union on 11 September, close to its border with China, mobilizing 300,000 troops in a show of force that will include joint exercises with the Chinese army. The exercise - which will involve more than 1,000 military aircraft, two Russian naval fleets, up to 36,000 tanks and armoured vehicles and all Russian airborne units - began as President Vladimir Putin held talks with Chinese President Xi Jinping in the Russian port city of Vladivostok. 24 helicopters and six jets belonging to the Chinese air force have landed at Russian air bases for the exercise. Beijing has said 3,200 members of the People's Liberation Army will join in. China and Russia have staged joint drills before but not on such a large scale.

The location of the main training range for Vostok-2018 5,000 km (3,000 miles) east of Moscow means it is likely to be watched closely by Japan, North and South Korea as well as by China and Mongolia, both of whose armies will take part in the manoeuvres later this week. Analysts say Moscow had to invite the Chinese and Mongolian militaries given the proximity of the war games to their borders and because the scale meant the neighbouring countries would probably have seen them as a threat had they been excluded.

With its Vostok 2018 exercise Russia sends a message that it regards the U.S. as a potential enemy and China as a potential ally,” wrote Dmitri Trenin, a former Russian army colonel and director of the Carnegie Moscow Center think tank.

“China, by sending a PLA element to train with the Russians, is signalling that U.S. pressure is pushing it towards much closer military cooperation with Moscow.”

**Britain's Brexit Trade Deal with Beijing Put at Risk by South China Sea 'Provocation'.** China warned the UK, it had jeopardised post-Brexit relations by sailing a British warship close to islands in the South China Sea claimed by Beijing last week. Warship HMS Albion, a 22,000 ton amphibious warship carrying a contingent of Royal Marines passed by the Paracel Islands on Aug. 31, where it was confronted by the Chinese military.

The Albion was on its way to Ho Chi Minh City where it docked Monday after a deployment in and around Japan. The Paracels have long been disputed and were the site of a major naval battle in the 1970s between China and Vietnam, after which Beijing claimed sovereignty. Britain has been working to boost trade with the world’s second-largest economy as Brexit looms, talking up a “golden era” in ties. The two nations agreed last month to look at the possibility of a post-Brexit free trade deal that, if struck, would be a key achievement for Prime Minister Theresa May.

Chinese state media specifically cautioned that a post-Brexit trade deal was at stake. “China and the UK had agreed to actively explore the possibility of discussing a free trade agreement after Brexit, but any act that harms China's core interests will only put a spanner in the works,” said an English-language editorial in state-run newspaper China Daily.

**Comments.** A group of more than 30 islands in the South China Sea are now occupied entirely by China though Beijing’s claims remain contested by Vietnam and Taiwan. Though China will not respond militarily against the foreign ships passing close to her claimed islands but she will definitely use her economic muscle to make the other countries agree to her terms.

**(<https://www.telegraph.co.uk/news/2018/09/07/britains-brexit-trade-deal-beijing-put-risk-south-china-sea/>)**

**Comments.** The Vostok-2018 (East-2018) exercise signals closer military ties as well as sending an unspoken reminder to Beijing that Moscow is able and ready to defend its sparsely populated far east. Relations between Moscow and Beijing have long been marked by mutual wariness with Russian nationalists warning of encroaching Chinese influence in the country’s mineral-rich Far east.

But Russia pivoted east towards China after the West sanctioned Moscow over its annexation of Ukraine’s Crimea region in 2014 and trade links between the two, who share a land border over 4,200 km long, have blossomed since. U.S. Defence Secretary Jim Mattis does not consider that a potential military alliance between Russia and China as possible in the future in the long-term.

**(<https://www.reuters.com/article/us-russia-exercises-vostok/russia-starts-biggest-war-games-since-soviet-fall-near-china-idUSKCN1LR146>)**

## CHINA (MAINLAND)

Brig Navjot Singh Bedi

**US-China Trade War.** On Thursday, 23 Aug 18, the US imposed a second wave of tariffs on Chinese goods worth \$16bn (£12.4bn), and China immediately responded in kind. Mr Liu Kun, the Chinese Finance Minister said that China will continue to respond "resolutely" to the "unreasonable" US measures, if more tariffs are imposed. Both US and China have now imposed 25% tariffs on a total of \$50bn of each another's goods. An additional \$200bn of tariffs may be imposed during a third round and President Trump has also said he could slap tariffs on all \$500bn of imports from the country. As per Mr Liu Kun, the impact of the trade row on the Chinese economy had not been significant, but he said that government spending would be increased to support workers affected by the tariffs. He also said that though the value of US imports of Chinese goods isn't the same as the value of Chinese imports of US goods, yet China would take tariff measures in accordance to the situation.

**Comments.** The US trade deficit with China in 2017 was \$ 375.23 Bn. Talks between the US and China concluded last week without a major breakthrough. By imposing tariffs on Chinese imports, President Trump hopes to make life easier for US companies, whose goods will become cheaper within the US by comparison. Higher import duties have thus been imposed by the US on steel and aluminium, including from Mexico, Canada and the European Union. All of those countries have retaliated. Firms that rely on Chinese imports face higher costs, while exporters are worried that retaliation will make their products more expensive and reduce demand. Many US companies and industry groups have testified to the US Trade Representative's Office that their businesses are being harmed. It thus needs to be analyzed whether the increased tariffs are actually benefitting the US. China plans to file a fresh complaint against the tariffs at the World Trade Organization (WTO), which adjudicates in global trade disputes.

(<https://www.bbc.co.uk/news/business-45294162>)

**US North Korea Visit: China's Involvement Questioned by US President.** Mr Trump had tweeted that China was "not helping" because of trade tensions with the US. A Chinese foreign ministry spokesman said this was "contrary to basic facts" and China was "seriously concerned". On Thursday, 23 Aug 18, Mr Trump called off US Secretary of State Mike Pompeo's planned trip to North Korea. He said that insufficient progress was being made in dismantling Pyongyang's nuclear programme.

**Comments.** After his summit with the North Korean leader in June, Mr Trump had said the country was no longer a nuclear threat. However since then, there have been several reports that North Korea is failing to dismantle its nuclear facilities. One of the most recent warnings came from unnamed US officials, who told the Washington Post that North Korea appeared to be building new intercontinental ballistic missiles. The UN's nuclear agency (IAEA) has also said North Korea is possibly continuing with its nuclear programme.

(<https://www.bbc.co.uk/news/world-asia-45307893>)

## KASHMIR

Col Harpreet Singh

**Local Body Elections in Kashmir.** The local body elections in Jammu and Kashmir scheduled to be held in the first week of October are likely to be deferred. The decision may be made as two major regional parties, the National Conference and PDP announced

boycott of the local body elections until the Centre makes its position clear on safeguarding Article 35A, a constitutional provision that defines "permanent residents" of the state.

A formal decision is likely to be taken by the State Advisory Council (SAC) headed by Jammu and Kashmir Governor Satya Pal Malik shortly. For now, there will be no change in the Panchayat elections scheduled to be held in November and December.

The BJP has said that it will contest these elections and termed the National Conference and the PDP as opportunistic parties for boycotting polls.

