

ENVIRONMENT SCAN: 15-30 JUN 2017

China (Continental), China(Maritime), Pakistan, Iran, Afghanistan, Nepal, Russia, United States of America

CHINA (CONTINENTAL)

Brig Jai Singh Yadav, VSM

China Asks India to Respect Side of Border, Pull Out Troops. China on asked India to respect China's sovereignty and withdraw troops which entered the Chinese side of the Sikkim section of the countries' border.

India should withdraw its troops to avoid "increasing intensions" further, Chinese foreign ministry spokesperson Lu Kang said on Thursday. Lu added that China has lodged several solemn representations to India after the incident, and both sides are maintaining smooth diplomatic communications.

"We urge India to withdraw troops that crossed the border and return to the Indian side. This is also the start of the solution, and foundation of any meaningful dialogue between both sides," Lu said.

The Donglang (Doklam) area belongs to China, not Bhutan and India, which has been proven by history and law, Lu told a regular conference on Wednesday, adding that "China's road construction in the Donglang area, which is our territory, is legitimate, and any other party has no right to interfere."

Comments. Donglang (Doklam) area is part of unresolved boundary dispute primarily between China and Bhutan. It assumes importance to India in terms of attempted occupation by China of the ibid area, threatens the critical Chicken Neck area in its Siliguri Corridor. In addition to its own concerns, India is also under obligation to safeguard security of Bhutan which has no diplomatic relations with China. Both India and Bhutan have objected to China's road construction activity and asked to maintain the status quo in the area till final resolution of boundary dispute. As on date, standoff by troops from India and China continues in the area.

Xi Jinping Warns Hong Kong over Sovereignty 'Red Line'. Chinese President Xi Jinping has warned against "impermissible" challenges to Beijing's authority over Hong Kong. Mr Xi was speaking at the swearing-in of the territory's new leader Carrie Lam, as Hong Kong marked 20 years since its handover to China from Britain.

After Mr Xi had left Hong Kong, thousands of people took part in an annual march calling for greater democracy. During Mr Xi's visit there was little opportunity for protest. An earlier protest had led to clashes with pro-Beijing demonstrators. Mr Xi's visit to the city - his first since becoming Chinese leader in 2013 - came amid tight police security.

Several people were detained, when a small group of pro-democracy activists clashed with pro-Beijing demonstrators close to the site where the lavish ceremony took place. Organisers said 60,000 people took part in the later pro-democracy march, though police said the figure was much lower.

The Chinese leader oversaw the swearing in of Ms Lam, the newly-elected chief executive of the territory, along with the rest of her cabinet. She is Hong Kong's first female leader.

In a speech he said that Hong Kong needed to "improve its systems to uphold national sovereignty, security and development interests".

"Any attempt to endanger China's sovereignty and security, challenge the power of the central government... or use Hong Kong to carry out infiltration and sabotage activities against the mainland is an act that crosses the red line and is absolutely impermissible," he said.

He added that Hong Kong now enjoyed more freedom than ever before.

China Condemns US Sanctions Over 'North Korea Funding'

30 June 2017

China has reacted angrily to a US decision to impose sanctions on a Chinese bank accused of laundering North Korean money. A foreign ministry spokesman urged the US to "stop wrongful actions" to avoid harming co-operation. The US announced the move, as well as sanctions on a

Chinese shipping company and two Chinese nationals. It said the blacklisting was aimed at cutting funds to North Korea's weapons programmes.

The UN has already imposed several rounds of sanctions on Pyongyang, but China is widely seen as the nation most able to impose economic pain on North Korea.

Washington has been pushing Beijing for tougher measures amid a series of missile tests by Pyongyang. But in a tweet earlier this month, President Donald Trump said China's actions had "not worked out".

The sanctions mean that the Bank of Dandong will be barred from doing business in the US. Two Chinese nationals accused of creating front companies for North Korean entities have also been blacklisted, as has a shipping company, Dalian Global Unity Shipping that is accused of smuggling luxury goods to North Korea.

The sanctions were announced as new South Korean President Moon Jae-in held talks with President Trump in Washington. In a separate development, the US announced the sale of \$1.42bn (£1.09bn) worth of arms to Taiwan, the first such transaction under the Trump administration.

US arms sales to Taiwan always anger Beijing because it considers the self-governing island part of its territory. In a statement, the Chinese embassy in Washington called on the US to revoke its decision, saying China had "every right to be outraged". The Chinese foreign ministry spokesman said that the US actions went "against the important spirit" of the apparently friendly meeting between Mr Trump and Chinese President Xi Jinping at the US president's Florida resort in April. Earlier in the week, the US also placed China on its list of the worst offenders in human trafficking and forced labour - the first major move by the new administration over Beijing's human rights record. China says it will link Pakistan corridor with project involving India Beijing has announced that it intends to link the China-Pakistan Economic Corridor (CPEC) with another corridor that involves India, Bangladesh and Myanmar.

