

ENVIRONMENT SCAN – 30 MAR 2015

UNITED STATES Gp Capt GD Sharma, VSM (Retd)

China Sponsored Asian Infrastructure Investment Bank (AIIB) is Testing Old Alliances of United States. AIIB has been proposed by China which has also given the seed money 50 billion and is being raised to 100 billion. In all 21 countries have joined as founder members by 31Mar15. Chinese views that the World Bank, the IMF, the ADB etc are dominated by the US and these impose a coercive and ideologically driven agenda on developing countries that can do more harm than good. Not to mention the fact they simply don't have the capacity to handle emerging Asia's development needs.

The \$50 billion AIIB has thus proved a flashpoint for international alliances with many developed states such as France, Germany, Italy, including U.S. closest allies like United Kingdom have already joined and others like Australia, Japan and South Korea are expected to join as, United States has chosen to stay away. U.S. accepts the need for infrastructure development need of the region which according to estimate would need more than \$ 8 trillion but, has apparently raised questions on standard of governance but, it seems the real concern is growing economic and political clout of China which has floated many formations such as BRICS bank, Silk route, Shanghai Cooperation Organization (SCO) essentially to further its influence and counter American policy of Pivot Asia (renamed Rebalancing Asia).

There is a little doubt that about Chinese intention after the recent release of the Vision document “Vision And Actions On Jointly Building Silk Road Economic Belt And 21st-Century Maritime Silk Road” wherein, China gives the detailed action plan to change the world political and economic landscape through participating in the development of the countries along the proposed Silk Route. In a nut shell it aims to change the geopolitics by changing its perception from assertive China to a collaborative China and in return it is challenging the Pivot Asia policy of United States.

CHINA

Col C Madhwal, VSM

India- China Border Talks and China's Role in the Indian Ocean Region. India's talks with China about their disputed border are progressing positively, National Security Advisor Ajit Doval said on Friday. "We are very happy that the round of talks are going on because if they are not, it means that conflict is the only way for resolution," he said. "But there are also some inalienable positions as far as India is concerned and I think the need for us is to see that our vital national interests are protected." Doval, India's special representative for the boundary talks, hosted his Chinese counterpart Yang Jiechi in New Delhi on 23 March for the 18th round of talks between the special representatives since India and China agreed to a dialogue in 2003. At the end of talks, India and China agreed to maintain peace and tranquility in the border areas, holding that to be a pre-requisite for continued growth of bilateral relations and also for enhancing cooperation in key areas.

Speaking at the Growth Net Conference organized by the Delhi-based Ananta-Aspen Institute, Doval warned that setting up of naval bases in the Indian Ocean would not be in the interests of the region. Speaking about the emergence of China and whether India felt threatened by it, Doval said the rapid growth of China brought with it opportunities and uncertainties. "The emergence of China is a reality," he said. Doval said China's rise should be in keeping with internationally approved norms. There are worries that China had the ability and the resources to disturb the order and set its own rules for the global system, he said.

On China's role in the Indian Ocean, Doval said that India was the biggest power in that region that boasted of freedom of sea lanes with everyone free to trade and engage in commercial activities. Without mentioning China, Doval warned that "building up of naval bases or capacities will not be in the interest of the entire Indian Ocean and littoral countries of the Indian Ocean." In his speech, Doval stressed the need to harness national security and use it as a catalyst to further its strategic and economic imperatives.

China 'seriously concerned' by Philippine's Building in South China Sea. China's Foreign Ministry expressed serious concern on Friday after the Philippines said it would resume repair and reconstruction works on disputed islands in the South China Sea, saying Manila was infringing on Chinese sovereignty. The Philippines had halted activities last year over concerns about the effect on an international arbitration complaint filed against China. Manila called on all countries last October to stop construction work on small islands and reefs in the South China Sea, most of which is claimed by China.

China itself is undertaking massive reclamation works in the area, while Taiwan, Malaysia and Vietnam have also been improving their facilities. Chinese Foreign Ministry spokeswoman Hua Chunying said it was "seriously concerned" by the remarks by Philippine Foreign Minister Albert del Rosario. "On the one hand the Philippines makes unreasonable criticism about China's normal building activities on its own isles, and on the other announces it will resume repairs on an airport, runway and other illegal constructions on China's Spratly Islands, which it illegally occupies," Hua said. "This is not only a series infringement of China's sovereignty, but it also exposes the Philippines' hypocrisy," she told a daily news briefing, calling on the Philippines to withdraw from the islands.