Farooq Abdullah also threatened to stay away from the assembly and the general elections. The PDP followed suit. NC and PDP have linked their participation in these elections with New Delhi's stand on safeguarding Article 35A. The Article passed through a Presidential order in 1954 has been challenged before the Supreme Court. The top court deferred the hearing to January after the Centre sought to citing holding of panchayat and civic elections in the state.

**Comments.** The issue is about Article 35A, the politics behind it and perhaps to influence the Supreme Court for a favourable decision. It will be a dangerous trend if the Supreme Court's decisions are timed or influenced by factors other than jurisprudence. The deferring of elections will be seen as major victory for the regional parties in Jammu and Kashmir. The Centre will want to give time to the mainstream parties to review their decision to boycott the elections, a move seen as defeating the very purpose of holding the elections. The boycott by the two major parties in Jammu and Kashmir is seen as a watershed development in the state's political landscape because it's the first time when the parties have found a common cause with separatists' idea of boycotting elections. After deferring the civic body polls, the administration wants to reach out to regional parties to find a way out so that elections for local governance and electoral process don't become casualties.

**Source.** <https://www.ndtv.com/india-news/>

## PAKISTAN

Col Karan Singh, VSM

**Pentagon Cancels Aid to Pakistan Over Record on Militants.** U.S. military said it has made a final decision to cancel \$300 million in aid to Pakistan that had been suspended over Islamabad's perceived failure to take decisive action against militants, in a new blow to deteriorating ties. The so-called Coalition Support Funds were part of a broader suspension in aid to Pakistan announced by President Donald Trump at the start of the year, when he accused Pakistan of rewarding past assistance with "nothing but lies & deceit." The disclosure came ahead of an expected visit by U.S. Secretary of State Mike Pompeo to Islamabad.

**Comments.** The aid has been stopped on pretext that Islamabad is granting safe haven to insurgents who are waging a 17-year-old war in Afghanistan, which Pakistan denies. However, U.S. had held out the possibility that Pakistan could win back that support if it changed its behavior. \$500 million in CSF was stripped by Congress from Pakistan earlier this year, to bring the total withheld to \$800 million. Pakistan has received more than \$33 billion in U.S. assistance since 2002, including more than \$14 billion in CSF so far. Pakistan could again be eligible next year for CSF. The denial of fund at critical time when foreign reserves are low is a calibrated, incremental ratcheting up of pressure on Pakistan. This is in

addition to reducing scores of Pakistani officers from coveted training and educational programs that have been a hallmark of bilateral military relations for more than a decade.

**Secretary Of State Mike Pompeo Visit to Pakistan.** Secretary of State Mike Pompeo held a meeting with the new Prime Minister, Imran Khan, saying he wanted to reset a badly strained relationship but repeating American demands that the country do more to fight militants at home and in Afghanistan. U.S. Secretary of State Mike Pompeo assured Pakistan last week that Washington would not try to block any request for a bailout from the IMF.

**Comments.** It was New PM, Mr. Khan's first meeting with a high-level American official. The remarks, Pompeo made during his visit to Pakistan, come in stark contrast to Pompeo's warnings in July that the United States had serious reservations about the IMF giving money to Pakistan due to concerns Islamabad would use the cash to pay off Chinese loans. Pakistani has been exploring other option to avert seeking a bailout from the IMF, which has come to Pakistan's rescue 14 times since 1980, including most recently in 2013.

**Pakistan's Military has Quietly Reached Out to India for Talks.** Concerned about Pakistan's international isolation and faltering economy, the country's powerful military has quietly reached out to its archrival India about resuming peace talks.

**Comments.** The outreach, initiated by Gen. Qamar Javed Bajwa, began months before Pakistan's national elections. Pakistan offered to resume on-and-off talks with India over their border dispute in the Kashmir region, which stalled in 2015 as violence flared up there. A key objective for Pakistan in reaching out to India is to open barriers to trade between the countries, which would give Pakistan more access to regional markets. Increasingly, Pakistan's military sees the country's battered economy as a security threat, because it aggravates the insurgencies that plague the country.

**Pakistan Official's Criticism of China's 'Silk Road' Projects Raises Worries.** Abdul Razak Dawood, the Pakistani cabinet member for commerce, industry and investment, suggested that all projects in the \$57-billion China Pakistan Economic Corridor program could be eligible for suspension in a review to be conducted this week under the orders of new Prime Minister Imran Khan. He added that he thought China had been granted too-favorable terms in many projects by the former government of Nawaz Sharif. "Chinese companies received tax breaks, many breaks and have an undue advantage in Pakistan; this is one of the things we're looking at because it's not fair that Pakistan companies should be disadvantaged," Dawood said.

**Comments.** Dawood's comments were rare public criticism of China, this is probably the harshest statement about the Chinese in the last few years. Even if there are issues with the Chinese, those issues are dealt in private rather than being made public. The critical comments were published just after the Chinese government's top diplomat, State Councilor and Foreign Minister Wang Yi, visited Pakistan and the two sides reaffirmed the mutual benefits of the Beijing-funded projects. Though subsequently, Dawood told media that his statements had been misconstrued.

**Pakistan Removes Economist from Key Role Following Islamist Backlash.** Pakistan's new government canceled the appointment of a renowned Princeton economist to its EAC, an official said on Friday, after a strong backlash against the choice of a member of the Ahmadi religious minority.

**Comments.** The failure of PM Imran Khan's government to resist pressure to drop economist Atif Mian reflects the increasing clout of hardline Islamists, whose parties won

around 10 percent of the vote at the last election in July. The government had picked Mian to join an 18-member council to advise PM. He is a scholar in the field of finance and macroeconomics, Mian is regarded as one of the world's top young economists. The Govt rationale of exit is that it wants to move forward with the religious leaders and all segments of society, and if one nomination gives a different impression, then it's not appropriate. The EAC under Khan had been deliberating out of box solutions, like a year-long ban on imports for cheese, cars, cell phones and fruits that could save some \$4-5 billion.

## **INDIAN OCEAN REGION**

**Col Arvinder Singh**

**UN Court Hears Case Over Strategic Indian Ocean Island's<sup>1</sup>.** Judges at the UN's highest court are listening to arguments in a case focused on the legality of British sovereignty over the Chagos Islands in the Indian Ocean, including Diego Garcia, where the US has a major military base. The ICJ, in its four-day hearing is seeking opinion from representatives of 22 countries and the African Union (AU). The Chagos Islands came under the colonial administration of the UK as part of Mauritian territory in 1965. The understanding in November 1965 between Mauritius and the UK allowed the latter to retain Chagos for defense purposes and called for its return to Mauritius when it's no longer needed for defense purposes. Mauritius argues that the Chagos archipelago has been part of its territory since at least the 18th century and was unlawfully taken by the UK in 1965, three years before the island nation gained independence from Britain. Britain insists it has sovereignty over the archipelago, which it calls the British Indian Ocean Territory. The UK sealed a deal with the US in 1966 to use the territory for defense purposes. Washington maintains a forward operating location there for aircraft and ships that contribute to regional and global security.

**Comments.** India has supported Mauritius in International Court of Justice (ICJ) on the issue of decolonization of the Chagos Archipelago, a part of IOR which could be another low point of ties with UK. India told the ICJ that historical facts and related legal positions confirm that sovereignty of the Chagos Archipelago has been and continues to be with Mauritius.

