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Now, there can be very little doubt over whether the Pakistani military leadership, Generals Ashfaq Kayani and Shuja Pasha were aware of where Osama bin Laden was hidden. The Pakistani Inter-Services Intelligence is competent enough for this. Usually, top leaders have “plausible deniability” and can claim that they didn’t know what their organisations were up to. In this case, General Kayani was ISI chief at the time Mr bin Laden supposedly moved to Abbottabad. The general’s denials are not plausible.

But what about the operation to get bin Laden? What role might the Pakistani military have played here? There are multiple possible explanations. Here are the three most interesting ones: One, it was, as the Obama administration claims, carried out unilaterally by the United States, without informing the Pakistanis. Two, it was orchestrated by the Pakistani military establishment as a card in the endgame of the war in Afghanistan. Or three: it was an outcome of an ongoing power struggle among various sections of the Pakistani military-jihadi complex.

Let’s take the first of these explanations. It is possible that a fortunate combination of US technology and Pakistani incompetence allowed such a daring raid to take place. Further, it is unlikely that President Obama would risk lying about an historic event of this nature. However, believing this account requires you to believe that the Pakistani armed forces are so incompetent as to miss four helicopters flying back and forth across the breadth of their territory. The Pakistani air force claimed that its West-facing radars were not operational. This stretches credulity because there’s a war along the Durand line with fighter planes, drones and choppers in regular use.

Also given that the biggest risk from such surprise missions is that the Pakistanis might mistake it for an Indian attack and react accordingly, Washington might — and should — have wanted to keep the Pakistanis informed.

So, we come to the second explanation. That the Pakistani military leadership was on board. In fact, they might have given up Mr bin Laden as it suits their interests at this time. President Obama can declare victory and pull US troops out of Afghanistan. The Americans will have to rely on Pakistan to ensure that the withdrawal is bloodless during an election year in the United States.

This is plausible. Contrary to popular imagination, it might have been done subtly. A gentle lowering of guard around Osama, a little clue here and there, and the US intelligence would catch up...it would only be a matter of time. Better still, US officials might even believe that they did it on their own.

The biggest argument against this hypothesis is that the military wouldn’t have let go in Abbottabad. This is far too embarrassing for them. Then again other al-Qaeda leaders like Khalid Sheikh Mohammed and Ramzi Bin Alshibh were also captured in Pakistani cities.
U.S. KILLS BIN LADEN

Obama: ‘Justice has been done’

By Peter Nicholas, Ken Dilanian and Robert Drogin

WASHINGTON — A CIA team killed Osama bin Laden at his compound inside Pakistan on Sunday and recovered his body, ending a 10-year manhunt for the world's most wanted terrorist. President Barack Obama announced the news Sunday night.

"Justice has been done," the president said solemnly in a nationally-televised address from the East Room of the White House. He called bin Laden’s killing "the most significant victory in the war against al-Qaeda, the network that the former Taliban-ruled government in Afghanistan was founded and led and inspir- ed and supported by." bin Laden murdered hundreds of innocent men, women and children," Obama said.

A senior White House official said that Obama gave the go-ahead for the operation in August, the same month that al-Qaeda's leader was killed. The official said that bin Laden was killed in a firefight during the operation and that he was dead by the time the SEALs returned to their helicopter.

"I know that this is a deeply emotional time for Americans," Obama said. "But I also know that this is a moment to reflect on the sacrifices and the bravery of those who served in this operation."

The president said that the United States would continue to work with international partners to strengthen security around the world.

"We are committed to ensuring that the United States remains a strong and peaceful nation," Obama said. "And we will continue to work with our partners to prevent terrorist attacks and to promote a more secure and prosperous world."
Another argument is that it was a high-stakes gamble: US actions can’t be predicted and might backfire on Pakistan.
Let’s consider a third explanation: that someone from within the military-jihadi complex tipped off the United States about Mr bin Laden’s location to undermine Generals Kayani and Pasha. I’ve called this the Musharraf’s Musharraf effect: the military-jihadi complex is not monolithic. When Musharraf was negotiating with India, he was being undermined in Pakistan by factions of the army establishment, not least with respect to the Lal Masjid confrontation. The same might be happening with General Kayani. When Kayani got an extension as army chief, he superseded all 24 lieutenant-generals and many major-generals, all of who missed their chance of becoming the army chief.

A general who gets an extension is like a blockage in a sewage pipe. If the blockage is not cleared, the pipe will burst. There’s always more sewage, pressure builds up relentlessly and no one wants the sewage pipe to burst. So it is the blockage that is cleared.

Whatever might be the case, some things are likely:

First, the United States will further embarrass the Pakistani military establishment and then use the embarrassment to coerce the Pakistanis into co-operating. It is likely to do this because there is only so much appetite any US president has to get into a fight with a nuclear armed state that is so violently anti-American.

Second, Pakistan will play along until things cool down, and then manage to wag the dog. This happened during General Zia-ul-Haq’s time and also during General Musharraf’s time.

Third, unless the United States and Iran patch up, Pakistan—supported by China—will dominate Afghanistan through its proxies.

Fourth, jihadi groups, flush with what they see as victory over another superpower will turn East towards India. Even if General Kayani or his successor is not so inclined, what is he going to do with hundreds of thousands of functionally illiterate, violent, radicalised young men? In the absence of a deradicalisation and demobilisation programme, the militants will target India.

The United States will further embarrass the Pakistani army and then use the embarrassment to coerce the Pakistanis into co-operating.

Unlike the 1990s, however, India is better prepared: in counter-terrorism, counter-insurgency and counter-infiltration. Internationally, public opinion is set against jihadi terrorism. Nevertheless, the threat exists because swathes of Pakistani territory might come under the sway of “non-state” actors, like Lashkar-e-Taiba, much like the Hizbollah does in Lebanon.

What should India do? At home, there must be a greater urgency towards addressing the challenges in Kashmir. With respect to Pakistan, New Delhi must make a strategic commitment to a policy of containing the military-jihadi complex. This involves leveraging on India’s own growing relations with the United States, China and Saudi Arabia to increase pressure on the complex. Finally, New Delhi must attempt to bring US and Iran together—this is one of the biggest prizes for Indian diplomacy in the contemporary times.
More arrows in the quiver

India needs to create a range of options against Pakistan.

In a spectacular operation deep inside Pakistani territory, described by Robert Gates, the US defence secretary, as “a perfect fusion of intelligence collection, intelligence analysis and military operations”, US special forces eliminated Osama bin Laden. This incident has again raised questions about India’s inability to destroy terror camps inside Pakistan or eliminate terrorist leaders like Hafiz Mohammed Saeed, who continue to incite violence against India from Pakistani soil.

Why is India not able to undertake a similar strike inside Pakistan? The most common answer to that question is: “lack of political will”. While Indian governments may have given an impression—from the Vajpayee government after a terror attack on the Indian parliament in 2001 to the current UPA government after the Mumbai terror strikes of 2008—that they are diffident to act militarily against Pakistan, their decisions have been based on a realistic appraisal of facts.

While a government can promptly order a military strike to placate the clamour of public opinion, it can scarcely control the escalatory ladder triggered by such an operation. Pakistan’s possession of nuclear weapons and its undefined red lines for unleashing them against India have always been at the back of the mind of decision makers in Delhi. Notwithstanding the assurance that Pakistan will be completely annihilated by Indian retaliatory strikes, the holocaust of a single nuclear strike even on a mid-sized Indian town is not something Indian leadership wants to risk. The US Navy SEALs raid was a military operation, and a similar raid...
by India would be assumed by Pakistan as an act of Indian military aggression, setting into motion a sequence of events which India, or for that matter Pakistan, can scarcely control.

Even beyond the political will, this military operation will need high quality intelligence, and technically equipped and tactically capable teams of the special forces. Of these, India can generate the tactically capable and well-trained teams to conduct a raid inside Pakistan in an immediate time-frame but cultivation of intelligence and acquisition of technical capacity will need a sustained travail over a longer time.