The Philippines foreign ministry said the works, including repairs to an airstrip, did not violate an informal code of conduct in the South China Sea because they would not alter the status quo in the disputed area. The 2002 code was signed by China and 10 Southeast Asian states in Phnom Penh.

In 2013, Manila filed an arbitration case at The Hague questioning the maritime boundaries claimed by Beijing. Del Rosario said Manila expects a decision in February next year. Hua repeated that China would not participate in the case.

China claims almost the entire sea, believed to have huge deposits of oil and gas. Brunei, Malaysia, the Philippines, Vietnam and Taiwan also claim the area, where about \$5 trillion of seaborne trade pass every year.

China Executes Three over Kunming Station Attack. Three men convicted of involvement in the Kunming knife attack have been executed, a court in China says. Iskandar Ehet, Turgun Tohtunyaz and Hasayn Muhammad were convicted in September of murder and terrorism offences. The attack at Kunming station in March 2014, left 31 people dead and more than 140 injured. It caused shock across China. Beijing blamed it on Muslim extremists from Xinjiang, next to Central Asia.

Xinjiang is home to the Muslim Uighur minority. It has seen a series of violent attacks and clashes which Beijing blames on separatists inspired by terror groups outside China. Uighur activists say the suppression of residents' cultural and religious freedoms is fuelling unrest in the region and attacks elsewhere in China.

Police say three men did not take part in the station attack but had trained others for terror activities, the Xinhua state news agency reported. They were arrested two days before the attack,

as they were trying to leave China. They were put to death on Tuesday, the Kunming City Intermediate People's Court said. Police shot dead four other assailants during the attack. One woman has been jailed for life.

China Launches Sky Net to catch Corrupt Officials Overseas. China has announced a new initiative to help bring to justice corrupt officials who have fled overseas. The plan, called Sky Net, starts next month as part of efforts spearheaded by President Xi Jinping to crack down on rampant corruption. It will co-ordinate investigations of offshore companies and underground banks that transfer money overseas.

China is increasingly seeking international co-operation to tackle corruption and track down suspects. The Xinhua state news agency said 680 people suspected of economic crimes were repatriated to China in the second half of last year. Some 150 economic fugitives are believed to be living in the US alone to escape prosecution. Officials said Sky Net will mean there is nowhere to hide from the law.

A number of senior officials have been prosecuted and jailed in the anti-corruption campaign launched after Mr Xi became the head of the ruling party in 2012. He has pledged to pursue both "tiger and flies" - high-ranking and minor officials - in his anti-corruption drive.

Britain, France and Germany have also announced plans to join the new Beijing-based lender, which is seen as a rival to the World Bank. However, that has drawn concern from the US, which sees the AIIB as a tool which China can use to extend its political influence. Washington has also said the new lender needs to meet international governance and other standards. "We have been talking to the Chinese to try to ensure that it is in fact a multilateral institution, that it is run in all important respects by a board, that its processes are transparent, that it is genuinely accountable and that it is not controlled by any one entity," Mr Abbott told Australia's parliament.

The AIIB has more than 30 members and countries have until the end of March to decide whether or not they would seek membership. The institution will have about \$50bn (£34bn) in initial funds that will be disbursed to help address the region's growing demand for roads, ports and other infrastructure facilities.

RUSSIA

Col Anadi Dhaundiyal

Sanctions on Russia 'to Last Until the End of the Year'. The European Union will keep sanctions against Russia in place at least until the end of the year and will only lift them when the Minsk peace agreement is fully implemented, European leaders have said on 20 Mar 2015.

Donald Tusk, the European president, said the decision at a two-day conference in Brussels underscored the unity of the 28-member bloc in the face of the ongoing crisis in Ukraine. "The duration of economic sanctions will be clearly linked to complete implementation of Minsk, bearing in mind that this is only foreseen by the end of 2015," Mr Tusk said after a summit in Brussels.

Mark Rutte, the Dutch prime minister, warned that "the option of more sanctions, if the situation worsens, must clearly remain open." A vote is likely to be held on that question at a summit in July.

