

ENVIRONMENT SCAN – 20 JUL 2015

CHINA Col C Madhwal, VSM

China has Urged the Philippines to Remove a Ship which Serves as a Military Outpost in the Disputed South China Sea.

Filipino soldiers wave from the dilapidated Sierra Madre ship of the Philippine Navy as it is anchored near Ayungin shoal (Second Thomas Shoal) in the Spratly group of islands in the South China Sea, west of Palawan, Philippines

China on Wednesday condemned the Philippines for doing repairs to a rusting ship it ran aground on a South China Sea reef, demanding Manila remove the vessel while adding that Beijing "reserved the right to take further measures".

The Foreign Ministry did not elaborate on those measures in a statement that called Manila the "real regional trouble maker" for reinforcing the ship, which has sat on Second Thomas Shoal since 1999. The wording of the warning mirrors what China has said in the past when it's particularly angry with other countries. The Philippine navy had been using wooden fishing boats and other small craft to move cement, steel and welding equipment to the BRP Sierra Madre since late last year for repair work aimed at stopping the ship from breaking apart. Manila regards Second Thomas Shoal, which lies 105 nautical miles (195 km) southwest of the Philippine region of Palawan, as being within its 200-nautical mile exclusive economic zone. China, which claims virtually all the South China Sea, says the reef is part of its territory

Conflicting claims in the South China Sea

The 100 meter-long (330-foot) BRP Sierra Madre, a tank landing ship, was built for the U.S. Navy during World War Two. It was eventually transferred to the Philippine navy, which deliberately grounded it on Second Thomas Shoal to mark Manila's claim to the reef in the Spratly archipelago of the South China Sea. Small contingents of Philippine soldiers are stationed onboard.

China's Foreign Ministry said it was "extremely dissatisfied with and resolutely opposed to" the repairs. Manila had promised many times to remove the ship, but the repair work showed it was "two faced", it said. "China's determination to maintain its national territorial sovereignty and

maritime rights is resolute. China again urges the Philippines to immediately stop its illegal encroachments and fulfill its promises to remove the ship," the ministry added. In a statement issued after the Reuters report, Colonel Edgard Arevalo, the spokesman for the Philippine navy, said "minor repairs" were being done to the vessel.

"It behooves the Philippine navy to ensure the ship's habitability and safety," Arevalo said. Just to the west of Second Thomas Shoal is Mischief Reef, one of seven coral formations in the Spratlys that China is rapidly turning into islands that Beijing says will have undefined military purposes.

Japan military Chief says South China Sea Surveillance Possible. Japan's top military commander, Admiral Katsutoshi Kawano, said on Thursday he expected China to become increasingly assertive in the South China Sea and it was possible Japan would conduct patrols and surveillance activities there in the future.

Speaking in Washington, Kawano said there had been "talk" of Japan conducting such patrols in the South China Sea, including anti-submarine activities. "But our position on this is that we consider this as a potential future issue to be considered depending on how things pan out".

Tensions have been rising in the South China Sea, home to important international shipping lanes, due to overlapping territorial claims and rapid building of artificial islands by China that has been criticized by Tokyo and Washington.

China claims most of the South China Sea and has territorial rivalries there with several Southeast Asian states. It also has competing claims with Japan in the East China Sea, further to the north.

Kawano said he expected China to become more assertive and seek to expand its reach. "My sense is that this trend will continue into the future where China will go beyond the island chain in the Pacific," he said in translated remarks. "So if anything, I would believe that the situation will worsen."

China has ramped up defense spending in recent years and is aiming to develop a navy capable of defending its growing interests as the world's second-largest economy. Its pursuit of sovereignty claims has rattled neighbors, although it says it has no hostile intent.

Kawano's comments come after Prime Minister Shinzo Abe pushed legislation through parliament's lower house on Thursday that could see Japanese troops sent to fight abroad for the first time since World War Two.

China Defense Minister says Japan Bill will 'Complicate' Region. China's defense minister told the head of Japan's National Security Council on Friday that Japanese legislation that could see troops sent to fight abroad for the first time since World War Two would "complicate" regional security.

Sino-Japanese ties, long bedeviled by China's memories of Japan's wartime aggression and disputed islands in the East China Sea, have improved since Japanese Prime Minister Shinzo Abe met Chinese President Xi Jinping at an Asia-Pacific summit in Beijing in November.

The legislation, pushed through Japan's lower house of parliament on Thursday, would drop a ban on collective self-defense or fighting to defend a friendly country like the United States.