**Maldives Hits out at US Remarks Over Possible Sanctions<sup>2</sup>.** The Maldives has hit out at the United States after it warned of possible sanctions against Island nation if upcoming elections are not free and fair. President Trump's administration warned the Indian Ocean archipelago of possible sanctions if it doesn't reverse democratic backsliding and ensure free presidential elections on 23 September. The Maldives says it views the US statement as an act of intimidation, imposing undue influence on the democratic processes of a sovereign state and such statements are not helpful.

**India Boycotts Inauguration of China-Funded Bridge in Maldives.** China's flagship infrastructure project in the Maldives, a bridge linking capital Male with the airport island, has again brought into focus the widening gulf between India and its Indian Ocean neighbor. India chose to stay away from the inauguration of Sinamale Bridge with its ambassador not attending the event. The decision to skip the inauguration was justified later with envoys of other countries being allegedly treated shabbily by President Yameen's security staff at the event. The Maldivian opposition alleged that only the Chinese ambassador's car was allowed to drive up to the venue. Ambassadors of Sri Lanka and Bangladesh also boycotted the

---

<sup>1</sup> <https://economictimes.indiatimes.com>

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

bridge inauguration event as their cars were stopped by Yameen's security and they were asked to walk. Only Chinese ambassador's car was allowed to pass up to the venue.

**Comments.** The Maldives became a multiparty democracy in 2008 after decades of autocratic rule. However, it has lost much of its gains under President Yameen who has clamped down on critics. The strategically-located Indian Ocean island nation is an important neighbor for India and both countries were enhancing defense and security cooperation, particularly in the maritime sphere. However relations between the two countries nosedived after India opposed the imposition of Emergency in that country, the Maldivian government indicated that it would not renew the lease agreement for keeping the two choppers gifted by India along with the support staff. After several rounds of talks, there has been indication from Maldives about its willingness to keep the two helicopters along with the crew and support staff for a longer duration. The development comes less than a month before the presidential election in Maldives and is seen as an indication of slight easing of ties between the two countries.

**India-France to Begin Work on Maritime Surveillance Satellites Next Year<sup>3</sup>.** India and France will commence work on launching a constellation of maritime surveillance satellites next year. The satellites will be designed to cover areas ranging from the Mediterranean Sea to the Indian Ocean and parts of the Pacific Ocean and the Atlantic Ocean, keeping in mind the interests of both the countries.

**Comments.** India and France share robust space cooperation and have been working closely since the last six decades. In March this year, India and France unveiled a joint vision for space, resolving to strengthen cooperation between the ISRO and CENS, the space agency of France. ISRO and CNES would work together for design and development of joint products and techniques involving Automatic Identification System, to monitor and protect assets in land and sea and monitoring sea traffic management. The statement also envisaged to launch a constellation of maritime surveillance satellites with a prime focus on the Indian Ocean, a region that is witnessing an increased presence of China. Several crucial Sea Lanes of Communications pass through the Indian Ocean, a region critical to the strategic interests of India and France.

**INS Sahyadri Reaches Australia for Exercise KAKADU 2018<sup>4</sup>.** After having been deployed to the South China Sea and Pacific Ocean for over four months, representing Indian Navy in multinational exercises MALABAR 18 at Guam and RIMPAC 18 at Hawaii, INS Sahyadri have now reached the Port of Darwin, Australia to participate in Exercise KAKADU 2018.

**Comments.** Exercise KAKADU, which started in 1993, is a multilateral regional maritime engagement exercise hosted by the Royal Australian Navy (RAN) and supported by the Royal Australian Air Force (RAAF). The exercise is held biennially and the 14th edition of the exercise is scheduled from 29 August and would see participation from 23 warships, one submarine, 45 aircraft, 250 marines and about 52 foreign staff from over 25 different countries. Indian Navy's participation provides it an excellent opportunity to engage with regional partners and undertake multinational maritime ranging from constabulary operations to high-end maritime warfare in a combined environment, aimed at enhancing interoperability and development of common understanding of procedures for maritime operations. During the exercise, professional exchanges in harbor and diverse range of activities at sea,

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

<sup>4</sup> <https://economictimes.indiatimes.com>

including complex surface, sub-surface and air operations would enable sharing of best practices and honing of operational skills.

## **NORTHEAST**

Brig HS Cheema

**China Takes the High Ground in Nepal.** While a joint China-Nepal military exercise scheduled for September 15 will only involve a platoon of soldiers from each side, the manoeuvres will be warily watched in neighbouring India as yet another sign of Beijing's march to break its long-time strategic hold on the country. China and Nepal conducted their first such exercise, known as Sagarmatha Friendship 2017, last April at the Nepalese Paratraining school in Maharajgunj near the national capital Kathmandu. Those 10-day drills focused on combating terrorism and disaster management. This year's drill will take place reciprocally at Chengdu in China's southwestern Sichuan province as "Sagarmatha Friendship 2." Sagarmatha is the Nepali name for Mount Everest, the world's highest mountain which straddles the rugged Sino-Nepalese border. The military exercise comes at a time when Nepal's communist-led government is expanding relations with China on multiple fronts.

In May last year, Nepal signed a memorandum of understanding with China to cooperate with its US\$1 trillion Belt and Road Initiative (BRI). In June this year, China and Nepal agreed to build a railroad connecting Xigaze in China-controlled Tibet with Kathmandu. If built, the line would connect Nepal with China's wider network of railroads and potentially provide the landlocked nation with alternate sources and routes for fuel and other imports that would mitigate its dependence on India. Past plans to import fuel from China did not come to fruition. The MoU for the railway was signed by Nepal's Prime Minister Khadga Prasad Sharma Oli during a five-day visit to Beijing, where he met both Chinese president Xi Jinping and Premier Li Keqiang. It was Oli's second initiative to improve bilateral ties and physical connections with China after he signed a transit trade treaty with Beijing during his previous short-lived tenure as prime minister in 2016.

While Nepal openly wants to reduce its dependence on India for key imports, including fuel, it must strike a careful balance between China and India as the two great powers ramp up rivalry for influence and power across South Asia and beyond. Nepal's relations with India are still defined in part from their British colonial days. Independent India and Nepal signed a friendship treaty in 1950, which has long been the cornerstone of Kathmandu's foreign policy. The treaty established a close strategic relationship that among other things allows Nepal to import arms and ammunition via India. India remains Nepal's main foreign trading partner, with more than half of all its official imports and exports crossing the country's southern border. If prevalent smuggling and other illegal trade is accounted for, Nepal's dependence on India for its economic livelihood is even higher. Between one and two million people from Nepal work in India, often mixing with India's own Nepali communities in northern West Bengal, Sikkim and elsewhere. Their remittances are an important source of income for many impoverished villages in the Himalayan republic. Military-to-military relations between the two countries are also still strong. Seven Gorkha regiments comprised of soldiers from Nepal serve with the Indian Army. Over the decades India has supplied the Nepalese army with a wide range of weapons; many senior Nepalese officers attended military academies in India. Joint military exercises between India and Nepal are held regularly, involving far more soldiers from each country than China's Sagarmatha Friendship drills. The most recent Nepal-India joint exercise took place in June in Uttarakhand on the theme of combating insurgencies and terrorism. But Nepal's nascent military cooperation with China will bring the countries closer strategically as Nepal aims to distance itself from India. Relations with New Delhi began to deteriorate as early as the 1970s, when Nepal, then a kingdom, pressed for

substantial changes in its friendship treaty with India. Nepal strongly criticized what it called India's "annexation" of the kingdom of Sikkim in 1975. New Delhi, in contrast, regarded Sikkim as a dependent state which like other princely states needed to be integrated into India. By then, a highway had already been built linking Kathmandu with Lhasa in Tibet, creating the first proper road connection between China and Nepal and the beginnings of a strategic hedge to its relations with India. India-Nepal relations hit a nadir in August 1988, when Nepal purchased anti-aircraft guns from China that New Delhi perceived as a threat. India, also peeved at the time with trade-related issues, retaliated in March 1989 by closing the two sides' mutual border