Eurasia' Currency Union. Mr Putin, after the talks on 20 Mar 15 in the Kazakh capital Astana with Belarussian President Alexander Lukashenko and Kazakh President Nursultan Nazarbayev said that the time has come to start thinking about forming a currency union. He said that regional currency union with Belarus and Kazakhstan could help overcome falling oil prices and decline of ruble. The meeting highlighted the challenges facing the Russian-led Eurasian Economic Union following the fall in global oil prices and the decline of the Russian ruble.

Russia's Oligarchs Head for London as Rouble Collapses. As per The Telegraph report, Russia's richest and most powerful are set to leave in droves, seeking to avoid a tax squeeze and the fallout from the country's economic crisis. The majority of oligarchs interviewed for a new report on Russian have said that they are likely to leave the country in the next few years. Of the 30 Russian nationals included in a study by Campden Wealth, in partnership with UBS, more than half said that there were likely to move abroad, although not imminently. Of those living in Russia, more than one in four said they had plans to leave within five years. Participants in the Campden study jointly control \$2.5bn (£1.7bn) of personal wealth, and businesses with turnover of \$6.5bn last year. Clearly London is a key jurisdiction of choice."

Ukrainian Economy. Ukraine's economy shrank at an alarming 14.8pc over the last three months of 2015. It has an eye-watering inflation of nearly 30pc. Kiev has requested a \$17.5bn bail-out from the International Monetary Fund. But Ukraine's finance minister has warned the assistance is not likely to be sufficient in "restarting and promoting growth."

EU Leaders' Snub of 09 May Moscow Victory Parade 'Insult to Soldiers. The decision of David Cameron and other European leaders to snub celebrations of the 70th anniversary of the end of Second World War in Moscow is an insult to the memory of Allied soldiers. In 2005, Putin was joined at the 60th anniversary parade in Moscow by then-German Chancellor Gerhard Shroeder and then-French President Jacques Chirac, as well as then-US President George W Bush. The Prime Minister and the leaders of Poland, Bulgaria, Latvia, Lithuania and Estonia have said they will not attend, while Angela Merkel, Germany's chancellor, has announced she will travel to Russia a day later and join Vladimir Putin, Russia's president, in laying a wreath at the Tomb of the Unknown Soldier.

Resolve Crises Without Foreign Involvement. Putin, on 28 Mar 15, urged Arab Gulf Nations to resolve crises without foreign involvement. He said that Russia support Arab nations in their effort to ensure a safe future and urge them to resolve all emerging challenges peacefully without any foreign involvement. The Arab League Summit began in Egypt's city of Sharm El-Sheikh on 28 Mar 15. He accused terrorists and extremists of undermining security in the region, with militants seizing entire cities and provinces, inflicting suffering on hundreds of thousands of innocents and destroying cultural heritage. The meeting is expected to center around the escalating crisis in Yemen, where a Saudi-led coalition of Gulf States is launching air strikes against Houthi opposition forces. Egyptian President Abdel Fattah Sisi said on Sunday that the Arab League's 22 member nations have agreed that a voluntary unified military security force will be called upon if any of the countries faces a major counter security threats in the region.

Russian Nuclear Submarine for India. India has requested Russia to give it on lease a second nuclear submarine. Negotiations are being carried out for a lease of the Russian nuclear submarine of project 971 — K-322 “Kashalot” (Sperm Whale) for a period of 10 years. This is the third-generation submarine similar to the Russian submarine “Nerpa” leased to India for a period of 10 years in 2012. The nuclear-powered submarine (NPS) “Nerpa” (code named “Schuka-B” as per NATO classification – “Shark”) that is in the Indian Navy has been named INS Chakra. India is primarily concerned of the growth of China's nuclear submarine fleet. Beijing currently has nine nuclear submarines including strategic ones and multi-purpose ones. So far the Indian Navy has only one nuclear submarine – the multipurpose INS Chakra.

