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INSIDE:
Global
South
Asians

CONTENTS

FOCUS

Pakistan's Choice of Governance Model	04
India's Election Season	06
Framing the 'Idea' of India	08
Indian Telecom: What Next?	10

SOUTH ASIAN DIASPORA

Bangladesh's Diaspora Dividend	12
Quest for Pakistani Ethos Abroad	14
A Convention to Connect Global South Asians	16

COVER STORY

Xi Jinping's New 'Panchsheel'	20
The Sino-US Factor	22
All-weather Dialogue, Now!	24
Trade Features and Issues	26

ISAS AT FIRST SIGHT

Youthful Impressions	19
Thoughts at the Threshold	29

EVENTS

ISAS Events Photo Spread	30
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Photo: Courtesy of India's Ministry of External Affairs, New Delhi.

India's Prime Minister, Dr Manmohan Singh, (right) with the Chinese President, Mr Xi Jinping, before their meeting on the margins of a multilateral summit in Durban (South Africa) on 27 March 2013.

Editorial Information

South Asia is the newsletter of the Institute of South Asian Studies (ISAS). You may send your feedback and comments to:

The Editor
South Asia
Institute of South Asian Studies
National University of Singapore
469A Bukit Timah Road
#07-01 Tower Block
Singapore 259770

Tel : (65) 6516 7235
Fax : (65) 6776 7505
Email : isassecc@nus.edu.sg

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From the DIRECTOR'S DESK



Dear Readers

When the elephant (India) and the dragon (China) greet and talk to each other before and after a disconcerting military standoff between them, the world cannot but take note. Both are rising powers on the international stage, although the tag might fit China more so than India as of now. India's Prime Minister Manmohan Singh and China's new President Xi Jinping met in Durban on 27 March 2013. That was before the recent border standoff between these two giant Asian neighbours, and after it ended without a fire-fight, Dr Singh played host to China's new Premier Li Keqiang in New Delhi on 19 and 20 May.

Months before such a sequence of events on the Sino-Indian front, we at the Institute of South Asian Studies in Singapore had the foresight to think of 'India-China Cooperation for Global Good'! That indeed was the theme of our Eighth International Conference, held in Singapore on 22 November 2012. In the keynote address, Singapore's Emeritus Senior Minister and ISAS Patron Goh Chok Tong sounded prophetic: "Competition between rising powers is unavoidable; conflict is not. ... Today, a war across the [Sino-Indian] land borders is much less likely compared to 50 years ago. But there will be occasional blips for sure. ... A peaceful and collaborative relationship between a powerful China and a strong India is ultimately in everyone's interests and to everyone's benefit".

It should not surprise the readers, therefore, that *South Asia*, the slim twice-a-year publication of ISAS, presents a four-article Cover Story on India-China Dynamics. One of our research professors has spotted signs of *New 'Panchsheel'* (Five Principles of Peaceful Coexistence) in Mr Xi Jinping's prescription for robust Sino-Indian relations. Another professor analyses the Sino-US factor in the India-China engagement, while the story of New Delhi's gap with Beijing in their booming trade is told by a senior researcher. Another article explores the nuances of core interests and concerns in the current Sino-Indian milieu.

The issue in your hands serves as a bridge between our 2012 annual conference and our South Asian Diaspora Convention 2013 which will be held in Singapore in November. In the South Asian Diaspora section, we have an article on the outlook for this global meet. An external scholar writes on the quest of overseas Pakistanis for the ethos they are used to at home. Another scholar from outside the house of ISAS has written on what we see as a Diaspora Dividend for Bangladesh.

The current issue of *South Asia* opens with the Focus section where Pakistan, which has just ushered in a democratic transition, takes the pride of place. One of our senior scholars takes a long-term view of Pakistan's

options for a proper form of government. The political speculation in India in the run-up to the next general election is covered by another senior scholar. The "idea" of India in its foreign policy framework is another subject of interest. Talking of India, no one can miss its revolution in mobile phone use. One of our professors, also a co-author of *Cell Phone Nation*, has written on what to expect next in India's telecom sector.

As an autonomous research institute at the National University of Singapore, ISAS is also engaged in introducing young students to the world of South Asian studies. Two of our recent Interns, one of whom has since joined the institute, have penned down (or, should I write, keyed in?) their impressions under the feature, ISAS at First Sight.

I hope you will enjoy such an assorted but rich fare. Wish you happy reading.