***Asia Times by Bertil Lintner AUG 26, 2018 12:33 PM (UTC+8)***

**Comments.** Nepal and China are writing new chapter in their relationship which is being fostered primarily on economic benefits. India needs to work out more proactively so as not to lose strategic space in one of the most important neighbours. Indo-Nepal relations are very deep and are based on mutual respect, what went little ajar is mainly due to misperceptions created due to short-sighted action of India. India needs to learn its lesson fast and rework on its relations with more pragmatic approach.

**Genocidal Generals of Myanmar must Face Justice: UN.** GENEVA: A UN probe has called for Myanmar's military leaders to face justice for alleged genocide and crimes against humanity against the Rohingya, but the road to a tribunal will be long and complex, with China likely to block any prosecution of its ally at the International Criminal Court. On 26 Aug a damning report by a UN fact-finding mission said members of Myanmar's armed forces, including military chief Senior General Min Aung Hlaing, should be prosecuted for their roles in violently expelling some 700,000 Rohingya Muslims into neighbouring Bangladesh. Refugees have recounted widespread stories of rape, murder and arson by security forces as they were driven from their homes the report was the most serious step towards accountability in the crisis to date but experts warn of major legal and diplomatic obstacles ahead. If legal moves for the ICC stall at the Security Council, it could consider an ad hoc or mixed tribunal similar to ones created for Rwanda, Yugoslavia, Lebanon and Cambodia.

***Indian Express 29 Aug 2018***

**Comments.** Rohingya crisis is one of the worst human rights tragedies of recent times which is going to blow up further in times to come if international community do not take any firm steps to move the refugees back. Not much of the progress has been made till now. The trail of any kind if ever takes place likely to be after a protracted period and will be delayed further due to China's stake and interest in the area. Also, India and other affected countries are likely to be impacted in times to come, if situation is not handled timely.

**Hasina, Modi to Sit on Sidelines of BIMSTEC Summit.** Prime Minister Sheikh Hasina will sit with her Indian counterpart Narendra Modi on the sidelines of BIMSTEC Summit in Kathmandu 30 Aug. The fourth BIMSTEC Summit – a meet up of the seven-nation regional economic block – is set to see the signing of an instrument on the establishment of BIMSTEC Grid Inter-connection, which will pave the way for buying and selling electricity among member states. Diplomatic sources said the memorandum of understanding (MoU) will open the door for energy cooperation among seven states of South Asia and South East Asia and will also pave away for facilitating the promotion of efficient, economic, and secure operation of power system through the development of regional electricity networks."The BIMSTEC member states have already finalised the MoU, and now it is ready for the signature. The accord will provide a broad framework for the BIMSTEC member states to cooperate towards the implementation of grid

interconnections for the trade in electricity with a view to promoting rational and optimal power transmission in the BIMSTEC region," a senior official at the foreign ministry told The Daily Star.

The main theme of the Fourth Summit is "Towards a Peaceful, Prosperous and Sustainable Bay of Bengal Region." Dhaka hosts the secretariat of BIMSTEC. After the SAARC summit, scheduled for November 15-16, 2016 in Islamabad, got stalled, India has been actively pushing BIMSTEC as an alternative to SAARC, according to diplomatic sources. Pakistan on Sept 30, 2016 announced postponement of the summit after India, Bangladesh, Bhutan, Afghanistan and Sri Lanka pulled out of the SAARC event, indirectly blaming Pakistan for creating a discouraging environment. Immediately after the postponement, India hosted the leaders of BIMSTEC [that includes Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand] during the BRICS Outreach Summit in Goa in October 2016. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (Bimstec) having seven Member States -- Bangladesh, Bhutan, India, Nepal, Sri Lanka, Myanmar and Thailand -- came into being on June 6, 1997 through the Bangkok Declaration. BIMSTEC has focused intensely on trade and investment, technology, energy, transport and communications, tourism, fisheries, agriculture, cultural cooperation, environment and natural disasters, public health, poverty alleviation, people-to-people contacts, counter-terrorism and climate.

**Daily Star 29 Aug 18.**

**Comments.** BIMSTEC is definitely a success story for India but can it replace SAARC is a moot question. Various issues of common interest between partner nations is a way ahead in development of the region. BIMSTEC is moving ahead in achieving its desired goals but can it become a platform to resolve issues like Rohingya crisis.

## **SRI LANKA**

Brig Navjot Singh Bedi

**Sri Lanka Mass Grave.** Skeletal remains of more than 90 people have been unearthed in the north-western town of Mannar. The remains unearthed include the skeletons of at least six children. The mass grave is the second biggest found in the north since the end of the conflict in 2009.

**Comments.** The town of Mannar is dominated by ethnic minority Tamils. The 26-year war between troops and separatist Tamil rebels had left at least 100,000 people dead and many missing. While Mannar town had remained mostly under army control during the civil war, Tamil Tiger rebels dominated its surrounding areas and many other parts of the district. The military had captured the entire district after ferocious battles, which ended almost 10 years ago. Who the victims were - and who killed them and when - remains unclear and a court has ordered detailed excavations at the site to be carried out.

<https://www.bbc.co.uk/news/world-asia-45296871>)

## **TELECOM**

Brig Navjot Singh Bedi

**Making India 5G Ready.** The Steering Committee constituted for identifying the 5G deployment roadmap for India has on 23 Aug 18, submitted its 5G high level forum report titled 'Making India 5G Ready' to Telecom Secretary, Aruna Sundararajan. The key recommendations and action plan for the report include spectrum policy; regulatory policy;

education and awareness promotion; application and use case labs; participation in international standards; development of application layer standards; and major 5G trials. The committee has suggested that government may announce its policy by December 31 and issue necessary notifications. It has also asked for setting up a Standing Committee with five-year term to advice on building Spectrum Technology Infrastructure. For education and awareness promotion, it has suggested appointing a full time Senior Programme Coordinators (SPC) with TDSI. It has suggested for appointment of a full time SPC within IIT-Madras to implement recommendations of the Task Force.

**Comments.** The steering committee was constituted last year to articulate the vision for 5G in India and to recommend policy initiatives and action plans to realise this vision. It has prioritized three action plans for 5G in India -- Deployment, Technology and Manufacturing. Under Deployment, it has talked about rolling out early, efficient and pervasive 5G networks to maximise the value offered by this new technology. In technology, it has suggested for building India's industrial and R&D capacity in the design and IP dimensions of 5G. Under manufacturing, it suggested for expanding the manufacturing base in 5G for both semiconductor fabrication as well as assembly and test plants.