Pharmaceutical Sector: Indian Investors Likely in Crimea. The cost of medicine is rising fast in Russia, hitting consumers and challenging a government that has made its reputation as a bulwark of social stability. The root of the problem is the same as in many areas of the Russian economy right now: steep currency devaluation paired with a reliance on foreign production. Even Russian

producers are being hit by the ruble devaluation, as they import almost 80 percent of the active pharmaceutical ingredients they use in production of medications, mainly from China and India. As a long term strategy investors from India are currently being encouraged and are contemplating several projects in the sphere of pharmaceuticals in the Republic of Crimea, Deputy Chairman of Crimea's Council of Ministers Dmitry Polonsky told Sputnik. Several Indian investment projects in the sphere of pharmaceutical development found a positive response here, and I believe that they will start developing actively very soon," Polonsky said. The territory of the Republic of Crimea and Sevastopol has, on November 29, 2014 been declared as free economic zone in force for the next 25 years.

Russian Budget Based on \$50 Oil. Russia's 2015 budget based the country's spending on an oil price of \$50 per barrel passed their first reading in Russia's lower house of parliament on 27 Mar 15. The budget foresees a deficit of 2.7 trillion rubles (\$46 billion) this year, or 3.7 percent of gross domestic product (GDP). Inflation is forecast to hit 12.2 percent this year. The exchange rate forecast in the bill is 61.5 rubles to the U.S. dollar — over 40 percent weaker than its level last summer. Russia's GDP is forecast to fall 3 percent to 73.2 trillion rubles (\$1.27 trillion). It was initially expected to rise 1.2 percent to 77.5 trillion rubles (\$1.34 trillion). The amended budget would see spending from the oil-revenue-funded Reserve Fund hit 3.1 trillion rubles (\$53 billion), leaving only 2.6 trillion rubles (\$45 billion) at the year's end. Russian President Vladimir Putin said on 26 Mar that it was still too soon to feel confident about the country's economy as key rate at 14% is high enough, although his ministers said the worst is over.

Europe's Energy Needs Will See Russian Gas Stay in Demand. BP Chief Economist Spencer Dale predicted the European Union's reliance on imports of natural gas is likely to rise from half to three quarters over the next two decades and Russia will continue to supply about 30 percent of EU needs. The figures are troubling for European Union policymakers striving to reduce dependency on Russia, which is in conflict with Ukraine, the main transit route for Gazprom's gas to the EU. EU accounts for about 3 percent of the worldwide energy mix from renewable sources, such as wind and solar, rising to 8 percent by 2035 but would not be enough to reduce the need for gas.

Alston Grid purchase by General Electric. Alston, a UK company's power & grid business, is being purchased by General Electric, USA. GE is set to expand its power business with Alstom acquisition. France has already given green light to purchase from French perspective. The Russian government's commission on foreign investments control has however postponed the deal on buying Alston Grid by General Electric, Tass quoted the Federal Antimonopoly Service's

Chief Igor Artemyev as saying on 26 Mar 15. The deal has been postponed and will be considered in the next two months “because Alstom Grid is located in Russia, owns and controls a number of companies working for the national nuclear industry,” Artemyev said. Together with Russian Nuclear Agency Rosatom, Alstom Grid should provide more detailed report on possible consequences of the deal, he added.

JAPAN

Col Anadi Dhaundiyal

Japan will Struggle to Slay Deflation Warns Bank Governor. The Japanese economy is in danger of slipping back into deflation despite two years of intensive monetary action, the country's central bank governor has warned. Japan had launched one of the most radical experiments in monetary policy last year, carrying out asset purchases worth 80 trillion yen (£444bn) a year in a bid to revive growth and flagging prices. But there are doubts that the central bank will be able to stoke inflation amid weak global demand and collapsing energy prices. Core consumer inflation, which is the central bank's preferred measure, currently stands at 0.2pc, well below the mandated 2pc target.

Japan's economy had entered a recession in the third quarter of the year after a sharp increase in sales tax took a heavy toll on consumer spending. Consumer spending in the fourth quarter was revised up, showing some parts of the economy are improving. However, weak capital expenditure is probably due to the shift in production overseas that has been happening for the past few years.

IRAN

Capt (IN) Ranjit Seth

Iran Nuclear Talks: World Powers Seek Deal In Lausanne. Representatives of P5+1 were in discussions with Iran on its nuclear programme, ahead of a 31 March deadline for a deal. The talks were taking place in the Swiss city of Lausanne, with world powers meeting Iranian Foreign Minister Mohammad Javad Zarif.