The China-Pakistan Economic Corridor (CPEC) will be connected to a corridor that involves India, Bangladesh and Myanmar through the sea, Beijing announced on Tuesday in its continuing efforts to bring Asia and Europe under President Xi Jinping's multi-million dollar Belt and Road Initiative (BRI). Part of the plan is to link the South China Sea to the Indian Ocean, according to the "Vision for Maritime Cooperation under the Belt and Road Initiative". "Ocean cooperation will focus on building the China-Indian Ocean-Africa- Mediterranean Sea Blue Economic

Passage, by linking the China-Indochina Peninsula Economic Corridor, running westward from the South China Sea to the Indian Ocean, and connecting the China-Pakistan Economic Corridor (CPEC) and the Bangladesh-China-India-Myanmar Economic Corridor (BCIM-EC),” said the document released by official Xinhua news agency. New Delhi has repeatedly objected to the CPEC because of “sovereignty issues” as it passes through Pakistan-occupied Kashmir (PoK). This was the primary reason why it boycotted the high-profile Belt and Road Forum held in Beijing last month. Though India is part of BCIM-EC, progress on developing that corridor has been slow, partly because of New Delhi’s security concerns.

The document did not share details on how the land corridors, such as CPEC and BCIM-EC, will be linked to the ocean but it was a clear indication of China’s long-term plan.

The idea, the document said, is to synchronise development plans and promote joint actions by countries along the Maritime Silk Road, setting up the “all-dimensional, multi-tiered and broad-scoped Blue Partnership”.

The document was released by China’s top planning body, the National Development and Reform Commission (NDRC), and the State Oceanic Administration. In 2013, Xi talked building the Silk Road Economic Belt and the 21st Century Maritime Silk Road, comprising innumerable infrastructure projects such as ports, railway networks and roads in several countries.

Four years on, China seems to be fleshing out details of the BRI while going ahead with projects in India’s neighbourhood, which New Delhi has serious concerns about.

The announcement of the plan came a day after Pakistan announced that China had offered to include a dam project on the Indus river, which India objects to, a part of the CPEC. The Diamer-Bhasha dam is in the Gilgit-Baltistan region, part of the erstwhile state of Jammu and Kashmir.

New Delhi is likely to be uneasy with the BCIM-EC being unilaterally included within the expanding scope of the BRI. China, it seems, isn’t overtly bothered about India’s concerns.

CHINA (MARITIME)

Capt Ranjit Seth

PLA Navy Launches Type 055 Destroyer. China launched its Type 055 Renhai Class naval destroyer on June 28, the latest step in its decade and a half of naval expansion. The Type 055 are

armed with long-range supersonic YJ-18 (290 nm) and YJ-12(180nm) over the horizon anti-ship cruise missiles. The YJ-18 and YJ-12 are based on Russian design.

The PLAN Renhai is a 10,000-ton destroyer. There are 8 such ships on order. The Type 055 has stealth features and 128 Vertical Launch System (VLS) tubes for missiles capable of hitting air, land, and sea targets. The VLS can also launch anti-satellite and anti-ballistic missiles currently under development by China. The modular weapons system includes the capability to launch the nuclear capable CJ-10 land-attack cruise missile. The stern of the ship has a hangar to accommodate two Z-18 anti-submarine warfare helicopters and vertical-launch unmanned aerial vehicles. The sophisticated 055 bow-mounted and variable depth sonar and dual x- and s-band radar systems can see hostile air, surface, and underwater objects up to 600 km away, as well as track smaller nearby projectiles.

The Type 055 destroyer is the first Chinese surface combatants capable of land attack missions. Last month, China's Global Times stated, "The Type 052D, a 7,000-ton-destroyer with 64 launch units, is designed for tasks including anti-aircraft, anti-submarine and anti-warship defense, while it does not and should not be required to have ground attack capability, which should be carried out by bigger destroyers, the coming Type 055."

The Type 052 Luh-class destroyers have 64 VLS tubes. There are 4 operational Type 052-class destroyers and 8 under construction. This gives the PLA Navy 20 Luh-class and Renhai-class destroyers capable of blue water operations far from shore. In addition PLA Navy has 25 smaller Type 056- Jiangdao Class frigates operational, with 60 likely to be constructed in the coming years.