TAN TAI YONG

Pakistan's CHOICE OF GOVERNANCE MODEL

* IFTEKHAR AHMED CHOWDHURY

Poet Alexander Pope, in his epistle 'An Essay on Man', had said: "For forms of government let fools contest: Whatever is best administered is best". He was not, of course, writing with Pakistan in mind, but his saying is unquestionably applicable to that country.



An ISAS Seminar, in Singapore, on Pakistan's democratic experience: Dr Aasim Sajjad Akhtar, a Pakistani scholar, (right) and Dr Iftekhar Ahmed Chowdhury, ISAS Senior Research Fellow, (left) in dialogue with the audience on 4 April 2013.

Since its inception, power in Pakistan has shifted between the head of state – the governor general or president – and the prime minister. Initially it resided in the person of the Father of the Nation – Mohammed Ali Jinnah, in the words of an observer quoted by Hector Bolitho, was “Pakistan’s King-Emperor, Archbishop of Canterbury, Speaker and Prime Minister concentrated into one formidable *Quaid-e-Azam*”. He set a trend in motion that remained more or less constant (briefly Sahibzada Liaquat Ali Khan ruled the roost as Premier between the *Quaid*’s death in 1948 and his own assassination in 1951), only to be altered after Zulfikar Ali Bhutto’s ascendance in 1973. Bhutto moved power to the parliament, where his Pakistan People’s Party had the majority, and to himself as prime minister. Since then, the pendulum swung between the president and the prime minister, till the present times, when through a constitutional amendment the president gave power up in favour of the prime minister. But anyone, who thought Prime Minister Ashraf (who ruled before the caretakers took over and held the national general election on 11 May 2013) was really more powerful than President Asif Ali Zardari, is not a good student of Pakistani politics. So the question had arisen: ‘Why not call a spade a spade, and describe the head of state as the head of government?’

Generally, this matter has never been a subject of serious public debate. So far it has depended largely on the predilections of the ‘strong man’. Because in the past most ‘strongmen’ were from the military (Ayub Khan, Yahya Khan, Zia-ul-Haq, Pervez Musharraf) and were ‘presidents’. It is assumed that ‘presidents’ carry a less democratic hue than ‘prime ministers’. This is not necessarily so. Prime ministers in Pakistan have also exercised power which has not seemed any less dictatorial (Zulfikar Bhutto, Benazir Bhutto, Nawaz Sharif, to name but a few). In theory, both systems can be democratic or undemocratic, depending on how power is, in reality, exercised.

Both forms have deep Anglo-Saxon origins. The parliamentary or prime ministerial form has its root in England, in the Westminster, the Mother of Parliaments. It’s often called the Westminster model, though in South Asia, there is the Indian, Pakistani or the Bangladeshi variant. The English Constitution

has evolved, over time, in an unwritten fashion, but the concept that was constant is that sovereignty resides in the king-in-parliament. When the King and Parliament fought in the seventeenth century, the Parliament lost its cool – and the King his head. Since then parliament has been supreme, though, over time, power passed on to the cabinet (largely drawn from the House of Commons; the House of Lords still exists, serving little purpose, and the writer Walter Bagehot once said the greatest cure for the House of Lords was to go and have a look at itself!) In fact, critical analysts like the Labour Party politician R H S Crossman called the system ‘cabinet dictatorship’. Eventually this ‘dictatorship’ passed on to the prime minister, who was to have been *primus inter pares* or ‘first’ among equals (Someone like the Iron Lady Margaret Thatcher brooked no equal).

The Americans, ever so cautious after their Revolution, thought it more prudent to write out their constitution. The federation had several states coming together; so, the understandings needed to be carved in stone (at least written in ink). They opted for a careful check and balance between the legislature (which in America is the parliament and in India, a party), the judiciary and the executive, which comprised the president and cabinet officers selected by him from outside the congress. This sometimes made for constant negotiations and much wrangling. Because of America’s overall-might the United States President has been called the ‘most powerful man in the world’, but oftentimes, when he goes to the congress pleading for a law to be adopted, or requesting a high-office nominee to be endorsed, he does not provide that impression. His hands appear awfully tied! The system also works in strange ways. While the idealistic Wilson couldn’t get the country into the League of Nations due to congressional opposition, the apparently less-intellectually-equipped George W Bush merrily took the country into two disastrous wars, in Iraq and Afghanistan, circumventing the legislature!