US officials say all parties have agreed to a "step by step approach" to the deal, but sticking points remain. The world powers, known as the P5+1 group - the five permanent members of the UN Security Council plus Germany - want to ensure that Iran cannot develop nuclear weapons.

Iran denies it is aiming to build nuclear weapons and is hoping that a deal will lead to the lifting of international sanctions.

US officials said all parties, including Iran, had agreed that there needs to be a phased step by step reciprocal approach, so that Iran's steps to scale back its nuclear programme are met with a phased lifting of sanctions.

Potential sticking points in the nuclear talks are thought to include how long the deal will last and how much of Iran's nuclear facilities will be open to inspection. Two core issues that remain are one, how the sanctions on Iran would be lifted; the other was what would happen in later years of the agreement, including Iran's capacity to conduct nuclear research and development. Important aspects being discussed involve the number and types of centrifuges Iran can use to produce nuclear fuel, the ability of inspectors to gain access to all possible nuclear sites and Iran's willingness to discuss past efforts to produce nuclear weapons.

Iranian negotiator Abbas Araqchi said his side was optimistic of the chances of getting a deal. However, he ruled out sending the country's nuclear stocks abroad - one of the steps demanded by the P5+1. In a possible late complication, Iranian officials on Sunday appeared to back away from an important element of any agreement, saying they no longer agree to ship atomic fuel out of the country. Iran had tentatively agreed that it would send a large portion of its stockpile of uranium to Russia, but Iran's deputy foreign minister made a comment to Iranian reporters that ruled out an agreement that involved giving up the stockpile. But it is felt that there were other ways of dealing with the material, including blending it into a more diluted form

UK Foreign Secretary Philip Hammond said that the P5+1 were there because they believe a deal can be done, but it has to be a deal which puts the bomb beyond Iran's reach. Negotiators are closer than ever before, in their 12-year stand-off over Iran's nuclear programme. The last difficult details are as much about political power as they are about nuclear energy. Both Iran and world powers urged the other side to make tough decisions.

Meanwhile, Israel's Prime Minister Benjamin Netanyahu has again warned against a deal with Iran, describing it as worse than his country had feared. On Sunday he told a cabinet meeting "this deal, as it appears to be emerging, bears out all our fears, and even more than that". He gave no details, but noting advances by Iran-backed forces in Yemen and other Arab countries, he accused Iran of trying to "conquer the Middle East" while pursuing nuclearisation. "The Iran-Lausanne-Yemen axis is very dangerous to humanity and must be stopped," he said.

US Congressional leaders have threatened to vote on increased sanctions if they do not like the terms of the deal negotiated by the Obama administration. Israel has threatened military action to prevent Iran from obtaining nuclear weapons that could threaten the entire region.

AFRICA

Col Ajay Ramdev

Boko Haram Losing Ground in NE Nigeria. Nigeria's military says it has destroyed the headquarters of Boko Haram in Gwoza and expelled fighters from all three north eastern states that had formed the group's stronghold. The country's armed forces have claimed a number of successes against the group in recent weeks. News of Gwoza's recapture comes a day before presidential elections, which were postponed by six weeks because of the offensive against Boko Haram. Boko Haram leader Abubakar Shekau had declared Gwoza the capital of a new "Islamic caliphate" after the group seized the town in August.

Gwoza's location made an ideal base for the militants. The nearby mountains offered protection and the jihadists could flee into Cameroon until the military there stepped up patrols. There is a complex system of caves and tunnels, some of which burrow hundreds of metres into the mountainside.

Meanwhile, the president of Chad, which is helping Nigeria fight Boko Haram, has strongly criticized Nigeria's military. Defeated fighters are believed to be heading to the borders, where troops from a multinational force are preparing to engage them.

Elections:Nigeria. The Nigerian general election of 2015 will be the 5th quadrennial election to be held since the end of military rule in 1999. Voters will elect the President and Members to the House of Representatives and the Senate. The incumbent president, Goodluck Jonathan will be seeking a second and final term.

The elections were first scheduled to be held on 14 February 2015. They were postponed by six weeks to 28 March 2015, due to the ongoing Boko Haram insurgency in the north-eastern part of the country. Fourteen candidates are contesting the election but only Mr Jonathan and Gen Buhari have a realistic chance of winning.