Currently, each of the three Indian defence services has its own special forces—which are force multipliers at a tactical level during a conventional war. To convert them into strategic assets requires fusing them into a unitary force, with its own integral assets and dedicated linkage to intelligence sources and analysis. This special forces unit, which can then be equipped with the state of the art equipment, should be part of the tri-service Strategic Forces Command, and ideally operate directly under the Cabinet Secretariat. Free of service affiliations, this unit will have the capacity to seamlessly operate from naval, aerial and land-based platforms, and have the advantage of real-time intelligence support. The command and control structure can be patterned on the successful example of National Security Guards, but mandated only for Out of Area operations of strategic value.

Even though India might be constrained to refrain from a military raid by its special forces inside Pakistan, creating such capacity means that India has expands its options. This strengthens India’s diplomatic position while dealing with Pakistan.

If India can’t conduct a military raid inside Pakistan, does it then mean that India is destined to interminably suffer from jihadi terror, unleashed under the protection of the Pakistani nuclear umbrella?

No. A military raid by a restructured special forces unit is just one of the options. India must simultaneously develop its capacity to conduct clandestine operations against high value targets on Pakistani soil. They can be either undertaken by undercover teams or by local assets cultivated by Indian agencies. India’s covert action capabilities inside Pakistan were discontinued by the Gujral government in 1997 and none of his successors have since chosen to revive that capacity.

Clandestine operations provide India the advantage of plausible deniability, thereby mitigating the danger of an escalatory military ladder. Moreover, unlike Mr bin Laden, who was hidden in a safe house, anti-India jihadi leaders like Mr Saeed move around openly in Pakistan. By cultivating assets either within local security agencies, or in rival jihadi groups or by using disgruntled elements within the same tanzeem, India can minimise the fallouts of targeting the jihadi leadership inside Pakistan.

There is a downside to this plausible deniability. It does not allow India to send a public message to deter other Pakistan-based jihadi leaders. Moreover, keeping such operations under the radar doesn’t allow the Indian political leadership to take its advantage electorally, which disincentivises the government from pursuing such a course of action.

Whether conducted as a military raid or as a clandestine operation, the uncertainty of intelligence, the consequences of an operation going bad and the risk to lives involved would still remain the determinants of political decision-making. More critically, these operations might set into action events that are beyond anyone’s control: not only if the

Continued on Page 15
New York suffered a tediously long winter this year, but for a few weeks in March there was an unusual sense of spring-like renewal at the United Nations. The UN’s critics were caught off-guard by the Security Council’s repeated efforts to rein in Libya’s Colonel Muammar Gaddafi and its authorisation of “all necessary means” to stop indiscriminate killings in Côte d’Ivoire. Even Secretary-General Ban Ki-moon, normally a paragon of caution, was invigorated and spoke out in favor of the Arab protest movements.

Today, after several weeks of NATO air operations over Libya, the “Multilateralist Spring” feels awfully long ago. Diplomatic fissures have opened up over the legitimacy and goals of NATO’s actions, with non-Western powers including India demanding the West back down. UN officials argue that, if the Libyan war ends relatively soon, the previous spirit of cooperation will return. But as nobody knows (at least at the time of writing) when the war will end, it is necessary to ask what’s gone wrong so far.

The Security Council’s initial activism was encouraging because it rested on a hard-headed diplomatic deal between Western powers and traditional critics of intervention including not only China and Russia, but also India, Brazil and South Africa, all currently on the Security Council. The United States and its allies united with the BRICS to pass the first resolution demanding Colonel Gaddafi back down. The Obama administration then made a point of gaining Council authorisation to use force in Libya—and New Delhi joined Moscow, Beijing and Brasilia in returning the favour by abstaining rather than rejecting Resolution 1973.

Some US policy wonks felt that India’s abstention was a poor recompense for President Obama’s decision to support a permanent Indian seat on the Security Council last year. But the administration recognised that, like China, India could not be expected to embrace Resolution 1973’s extremely broad mandate for military action outright. In this case, an Indian abstention was good enough (there was much less sympathy in Washington for another abstainer, Germany, who showed up NATO’s splits).

Although non-Western powers raised questions about NATO’s tactics from early on, the fact that BRICS backed a forceful resolution to the Ivorian crisis restored the general bonhomie in the UN. The ability of French and UN forces to bring the Ivorian crisis to a close (or at least get it out of the headlines) in a few days helped a good deal. If Abidjan had turned into a quagmire, the mood could have soured fast.

That is what has happened in Libya. As Colonel Gaddafi has defied expectations that his regime would collapse in days or weeks, the BRICS, with India often to the fore, have become persistent critics of NATO’s campaign. It is possible that this year’s experiments in interventionism may do the organisation lasting harm, strengthening those who argue that
humanitarianism acts as a cover for Western political plots.

If this is the case, it will be a pity not only for the UN as a forum, but for those powers—not least the United States and India—that see it as a tool for improving big power relations in the multipolar environment.

India’s interest in using the UN as mechanism for boosting its relations with the United States was underlined in one of the Wikileaks cables recounting a 2009 meeting between the two countries ambassadors in New York, Hardeep Singh Puri and Susan E Rice. Mr Puri reportedly told his counterpart that “his clear instructions from New Delhi regarding his posting in New York were to seek a greater degree of convergence with the United States.” There have been signs of this convergence underway in areas such as peacekeeping policy, and Mr Puri has also looked to work better with the Europeans.

India’s initial positions on Libya and its full support for force in Côte d’Ivoire were arguably further steps towards shifting the UN from its time-honoured “North vs South” and “NATO vs NAM” divisions.

Had Colonel Gaddafi crumpled faster, this would have been thoroughly validated. As it is, all the members of the Security Council, Western and non-Western alike, have had to face the reality that they did not have viable diplomatic strategies for the “long haul” in Libya. NATO’s members, including the United States, have looked increasingly nervous about sustaining the air campaign (let alone any sort of ground operation).

India and the other BRICS, meanwhile, have called repeatedly for a negotiated settlement in spite all evidence that Colonel Gaddafi is pathologically untrustworthy. There is nothing wrong with looking for a peaceful solution, and ultimately a pretty ugly deal may be required in Libya, but India and the other BRICS have not been able to point to mechanism for achieving this goal. South Africa did try to play an active part—President Jacob Zuma even went to Tripoli—but came up with a plan the rebels couldn’t accept.

There is something unreal about the postures of both sides in this debate. The United States, France and Britain unleashed the NATO air campaign insisting that it was not about regime change. Yet it was always clear that regime change was almost certainly the only way to end this war in a way that the West could accept. Conversely, the BRICS have been stout defenders of a diplomatic solution when it is clear that—without a significant change in the balance of forces—the conditions for a lasting deal do not exist.

The undeniable success of finding a diplomatic modus vivendi over Libya arguably obscured the fact that neither the Bombers nor the Talkers had a viable strategic vision of what to do if Colonel Gaddafi held out for months on end. It is possible—indeed probable—that he will eventually fall under the pressure of economic sanctions. Yet damage has already been done to the great powers’ relations at the United Nations.

The lesson here is simple enough. If India wants to see its policies “converge” with those of the United States and other potential allies (whether from the BRICS or NATO) at the UN, even the highest-class diplomacy will not suffice. Instead, there will need to be a deeper convergence on how to identify common strategic interests and when it is permissible to use force. The Security Council is the final chamber in which such issues are discussed in periods of crisis—it is not the back room in which deep agreements are forged.

This year’s experiments in Interventionism may do the United Nations lasting harm.
While NATO attacks on Libyan forces continue intermittently, another debate rages alongside. This one concerns why Germany abstained on Resolution 1973—which authorizes the use of all necessary measures “to protect civilians”—alongside China, Russia, India, and Brazil, instead of voting with its NATO partners who had moved the Resolution. The West, led by France, and United Kingdom with a more reluctant United States introduced the United Nations Resolution on March 17, 2011, began the bombing of Libya in just two days and passed the baton on to NATO which continues the military action.