US FONOP in South China Sea. The destroyer USS Stethem sailed less than 12 nautical miles from Triton Island in the Paracel Islands archipelago, which is claimed by China as well as Taiwan and Vietnam. The operation was meant to demonstrate freedom of navigation in disputed waters. It was the second FONOP operation carried out by the United States since President Trump took office.

China had dispatched military vessels and fighter planes in response. A Chinese spokesman said "The Chinese side strongly urges the US side to immediately stop such kind of provocative operations that violate China's sovereignty and threaten China's security,". The statement added that China would continue to take all necessary means to defend national sovereignty and security.

Arms Sales To Taiwan. The US has announced a \$1.42bn arms sale to Taiwan. This could send US- Sino ties into a new phase of turbulence. In April 2017 following a two-day summit between President Xi and US President Donald Trump at the latter's Mar-a-Lago estate ties between the US and China appeared to have warmed. President Trump, who had once accused China of being a top US enemy, hailed Xi as "a great guy" with whom he had enjoyed "chemistry". The US president also did not claim that China was a currency manipulator. The arms sales could undo the warmth in bilateral ties.

In another development that is likely to create instability in the South China Sea, the US Senate committee provisionally approved visits to Taiwan by the US Seventh Fleet for the first time since 1979, when the US recognised the People's Republic of China and adopted a "one China" policy. The decision, if implemented, could in effect provide a naval base and facilities for US aircraft carriers and destroyers just off the coast of the Chinese mainland. The Senate also wants to help Taiwan develop an undersea warfare programme and recommends strengthened strategic cooperation with Taiwan.

PAKISTAN

Brig Deepak Malhotra

Hizbul Mujahideen Leader Syed Salahuddin Designated Global Terrorist by USA. The US had, ahead of the Trump-Modi meeting, listed HizbulMujahideen leader Syed Salahuddin as a Specially Designated Global Terrorist, a move hailed by India as evidence of US cooperation against terrorism. However, this was not well received as expected by the Pakistan government which said "Any attempt to equate the peaceful indigenous Kashmiri struggle with terrorism, and to designate individuals supporting the right to self determination as terrorists is unacceptable,"

Comments. The pronouncements are particularly worrisome for Pakistan given that the Trump administration is in the final phase of formulating its South Asia policy and the indication from this statement is that the US could be inching closer to the Indian position on alleged cross-border incidents.

Pakistani Diplomats Missing in Afghanistan. Two Pakistani diplomats based in a consulate office in the eastern Afghan city of Jalalabad have been missing since June 16, when they set off by road back to their homeland, according to Pakistan's foreign office. The officials disappeared

while travelling between the Torkham border crossing and Jalalabad, capital of Nangarhar province. The matter has been raised with the relevant Afghan authorities for their safety and recovery, at the earliest who have sent three investigation groups to ensure the officials' safe return.

Comments. Jalalabad is a busy trading hub about 70km from the main border crossing with Pakistan, from which landlocked Afghanistan imports much of its goods. The province is home to various armed groups, including the Pakistani and Afghan Taliban. Relations between Pakistan and Afghanistan have been tense in recent years, with both countries accusing each other of not doing enough to tackle Pakistani and Afghan Taliban fighters. Pakistan did not speculate who may be behind the disappearances but various Afghanistan-based groups have attacked diplomats in the past.

Death Toll in Parachinar and Quetta Attacks Passes 80. The number of people killed in twin bombings in the northwestern Pakistani city of Parachinar has risen to at least 67, bringing the overall death toll from three separate attacks across the country to 85. More than 200 people were wounded in the rush-hour attacks on Parachinar's Toori Bazar. Lashkar-e-Jhangvi, a Sunni armed group, claimed the bombings in the predominantly Shia Muslim town.

Thousands of protesters in the northwestern Pakistani city of Parachinar went on a week-long sit-in following twin blasts. The protest ended after the visit of the Pakistan Army chief who acceded to their demands for better security. The demonstrators had demanded that the commandant of the paramilitary regiment responsible for firing on the protesters be dismissed and that a new security plan be enforced for the district with input from local leaders.

Comments. Parachinar, the capital of the Kurram district, is home mainly to the district's Turi tribe, who are predominantly Shia Muslims. Shia Muslims make up about 20 percent of Pakistan's population and have often been the subjects of both targeted killings and large-scale suicide bombings by the Pakistani Taliban and others.

IRAN

Brig Deepak Malhotra

Iran Foils 'Plot to Bomb Religious Centres'. Since the attack in Tehran on June 7, dozens of people have been detained by Iranian authorities. Iran's intelligence ministry says its forces have

foiled bombings and suicide attacks targeting religious centres after arresting suspected members of a group linked to the Islamic State of Iraq and the Levant group.