Ebola Update. Sierra Leone enforced a three-day lockdown to curb the spread of Ebola, with the entire population ordered to stay at home, upto 1800 GMT on Sunday. There was a two-hour exemption on Friday to allow Muslim prayers and a five-hour window for Christians on Sunday.

This lockdown comes amidst some rare good news. According to official figures from the World Health Organization, there were just 33 new confirmed cases last week - the lowest number since June 2014.

This is the second time Sierra Leone has enforced a national lockdown, asking its population of about six million people to stay home. Experts have criticised previous stay-at-homes as too heavy-handed and top-down in their approach. Concerns were raised that some people did not have access to food. The hope is, a year after the outbreak was declared, such logistical problems have been ironed out and that this measure will bring the country closer to its goal of zero Ebola infections by April 2015 - an ambitious target that is just two weeks away.

LATIN AMERICA

Col Ajay Ramdev

Falkland Islands: Britain to Enhance Defence Setup. Britain will spend £280m over the next 10 years on renewing and beefing up its defenses of the Falkland Islands. Britain is to deploy two RAF Chinook transport helicopters to help the islands' garrison to help mount a "swift and decisive response" to any "emerging incidents.

UK defence minister, Mr Fallon said a review of the islands' defenses had found they were "broadly proportionate" to the current threat level - and personnel levels would remain at about 1,200. He confirmed the government's commitment to maintaining a Falkland Islands patrol vessel - currently HMS Clyde - while investing £180 million over the next 10 years upgrading the infrastructure including harbour facilities and fuel infrastructure. He also announced a new primary school and better accommodation for UK personnel station on the islands.

He added: "The review we have undertaken confirms our commitment to the Falkland Islands. We will continue to defend the right of the islanders to determine their future and defend their way of life against whatever threats may arise.

Falklands Islands Dispute.

- 1- The Falkland Islands are an isolated and sparsely populated British overseas territory in the south-west Atlantic Ocean
- 2- They remain the subject of a sovereignty dispute between Britain and Argentina, who waged a brief but bitter war over the territory in 1982
- 3 - Argentine forces landed on the Falklands on 2 April 1982 to stake a territorial claim, but by 14 June they had been ejected by a British military task force
- 4 - The fighting cost the lives of 655 Argentine and 255 British servicemen
- 5- Argentina says it has a right to the islands, which it calls the Malvinas, because it inherited them from the Spanish crown in the early 1800s
- 6- It has also based its claim on the islands' proximity to the South American mainland
- 7- Britain rests its case on its long-term administration of the Falklands and on the principle of self-determination for the islanders, who are almost all of British descent.

UZBEKISTAN PRESIDENTIAL ELECTIONS

Air Cmde T Chand (Retd)

Islam Karimov, Uzbekistan's president, has won re-election in a predictable landslide victory that will put him in office for another five years. According to preliminary results announced by the Uzbekistan electoral commission, Karimov, 77, won 90.39% of the votes in the Presidential election held on 29 Mar 2015. The election was criticised by western observers for irregularities and lack of competition as three opponents Khatamzhon Ketmonov, Narimon Umarov, and Akmal Saidov did occasionally promoted the Karimov.

Uzbekistan which was established as a Socialist republic and incorporated in the Soviet Union in 1924 has been ruled by President Islam Karimov since 1989, when Uzbekistan was still under Soviet rule. He rose through the ranks of the Soviet-era State Planning Committee (Gosplan) and remains wedded to the concepts of a command economy, creating a challenging environment for foreign investment. His current concerns include terrorism by Islamic militants, economic stagnation, and the curtailment of human rights and democratization. With a land area of 447,400 sq km, and borders with Afghanistan 137 km, Kazakhstan 2,203 km, Kyrgyzstan 1,099 km, Tajikistan 1,161 km, Turkmenistan 1,621 km, Uzbekistan has plenty of natural resources such

as natural gas, petroleum, coal, gold, uranium, silver, copper, lead and zinc, tungsten and molybdenum. Along with Liechtenstein, it is one of the only two doubly landlocked countries in the world. With 88% Muslim population (mostly Sunni) the country has managed to remain stable so far. Commercial interests of Russia and China and remoteness from other turbulent zones have added to its stability. Mr Karimov may have to mentor his successor during this term for ensuring continued stability in Uzbekistan.