The question of why Germany, a faithful member of NATO and an enthusiastic Europeanist, dealt what the Frankfurter Allgemeine Zeitung says was a “a blow to trans-Atlantic and European unity and security cooperation,” preoccupies everyone. American analysts have virulently attacked Angela Merkel, the Chancellor, with Roger Cohen of the New York Times demanding a mea culpa for having “shunned Germany’s core allies,” In an interview to Der Spiegel, the French author Bernard Henri-Levy, known for his pro-American views, said that “we lost a great deal of time because of the Germans, which is a disaster, mainly for the Libyans, but also for the Germans who will pay bitterly for abstaining.” The more respected Briton, Timothy Garton Ash accused the Germans of having given a “stab in the back” to its principal European partners, the US and the Arab League.

Some German analysts have been even more stringent in their criticism. Former German foreign minister and erstwhile Green, Joschka Fischer argued that Germany’s ambition to be a permanent member of the UN Security Council had possibly been “kicked into the can once and for all.” Der Speigel accused Germany of having read the future wrong and also of being on the “wrong side of history.” Many others blame the German foreign minister, Guido Westerwelle for having acted for domestic political reasons, keeping an eye on elections in Bad Wurttemberg (which Chancellor Merkel’s coalition lost anyway).

While Mr Westerwelle is “blamed” for Germany’s abstention, it is much more important is to understand whether this vote was a one-off or a trend. Since its unification in 1990, Germany has struggled to overcome its post-Second World War pacifism. A resolution was passed in 1991 after heated debate, under the stewardship of Mr Fischer, to interpret the Basic Law which governs Germany’s post war defence posture, so as to enable German forces to participate in UN peacekeeping operations in Cambodia, followed by the first invasion of Iraq in 1991 and incrementally in NATO out-of-area missions, including Kosovo, Iraq and Afghanistan.

Since the end of the Second World War, Germany and France have been the most enthusiastic participants of the European project to deepen and widen the European Union—Germany, to restrain itself following the deep shame of the Holocaust, and France to tie down Germany which it fears. Despite the deeply felt and expressed reservations of the German people over relinquishing the Deutsche Mark and the cost of German unification, Germany has prospered and become the largest manufacturing nation in Europe.

With each European economy that it has been forced to rescue from its own profligacy—Greece, Ireland, Portugal, and so forth—the German...
people and even the government, have become increasingly uneasy and begun to enunciate the unthinkable: To expel countries from the Euro zone or to take itself out.

**Germany may determine the history of Europe as it acts like a normal country in pursuit of its own national interests.**

Although the United States played a major role in the allied victory in First World War, it lapsed back into isolationism and did not make the intellectual transition of seeing itself as anything other than an appendage of Great Britain till after the Second World War. The Holocaust became the central motif of the Second World War and ended with the division of Germany and the loss of its colonies in Africa. Asia and Africa were entangled in the battles and politics of the world wars because of their colonial status.

However, more than 60 years have passed since the end of the Second World War and Germany has paid billions of dollars in blood money to Israel. Even more to its credit, it has acknowledged guilt and carried out a huge education campaign for decades. While it can never do enough for some countries and Israel’s supporters, subsequent generations of Germans now chafe at the continual accusations and attempts to, as Lord Hastings Ismay, the first Secretary General of NATO, put it as the purpose of NATO, “to keep the Russians out, the Americans in and the Germans down.”

Perhaps Germany has come of age. This time it may determine the history of Europe, separate from a relatively diminished United States, as it acts like a normal country, in pursuit of its own national interests. Meanwhile, former colonies like India, China and Brazil have grown up enough to chart their own histories and therefore, the history of the world. By abstaining from a doubtful military adventure, alongside the four BRICS countries, Germany may actually be ahead of the curve in its reading of future power balances and how its interests will best be served.

Whatever the real reasons for the German abstention, the very act opens new possibilities. Germany is already one of India’s most important economic partners with two way trade worth $20 billion. Like the BRICS countries, it is too large an economic entity—it comprises 20 percent of the 27-member EU’s GDP—to continue to be a political pygmy. India can take the lead, along with Germany, to build cooperation between the EU and the BRICS nations as they transform the post Second World War order by becoming stakeholders consonant with their economic weight.

It took two world wars in the twentieth century for Europe to address the question of a powerful, unified Germany. The twenty-first century may well see a solution to such issues by changing the world order itself to give Germany, Japan and the BRICS their legitimate place.
In the wake of Osama bin Laden’s death, voices in Washington are becoming increasingly critical of America’s military engagement in Afghanistan. Recognising this “new situation,” Indian Prime Minister Manmohan Singh, on visiting Kabul in May, called for renewed collaborative efforts to bring peace to the region at a “unique moment.”

While the nature of the ‘new situation’ is far from clear, there is plainly a need for increased international cooperation in rebuilding Afghanistan. At this critical juncture, NATO and other members of the US-led coalition should take note of Indian efforts and, together with Delhi, work towards developing innovative methods for achieving shared objectives.

As the international military presence ebbs in Afghanistan and Western interests there wane, development agencies and regional actors are assuming greater prominence. Occupying a unique position as Afghanistan’s leading regional development partner, India has established itself as a capable and dynamic player in the country’s reconstruction.

With no conventional combat troops on Afghan soil, India has been routinely marginalised by an international community acutely aware of Islamabad’s sensitivities. Though never cast as a provocation by Delhi, the Indian paramilitary troops assigned to protect certain Indian projects in Afghanistan have been perceived as an existential threat by Islamabad, as have India’s consulates. Despite this, and in spite of repeated insurgent attacks on its facilities and personnel, India has maintained a robust reconstruction...
programme in Afghanistan for a decade. Now, as the US-led coalition is shifting gears from defence to development, India is downgrading its presence on the ground and reassessing its approach.

New Delhi insists this is not a direct response to the security vacuum anticipated when the United States ends its combat role in 2014. Instead, the Indian Ministry of External Affairs (MEA) points to the culmination of several major infrastructure projects as an appropriate time to redefine its approach in Afghanistan. Speculation may be futile, but it is likely that a combination of factors, including the conditions of Islamabad’s current rapprochement with Kabul, are circumscribing India’s role.

New Delhi has indicated its openness to engaging in new, multi-sectoral trilateral projects with international partners.

India has historically enjoyed good relations with Afghanistan. From ancient civilisational ties to the contemporary influence of Hindi movies, the two countries have nurtured cultural affinities. Geography has freed the relationship from the complications of disputed borders that plague relations between Kabul and Islamabad on one side, and Islamabad and Delhi on the other.

Indian development initiatives in Afghanistan experienced a hiatus while the Taliban ruled Kabul, during which time New Delhi supported the non-Pashtun Northern Alliance as a strategic imperative. But with the ouster of the Taliban in 2001, India enthusiastically resumed and expanded reconstruction and development programming throughout Afghanistan.

Articulating a policy that embraces social and economic development as the key to ensuring that Afghanistan becomes a source of regional stability, the Indian government has pledged $1.5 billion in development assistance to Afghanistan since 2001 (making it the fifth largest donor). India’s projects cover a range of sectors, including large-scale infrastructure projects (such as the 218km Zaranj-Delaram highway connecting interior Afghanistan to the Iranian border), institution and capacity building initiatives (thousands of scholarships have allowed Afghans to study in India), small and community-based development projects that concentrate on vulnerable areas and emphasise local ownership, and the general provision of humanitarian assistance.

To be sure, the Indian agenda is not devoid of political and economic motivations. Incentives include security and access to trade, transit, and energy resources. However, although framed by Islamabad as a threat to Pakistan’s security, India’s motives in Afghanistan and the drivers of its development programming should not be defined by Pakistani perceptions.