The High Level Forum focused on Deployment as the initial thrust area and a Steering Committee was constituted with Professor AJ Paulraj as Chair. Seven task forces were set up to study -- spectrum policy, regulatory policy, education and awareness promotion programme, application and use case labs, development of application layer standards, major trials and; demonstration and participation in international standards. As per Mr Paulraj, "In India, 5G could be rolled out possibly by 2020. Commercial launch may happen first in the US by end of this year or latest by Q1 next year."

*(<https://www.thehindubusinessline.com/info-tech/steering-committee-sets-action-plans-for-5g-roadmap-in-india/article24760115.ece>)*

## IRAN

Col Karan Singh, VSM

**Iran and Russia can Work Together to Restrain America: Iran Supreme Leader.** Iran and Russia can work together to restrain America, Iran's Supreme Leader Ayatollah Ali Khamenei said in a meeting with Russian President Vladimir Putin on Friday, according to Fars News. Putin arrived in Tehran on Friday to attend a trilateral meeting with Iran and Turkey focused on the Syrian province of Idlib, the last stronghold of active opposition to the government of President Bashar al-Assad.

**Comments.** Though the talks on the Syria were inconclusive, this opportunity gave Iran's Supreme Leader Ayatollah Ali Khamenei to drum up Russia support against US sanctions.

## AFGHANISTAN

Col Karan Singh, VSM

**Suicide Bomber Attack at Demonstration near Jalalabad.** A suicide bomber in Afghanistan killed at least 32 people and wounded more than 120 at a demonstration on Tuesday on the highway between the eastern city of Jalalabad and the main border crossing into neighboring Pakistan.

**Comments.** The violence has increased across the nation, with heavy fighting in northern provinces, and it is likely to intensify before parliamentary elections next month and a

presidential election in April. U.S. Defense Secretary Jim Mattis, also visited Kabul, during this period and impressed on Afghan government to increase the vetting and training of local forces in order to minimize so-called insider attacks. There has been spurt in insider attack on US troops (known as “green on blue” attacks) too in recent past. Mattis said that the US was getting mixed messages from Taliban militants and while they were increasing violence in some parts of the country, they had also shown more of an interest in reconciliation. This was part visible with them formally announcing death of Haqqani, the timing of which hints at reconciliation measures.

**Afghan Taliban Prepare for New Peace Talks With U.S.: Sources.** The Taliban are preparing to send a delegation for further talks with U.S. officials about ending the conflict in Afghanistan, officials involved with the process said, adding that the meeting could address a possible prisoner swap. This meeting will determine the future talks and we would see if the U.S. is serious and sincere in negotiation, the Taliban delegation would be led by the head of the group’s Qatar-based political office, Sher Mohammad Abbas Stanakzai, the officials said. However they said the high command was planning to replace Stanakzai, with a new permanent head of the Qatar office.

**Comments.** This would be second meeting as follow up of an earlier round of talks in Doha in July, where Taliban officials met Alice Wells, Principal Deputy Assistant Secretary for South and Central Asia at the U.S. State Department. The Taliban, have maintained their refusal to negotiate directly with the internationally recognized Afghan government, which they consider an illegitimate regime put and say they will only talk to the United States. The US has agreed to participate directly and has appointed former U.S. ambassador to Kabul Zalmay Khalilzad as special envoy to reinforce the effort.

U.S. Defense Secretary Jim Mattis and Joint Chiefs of Staff Marine General Joseph Dunford, (who earlier in the week had gone to Islamabad with Secretary of State Mike Pompeo on a mission to reset relations with Pakistan’s new government) had also met Afghan President Ashraf Ghani during visit to Kabul to discuss prospects for peace talks.

**Afghan Troops to Train In China.** China will train Afghan troops on Chinese soil, Afghanistan’s ambassador to Beijing said, describing the military cooperation as an effort to fight al Qaeda and ISI militants bent on attacking China from its western neighbor. Afghanistan has also requested that China provide Afghan security forces with combat helicopters, Ambassador Janan Mosazai told Reuters in an interview.

**Comments.** The measures are aimed at countering Al Qaeda and ISI militants on attacking China from its western border. China has denied that Chinese troops would be stationed in Afghanistan, but has confirmed the training of Afghan troops. Earlier China had agreed to help Afghanistan set up a “mountain brigade” in the rugged Wakhan Corridor linking the two countries and have also promised to supply two fixed-wing transport aircraft for medical evacuation purposes. The provision of arms and training to troops to Afghanistan marks a gradual evolution for Beijing, which had previously offered non-lethal assistance.

## **RUSSIA**

Col Harpreet Singh

**Russia’s Biggest Military Exercise.** Russia's biggest military exercise since the Cold War is underway, involving about 300,000 service personnel, in eastern Siberia. China is sending 3,200 troops to take part in "Vostok-2018", with many Chinese armoured vehicles and aircraft. Mongolia is also sending some units.

The last Russian exercise of similar scale was in 1981, during the Cold War but Vostok-2018 involves more troops. The Russian defence ministry says 36,000 tanks, armoured personnel carriers and armoured infantry vehicles will take part in Vostok-2018, from 11 to 17 September, along with more than 1,000 aircraft. Vostok is Russian for east. The exercise will be spread across five army training grounds, four airbases and areas in the Sea of Japan, Bering Straits and Sea of Okhotsk. Up to 80 naval vessels will take part, from two Russian fleets. Three brigades of Russian para troops will play a key role, during drills at the Tsugol military range, near Russia's borders with China and Mongolia. A key aim is to practice the rapid deployment of thousands of troops, as well as aircraft and vehicles, from western Russia to eastern regions, across thousands of miles. That involves in-flight refuelling of fighter jets. The drills will not be near the disputed Kuril Islands north of Japan. 3,200 Chinese personnel with ninety vehicles, including tanks and thirty fixed-wing aircraft and helicopters, will participate. Most are coming from China's Northern Command. This will be the first time the People's Liberation Army (PLA) will take part in this formerly purely Russian quadrennial Asia-oriented exercise.

Last week the Russians conducted an exercise in Mediterranean - it focused on co-ordination between warships and aircraft. Tu-160 heavy bombers also flew from Russia and practised launching cruise missiles - firepower that Russia has already used in Syria. It was small compared with Vostok-2018, involving 26 vessels (including two submarines) and 34 aircraft. It lasted a week and ended on 09 Sep 18.

**Comments.** Vostok demonstrates Russia's focus on exercising large-scale conflict. It fits into a pattern we have seen over some time: a more assertive Russia, significantly increasing its defence budget and its military presence. The giant drill is clearly meant as a show of strength by Vladimir Putin and his military, a demonstration that - despite Western sanctions, including against the defence sector - the country remains defiant.

Why is this exercise happening now, right after the exercise in the Mediterranean last week? It's probably a reminder to NATO that, while Russia is seen as a hostile and aggressive force in the West, Moscow has long seen NATO encroachment as the threat. It comes at a time of heightened NATO-Russia tensions as relations between Russia and NATO have steadily worsened since Russia annexed Crimea from Ukraine in 2014.

President Vladimir Putin has made military modernisation - including new nuclear missiles - a priority. It is important to note that Russia has no territorial claims in Asia. Rather, she is a status quo power in the Far East. With substantially fewer conventional forces along the Sino-Russian border than the Cold War, she is essentially in a strategic defensive posture. Her nuclear deterrent is her regional guarantor while a sophisticated anti-access, aerial denial network centered on the nuclear ballistic missile submarine bastion in and around the Sea of Okhotsk makes attacking the overall region a thorny proposition.