For Pakistan, both systems are similarly foreign. Most certainly the constitution needs to be a written one. Even then, some elements concerned pay it little heed. They will pay it far less, if it doesn’t exist as a volume. Reverence to some books, especially appropriate religious tomes, is

widespread in this society, but these do not necessarily include legal texts. The idea that there should be one leader is drilled into the national psyche. This is the first advantage of the presidential form. Secondly, the fact that the catchment area for the president to choose a cabinet party is much larger, as it extends, in fact it has to, beyond the parliament. Pakistan needs powerful and strong sectoral leadership which this can ensure. Third, the provinces can run in sync with the centre because the provincial governors would be appointed (so, the likelihood of a different political party being in power in the province would not arise). Also, this could be helpful in creating more provinces, say by breaking up Punjab, which is increasingly becoming a crying administrative necessity. There are flip sides, of course. The presidents could become too powerful. The provinces could lose their autonomy, which was the primary reason for their creation.

The parliamentary system also has its advantage. Power can be balanced between the prime minister and president. Each member of parliament can exercise some administrative responsibility in his or her constituency, more so than in a presidential form where his or her role would be confined to law-making. The downside is everything that is a plus-side for the presidential form.

But which should Pakistan follow? Ultimately we go back to where we started from: Alexander Pope’s dictum. Only that, the debate must not be closed for good. If changes are seen to be advantageous, these should be made unhesitatingly. Democracy does not flow from the formal structures of governance. It lies in the quality, nature and the frame of mind of the delivery of governance, in consonance with the demands of public good and justice.

** Dr Iftekhar Ahmed Chowdhury is Senior Research Fellow at ISAS. He can be contacted at isasiac@nus.edu.sg.*

India's ELECTION SEASON

* RONOJOY SEN

Though the general elections, if they are held according to schedule, are due by mid-2014 it's election season already in India. Political parties have been getting into election mode and speculation over who will be India's next prime minister is rife among pundits as well as the person on the street.

A popular television channel, in association with a market research agency, in April 2013 tested the popular mood by conducting an opinion poll. The results were not too surprising. It showed the Congress Party's share dramatically declining from 206 seats out of a total of 543 seats in the *Lok Sabha* (Lower House of Parliament) in the last elections to 113, and the Bharatiya Janata Party (BJP) increasing its tally from 116 to 141 seats. The projections for the coalitions headed by the two parties were the following: the Congress-led United Progressive Alliance (UPA), in its current *avatar* without the Trinamool Congress and the Dravida Munnetra Kazhagam (DMK), would get 128 seats, while the BJP-led National Democratic Alliance (NDA) would end up with 184. The latter's projected seats includes those of the Janata Dal (United) which has given indications that it will walk out of the alliance if Gujarat Chief

Minister Narendra Modi is chosen as the BJP's prime ministerial candidate.

The other findings of the survey are unexceptionable. It predicts that many of the regional parties are going to surpass their tally from the 2009 elections. Others are likely to get at least as many seats as they had won last time. While this is likely to hold true, it must be remembered that in some states, such as Uttar Pradesh, voters have often tended to vote in larger numbers for national parties in general elections as compared to state elections.

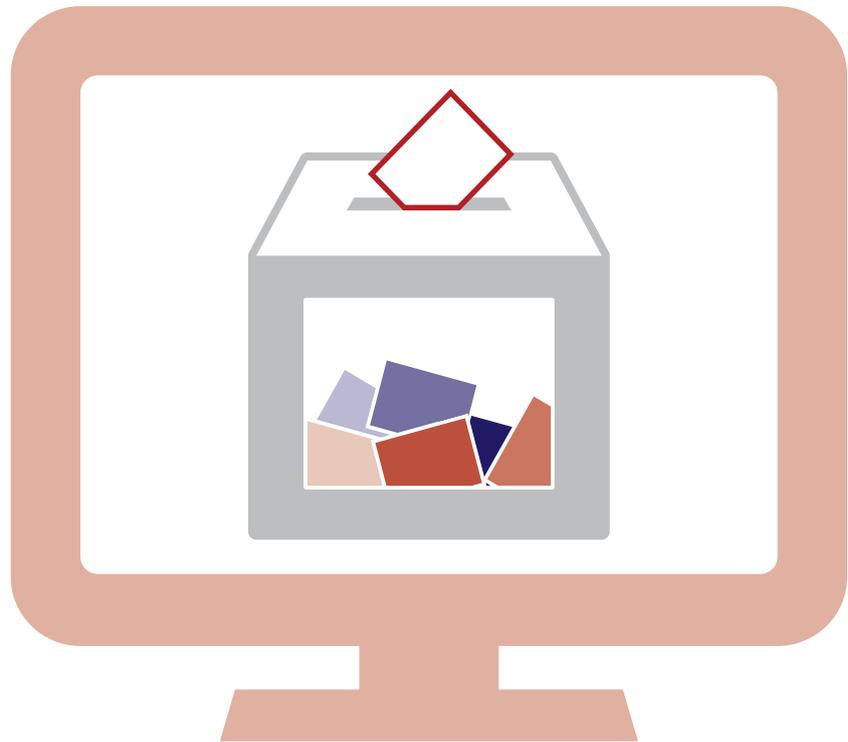
The survey results are of course subject to several caveats. With elections yet to be announced things can change very fast, even in the duration of a few weeks. Besides, limited surveys of this sort do not usually capture the views of the vast and varied Indian electorate very accurately. But what they do is give pointers to certain broad trends.