Chinese defense chief Chang Wanquan told Shotaro Yachi, who is a close ally of Abe's, that the passing of the bill was an "unprecedented move". "This move will have a complicated influence on regional security and strategic stability," Chang said.

He "urged the Japanese to learn from history, respect major security concerns of its neighbors and not to do harm to regional peace and stability", Xinhua added. China's Foreign Ministry said on Thursday the legislation called into question Japan's post-war commitment to "the path of peaceful development". Xi and Abe met for a second mini-summit in April at an Asia-Africa leaders' gathering in Indonesia and Japan wants to keep the thaw on track, while ensuring China realizes the risks of an increasingly assertive maritime military policy.

China-Turkey Relationship Strained over Uighurs. For the last 10 days anti-Chinese sentiment has been on the rise in Turkey. Turkish Muslims and Uighurs from the far western region of China share ethnicity and have close cultural and religious ties.

The protests started following reports that Uighurs in China had been banned from fasting during the holy month of Ramzan. Our people have been saddened over the news that Uighur Turks have been banned from fasting or carrying out other religious duties in the Xinjiang region," Turkey's foreign ministry said in a statement last week. In response, China said it fully respects the freedom of Muslim religious beliefs and the accusations that religious rites had been banned

in Xinjiang this Ramzan were "completely at odds with the facts" and exaggerated by the western media.

Cihan Yavuz's Chinese restaurant, Happy China, was attacked by an angry mob in Istanbul last week. "People are scared to come here, scared of another attack," he said. This week, the Chinese government issued travel advice to its citizens travelling to Turkey and warned them against getting too close to protests or filming them.

UNITED STATES

Gp Capt GD Sharma, VSM (Retd)

What Iran's Nuclear Deal Means to United States and the World at Large. On Monday (20 Jul 15) United Nation Security Council unanimously endorsed the historic deal on Iran's nuclear programme which cleared the path for lifting for gradual removal of the crippling financial sanctions on Iran on condition that Iran respects the agreement to the letter and spirit. The deal would be getting effective after not later than 90 days and Iran would see relief from the sanctions only after U.N. Nuclear watch dog gives the report on the status Iran's nuclear programme in terms of the agreement.

The deal is not a treaty or a conventional agreement which needs to be ratified by the governments which participated in the negotiations but, an Joint Comprehensive Plan of Action (JCPOA) which needs to be adhered to by Iran and has the approval of United Nations. The JCPOA is not subject to being signed or ratified by the parties to the negotiation process. Seen in this light, the perception that Iran's deals can fall through if US congress does not approve it, is a fallacious perception, especially as this was a multilateral deal and not between United States and Iran alone.

World over, the deal has been welcomed except in the Middle East states particularly, Saudi Arabia and Israel. Saudi Arabia though has not denounced the deal officially but, its apprehensions are well understood and flows from the centuries old Shia and Sunni rivalry and leadership fight for the Middle East. Saudi Arabia on Friday sent its foreign minister, Adel al-Jubeir, to the White House, where he received reassurances about the nuclear deal from President Obama and enhanced security cooperation. United States has also assured the Saudi's more military assistance and willingness from to work jointly with Gulf Cooperation Council (GCC). The American assurance it seems has addressed Saudi's immediate concerns but, skepticism is far from over and we can look forward to increased reactions and may be in time to

come a desire to go nuclear. Saudi Arabia, in the past, has reportedly sought to form its own nuclear alliances to counter a perceived Iranian threat. Strategists believe that Pakistan has been an unacknowledged nuclear partner of Saudi Arabia which could provide the kingdom with a nuclear deterrent on short notice if ever needed. These have wide security ramifications. Thus, Iranian sticking to the JCPOA is thus vital and must be ensured by p5+1 states.

Israel has been most vociferous opponent of the deal. Israeli Prime Minister condemned the deal as a “stunning historic mistake” under which Iran will get a cash bonanza of hundreds of billions of dollars which will allow it to continue to pursue its agenda of aggression and terror in the region and in the world. US Defense Secretary was in Israel to allay their fears. Israel is already an US ally; It may demand more concessions such as, American defense guarantees like given to Japan, after World War II.

RUSSIA

Col Anadi Dhaundiyal

Russia Says to Discuss Oil Markets, Iran with OPEC on July 30. Russia and OPEC Secretary-General Abdullah al-Badri will discuss oil markets and the Iran situation in Moscow on July 30 amid sliding oil prices, Russian Energy Minister Alexander Novak said. He added "The prices will be determined by the production costs of shale oil". He said he did not expect a big impact on prices from additional oil volumes from Iran post easing of international sanctions on Tehran and higher oil exports. As per a top Iranian official the country could reach its pre-sanctions output capacity of 4 million barrels per day if there is sufficient demand.