Comments. The arrests came days after Iran's Revolutionary Guards fired missiles from western Iran at ISIL positions in eastern Syria in retaliation for two attacks in Tehran earlier this month that were claimed by the armed group. Since the June 7 attack, Iranian authorities have carried out several operations inside Iran, detaining dozens of people, and targeting groups suspected of having links to ISIL.

Hassan Rouhani Condemns 'Siege of Qatar'. Iranian President Hassan Rouhani has told the Emir of Qatar that a "siege" imposed on it by four Arab states that recently cut ties with Doha "is not acceptable for us", according to the office of the president's website. A statement released on Sunday quoted Rouhani as telling Emir Sheikh Tamim Bin Hamad Al Thani in a phone conversation that "Tehran will stand by Qatar's government". "Iran's air space, ground and sea will be always be open to Qatar as a ... friendly nation," said Rouhani, adding that the cooperation of the two countries will remain "continuous".

Iran's regional rival Saudi Arabia, alongside the United Arab Emirates, Bahrain and Egypt, cut diplomatic and trade ties with Qatar and imposed a land, air and sea blockade against it on June 5, accusing it of supporting "terrorism". The four countries have not provided any evidence, and Qatar has repeatedly denied the allegations as baseless. The Saudi-Emirati-led bloc had given Qatar 10 days to comply with a 13-point list of demands, which include, among others, that Doha scale down ties with Iran. Qatari officials immediately dismissed the document, which also demanded Doha shut down the Al Jazeera Media Network and close a Turkish military base in Qatar, as neither reasonable nor actionable.

Comments. US Secretary of State Rex Tillerson said some of the demands "will be very difficult for Qatar to meet", however, that the list contained "significant areas which provide a basis for ongoing dialogue leading to a resolution". The top US diplomat also said Washington was backing mediation efforts by Kuwait aimed at defusing the crisis and urged the different sides to "sit together" and continue discussing.

AFGHANISTAN

Brig Deepak Malhotra

Taliban Attack Targets Police in Afghanistan's Heart. Attacks have increased since the Taliban announced its annual spring offensive months back. Taliban fighters have killed at least 10 police officers in an attack on a checkpoint in Afghanistan's western Herat province. Four Taliban fighters also died in the gun battle late on Saturday near the important Salma Dam. The attack comes just days after at least 29 people were killed by a car bomb near a bank in Lashkar Gah, capital of the southern Helmand province.

Comments. The Taliban has targeted the Salma Dam, located 165km east of Herat, in several previous attacks. Inaugurated by PM Narendra Modi, the Indian prime minister, in June last year, the dam was funded and built by India at a cost of about \$275m. It produces 42 megawatts of electricity for Herat. Since they launched their spring offensive in late April, Taliban fighters have been mounting deadly assaults on the Afghan army and police outposts in Helmand. Afghanistan has experienced its deadliest Ramadan since the US-led invasion in 2001 with over 200 killed and hundreds wounded. The Taliban leader Mullah Haibatullah Akhunzada, in an Eid message, pledged to continue fighting until the complete withdrawal of foreign forces from Afghanistan.

NEPAL Nepal

Col Harpreet Singh

Nepal's Armed Forces Handed Over New Training Building by China. The Government of China handed over a training academy building at Matatirtha in Chandragiri Municipality to Armed Police Force on 30 Jun 17. The academy was constructed with support from the People's Republic of China. Secretary at the Ministry of Home Affairs LokDarshan Regmi and Chinese Ambassador to Nepal Yu Hong signed a memorandum of understanding regarding the handover of the building.

The academy was constructed at the cost of Rs 3.6 billion. The China Railway Construction Company constructed the academy building within the stipulated time of two years. Main academic block, auditorium, covered hall, football ground, gymnasium hall, helipad, basketball court and other necessary blocks are made in the academy. After the agreement, Secretary Regmi expressed his confidence that the academy would help enhance APF's professionalism. Chinese Ambassador Yu expressed her happiness at completion of the project in the given deadline despite obstructions.

Comments. India is also helping Nepal to set up a national police academy near Kathmandu at a cost of Rs 550 crore which will provide training to 410 Nepalese police officers annually. Nepal is taking assistance from both India and China to build up its infrastructure and India must ensure that the timelines of its projects are met to avoid adverse comparisons with China's projects.

Impact of Indian GST on Nepal. Traders in Nepal are scrambling to understand the implications of GST for them. While the general sentiment is positive there is uncertainty among traders regarding imports from India.