The rise of the regional parties and the concomitant decline of the national parties, namely the Congress and the BJP, has really been the story of Indian politics over the last two decades. In the 2009 general elections, for instance, trailing the Congress and BJP were a host of regional parties that crossed the threshold of 10 seats which allowed them to play a significant role in coalition-making.

Those with the highest number of seats were the Samajwadi Party (in Uttar Pradesh) with 23 seats, the Bahujan Samaj Party (also in Uttar Pradesh) with 21, the JD(U) [in Bihar] with 20, the Trinamool Congress (in West Bengal) with 19, the DMK (in Tamil Nadu) with 18 and the Left (which is now really a regional entity confined to West Bengal and Kerala) with 24. They were followed by the Biju Janata Dal (in Orissa) with 14 seats and the Shiv Sena (in Maharashtra) with 11. The Nationalist Congress Party (in Maharashtra) and All India Anna DMK (in Tamil Nadu) with nine seats also notched up significant numbers.

The coming general elections are unlikely to throw up a different storyline. There will of course be a change in fortune for some of the regional parties. So, for instance, the Samajwadi Party, the AIADMK and the Trinamool Congress are very likely to increase their tally, riding on their resounding electoral successes in the state assembly elections held in the past two years. Some of these parties would also desist from committing their support to either the Congress or the BJP before the elections, instead preferring to wait and see and hedge their bets.

If either the Congress or the BJP falls short of the 150-mark, as the April opinion poll forecasts, it might be difficult for either to form a stable coalition. For the last two coalition governments that lasted their full terms, the first formed by the NDA in 1999 and the second by the UPA in 2004, both the BJP and the Congress either came close to 150 or comfortably crossed it. The current coalition or UPA II, which has already been



India has adopted Electronic Voting

in government for over four years, had even better numbers for the Congress.

The other key to a stable coalition over the past decade and a half has counter-intuitively been the large number of parties in the coalition which in effect has made it a "surplus majority", to use a political scientist's term. This has meant that none of the coalition partners has been able to dictate terms.

There is of course the probability of a Third Front of regional parties not affiliated to either the UPA or the NDA. The Samajwadi Party in particular has been fairly vocal about the formation of a Third Front in 2014. The likely constituents of such a front tend to vary depending on the electoral strength of regional parties and their strategic interests. But the possibility of a Third Front government is handicapped by the prospect of a host of parties, with around 20 to 30 seats, who would find it

extremely difficult to settle on a prime ministerial candidate. In 1989 and 1996 a Third Front government, albeit short-lived, could be formed because the Janata Dal had enough seats to be appointed leader of the pack.

In short, there is a possibility of an unstable coalition government following the next general election, though the BJP as of now has the edge over a corruption-battered UPA. This comes with the usual disclaimer that predictions for Indian politics are done at one's peril.

** Dr Ronojoy Sen is a Visiting Senior Research Fellow at ISAS. He can be contacted at isasrs@nus.edu.sg.*

A FOREIGN POLICY PUZZLE

FRAMING THE 'IDEA' of India

* SINDERPAL SINGH



Governor of Arunachal Pradesh, General (Retired) J J Singh, answering a question at an ISAS Workshop on 'Connecting India to ASEAN: Opportunities and Challenges in India's Northeast', held in Singapore on 20 March 2013.

As India's prominence and perceived importance in global affairs grows, academic and policy focus on New Delhi's pursuit of its national interests is expanding. In this enterprise, there have been various attempts to explain the manner in which India conducts its relations with the outside world. These explanations can be divided into three broad categories.