Rathin Roy, director of the UNDP’s International Policy Centre for Inclusive Growth, has argued that, rather than altruism or global citizenship, the ethos of India’s development programming affirms mutual interest as the cornerstone for cooperation and rejects conditionality as a modality for transacting development assistance. New Delhi has emphasized that its strong political relationship with Afghanistan is underwriting a development partnership “between the world’s largest and most recent democracies.” Moreover, Delhi’s approach resonates, at least superficially, with contemporary theories about the reconstruction of fragile states. For example, India’s desire to be a guide in the establishment of pluralistic institutions and the relationship of Islam to the modern state, as well as the development in agriculture, employment generation, and the licit cultivation of opium, responds to the need, articulated by development scholars, for fragile states to overcome fragmentation, expand and enhance governance capacities, and catalyse trade, investment, and market competition.

In the recently released World Development Report 2011, the World Bank emphasises the need to introduce creative mechanisms for revitalising socio-economic and political institutions that are both sympathetic to local realities and novel in their approach.
It has been acknowledged that, due largely to the risk-averse nature of development programming amongst donor countries as well as international and non-governmental organisations, efforts in this direction have been fairly unsuccessful.

Given that Western donors recognise (to varying degrees) their own limitations and failings in Afghanistan and endorse the need for innovation and experimentation in development assistance, it is surprising that Indian efforts there should be overlooked. Western agencies would surely benefit from engaging their Indian counterparts.

Where India’s successes have been acknowledged (the efforts of the Self-Employed Woman’s Association, SEWA, for example, have been praised by Hillary Clinton) Western agencies have been keen to piggy-back—attaining from India the ‘biggest bang for development buck’. But New Delhi has made it clear that it is not in India’s interest to duplicate its successful bilateral programming by funding multilateral efforts to the same end. Rather, it has indicated its openness to engaging in new, multi-sectoral trilateral projects with international partners.

As an internationalised theatre of war, Afghanistan’s strategic significance to Western calculations is substantial. Crucial decisions are made and acted upon under these circumstances by the concert of states that have invested blood and treasure in the conflict. The arena thus presents certain opportunities for international engagement that will not arise in the post-war environment.

The conditions and tools with which development actors must work are, to a large extent, defined during the critical stages preceding the withdrawal of international forces. To allow and encourage India’s reconstruction programme in Afghanistan, the international community must use this window of opportunity to allay fears in Islamabad while simultaneously engaging India.

As the US-led coalition and India recalibrate their respective programmes in Afghanistan and the former camp moves to adopt a non-combat role, it makes a great deal of sense for both parties to consider one another’s reconstruction efforts, to share experiences, and develop mutually reinforcing strategies to rebuild Afghanistan.

More arrows in the quiver: Continued from Page 7

operation fails, but even if it succeeds. Dealing with a nuclear armed neighbour, India will have to ensure that the sub-conventional conflict never escalates into the conventional. India will thus need to prepare itself beforehand for containing the fallout of such operations—by diplomatic manoeuvres, enhanced military preparedness and buttressed internal security.

The United States has done inside Pakistan what it perceives to be in its best interests. India does not need to suffer from a “me too” syndrome. It has to choose a course of action that best suits its peculiar situation with respect to Pakistan.

The status quo, however, cannot and should not be an option. India must have more arrows in the quiver. It will take some time to build that range of capacities but the time to commence doing so is now. Not only will this allow India to hit the perpetrators of terror on Pakistani soil while continuing to talk to Pakistan, it shall also give India the luxury of talking to Pakistan from a position of greater strength even without actually undertaking any such operations.
The daring covert American operation that assassinated Osama Bin Laden under the nose of Pakistan’s military establishment has sparked widespread public anger in the United States toward Islamabad, criticism from the US Congress for what appears to be a double game, and anger from the victims of 9/11 over Pakistan’s collusion in harbouring the world’s most wanted terrorist.

Barack Obama, in an interview with CBS’ 60 Minutes, acknowledged that Mr bin Laden enjoyed “some sort of support network” inside Pakistan to be able to live for years at a high-security compound in Abbottabad, a city that houses numerous military facilities. He stopped short, however, of accusing Pakistani officials of harbouring the man who planned the 9/11 terrorist attacks. Ted Poe, a Congressman from Texas, has sponsored a bill for cessation of US aid to Pakistan, at least until it becomes clear what role, if any, the government played in Mr bin Laden’s ability to avoid detection for years.

While cutting the aid to Pakistan would be a terrible idea, the United States must ally with the Pakistani people and should demand a set of fundamental changes in Pakistan’s policy of seeking “strategic depth”.

First, it is important for the people of Pakistan to hear from their government that their fledgling democracy is not traded for a failed military obsession. The government of Pakistan has a fiduciary duty to articulate that the foreign aid it receives is channeled in a way that will strengthen
civil society and alleviate economic difficulties. The people of Pakistan also have the responsibility to demand from their government a set of fundamental changes. The Pakistani parliament should bring Pakistan’s Inter-Service Intelligence Directorate (ISI) under civilian control.

Second, Pakistan needs a strong public relations campaign to salvage its international image, especially in the United States. A recent poll indicates that Pakistan has a lower approval rating among Americans than North Korea and Iran. Pakistan has the ability to change that. For instance, Pakistan could arrest Mullah Mohammed Omar and majority of Taliban leaders, who have been enjoying privileged status at the expense of American, Pakistani and Afghan people. Undoubtedly, an action of this magnitude will win many US lawmakers’ support and completely change the dynamic of the Afghan war. It will be inconceivable for the Pakistani government to explain to its people, that protecting and supporting Mullah Omar’s cause is worth $3 billion in US aid.

Third, Pakistan should realise that the Taliban will never succeed in Afghanistan, no matter how many suicide-bomber factories and madrassas Pakistan establishes in its sovereign territory. Afghanistan does not have a strategic policy toward Pakistani interests. Many Afghans, like many Pakistanis, would like to live in harmony and peace with their neighbour and respect the covenant of neighbourly relations. For the Pakistani government to persuade Afghan leaders to abandon their long term strategic partnership with the United States is an unattainable goal. Even if Afghan leaders treasonously submit to Pakistan’s unrealistic demands, such a decision will not be tolerated by those who have a keen interest in delivering democracy to the people of Afghanistan through an organic political process.

Finally, the ball is in Pakistan’s court. Islamabad has numerous options on how to proceed in the aftermath of Osama Bin Laden’s death. Pakistan can choose the high road and get tough on terrorism without cherry-picking terrorist groups. Alternatively, Pakistan can choose to continuously deceive, its people, its allies and its neighbors. For the survival of a modern Pakistani state, it should choose the former.

Either way, the United States and the Afghan people have demonstrated that with patience, perseverance and constancy, terrorism will be defeated and democracy and freedom will prevail.
Privacy is a necessary but not sufficient condition for security. A bank safe is safe only because the keys are held by a trusted few. No one else can access these keys or has the ability to duplicate them. The 2008 Amendment of the Information Technology (IT) Act and their associated rules notified April 2011 proposes to eliminate whatever little privacy Indian netizens have had so far. Already as per the internet service provider (ISP) license, citizens using encryption above 40-bit were expected to deposit the complete decryption key with the Ministry of Communications and Information Technology. This is as intelligent as citizens of a neighbourhood making duplicates of the keys to their homes and handing them over at the local police station. With the IT Act’s latest rules things get from bad to worse. (For an analysis of the new rules under the IT Act, see the In Parliament section of this issue).

Now imagine my daughter visits the neighborhood cybercafe, the manager would now be entitled to scan her ID document and take a photograph of her using his own camera. He would also be authorised to capture her browser history including unencrypted credentials and authentication factors. He would then store this information for a period of one year and provide them to any government entity that sends him a letter. He could continue to hold on to the files as there would be no clear guidelines or penalties around deletion. The ISP that provides connectivity to the cybercafe would store a copy of my daughter’s Internet activities for two years. None of our ISPs publish or provide on request a copy of their data retention policies.