Comments.

(a) Previous meetings between Russia and OPEC have not resulted in any coordinated action to prop up falling prices.

(b) OPEC kingpin Saudi Arabia, in a strategy designed to squeeze out rivals, such as U.S. shale oil firms, has been reluctant to cut oil output in order to support prices. Lower prices have already hit the profitability of shale oil production and undercut output.

(c) US has through this strategic nuclear deal has furthered its agenda of continued fall in crude prices and its eventual resultant collapse of Russian economy.

(d) Increased production means faster decrease of proven oil reserves and faster eventual viability of US shale oil production

Angela Merkel and François Hollande Urge Ukraine Leader to Give Rebels Self-Rule. In a rare and blunt message on 17 Jul, the German and French leaders call on Ukrainian Western-backed President Petro Poroshenko to ensure partial self-rule for the pro-Russian separatist. This signal European allies' impatience with fighting that still engulfs the ex-Soviet nation five months after the signing of a Minsk Agreement which controversially guarantees three years of autonomy to militia-run districts of Ukraine's industrial provinces of Lugansk and Donetsk.

Comments.

(a) The mostly Russian-speaking regions – dotted with war-shattered steel mills and coal mines that once fuelled Ukraine's economy – want their special status spelt out in constitutional amendments that would be enormously difficult to overturn.

(b) Mr Poroshenko's draft changes so far only make passing reference to an existing piece of legislation that gives insurgency leaders temporary self-administration rights.

(c) Ms Merkel is the tallest EU leader.

(i) EU's dire state of relations with Russia have been of particular concern to Ms Merkel. The EU and US do not probably desire to lead this to Russian –West standoff towards a flash point.

(ii) EU financial market's stability is her primary concern.

(iii) EU's solidarity and preventing the 28-nation bloc's break up is paramount.

The EU does not see much hope in wresting these regions back from the Russian backed separatists

Russia's President Vladimir Putin Orders for a New Reserve Military Force of 5,000 Men. Vladimir Putin has ordered the creation of a new military reserve force as part of steps to improve military readiness amid continuing tensions with the West.

The plan, which is described in a presidential decree as an “experiment”, will allow soldiers leaving the army to take on three-year contracts as part-timers akin to the Territorial Army, with

reservists attending regular training and receiving a monthly salary.

Comments on their Likely Role.

(a) Role could probably be to enhance vigilance on its borders with Ukraine/ provinces of Lugansk and Donetsk .

(b) Alternatively, they could probably be to replace its alleged army regulars operating in Ukraine

Barack Obama Praises Putin for Help Clinching Iran Deal. Mr Obama said Mr Putin's cooperation had "surprised" him, and that he was hopeful of an "opening" for further detente in otherwise fraught relationship between the two powers. "Russia was a help on this. I'll be honest with you. I was not sure given the strong differences we are having with Russia right now around Ukraine, whether this would sustain itself. Putin and the Russian government compartmentalised on this in a way that surprised me," he told the New York Times. "We would have not achieved this agreement had it not been for Russia's willingness to stick with us and the other P5-Plus members in insisting on a strong deal." Mr Obama praised Vladimir Putin for his role in the agreement and said there could now be an "opening" for further detente in the worst crisis in American-Russian relations since the Cold War.

Comments.

(a) US looks to local players in its strategy to peel off from direct conflicts in highly volatile West Asia. Russian-American cooperation on the Iran nuclear deal could pave the way for an agreement on Syria. It is said that diplomats may be working on a bargain that would see a managed change of regime in Damascus acceptable to both Moscow and Washington.

(b) Russia, other than its stand on Non Proliferation, had no obvious reasons to help US. With the 10 year sanction period slated to lapse in 2018, Russia who has close diplomatic relations with Iranians could have just waited for another 2-3 years.

(c) This comes at a time of the low crude prices affecting the Russian Economy and therefore it's National Interest.

MIDDLE EAST

Brig Ranjit Singh

13 Top ISIS Jihadis Executed for Bid to Topple Baghdadi. Thirteen top ISIS jihadis including 5 high ranking military commanders have been executed on the orders of Al Baghdadi after a failed coup attempt to topple him. Most of the jihadis were from N Africa, Syria, Yemen and Kuwait.

ISIS Executed its Top Commander in Mosul. ISIS executed its top commander and a member of its advisory board, friend of Baghdadi on charges of conspiracy to kill Baghdadi at Raqqa, Syria.