The first category of explanations conceives a systemic, structural logic to India's foreign policy. In this rendition, India, as a rising great power, will conduct its foreign policy in a similar manner as other great powers. In this respect, the complexion of its domestic politics should make little difference to how it conducts itself in international politics. For those arguing in this vein, India's 'national interests' derive from its relative position within the global power structure (relative 'power' here calculated via various economic and military indicators). Therefore, the Indian state's ability to maintain its current economic

growth rates, and translate such economic dividends into increasing military capability will ensure that it plays the role of a classic great power. In concrete terms, for the contemporary era, this would mean India increasingly viewing China as its biggest challenger in the international arena as India seeks to scale the global power structure.

The second category of explanations views domestic politics as playing a significant, yet largely negative, role in the conduct of India's foreign policy. In this interpretation, the compulsions of domestic politics, especially the imperatives of coalition politics at the central government level, have subverted the pursuit of India's 'real' national interests in dealing with the outside world. From the inability to enact deeper domestic economic reforms (and its seemingly corresponding impact on India's economic growth rates) to the impact of India's federal states on New Delhi's foreign policy towards its neighbours (the recent vote in the United Nations on Sri Lanka's human rights record being a prominent example), domestic politics is seen as a liability in India's conduct of its foreign relations. Most of these accounts usually betray a sense of envy when comparisons with China are drawn. The theorists resent China's ability to ruthlessly pursue its 'real' national interests, without the obstacles of democratic politics, and lament India's relative position in this respect.

The third category of explanations regards India's domestic sphere as having a crucial impact on the conduct of Indian foreign policy. These explanations go beyond viewing the domestic sphere as subverting the Indian state's pursuit of



Panellists including the author of this article (second from left) at an ISAS Seminar in Singapore on 4 February 2013.

The exact means by which these 'national interests' are defined and then pursued by India's political leaders remain stranded on the margins of debates on Indian foreign policy. To put it more plainly, more attention needs to be focused on a fundamental question – what makes Indian foreign policy quintessentially 'Indian'?

To begin to address this fundamental question, a more robust discussion is required on the character of the Indian state and the various attempts, both historical and contemporary, to construct specific kinds of identities for the Indian state. An appreciation of such attempts by Indian political leaders to construct varying ideas of 'Indian-ness' domestically will allow for a much nuanced discussion of how these leaders shape India's national interests in regional and global politics. Only by understanding Indian self-conceptions can students of New Delhi's foreign policy construct a more sophisticated understanding of how Indian political leaders interpret the actions of external actors, mainly other states, in global politics. To continue to assert that the Indian state either pursues (or in several cases should pursue) some abstract notion of its 'national interests' does little to enhance a more meticulous understanding of Indian foreign policy.

This is not a mere academic point. Most observers of global politics perceive India playing an increasingly more prominent and influential role on the international stage. While its growing economy has been a major factor for such projections, policy makers must not assume Indian foreign policy will resemble the foreign policy of other great powers (or 'emerging', 'rising' great powers). To understand Indian foreign policy, one needs to understand India. To return to an earlier point, we need to ask a fundamental question – what makes Indian foreign policy 'Indian'? The answers may not be neat and clear-cut but they will help frame a clearer understanding of Indian foreign policy.

* Dr Sinderpal Singh is Research Fellow at ISAS. He can be contacted at isassss@nus.edu.sg. He is the author of **India in South Asia: Domestic Identity Politics and Foreign Policy from Nehru to the BJP** (a book relevant to the theme of this article).

its 'real' national interests in the global arena. Instead, these accounts view India's domestic realm as crucial in the formulation of its foreign policy. One instance of such accounts of Indian foreign policy concerns the Nehru era, 1947-1964. A significant chunk of this literature suggests that Indian foreign policy in this period was shaped by the ideological dispositions of India's first Prime Minister and External Affairs Minister, Jawaharlal Nehru. This has often been termed the 'idealist' phase of Indian foreign policy.

In this rendition, Indian foreign policy was 'idealist' because Nehru was an 'idealist', both in domestic affairs and in global affairs. Interestingly, the Indira Gandhi phase, especially after 1971, is depicted as the 'realist' phase of Indian foreign policy. Following a similar logic as in the accounts of the Nehru period, Indian foreign policy during this period was 'realist' because Indira Gandhi was an astute practitioner of *realpolitik* both domestically and in foreign affairs.

Within this third category, there have been more sophisticated academic accounts that go beyond ascribing Indian foreign policy to the mere personal ideological imprints of the Nehru-Gandhi family. Some of these accounts look at how Indian foreign policy was profoundly shaped by the Indian state's attempts at nation-building. Other accounts look to India's foreign policy in South Asia as being deeply impacted by the domestic politics of other states in this region and the ways

in which India's foreign policy has been increasingly influenced by the nature of ethnic and religious politics in these neighbouring states. More recent analyses point to the nature of India's post-colonial identity shaping the formulation of New Delhi's foreign policy.