Now suppose my daughter used an online peer-production like Wikipedia or social-media platform like MySpace to commit an act of blasphemy by...
drawing fan-art for her favorite Swedish symphonic black metal band. A neo-Pentecostal Church sends a takedown notice to the website hosting the artwork. Unfortunately, this is a fringe Web 2.0 platform run by Indian entrepreneur who happens to be a friend of yours. When the notice arrived, our entrepreneur was in the middle of a three-week trek in the Himalayas. Even though he had disabled anonymous contributions and started comprehensive data retention of user activity on the site, unfortunately he was not able to delete the offending piece of content within 36 hours. If the honourable judge is convinced, both your friend and my daughter would be sitting in jail for a maximum of three years for the newly christened offence of blasphemous online speech.

You might dismiss my misgivings by saying “after all we are not China, Saudi Arabia or Myanmar”, and that no matter what the law says we are always weak on implementation. But that is completely missing the point. The IT Act appears to be based on the idea that the Indian public can be bullied into self-censorship via systemic surveillance. Employ tough language in the law and occasionally make public examples of certain minor infringers. There have been news reports of young men being jailed for using expletives against Indian politicians or referring to a head of state as a “rubber stamp.” The message is clear—you are being watched so watch your tongue.

Surveillance capabilities are not a necessary feature of information systems. They have to be engineered into these systems. Once these features exists, they could potentially serve both the legally authorised official and other undesirable elements. Terrorists, cyber-warriors and criminals will all find systems with surveillance capabilities easier to compromise. In other words, surveillance compromises security at the level of system design. There were no internet connections or phone lines in the bin Laden compound—he was depending on store and forward arrangement based on USB drives. Do we really think that registration of all USB drives, monitoring of their usage and the provision of back doors to these USBs via master key would have lead the investigators to him earlier? Has the ban on public wi-fi and the current ID requirements at cyber-cafes led to the arrest of any terrorists or criminals in India? Where is the evidence that resource hungry blanket surveillance is providing return on investment? Intelligence work cannot be replaced with resource-hungry blanket surveillance. Unnecessary surveillance distracts the security with irrelevance.

Increase in security levels is not directly proportional to increase in levels of surveillance. A certain amount of surveillance is unavoidable and essential. But after the optimum amount of surveillance has been reached, additional surveillance only undermines security. The multiple levels of data retention at the cybercafe, by the ISP and also by the application service provider does not necessarily make Indian cyberspace more secure. On the contrary, redundant storage of personal sensitive information only acts as multiple points of failure and leaks—in the age of Niira Radia and Amar Singh one does not have to be reminded of authorised and unauthorised surveillance and their associated leaks.

The message is clear—you are being watched so watch your tongue.

Finally, there is the question of perception management. Perceptions of security do not only depend on reality but also on personal and popular sentiment. There are two possible configurations for information systems—one, where the fundamental organising principle is trust or second, where the principle is suspicion. Systems based on suspicion usually gives rise to criminal and corrupt behavior. If the state were to repeatedly accuse its law-abiding citizens of being terrorists and criminals, it might end up provoking them into living up to these unfortunate expectations. If citizens realise that every moment of their digital lives is being monitored by multiple private and government bodies—they will begin to use anonymisation and encryption technology round the clock even when it is not really necessary. Ordinary citizens will be forced to visit the darker and nastier corners of the internet just to download encryption tools and other privacy enabling software. Like the prohibition, this will only result in further insecurity and break-down in the rule of law.
Filter

Geopolitical readings

PAKISTAN’S DEMOGRAPHIC GENIE

SHAHID JAVED BURKI, former finance minister of Pakistan reviews the trends in Pakistan’s demographics and population policies in the wake of its six-fold growth in population since its inception in 1947 with a forecast of a further doubling over the next four decades for “Reaping the Dividend”, a joint study by Woodrow Wilson center’s Asia program and the Fellowship fund for Pakistan.

In his wide-ranging essay titled “Historical trends in Pakistan’s demographics and population policy”, he reviews the historical trends in Pakistan’s population trajectory, the effects of large-scale migration and diaspora, growth projections, rapid urbanisation and alternate future scenarios of reaping either a demographic dividend or a catastrophe for the population, which, at a median age of 21 was one of the youngest in the world.

He states that it was imperative for Islamabad to conduct a population census coupled with a household survey and then design an urban policy to enhance the human capital of the population and also address the issues arising out of rapid urbanisation, failure of which would result in a high cost for Pakistan.

CROSSING THE JAPANESE NUCLEAR RUBICON

TAKENORI HORIMOTO of the Shobi University in Saitama highlights recent developments and stumbling blocks in the increasingly close relations between Tokyo and New Delhi.

In his Asia-Pacific bulletin for the East-West Center, “The Japan-India Nuclear Agreement: Enhancing Bilateral Relations?”, he argues that the developing pattern shows the growing realization of shared strategic concerns between Japan and India: that of a rising China and calibrating relations with the United States.

He cautions that although there were indications of Tokyo’s eagerness in enhancing its strategic and economic relationship with New Delhi, a smooth conclusion of an Indo-Japan nuclear deal was not a foregone conclusion as such a deal would signify Tokyo’s abandonment of half a century of anti-weapon advocacy while the aftermath of the earthquake and tsunami in Japan had further complicated the calculus of Indo-Japan nuclear co-operation.

NEW ACTORS IN INDIAN FOREIGN POLICY

ASHOK MALIK and RORY MEDCALF analyze the impact of three dynamic, non-traditional sources of influence on Indian foreign policy — an ambitious business community, a vocal diaspora and a rambunctious and aggressive news media.

In a Lowy Institute analysis, “India’s New World: Civil Society in the making of foreign policy”, they argue that there has been a greater and unavoidable democratisation of the crafting of India’s diplomacy due to a widening of the institutional sources where the flag followed trade, migrants acted as influence multipliers and ‘tabloid’ television informed middle-class opinion.

They conclude that it was impossible to map the trajectory of Indian diplomacy without parallel engagement and assessment of civil society, the media, trade imperatives.
of individual industries, and the interaction of the diaspora and domestic, highly localised politics.

SECURITY TRANSITION IN AFGHANISTAN

SHANTHIE MARJET D’SOUZA, fellow at the Institute of South Asian Studies in Singapore argues that large low-quality recruitment, high attrition and desertion coupled with non-standard training methodologies has affected the effectiveness of the Afghan national security forces, resulting in a mismatched ethnic composition and the rush to pass responsibility onto this relatively new and fragile force could prove disastrous for the country and the region.

In an ISAS study, “Prospects for ‘Transition’ in the Afghan Security Sector: A Reality Check?”, she draws attention to indiscipline, illiteracy, drug abuse and corruption as key problems in the backdrop of a rapid expansion of the army and police force creating serious concerns of leading to a hyper-militarised state with weak civilian governance structures.

She concludes that a sustainable transition in the Afghan security sector could only be achieved in combination with a corresponding transition within the civilian sector with strengthened government institutions.

CHINESE FISSILE MATERIAL STOCKPILE

HUI ZHANG of the Belfer Center’s Project on Managing the Atom reviews the history of China’s production of highly enriched uranium (HEU) and plutonium for nuclear weapons and uses new public information to estimate the amount of highly enriched uranium and plutonium China produced at its two gaseous diffusion plants in Lanzhou and Heping and two plutonium production complexes at Jiuquan and Guangyuan.

In an article for Science and Global Security, “China’s HEU and Plutonium Production and Stocks”, his new estimates for China’s HEU and plutonium range from production of 20 ± 4 tons of HEU and 2 ± 0.5 tons of plutonium while current stockpile estimates range about 16 ± 4 tons of HEU and 1.8 ± 0.5 tons of plutonium available for weapons, at the low end of most previous independent estimates (ranging between 17–26 tonnes of highly enriched uranium and 2.1–6.6 tonnes of plutonium).