ISIS Uses Chemical Weapons against Kurds. ISIS fired chemical weapons against Kurdish forces in Syria & Iraq. The projectile was filled with a chemical agent which released yellow gas with a strong smell of rotten onion. The troops exposed suffered burning of throat, eyes & nose, severe headache, muscle pain and impaired concentration.

Saudi Arabia Arrests Hundreds of Suspected ISIS Jihadis. Saudi Arabia arrested 481 suspected ISIS jihadis and thwarted attacks on mosques, security forces and diplomatic missions.

IRAQ

Iraqi Forces Plan Offensive to Retake Ramadi from ISIS. Seven weeks after frenetic retreat from Ramadi, Iraqi forces are preparing to mount a counter offensive in the coming weeks to reclaim the pivotal West Iraq city Ramadi in Anbar Province from ISIS. US led air power & aerial surveillance including drones would support the offensive. The decision to focus on Ramadi represents an important shift in US military strategy, which earlier urged to focus on reclaiming Mosul this spring or summer.

On Eid, Iraq in Mourning as ISIS Attack on Market Kills 115. An attack by ISIS on a crowded market place in Iraq's eastern Diyala Province has killed 115 & injured 170 people. Mostly shia victims had gathered to mark the end of holy month of Ramzan. A small truck was detonated in a crowded market in the town of Khan Beni Saad.

SYRIA

Syrian Air Strikes Kill 28 in ISIS Held Town. A Syrian Army air strike on town of AL-Bab, 30 km North-East of Aleppo, an ISIS controlled town in North Syria, killed 28 people. A US led coalition is waging a separate campaign of air strike against ISIS targets in Syria but rejects idea of partnering with President Bashr-al-Assad.

Al Nusra Suicide Bombing Kills 25 Soldiers in Aleppo. A suicide bomber from Al Qaeda affiliate Al Nusra, killed 25 soldiers and fighters loyal to President Assad in an attack on an Army base in Western Aleppo. The suicide bombing was followed by fierce battles between opposition and regime forces.

YEMEN

Yemeni Troops Battle Shia Rebels in Aden. Yemeni troops backed by Saudi led air strikes launched an offensive in the Southern port city of Aden causing a serious setback to Houthi rebels trying to seize control of strategic city since March. The air strikes and ground offensive were launched despite UN brokered cease fire till end of the month of Ramzan.

LATIN AMERICA

Col Ajay Ramdev

Latin America & India: “Changing Economic Dimension”.

Background. In many ways, India-Latin America share historical similarities. Both were colonies of European powers that later confronted serious developmental challenges after achieving independence. In the post-World War era, both elected to adopt socialist policies before acute economic crises forced them to implement liberalizing reforms that transformed their economies.

Since independence, New Delhi has actively pursued robust relationships with the United States, the European Union, the Middle East, China, Southeast Asia and even Africa, with varying degrees of success.

Latin America has been conspicuously absent from this list, supposedly for two reasons: firstly, the immense geographical distance separating the two regions, and secondly the competing domestic and international priorities.

Changing Geo-Economics. Signs are emerging, however, that Latin America is becoming increasingly important to India, particularly in the economic arena. Although it is unclear how far and deep that cooperation will proceed, India-Latin American relations are on an upswing. The two are poised to embark on a stronger, long overdue partnership.

Just one month after election, Prime Minister Modi headed to Brazil to attend the annual BRICS summit hosted by Brazilian President Dilma Rousseff. Mr Modi used the opportunity to meet several Latin American heads of state and pledge greater Indian engagement with the region.

Counter Balancing China's Growing Influence. China's immense presence in the region is probably a reason for India's measured and cautious engagements with Latin American countries. Chinese trade with Latin America is projected to hit \$500 billion over the next ten years, while Chinese investment is predicted to cross the \$250 billion mark during the same period.

China has aggressively spent billions of dollars to finance infrastructure, provide credits and export goods to Latin America.

However, Latin Americans resentment to Chinese imports flooding their markets and harming local businesses, as also their Government's becoming wary of becoming too dependent on Beijing places India's modest trade and investment in a competitive advantage over China.

The Economic Potential. Latin America's collective GDP is more than \$5 trillion. It has a combined population of more than 600 million, nearly half of which is under the age of thirty.

These factors helped Latin America attract \$179 billion in FDI in 2013, more than any other region in the world. The profile is remarkably similar to India's own growth story.

India's trade with the region has grown from less than \$2 billion fifteen years ago, to \$46 billion between 2013 and 2014.