My recently published book, *India in South Asia: Domestic Identity Politics and Foreign Policy from Nehru to the BJP* locates itself within this third category of explanations of Indian foreign policy. It argues that an important driver of Indian foreign policy across three major periods of India's existence as an independent state is the manner in which Indian political elites compete within the realm of domestic politics to frame the 'idea' of India. Through this competitive process, and via three major discourses central to representations of the Indian state, Indian political elites have attempted to frame specific identities for the Indian state. Such constructions of Indian state identity, it is argued, have had profound implications for Indian foreign policy in South Asia.

An important aspect of the book is the attempt to discern the link between identity and foreign policy in the Indian case. This, I believe, is an exercise that deserves greater academic and policy attention. A considerable amount of contemporary discussion on understanding Indian foreign policy continues to be driven by a very superficial reference to how India pursues its 'national interests'.

Indian Telecom: WHAT NEXT?

* ROBIN JEFFREY

Your mobile phone becomes a kid in a candy shop when you travel in India. Seven or eight service providers, eager for your business, often pop up on the screen of a humble 2G phone. Where residents of Canada or Australia usually have only two providers to choose from, India had 15 companies battling for a share of 900 million cell-phone subscribers in 2012.

The 900-million figure is no doubt inflated by double counting and moribund accounts; but even if the number of active subscribers is reduced by one-third, 600 million customers form a mouth-watering market. In 2012, eight companies divided 85 per cent of the subscribers, with no single company claiming more than 23 per cent of the pie.

India's telecom story has been spectacular – from four million mobile phone subscribers in 2001 to 900 million in 2012. The road, however, has been bumpy. Government policy has been unpredictable, and government telecom bureaucracy has often been hostile to private providers. A Raja, Minister of Communications from 2007 to 2010, is under trial in a case alleging vast corruption and characterised by a farcical allocation of radio frequency spectrum in 2008.

Today, in spite of the impressive numbers, Indian telecommunications stand on the edge of vast unexplored territory with only a few indications of what lies ahead. Intense competition and unpredictable policy have cut profits; the average revenue per customer is static or falling; and the number of customers has plateaued. Where does individual telecommunication – i.e., the cell phone and its ever-increasing capabilities – go next in India?

On at least three matters there is consensus. First, there is no going back to a pre-mobile phone era; India loves its cell phones. Second, the future of telecom businesses lies in finding uses for the personal mobile device that are within the budgets of very large numbers of people and yet bring profit to the providers. Third, most Indians will encounter the Internet through a mobile phone, not through an (old-fashioned?) computer.

Elsewhere in the world, in places where incomes are high by Indian standards, telecom companies see the future in providing ever more elaborate content that will entice users to download data to watch movies, play games and access services of ever-increasing variety.

But in India, the budgets of most people are small and tight. In the early days of mobile-phone growth less than 10 years ago, the “missed call” became an institution. If a phone was not answered, no charge was incurred; so canny users devised careful protocols to convey messages without cost. For example, two rings to your vegetable seller might mean you wanted a kilo of potatoes; three, a kilo of onions; four, five green chillies; and so on. India also led the



Four cell-phone-service towers jostle along the Lucknow skyline in India in June 2010.

world with the two-SIM-card mobile that enabled users to switch easily from one provider to another to take advantage of the best deals at particular moments.

For many Indians, a mobile phone was the first “consumer durable” they owned. The Indian mobile embraced a multitude of features: a talking and listening device, a music player, an FM radio, a torch, a camera, a photo album. All this came at a price large numbers of people could pay. As little as five days’ wages for even a poor labourer bought a second-hand phone; five Singapore cents could buy 10 minutes of talk-time.

One vision of the future is that consumers will be prepared to pay for the pleasure of entertaining themselves. This means online gaming – the ability to play sophisticated games with people in other places. This may sound fanciful, but there is evidence that it is not. In China, such game-playing was estimated to be worth US\$ 9 billion in 2012, an increase of 50 times in 10 years, according to a report in **The Economist**. And the research of Dr Nimmi Rangaswamy, a talented anthropologist working for Microsoft in south India, illuminates how even poor young people are ready to put hard-earned funds into the joys of playing games with people faraway. She cites a young labourer who comes off work, barely pausing to bathe, and rents a 3G phone for a few hours to game-playing.