**China Angle.** The involvement of Chinese units in Vostok-2018 showed Russia and Beijing were co-operating in all areas. In recent years they have deepened military co-operation and during these drills they will have a joint field headquarters. Russia's burgeoning "strategic partner" Beijing, however, is distinctly revisionist in its behaviour in Asia and the Pacific, much as Russia aggressively conducts its business in the West. The Russia-China military relationship continues to evolve and is a logical progression following deepening political and economic ties. Pragmatically the Amur-Ussuri territorial disputes were diplomatically resolved in 2004-05, enabling enhanced military cooperation though long-term generational issues remain. While Chinese-Russian military activities have in the past been mostly symbolic and representational, they appear increasingly interactive. The PLA, not blooded since its 1979 war with Vietnam, likely hopes to learn from Russia's newly gained fighting expertise derived

since 2014 in eastern Ukraine and Syria. What is to be seen is if their interaction evolves more ominously into interoperability exercises where substantial and varied forces can operate in tandem and jointly in coordinated operations.

Dating back to 2005, Russia and China have exercised modest forces together in a mostly “counterterrorist” role in Central Asia and in Russia as part of the Chinese-driven Shanghai Cooperation Organization (SCO). Notably, SCO Exercise Peace Mission 2018, involving China, Russia and six other nations, including newly added India and Pakistan, is currently underway in Chelyabinsk (just east of the Ural Mountains). Bilaterally, they have participated in several small scale naval exercises in the Baltics (2017), South China Sea (2016) and eastern Mediterranean (2015), where they have been mostly “show the flag” operations designed more to convey sharp signals abroad and show partner support.

**India’s Concerns.** Enhanced Chinese and Russian military cooperation will be disconcerting to India. However such moves by Russia are expected as we move closer to the US and form our own loose military alliances like the Quad. The balancing act between US and Russia needs to be handled through deft diplomacy.

**Source.** <https://www.bbc.com/news/world-europe>

**Russia and China Launching Joint Projects worth \$100 Billion.** A group composed of Russian and Chinese businesses is considering 73 joint investment projects cumulatively worth more than \$100 billion. Seven projects worth a total of \$4.6 billion had already been implemented as a result of work by the China-Russia group. The group overseeing the potential billions in investment is the Russian-Chinese Business Advisory Committee, which held an annual meeting this week during the Eastern Economic Forum in Vladivostok, Russia.

The committee includes more than 150 representatives from “leading Russian and Chinese companies,” according to a statement from the Russia-China Investment Fund. The RCIF was established in 2012 by China’s state-owned China Investment Corporation and Russian sovereign wealth fund the Russian Direct Investment Fund. Seven projects worth a total of \$4.6 billion had already been implemented as a result of work by the China-Russia group. In a separate announcement, the Russia-China Investment Fund and Chinese science and tech investment group Tus-Holdings announced joint investment plans. This cooperation will focus on technology, seeing \$1.28 billion invested in the Russian Tushino Project Technology Park in the northwest of Moscow. The two groups are considering building a Sino-Russian tech innovation park with more than \$100 million investment and have launched a Russia-China venture fund with capital of \$100 million.

**Comments.** Cooperation between China and Russia is an issue of global importance as both nations try to achieve economic stability despite the pain of U.S. penalties — sanctions against Russia, and an escalating tariff war against China. Beijing and Moscow have had a rocky relationship, but the two governments have publicly sought closer ties in recent years. A key question is how Russia manages the rising, resource-hungry hegemon that is looming China—one that has far-reaching aspirations throughout Asia, including its announced Belt and Road Initiative (BRI) that runs in part through former Soviet Central Asian regions. China, the only “great power” with a seemingly long-term national vision, has also declared its interest in a Polar Silk Road as well, for which it needs Russian support. Increasing economic cooperation has invariably resulted in both countries cooperating extensively in other fields like defence, which is of concern to India.

**Source.** <https://www.cnbc.com/2018/09/11/>

**Purchase of two more AWACS for India.** India is finally back on track to acquire two more airborne warning and control systems (AWACS), which are potent force-multipliers as “eyes in the sky”, for around \$800 million in a tripartite venture with Israel and Russia after price wrangling kept the acquisition derailed for several years. A fresh procurement case for the two AWACS, with Israeli Phalcon early-warning radar systems mounted on Russian Ilyushin-76 heavy-lift aircraft, is now with the Cabinet Committee on Security for the final nod. This project has been hanging fire since the first three such Phalcon AWACS were inducted by the IAF in 2009-2011 under a \$1.1 billion deal inked by India, Israel and Russia in 2004. The finance ministry had earlier objected to the sharp price hike being demanded by Russia.

**Comments.** AWACS or AEW&C (airborne early-warning and control) aircraft are considered critical in modern warfare because they can detect and track incoming fighters, cruise missiles and drones much before ground-based radars, direct friendly fighters during air combat with enemy jets, and keep tabs on enemy troop build-ups and warships. China has close to 30 such airborne surveillance platforms, developing its own Kong Jing-2000 “Mainring”, KJ-200 “Moth” and KJ-500 aircraft. Pakistan, in turn, has eight Chinese Karakoram Eagle ZDK-03 AWACS and Swedish Saab-2000 AEW&C, and is on course to get more from China. A much more ambitious indigenous AWACS-India project worth Rs 5,113 crore was also approved by the defence ministry in March 2015 for 360-degree coverage indigenous AESA (active electronically scanned array) radars to be mounted on two Airbus A-330 wide-body jets. But these two AWACS will be ready only by 2024-2025 at the earliest, with six more to be ordered at a later stage.

The IAF is making do only with three Phalcon AWACS, with a 400-km range and 360-degree coverage, as of now. The force also now has two “Netra” AEW&C aircraft, under which indigenous 240-degree coverage radars with a 250-km range have been fitted on three smaller Brazilian Embraer-145 jets, in a Rs 2,425 crore project approved in October 2004. AWACS, incidentally, are also a crucial constituent of IACCS (integrated air command and control system), the fully-automated air defence network with data links being progressively built to integrate the wide array of military radars with each other as well as with civilian radars to plug surveillance gaps in Indian airspace. Five IACCS nodes have already been established at Barnala (Punjab), Wadsar (Gujarat), Aya Nagar (Delhi), Jodhpur (Rajasthan) and Ambala (Haryana). Under Phase-II of the IACCS, worth around Rs 8,000 crore, four new major nodes and 10 sub-nodes are now slated to come up. While three nodes will be in eastern, central and southern India, the fourth is meant for the strategically-located Andaman and Nicobar Island archipelago.

**Source.** [www.defencenews.in/](http://www.defencenews.in/)

## **ASEAN**

Col Shyamji Yadav

**Visit of External Affairs Minister to Vietnam and Cambodia (August 27-30, 2018).** External Affairs Minister, Smt. Sushma Swaraj, is on official visit to Vietnam and Cambodia from 27-30 August 2018. She held talks with her Vietnamese counterpart Pham Binh Minh and discussed measures to strengthen trade, investment, maritime and defence cooperation between the two countries. Swaraj said India and Vietnam are connected not only by the common waters but also by a shared vision for peace and prosperity.