He concludes that while Beijing’s current fissile stockpile could be sufficient for its current modernisation programme, these new estimates would be significant to assess China’s willingness to join a fissile material cutoff treaty and a multilateral nuclear disarmament.

INDIA’S EVOLVING INTERNATIONAL ROLE

GARETH PRICE of the Asia Task Force of UK Trade and Investment examines India’s growing influence on international affairs, trade and investment, security and democracy, and the environment and states that India’s ability to play a greater global role would evolve more naturally once its domestic development challenges were met.

In a Chatham House report, “For the Global Good: India’s Developing International Role”, he reviews India’s history as a provider of aid to developing countries in areas such as information technology, education and low-cost alternatives in the health and agricultural sector, led mostly through the private sector and NGOs.

He concludes that India found it easier to forge deeper partnerships with other emerging powers than with established developed countries, in line with its perceived national interest, with non-interference as a cardinal principle of India’s policy-making, affecting its approach to development as well as to broader foreign policy issues.

PEACE IN NEPAL

INDRA ADHIKARI of the Institute of Defence Studies and Analyses reviews key issues around integration of Maoist ex-combatants as part of the broader Nepalese peace process comparing with the experiences in post-Apartheid South Africa.

In an IDSA commentary, “Relevance of the Nepal Army Proposal on Integration”, he analyses the Nepalese army’s proposal of creation of a separate but mixed force drawn from ex-combatants and the existing security sectors in a separate directorate under the Nepalese army and states that this would be a balanced approach. He concludes that this proposal addressed the Maoists’ insistence on integration of the ex-combatants as well as non-Maoists’ anxiety that the army could face a professional crisis and politicisation.
We've known him professionally and personally for many years and there cannot be an issue of governance. He deserves to benefit from the principle of innocent until proven guilty.”

“We vouch for the integrity and honesty of the man who unfortunately was at the wrong place at the wrong time. A tainted person, proven or otherwise, is a scar on the integrity of the institution whose office he occupies and should relinquish the position.”

These are different quotes from The Times of India on March 4th, 2011, just a few pages apart from each other. The first is from leading Indian corporate executives about Rajat Gupta, former head of McKinsey, and the second refers to P J Thomas, the Chief Vigilance Commissioner who is under trial in a corruption case involving the Kerala cabinet many years ago. Both Mr. Gupta’s and Mr Thomas’ charges are yet to be proven at the time of writing, and as the quotes above suggest, people familiar with them testify to their integrity. However, it is intriguing to note that the judgments passed on each of the subjects are contrary to each other.

As we soaked in pages of news and hours of television debates on these issues, we could not escape noticing the obvious duality of our society’s moral judgments. The naked version of this argument is that a successful, global corporate professional with many board seats cannot be maligned without conclusive proof. However, the bureaucrat who is under trial for being a signatory to an order passed by the Cabinet of a state government has no moral authority to even be appointed to an office because he is a government official.

Mr Gupta and Mr Thomas

Why the double standard?
For those with perfect visual acuity, there is much in common between these two cases and for those whose sight is blighted by hypocrisy, there isn’t. Before you accuse us of holding a brief to one of the protagonists in this essay, allow us to explain.

In Mr Thomas’ case, evidently, the moral dilemma is one of being appointed to head the corruption watchdog of the country (the Central Vigilance Commission) despite an ongoing trial against him and in Mr Gupta’s case, it is of continuing to hold positions of power and responsibility (such as board positions with the Indian School of Business, at the time of writing) after being slapped with charges. Irrespective of the difference in sequencing of events in these two cases—one was appointed while still under a trial vis-à-vis the other still holding positions after an indictment—the larger moral question is similar—do both of them deserve the right to continue with their professional lives until charges are proved or just one of them?

We are using this analogy only to highlight the larger problem of rampant, selective moral judgments as we reel under a spate of scandals across all sections of our society today—political leaders, bureaucrats, businessmen, media professionals, judiciary, sportsmen and so on. Why do we sub-consciously believe one section of the society is guilty as charged always vis-à-vis others that are innocent until proven otherwise? This dual stance is on pompous display in corporate networking events where in any discussion on corruption, the tone is one of “if some corporates or bankers cheat, it’s either an aberration or cost of doing business but if some public servants cheat, the entire fraternity is incorrigible and deserves to be electrocuted.”

When questioned on this apparent duality, the most common answer is one of “benefit of doubt”. That there is a greater likelihood of a politician being corrupt than a corrupt corporate professional, so, we have to apply different standards. It doesn’t take long to realise how weak an argument this is—probabilities and likelihoods have a place in hard science but not in the social sciences! The longer we suffer from such dual standards, the more unsolvable our corruption malaise becomes since it then becomes a sling fest of one section of society (politicians) pointing to the other (corporates, media and so on), resulting in a deadlock. Private sector “stone throwing from glass houses” runs the risk of propagating an acerbic “us versus them” divide in our society which we should avoid.

Private sector “stone throwing from glass houses” runs the risk of propagating an acerbic “us versus them” divide in our society.

This schizophrenic reaction of our educated elite to the cases of Mr Gupta and Mr Thomas, offers at least three major lessons in transformations that we need to undergo:

First, boldly acknowledge that corruption is not within the sole confines of people in public life but transcends across private sector, institutions and society at large.

Second, hold everyone to the same rules and standards—legal and moral.

Third, ensure one’s history does not colour our looking glass—as the wisdom in the investment world goes, “past performance is not an indicator of future returns!”
V ANANTHA NAGESWARAN
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Pass the mirror around, please
There is no substitute for greater engagement in public affairs

Everything in India and about India comes with hype, emotion, drama and lots of theatre—even something as serious as eliminating corruption and improving governance is no exception. From the fast-unto-death undertaken by Anna Hazare to force the government to consider adopting and passing a Bill for creating a Lok Pal, to selecting the citizens who would ostensibly represent the people of India (an irony since our elected members of Parliament and State legislatures already represent the people), to deciding whether the image of Bharat Mata is secular (this is possible only in India), it has been one big theatre.

Many have pointed out the risks in investing all efforts on creating another authority without any checks and balances. Further, the creation of an authority to punish corrupt government officials and ministers is about stepping in after the corrupt deed has occurred—far better to invest efforts in finding ways to eliminate the scope for corruption. Wherever scarcities have been eliminated through economic liberalisation and introduction of technology, corruption has disappeared. It is evident, for example, in the procurement of train tickets and in the availability of cooking gas cylinders.

Also, when there are many laws and regulations, even ordinary citizens might end up violating them without being conscious of it. Nitin Pai drew attention to a failing that even Mr Hazare’s trusts has not been exempt from.

Another tendency that has been evident for quite some time and one that is now common even among the common man is the penchant for absolutes: You are for secularism or against it; for Narendra Modi or against him and now, for Mr Hazare or against him. In this vein, one of my friends expressed strong disappointment at my blog post in which I had suggested that Mr Hazare has missed an opportunity to tell the millions of his followers that they too—and not just politicians and bureaucrats—have responsibilities.

Srinivas Thiruvadanthai shared with me some details of how active citizens are in the United States. We would do well to reflect on our sustained enthusiasm (or the lack of it) for civic engagement. Mr Thiruvadanthai writes:

- I have been watching US democracy over the past 15 years: Making a democracy function is hard work—it requires commitment of time, money, and resources in general even if one’s interests are only very indirectly affected.
- In the US, the middle class, upper middle class, and upper class come out to vote, more so than the lower classes, and much more than their counterparts in India.
- More importantly, they devote time and energy (and money) to causes they believe in. Take the local school district for instance—there are numerous things, from budget battles to Little League coaching—that require volunteer effort from parents. Of course, these are tangible causes. It is even more remarkable to find people work for more intangible causes.