For many analysts, the business model for telecom enterprises in future involves providing content that is cheap, yet enticing enough to induce very large numbers of people to pay small sums for it. In this equation, there are at least four components:

- content (films? music? health monitoring? games? banking?)
- platforms (mobile phones or something like them)
- transmission method (wireless? copper wire? aluminium wire? fibreoptic?)
- consumer preferences

The crucial element may be the platform. The cheap, reliable Nokia has been the Model T Ford of India’s cell phone transformation in the twenty-first century. It provided the qualities that other companies observed, improved on and added to.

To move into a 3G or 4G world (third and fourth generations of digital technology) will require a similarly economical and reliable instrument. Will it be larger and more like a tablet? If so, will people be comfortable to



A wayside phone repairer plies his trade in Lucknow (India) in 2010.

Photo taken by Assa Doron, co-author of *Cell Phone Nation*

use it as a phone? And if a device is smaller, where will be the joy in watching data-devouring entertainment or playing digitally greedy games?

Big Ideas are in play, some with discouraging results. There was the trumpeted announcement that hundreds of thousands of school children were to be supplied with Indian-made tablets by the Government of India. The first deliveries were of a product so shoddy that the technical magazine *My Mobile* put up a video on YouTube showing the device failing every test. Another Government of India announcement in 2012 proclaimed that Below the Poverty Line families would be supplied with a mobile phone and a minimum amount of airtime each month. That proposal seemed to have melted by 2013. Yet both ideas are administratively and technically possible.

To have a mobile phone would allow poor people, entitled to government cash benefits, to receive those benefits directly into a phone-based bank account. The bad old middle men, who skim bribes before delivering cash entitlements, could be cut out or their roles minimised.

For Indians to become mass users of 3G and 4G technologies, a huge increase in the transmission of radio frequency signals will be required. The country already has 400,000 towers, many of them illegal, which barely cope with current demands. The data

flows of which 3G and 4G are capable are greedy gobblers of spectrum and will require more towers and more rollout of cable. Cable deployment is already remarkable – more than a hundred thousand kilometres laid by various companies, including the government provider, BSNL, and Reliance of the Ambani family. Reliance also has an all-India licence for spectrum for 4G transmission. This would be a great asset – if a profitable market can be created for its vast potential to carry data.

This is the unknown quantity: how much data is Indian public able and ready to pay for? In 2013, all that is certain is that India loves its mobile phones for all the things a good cheap 2G phone brings with it. Unpopularity will dog any government that seems to raise costs or imposes restrictions on what people now take for granted. But how many competing companies can survive? And what offerings will make 3G and 4G attractive to large enough numbers to justify huge additional investments?

** Professor Robin Jeffrey is a Visiting Research Professor at ISAS. He can be contacted at isasrbj@nus.edu.sg and jeffrey514@gmail.com. He is co-author of **CELL PHONE NATION** (a book relevant to the theme of this article).*

Bangladesh's DIASPORA DIVIDEND

The last century has brought a significant intensification in 'global migrancy'. A significant portion of migration today occurs within the global South and not just from the South to the more conventional destinations of the wealthy North. Human mobility is of course as old as mankind, but as Stephen Castles has pointed out, unlike earlier moments of large-scale human movements across state borders, this new phase has engulfed the entire world. However, all the movements do not result in Diaspora. Diaspora is metaphorically used to characterise long-term foreign residents, political refugees, and ethnic and racial minorities. This piece offers an overview of Bangladeshi Diaspora in different countries around the world and provides a strategy to harness the development potential of Bangladeshi Diaspora.

✳ A K M AHSAN ULLAH and AINSLIE AVERY



Bangladeshi expatriates at a community event in Singapore.

Photo: Courtesy of Bangladeshi Singapore Society.

Diaspora communities, or those Diasporas that maintain both a communal identity and multi-nodal linkages with the country of origin, can have a significant impact on home country development. Though development is frequently discussed from a predominantly economic perspective, one cannot discount the role of socio-political factors in development processes. The Bangladeshi Diaspora, distributed across virtually every continent, has the potential to play a key role in facilitating development in Bangladesh through financial and market-related remittances, social remittances, and political influence. However, it is unclear whether their impact to date has been entirely positive, due partially to the removal of skills and capital from the Bangladeshi market that results from emigration, as well as to government inefficiencies that curb the successful implementation of development initiatives by non-resident Bangladeshis

(NRB). Though interest in leveraging the Diaspora has increased throughout the past decade, emerging trends within the Diaspora itself may make it more difficult for the Bangladeshi government to capitalise on the Diaspora's success in the future.