Comments. The single rate GST which will alleviate all other indirect taxes is expected to ease hurdles in the import and export of Nepal. This will lower the burden of taxes regarding the import from India and the cost of raw materials as well as the finished products will decrease which will pull down the price of products in the market. Beside the transport expenditures, additional taxes levied in the name of service charges and entrance charges imposed by different states in India to the Nepal bound imports from third countries also contribute to the increase in costs of Nepali businesses. Earlier different states in India had rights to implement the excise duty, VAT and indirect taxes. Because of this Nepali importers and exporters have tax burden almost two or three times more than the normal tax. With the implementation of the GST, in all likelihood, there will be uniform rate in all products. It is anticipated that the overall effect of the GST will be positive.

RUSSIA

Col Harpreet Singh

Defence Minister's Visit to Russia. The 17th Meeting of the India-Russia Inter-Governmental Commission on Military Technical Cooperation concluded in Moscow under the Co-Chairmanship of the Defence Minister Shri Arun Jaitley and the Defence Minister of Russia Mr. Sergei Shoigu, during the Indian Defence Minister's three day Russia visit. The discussions were productive and held in an atmosphere of warmth and friendship.

In a major outcome, both sides have agreed to a roadmap for the development of bilateral defence cooperation for which a Protocol has been signed. The roadmap includes specific activities to be concluded by both sides, and aims to enhance cooperation in the field of political and military dialogue, exercises, exchange of visits, military cooperation and training of military personnel.

The Defence Minister conveyed the importance of having a robust and reliable after-sale support mechanism with regard to serviceability of Russian origin equipment and new opportunities for participation of Russian companies in the Indian defence manufacturing sector, as part of the 'Make in India' programme, under the new strategic partnership policy of the Government of India. Both sides also agreed to conclude various ongoing negotiations for different platforms, as well as restructure the Intergovernmental Commission to enhance military to military cooperation.

Comments. The visit seeks to strengthen traditional ties with Russia, in the backdrop of the current geopolitical situation, which has seen the Russians go closer to China and Pakistan, even as India grows closer to US. The visit will help in early finalization of deals worth \$ 10.5 billion, ranging from acquisition of S-400 Triumf advanced air defence missile system, Grigorovich class frigates, Kamov-226T light helicopters and lease of a second nuclear submarine.

UNITED STATES OF AMERICA

Gp Capt GD Sharma, VSM (Retd)

How Indo-US Relations are Seen After PM Modi's Visit of America. There was lot of speculation linked with PM Modi's recent visit of America. This was on account of PM meeting with President Trump who since his election campaign had gained some unpredictability with his strange behavior. President Trump has undone several decisions of the past Obama's regime. Some of the recent actions / pronouncements seemed running counter to the Indian interests and created ambiguity about our future relationship. In particular, the anxiety was on account of changes on H1 VISA, out sourcing of jobs, America first and climate change and stance on trade etc .Trump was also giving conflicting signals on US relationship with China. Especially when on one occasion, he even suggested trade concession to China if it took meaningful action to restrain/motivate North Korea against pursuing nuclear proliferation. Hence, there were serious doubts whether America agreed with former US view on considering India strategic defense partner particularly in IOR by supporting India's rise not only economically and militarily but as a regional security provider.

PM Modi's visit of America and his meetings with the Secretary of State, Secretary of Defense on 26 Jun 17 and with President Trump on 27 Jun 17 has put all such speculations at rest. Bonhomie in their interaction was clearly visible during PM Modi entire stay in America. In general, it has been reiterated that India continues to remain an important partner due to shared interests of both nations in world affairs.

The important take aways from the visit are summarized below :-

(a) Top CEO of the American companies remain upbeat about India, hence as our efforts on ease of doing business progresses, we can look forward for greater investment.

(b) Pakistan have been specifically pulled up for sponsoring cross border terrorism. Going forward, US administration even proscribed Syed Sallahuddin the head of Hizbul Mujahaddin as a global terrorist. This would impact Pakistan supported terror activities and its funding in Kashmir.

(c) Maintaining focus on Indo – pacific region.

(d) Defence remains a key area .Both nations have resolved to expand their maritime security cooperation, Sale of Guardian drones to India and option to manufacture aircraft in India

(e) Maritime Security and data sharing between India and America.

(f) US LNG trade.

(g) Trade. PM Modi could convince that transformation of India presents abundant commercial and investment opportunities for the American companies and vice a versa

In all, the entire visit as seen from the joint statement has been most successful and beyond expectation of the strategic community.