- The Tea Party—whether one agrees with its philosophy or not—is an example of a
grassroots movement driven by tremendous volunteer effort (added to of course by interest group donations). They have been able to influence the electoral politics and thereby affect policy in a relatively short period.

- Ultimately, society is full of externalities—positive and negative. If people were focused on only those activities that only they can capture the benefits, there won’t be any positive externalities or any free riding, but it will be a poor society.

Making a democracy function is hard work—it requires the commitment of time, money, and resources

Not only is it important to do what one has to do, it is also important to realise that criticisms have legitimacy only when we acknowledge praiseworthy initiatives. A quick scan through the Reserve Bank of India’s State of the State Budgets reveals many worthwhile initiatives. Arunachal Pradesh is to install CCTV cameras and electronic weighbridges at border checkgates. The state is creating a budget provision for improving statistical systems. Bihar will be using an e-muster roll based on biometric system for effective and transparent implementation of the rural employment guarantee scheme. For the first time in the country, a state government (Madhya Pradesh) deposited cash directly to farmers’ bank accounts against procurement of wheat. On the National Civil Services Day, the Prime Minister rewards those civil servants who had done exceptional work in their respective areas. The awards for 2009-10 were given out recently. How many of us take the effort to find out the awardees’ email addresses or phone numbers to congratulate them?

Madhu Kishwar recently reminded us that the task of cleaning our polity of crime and corruption is best done by people of compassion and humility; by people who remain fair and non-partisan. Probity, integrity and responsibility begin at home.

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India was the fourth largest oil consumer in the world in 2009. Seventy per cent of India’s oil imports come from Middle Eastern countries like Saudi Arabia and United Arab Emirates. A wobbly political climate in the Middle East has added to ever-increasing prices in crude oil. It is time India took steps to lessen its dependency on Middle Eastern oil.

Following the nuclear accidents in Japan, anxious questions have been raised on India’s reliance on nuclear power as a major source of energy in the coming decades. An energy starved India has to look for other sources of energy like natural gas to meet its short and long-term requirements. Natural gas is vital in avoiding electricity shortage, a major choke point in the growth of India.

Environmental impact of natural gas is minimal as it is the lowest emitter of carbon dioxide and, is generally considered as the cleanest fossil fuel. Liquified Natural Gas (LNG) is a cleaner alternative to other automobile fuels. Natural gas produces half as much carbon dioxide, less than a third as nitrogen oxide, and one per cent as much sulphur oxides compared to coal-fired plants. It is a clean alternative to a country that is heavily reliant on coal. According Paris based International Energy Agency; nearly 41 percent of India’s energy is from coal. As of December 2009, India had 935,000 natural gas driven vehicles.

India’s failure to take any strategic decision on the natural gas trade with Myanmar has only strengthened China’s grip on that country’s resources. China is purchasing gas from all seven gas blocks in Myanmar, which include some of the largest natural gas fields in Asia. India has less than 30 percent stake in two gas blocks. Myanmar is not hostile towards the Indian government. It is difficult, but possible, to connect pipelines between the two countries without having to pass through Bangladesh. It is India’s indecision that is to blame. India must invest heavily in

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A lot of gas
Procuring adequate gas supplies requires greater decisiveness
infrastructural and energy projects in Myanmar.

There is a case for massive investments in pipelines between the two countries. This will also galvanise development in Assam and better border management against insurgents along the India-Myanmar border.

**India has been under-performing in domestic natural gas production.**

Energy policy discussions in India have to move forward from being overly focused on proposals like the trans-Afghanistan and Iran-Pakistan-India gas pipelines to improving energy relations with non-OPEC countries such as Brunei, Malaysia, Indonesia and Russia. India’s Western neighbour will remain an impediment in building major gas pipelines to Central Asian countries. The Centre for Strategic and International Studies, a US think tank, reports that the China National Petroleum Corporation (CNPC) has invested approximately $45 billion dollars to establish its global energy partnerships as opposed to ONGC’s $3.5 billion. “The Central Asia-China pipeline will transport 30 billion cubic metres annually from Turkmenistan, Uzbekistan and Kazakhstan into China.”

This will transport 30 billion cubic metres annually into China. The Russia-China gas pipeline will be commissioned later this year. China has definitely tilted the energy equation in Asia and India should continue to diversify its energy relations in order to ensure that its energy supplies do not suffer.

Instead of being overly enamoured by pipelines, India’s strategy must centre around LNG. Petronet LNG has constructed LNG terminals in Dahej, Gujarat and Kochi, Kerala for imports from Australia, Qatar and Kuwait. Gas trade introduces long term agreements of twenty to thirty years involving significant investment between buyers and suppliers. Such agreements provide strong bases for strategic bilateral relationships.

Since January 2011, India and Indonesia have signed 18 preliminary trade pacts worth $15 billion, including energy deals. Indonesia has the largest natural gas reserves in South East Asia. Indonesia and China have signed a 25-year supply agreement to Fujian LNG. India is catching up, with Indonesia agreeing to supply 5 million tonnes of LNG to India per year.

India has been under-performing in domestic natural gas production. While the production in KG-D6 block by Reliance Industries has been very disappointing, the Indian government should not panic and allow private companies to continue to supply drilled gas to sectors like the fertiliser industry.

International investors have shied away from looking at India as a lucrative natural gas destination. Government policies to tightly regulate gas prices when domestic production and imports are not keeping up with growing demand are misguided.

Indian government should look at providing incentives for natural gas as it has for crude oil exploration. However, matters like the government’s indecisiveness on the Cairn-Vedanta deal will further alienate foreign investors.

Shale Gas is rapidly increasing as a source of energy and has revolutionised the US gas market. Large shale resources have been discovered in Assam and Gujarat—the first shale discoveries in Asia. It is imperative that GAIL take the initiative to develop the technology to explore shale resources in India. Regulatory hurdles to explore shale gas in India are bound to be suffocating, not least because it requires land acquisition. India might have to emulate controversial method of hydraulic fracturing, involving injection of chemicals into seams of rocks. Environmentalists claim that the chemical wastes can contaminate groundwater. On the other hand, shale gas might hold the key to supplement, if not perhaps even dominate the Indian gas market.

There are many countries in the world competing for energy. India cannot afford to repeat failures like the debacle in Myanmar. Swift and strategic decisions have to be taken to secure supply of energy.
TEACHING FINANCE IN MBA POST-GLOBAL CRISIS

After the Crisis, one major question has been about the changes in teaching economics and finance. JR VARMA of IIM-A explores this issue in a new paper (Finance Teaching and Research after the Global Financial Crisis, 2011).

He says finance curriculum in a typical MBA programme has not kept pace with the developments in finance theories. There were clear gaps between theory and practice and finance needs to go to its theoretical roots. However, there is a need to re-examine finance theory itself. We need to add newer insights like market microstructure theories within finance. There is a need to plant ideas from other fields like sociology and psychology. Beyond that, finance needs even more maths and models to go with these new additions.

Prof Varma says efficient markets hypothesis (EMH) has two perspectives: First, there are no free lunches and second, prices reflect the fundamentals and are always right. The crisis has strengthened the first claim and weakened the second. The EMH does not justify a light touch regulation of “too big to fail” banks. He also points how Repo market has blurred the lines between financial markets and institutions because it turned investment banks into shadow banks.

ENACTING FRANK-DODD BEFORE THE CRISIS?

FDIC has released an interesting what-if paper (The Orderly Liquidation of Lehman Brothers Holdings Inc. under the Dodd-Frank Act, 2011) which wargames the scenario if Frank-Dodd Act (FDA) would have been enacted before the 2007 crisis.

Under the FDA, FDIC gets new powers to act for systemic financial firms like it does for banks.

The paper is divided in three parts: the first part plays the events of Lehman crisis; the second analyses the key aspects of FDA and FDIC’s new powers; and the third replays the Lehman crisis if FDA had been in place.