Swaraj said India and Vietnam have agreed to further strengthen cooperation in the maritime domain, including on anti-piracy, security of sea lanes and exchange of white shipping

information. They also agreed on the importance of the early conclusion of an ASEAN-India Maritime Transport Cooperation Agreement. In this context, they intend to accelerate the establishment of direct shipping routes between the sea ports of India and Vietnam.

Foreign Minister Sushma Swaraj took an indirect swipe at China's Belt and Road Initiative saying such projects are used as methods of dominance and called for transparent lending practices based on recognised international norms.

Addressing the third edition of the Indian Ocean conference in Hanoi on 27 Aug, Swaraj described India's approach on connectivity projects and maritime initiatives in the Indo-Pacific region as based on inter-dependence rather than dominance or narrow reciprocal considerations.

She said that nurturing a climate of peace and stability in the Indian Ocean Region is a priority for India's foreign policy. Swaraj said with the eastward shift of the engines of the global economy, the Indian Ocean is at the centre of the emerging "Age of Asia" and those who live in this region bear the primary responsibility for peace, stability and prosperity in the region. Swaraj said India considers the Indian Ocean Rim Association (IORA) as an important instrument for achieving peace and security in the region and India sees Association of Southeast Asian Nations (ASEAN) as central to the regional maritime architecture.

The conference had participation from several countries in Indo-Pacific region, including USA & China.

External Affairs Minister Sushma Swaraj today discussed bilateral, multilateral and key international issues with her Cambodian counterpart PrakSokhonn, and the two countries signed two agreements to step up cooperation.

The first Memorandum of Understanding (MoU) is on the restoration and preservation of the world heritage site of a temple of Lord Shiva in Cambodia's Preah Vihear.

The 'Temple of Preah Vihear' dates back to the first half of the 11th century AD. Situated on the edge of a plateau that dominates the plain of Cambodia, it is dedicated to Lord Shiva.

The second MoU is on cooperation between India's Foreign Service Institute (FSI) and Cambodia's National Institute of Diplomacy and International Relations (NIDIR). India's ties are on an upswing with Vietnam and Cambodia -the two major countries in the powerful Association of Southeast Asian Nations (ASEAN) grouping.

India and Cambodia have enjoyed friendly relations for a long time. Both the countries formally established diplomatic relations in 1952. In 2000, Cambodia vowed its full support for India to become a permanent member of the United Nations Security Council.

**Comments.** Swaraj's comments assume significance in the wake of China increasing its footprints in the Indian Ocean, which figures prominently in President Xi Jinping's ambitious 'One Belt, One Road' initiative to build a new Silk Route. India is opposed to the 'One Belt, One Road' initiative as it includes the China-Pakistan Economic Corridor (CPEC) which transverses through Pakistan-occupied Kashmir. China has stepped up activities in the Indian Ocean as it is building ports and other infrastructure in Sri Lanka, Bangladesh and Pakistan.

The visit of EAM to Vietnam and Cambodia provided an opportunity to hold in-depth

discussions with the political leadership on a wide range of global, regional and bilateral issues and advance our strategic engagement with these countries and ASEAN region. The visit is likely to help India and Vietnam to boost defence cooperation.

Ms Swaraj's visit to the two key ASEAN nations can be seen as India's attempt to balance China's rising influence in the Southeast Asian region

**India, Singapore Sign Second Protocol Amending Bilateral Trade Pact.** India and Singapore on Friday signed the "Second Protocol" amending the Comprehensive Economic Cooperation Agreement (CECA) to boost trade ties between the two countries. The protocol was signed by Joint Secretary of Ministry of Commerce and Industry, Rajneesh and Francis Chong, Senior Director, Ministry of Trade and Industry, Government of Singapore. The provisions of the Second Protocol will come into effect on September 14, 2018.

The CECA was signed on June 29, 2005 and its first review was concluded on October 1, 2007.

Both sides agreed to expand the coverage of tariff concessions, liberalise the "Rules of Origin", rationalise "Product Specific Rules" and include provisions on "Certificate of Origin" and cooperation on its verification.

**Comments.** Singapore is the second largest trading partner of India within ASEAN and India is the largest trading partner of Singapore in South Asia, with a bilateral trade of \$17.7 billion in 2017-18."The signing of the Second Protocol, amending CECA, will further boost bilateral trade between India and Singapore.

**ASEAN Economic Ministers meet in Singapore.** Singapore is hosting the 50<sup>th</sup> ASEAN Economic Ministers (AEM) Meeting and Related Meetings wef 28 August to 1 September. The 50<sup>th</sup> AEM Meeting will deliberate on the five key thrusts of promoting innovation and e-commerce, improving trade facilitation in ASEAN, deepening services and investment integration, cultivating a conducive regulatory environment, and progressing ASEAN's external relations.

The 50<sup>th</sup> AEM Meeting will be held back-to-back with the AEM-32<sup>nd</sup> ASEAN Free Trade Area (AFTA) Council Meeting and the AEM-21<sup>st</sup> ASEAN Investment Area (AIA) Council Meeting, and will be preceded by the 10<sup>th</sup> Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) Economic Ministers' Meeting.

Following the 50<sup>th</sup> AEM Meeting, the ASEAN economic ministers will meet with their counterparts from Dialogue Partner countries namely Australia and New Zealand (Closer Economic Relations), Canada, China, India, Japan, Republic of Korea, Russia and the United States, as well as with private sector representatives from the ASEAN Business Advisory Council (ASEAN-BAC) and other regional business councils.

**Myanmar Rejects UN Probe on Rohingya Abuses.** Myanmar rejected on Wednesday (Aug 29) the findings of a UN probe alleging genocide by its military against the Rohingya.

Monday's report by a UN fact-finding mission said there was evidence of genocide and crimes against humanity "perpetrated on a massive scale".

"We didn't allow the FFM (the UN Fact-Finding Mission) to enter into Myanmar, that's why we don't agree and accept any resolutions made by the Human Rights Council," government

spokesman ZawHtay said according to the state-run Global New Light of Myanmar newspaper.

He pointed to the formation of Myanmar's own Independent Commission of Enquiry, which he said was set up to respond to "false allegations made by the UN agencies and other international communities".

**East Coast Rail Link and Pipeline Projects with China to be Deferred: Malaysian PM Mahathir.** Two Chinese mega projects in Malaysia would be deferred, with Beijing's agreement, Prime Minister Mahathir Mohamad told a press briefing on Tuesday (Aug 21) at the end of a five-day visit to China.

He was referring to the US\$20 billion (S\$27 billion) East Coast Rail Line(ECRL) and two gas pipelines worth US\$2.3 billion.

"It will be deferred until such time we can afford, and maybe we can reduce the cost also if we do it differently," Tun Dr Mahathir said.

"It's all about borrowing too much money which we can't afford, can't repay, and also we don't need those projects for Malaysia at this moment," he added.

Trade deals inked on his recent inaugural trip to China included memorandums of understanding (MOUs) to promote exports of palm oil products and durians to China, and for national carmaker Proton - which is partly owned by China's Geely - to assemble and sell cars in China, moves aimed at bolstering the local economy

Malaysia's Prime Minister Dr Mahathir Mohamad on Tuesday (Aug 21) witnessed the signing of a memorandum of understanding (MoU) between Sime Darby Plantation Berhad, and China National Cereals, Oils and Foodstuffs Corporation (Cofco) on the last day of his five-day visit to China.