Oil & Energy Sector. Post the Iran sanctions, Latin America's vast energy reserves quickly came into sharp focus, enhancing the region's importance to New Delhi. Since then, Latin America has emerged as a key contributor to India's energy security. India now imports 20% of its crude oil from Brazil, Columbia, Mexico and Venezuela.

Private Sector. A No of Indian companies have invested over \$12 billion in Latin America across a wide variety of industries, including mining, metals, agriculture, petrochemicals, pharmaceuticals, plastics and other parts.

Jindal Steel & Power, has invested \$2.3 billion in an iron ore mine in Bolivia. In Trinidad and Tobago, Essar Steel is in the process of constructing a 2.5 million ton steel plant.

IT Services. India also constitutes one of the largest suppliers of Information Technology (IT) services to Latin America. Of the fourteen Indian companies operating in Argentina, half are focused on IT-related services.

In 2002, Tata Consulting Services, established a Global Delivery Center in Uruguay. According to some estimates, over 35,000 Latin Americans are now employed at Indian IT companies operating in the region.

Conclusion. India-Latin America relations have come a long way over the past several years. By capitalizing on the growing momentum and budding progress between them, India and Latin America can build a strong, sustainable partnership and usher in a new, unprecedented era of cooperation.

MYANMAR

Gp Capt GD Sharma, VSM (Retd)

India, Myanmar Decide to Broad Base Defence, Security Co-Operation. Myanmar is considered one of India's strategic neighbours. It shares a 1,640-km-long border with our northeastern states including militancy-hit Nagaland and Manipur. With recent increase in spate of insurgent activities in the North East and murderous attack on our forces, Indian Security Forces took proactive action against the insurgent groups in Myanmar territory. The Indian response was supported by Myanmar but, later it created some misunderstandings.

For better coordination, a meeting of Joint Consultative Commission (JCC) of the two countries was held recently in New Delhi . The meeting discussed extensively on having better coordination and cooperation between their security forces to deal with militant groups, particularly those from the northeast region. The JCC meeting was Co-chaired by External Affairs Minister Sushma Swaraj and her Myanmar counterpart Wunna Maung Lwin. The JCC reviewed entire gamut of bilateral ties and also agreed to step up cooperation in border management. Both leaders reiterated that territories of either country would not be allowed to be used for activities inimical to the other. In the meeting, Swaraj reaffirmed that India's commitment to support the modernization of Myanmar Armed Forces and, in creating a national army, cooperation in the field of IT, in dealing with emerging security challenges, and military to military cooperation including in terms of training as well as expediting the progress of pending infrastructure projects which are being funded by India .

THE NEW DEVELOPMENT BANK (NDB) OR BRICS BANK OPENS FOR BUSINESS IN CHINA

Air Cmde T Chand (Retd)

BRICS (Brazil, Russia, India, China and South Africa) Heads of States launched the multi-billion dollar New Development Bank (NDB) at the 7th BRICS Summit held in the Russian city of Ufa on 08 July 2015 for projects, mainly in member countries. They also welcomed the inaugural meeting of the Board of Governors of the NDB held on the eve of the Ufa Summit and chaired by Russia, as well as the work done by the Interim Board of Directors and the Pre Management Group aimed at the earliest launch of the Bank. They reiterated that the NDB shall serve as a powerful instrument for financing infrastructure investment and sustainable development projects in the BRICS and other developing countries and emerging market economies and for enhancing economic cooperation between these countries. The NDB is expected to approve its inaugural investment projects in the beginning of 2016.

The NDB formally started its operations at its headquarters at Shanghai on 20 July 2015. Chinese Finance Minister Lou Jiwei, Shanghai Mayor Yang Xiong and the bank's President K V Kamath attended the opening ceremony held in a hotel in Shanghai. Mr Kamath, will be the bank's President for the first five years. The NDB will have initial capital of USD 50 billion, which will be expanded to USD 100 billion within the next couple of years. Each BRICS member will contribute an equal share in establishing a startup capital.

The NDB was conceived as a counterbalance to Western-led financial institutions like the World Bank and the IMF by providing funding for infrastructure and development projects in BRICS countries. Each nation will have an equal say in the bank's management, regardless of GDP size. The NDB is also backed by the China-floated USD 50 billion Asia Infrastructure Investment Bank (AIIB) in which India and 56 other countries have joined. The World Bank welcomed the opening of NDB. Membership of the NDB shall be open to members of the United Nations in accordance with terms and conditions determined by a special majority at the Board of Governors. Successful operation of the NDB and AIIB is likely to usher in a new era beyond Bretton Woods Institutions