It suggests that the FDIC, with its new powers, could have promoted systemic stability while recovering substantially more for creditors than was done through the bankruptcy proceedings, and at no cost to taxpayers. It estimates that general unsecured creditors of Lehman could have recovered 97 percent of claims, compared to the estimated 21 percent on claims estimated in the most recent bankruptcy plan of reorganisation. While there remains no doubt that the orderly liquidation of Lehman would have been incredibly complex and difficult, the report concludes that it would have been vastly superior for creditors and systemic stability in all respects to the bankruptcy process as it was applied. Though the report points that there are limitations with such an exercise since it is based on many assumptions, but it still would have been a better outcome under the FDA.

WHEN IS SIZE OF FINANCIAL SECTOR DISRUPTIVE FOR GROWTH?

The recent crisis has however raised concerns that some countries may have financial systems which are “too large” compared to the size of the domestic economy. JEAN LOUIS ARCAND, ENRICO BERKES AND UGO PANIZZA look at whether size of financial sector could be disruptive to growth (Too...
Much Finance?)

They say when private sector credit equals around 110 percent of GDP, financial sector starts to hinder growth prospects. Credit at 110 percent of GDP is like a threshold level. At lower than threshold finance leads to growth and higher than that it hinders growth. Importantly they include credit from both bank and non bank sources as we have seen latter becoming an important source of finance.

They look at a number of countries and show most advanced countries like US, UK, Iceland etc had credit higher than the threshold leading to crisis. They add bank capital requirements should be raised to lower the size of finance. The financial industry has argued that the Basel III capital requirements will have a negative effect on bank profits and lead to a contraction of lending with large negative consequences on future GDP growth. While it is far from certain that higher capital ratios will reduce profitability, their analysis suggests that there are several countries for which tighter credit standards would actually be desirable.

How much is India’s credit to GDP ratio? Bank credit to GDP ratio as on March 2011 is around 53.4 percent of GDP. But we do not have proper estimates on non-banking sources of credit.

DO WOMEN POLITICAL LEADERS HELP WOMEN?

Recent state elections saw two women emerge as leaders in their states. So what would one expect from a women leader? One of the first things should be improvement in women’s security. As a woman it is a shame to live freely with fear lurking in most corners of the country. LAKSHMI IYER of Harvard along with three economists explores these issues at a village level which has a female council head. (The Power of Political Voice: Women’s Political Representation and Crime in India).

The findings are surprising. First instead of declining, one sees reported crimes against women rising. The authors thought this would be because of backlash against women leaders with men committing more crime. The authors probed more and found the rise is not because of actual increase in crime against women. It is because women are now reporting crimes more as they are feeling confident that some action will be taken and further atrocities will not be done because of the woman leader. Hence they have become more empowered to act. The findings are interesting as basically village councils don’t have the power to influence police.

The new and existing women chief ministers should take lessons from their village counterparts and improve women’s security and empowerment in their respective states.
The government has recently announced a series of four Rules under the Information Technology Act, 2000 (as amended in 2008). These pertain to safeguard of sensitive personal information by intermediaries; due diligence by intermediaries; operation of cybercafes; and electronic delivery of services such as applications, certificates and licenses. The Rules raise some important issues related to privacy and implementation.

In general, many Acts delegate the power to make Rules on specific issues. This enables a quick response to changing circumstances. If these provisions were in the Act, any change would require an Amendment to be passed by Parliament, which could take significant amount of time and resources.

**Sensitive Personal Information**

The Act requires every company holding any sensitive personal information in a computer resource to take reasonable security practices and procedures. It authorises the government to frame Rules to define “sensitive personal information”, and to lay down “reasonable security practices and procedures”.

The Rules define sensitive personal information to include passwords and information related to biometrics, health, finances and sexual orientation. They require corporates to disclose a privacy policy, which should meet certain minimum standards. The information shall not be disclosed to any third party without prior permission from the person providing the information. There is an exception clause to this requirement. The information has to be shared with government agencies which are mandated by law to obtain such information for the purpose of verifying identity or preventing, detecting, investigation or prosecuting offences. The agency has to give a written request for the information, and may not share the information with any other person.

This exception clause raises issues related to the sanctity of private information. The Supreme Court has read the right to privacy as part of the fundamental right to life, and said that this right is subject to reasonable restrictions. For example, for the government to tap telephones, it needs to meet certain conditions, requires written sanction from the home secretary, and each case is reviewed by a high level committee. An investigating officer needs to get a warrant from a magistrate before seizing any document. These IT Rules, on the other hand, permit access without such a check. Thus, an investigating officer needs a warrant to obtain access to a physical record, but can access the same information without a warrant if it is kept on a computer database.

**Due Diligence by Intermediaries**

The Act exempts intermediaries from liability for information transmitted and stored by them. This protects entities which provide internet access or host blogs, websites, auction platforms, transmit emails, or permit user comments on their websites from liability arising from information being stored or transmitted by their users. The intermediaries have to follow certain due diligence guidelines. If they are informed of any material on their computer resources that are being used for unlawful purposes, they have to remove such material. The guidelines to be observed by the intermediaries are to be prescribed in the Rules.
The Rules require all intermediaries to publish certain minimum terms and conditions for users. These include, among other conditions, that the user shall not post content that is "grossly harmful, harassing, blasphemous, defamatory, obscene, pornographic, paedophilic, libellous, invasive of another's privacy, hateful, or racially, ethnically objectionable, disparaging, relating or encouraging money laundering or gambling, or otherwise unlawful in any manner". If any contravention is brought to the knowledge of the intermediary, the content has to be blocked. The Rules require the intermediary take action within 36 hours, if they are so informed in writing or by an electronically signed email.

There are three issues with these Rules. First, many of the terms are not defined and open to interpretation. Second, many of these items are not illegal and a restriction may impinge on the right to free speech. For example, it is not illegal to be an atheist (and therefore blasphemous), or to disparage a government rule (such as this one) or to write an analytical piece on gambling. Third, the onus of interpreting any content will be on the intermediary if someone writes about a violation. Note that the intimation of violation is not necessarily from a government agency or regulator but can be from any person. Given the costs involved in monitoring and responding to complaints, this Rule could lead to lower levels of openness and access to content on the internet (including unmoderated comments on websites and blog hosting).

Cybercafe Rules

Using the power to form due diligence guidelines for intermediaries, the government has framed Rules for cybercafes. The Rules require all cybercafes to be registered with a registration agency. Cybercafes need to check identity documents of every user, and keep a photocopy or scanned copy of such documents. They may also take and store a photograph of every user. They shall also maintain a log of all websites accessed by each user, and store this information for one year.

The Rules also mandate certain layout for cybercafes. Any partition should be less than 4½ feet high, and all terminals should face a common space (and be visible to others). There should be a board that informs users not to access pornographic sites or download information prohibited by the law.

These Rules raise both privacy and implementation issues. The history of all websites accessed by a person, as well as personal details (name, address, photograph) are available to the cybercafe owners. This information could be misused to profile persons, and in some cases even harass them.

Second, the Rules are difficult to implement in several cases. Cybercafe is defined as any facility that offers access to the internet in the ordinary course of business to members of the public. This would include coffee shops, airport lounges etc., that offer wi-fi access. Requirements of identity verification, maintenance of usage history and layout prescriptions would likely lead to such facilities being withdrawn.

Electronic Service Delivery

These Rules enable the government to deliver certain services through secure electronic transmission, with electronic signature. These services could include filing forms and applications, granting licences, permits and certificates, and payment of money. This process could lead to increased efficiency in service delivery. Also, by removing human contact with officials, there could be a reduction of corruption and harassment.

The Ball is now in Parliament's Court

All Rules have to be tabled in Parliament. A Parliamentary Committee is mandated to examine these to see that they are in consonance with the spirit of the Act. Any Member of Parliament may also demand a discussion, and Parliament may amend the Rules. We believe that the IT Rules deserve close scrutiny by Parliament given the privacy, access and implementation issues.
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