Cofco will be working together with Sime Darby in a joint venture to set up plants in Malaysia to produce palm oil-based products for the Chinese market,

Malaysia's Sime Darby is one of the world's largest oil palm planters by land size. Cofco is one of China's state-owned food processing and agriculture supply Chain Company.

**Comments.** Malaysian Prime Minister Mahathir Mohamad's decision to defer mega projects entered into with Chinese state-linked contractors does not seem to have dampened bilateral relations, despite earlier concerns.

It's a win (for Tun Dr Mahathir) on at least two fronts. First, he successfully cancelled the costly infrastructure projects. Second, Malaysia signed on many more trade items,"

Palm oil is a key factor in the Malaysian economy. This MOU affects the rural people, who run these plantations.

<https://www.mea.gov.in>

<https://economictimes.indiatimes.com>

<http://asean.org>

<https://www.straitstimes.com>

## WEST ASIA

Col Sumit Rana

### SYRIA

**Wage Jihad, Attack the West': ISIS Chief Baghdadi Urges in New Audio Message.** It was not clear when the message was recorded, but Baghdadi appeared to criticise a \$100-million pledge by Saudi Arabia last week to help rebuild Syria's northeast.

The leader of the Islamic State jihadist group Abu Bakr al-Baghdadi called on Muslims to wage "jihad" in a purported new audio recording released on Wednesday.

He also called for attacks in the West in the Telegram message on Eid al-Adha, which comes as IS has lost most of its territory in Iraq and Syria. It is the first purported recording of the IS leader to be released since September last year.

"Those who forget their religion, patience, jihad against their enemies, and their certainty in the creator's promise lose and are disgraced," the leader said. But when they hold on to it, they are mighty and victorious, even if after a certain time."

IS overran large swathes of Syria and neighbouring Iraq in 2014, proclaiming a "caliphate" in areas they controlled. But they have since lost most of that to various offensives in both countries.

The "caliphate will remain, God willing", Baghdadi however said in Wednesday's recording, addressing followers in the Middle East, Asia and Africa.

**Russia says 63,000 Troops have Seen Combat in Syria.** Russia has revealed the extent of its military involvement in Syria's war.

A defence ministry video said more than 63,000 Russian military personnel had "received combat experience" in the country since September 2015. Defence Minister Sergei Shoigu said at the end of last year that 48,000 personnel had been deployed.

The video also said Russian air force had flown 39,000 sorties, destroying 121,466 "terrorist targets" and killing more than 86,000 "militants". There was no mention of any Russian military or Syrian civilian casualties. The Syrian Observatory for Human Rights, a UK-based monitoring group, says at least 7,928 civilians and 10,069 combatants have been killed in Russian air strikes.

**Syria - Iran Agreement on Military Cooperation.** On Monday, though, Iran and Syria signed an agreement on military cooperation and reconstruction in the war-torn country, with Iran's Defense Minister Amir Hatami vowing to take an active role in the reconstruction of the country's decimated forces.

The "defense and technical agreement" provides for the continued "presence and participation" of Iran in Syria, Hatami said.

## TURKEY

**The Turkish Lira is Diving After Moody's Warned the Worst is yet to Come for the Country's Banks.** After a week out of the spotlight, the Turkish lira is once again slumping Wednesday as fears over the state of the country's fragile financial system intensify. Although still significantly stronger than a few weeks ago, the lira has slumped to 6.3 against the dollar by 9.30 a.m. BST (4.30 a.m. ET) on Wednesday, a low not seen in around two weeks.

The main catalyst for the move lower appears to be the decision of ratings agency Moody's on Tuesday to downgrade the credit rating of 20 Turkish financial institutions. In downgrading the banks, analysts from Moody's cited what they called a "substantial increase in the risk of a downside scenario," for Turkey's lenders.

"There is a heightened risk of a downside funding scenario, where a deterioration in investor sentiment limits access to market funding," Moody's said, noting that "Turkish banks are highly reliant on foreign currency funding."

The note, authored by vice president/senior analyst Carlo Gori and MD/financial institutions Sean Marion, suggests that the Turkish banking sector faces a potential funding crisis.

**Turkey Minister Sees No Economic Risk' Amid Row with US.** Berat Albayrak says Ankara sees no big risk to Turkey's economy after Moody's cuts rating for 20 Turkish institutions.

Turkey's Finance Minister Berat Albayrak said his government does not see a big risk to the country's economy and financial system, amid a diplomatic fall-out with the United States.

Albayrak's comments, published by Hurriyet newspaper on Wednesday, came after credit rating agency Moody's downgraded 20 Turkish financial institutions on Tuesday.

"We do not see a big risk about Turkey's economy and financial system," the minister was cited as saying when he was asked about the biggest risk for 2019.

He said Turkey's net public debt and household debt were low and its financial system was very strong, Hurriyet reported.

## ISRAEL

**Israel says it will Keep Hitting Iran, as Tehran says It's Staying in Syria.** Senior diplomatic source says Netanyahu believes pushing Islamic Republic forces out of neighboring country as important as canceling nuclear deal

Israel's military will continue to target Iranian weapons and troops in Syria, a senior diplomatic source said Tuesday, as Iran signaled it would resist attempts to push its forces out of the country.

The army will continue to act with "full determination" against Iranian attempts to get troops and weaponry onto Syrian ground, the source told several Hebrew-language media outlets.

***The diplomat added that Prime Minister Benjamin Netanyahu regards preventing Iranian troops from gaining a foothold in Syria as no less important than getting the Iran nuclear deal canceled***

## **CAR**

Air Cmde T Chand (Retd)

**SCO (Shanghai Cooperation Organisation) Joint Military Exercise, “Peace Mission 2018”.** SCO biennial military exercise was conducted at Chebarkul town in Chelyabinsk region in Russia from 22 to 29 Aug 2018. The aim of the exercise was to expand cooperation among the member countries to deal with the growing menace of terrorism and extremism. SCO countries have been hosting Peace Mission international anti-terrorism exercises since 2007. Contingents from the member states participated in the exercise. Russia contributed maximum troops (1700) followed by China (700), India (200) and Pakistan (110). Indian contingent was composed of 167 personnel from the Indian Army which included four lady officers and 33 Indian Air Force personnel. The Indian delegation was led by Lt. Gen Satish Dua, Chief of Integrated Defence Staff.

The exercise was coordinated by the Central Military Commission of Russia and involved tactical level operations in an international counter insurgency environment under the SCO Charter. The previous SCO counter-terrorism exercises were mainly conducted in the Central Asian Republics (CARs) settings. But due to the inclusion of India and Pakistan, the SCO's counter-terrorism mission has acquired a South Asian hue. Indian and Pakistanis troops participated for the first time together outside the UN missions. The final phase of the exercise simulated that a town captured by the terrorists was to be liberated by the joint teams from the participating nations. After a reconnaissance of the place through UAVs (Unmanned Aerial Vehicles), the target area was attacked by air power. Following this, armoured and mechanised vehicles accompanied by infantry attacked the town and captured it. On the sidelines of the exercise, a meeting of the heads of participating nations was held on 30 Aug. China also welcomed the participation of military personnel of India and Pakistan. The exercise provided an opportunity to defence personnel of all participants for sharing experiences and strengthening mutual trust and cooperation.