NRBs are present in virtually every state, with the most well-established Diaspora networks present in the US and the UK. The accompanying Figure shows the distribution of the Bangladeshi Diaspora through a number of developed states; in addition, Pakistan, Saudi Arabia, and the United Arab Emirates each host over one million NRBs. The successive waves of emigration after the independence of Bangladesh in 1971 have contributed to the creation of a vibrant Diaspora that has embedded itself at all levels of economic activity, from low- to high-skilled, and has cultivated valuable transnational contacts.

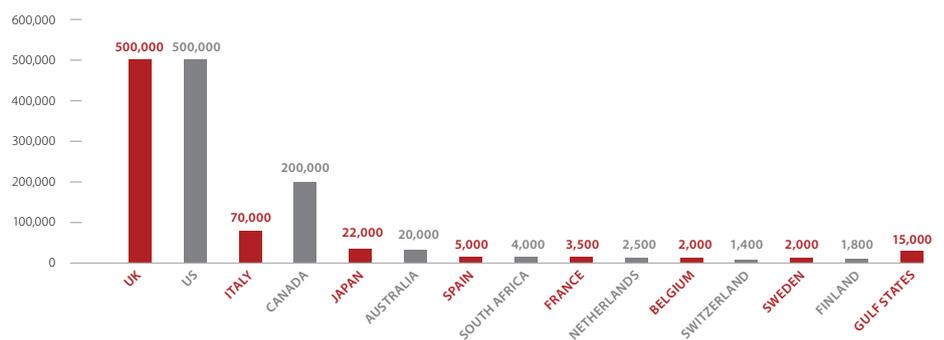
In a globalised era, in which business is frequently conducted at a transnational level, these contacts, in addition to capital and internationally-applicable experience, can allow professionals within the Diaspora to make as much of a contribution to the development of their home country while living overseas as if they had remained in the home country. The Bangladeshi Diaspora has benefitted from strong linkages with Bangladesh, maintained through family ties, visits to Bangladesh, participation in social, cultural, and religious events overseas, and interactions with Bangladesh's professional, business, and political sectors.

In terms of economic development, it has been estimated that in 2008, NRBs remitted approximately twelve billion USD – a figure that surpasses the official foreign aid, which in 2008 was approximately 1.2 billion USD (Islam, 2009). In an economy worth approximately eighty billion USD annually, financial remittances play an important role in economic development. In 2002, approximately 392.12 million USD was remitted from the US, while 151.43 million USD was remitted from the UK. Although remittances from the US and the UK represent a large portion of overall remittances to Bangladesh, the greatest sum of remittances came from NRBs working in Gulf States. In addition, NRBs facilitate the transfer of skills and experience necessary to enhance market development, and contribute to the transfer of market-based principles such as venture capital, entrepreneurialism, and corporate transparency. These forms of remittance function on the foundations of the Bangladeshi economy and help create an economic and market-governance environment that is conducive to long-term investment.

Scholars have discussed the role of social remittances in contributing to the evolution of social norms and promoting ideas such as human rights, democratic governance, and women's equality, as overseas migrants encounter such principles and transfer them to the home country at both micro- and macro-levels. On the other hand, in some cases, encounters with such Western values have triggered the entrenchment of conservative values among migrants. In the Bangladeshi case, it is likely that both trends are present to varying degrees, depending in part on the regional, cultural, and socio-economic background of individual NRBs. The political influence of NRBs has been studied in greater depth, particularly in relation to the Diaspora's contribution to the War of Liberation. During this conflict, the Diaspora – particularly in the US and the UK – created space for political activism for the independence movement. In the UK, NRBs formed action committees to support the war, which raised money and worked to mobilise public and political opinions in the UK. In the US, NRBs organised and lobbied the Congress to end its military assistance to Pakistan, and fund-raised for refugees displaced by the fighting. Though many in the Diaspora feel that their contributions to the success of the independence movement are not adequately recognised within Bangladesh and by the current administration, it is clear that the Diaspora has significant social and political influence in Bangladesh.

Despite the positive influence of NRBs on development in Bangladesh, there are also numerous drawbacks to large-scale, long-term labour migration. First, scholars are divided as to whether remittances have an overall positive impact in terms of poverty reduction, increasing cash reserves of home economy, encouraging investment – or neutral to negative impact in terms of promoting uneducated spending among recipients, creating dependency, inflation. Further, because remittances are private transfers, it can be difficult for governments to channel funds into projects that will enhance the country's overall development rather than simply poverty reduction among recipients. Therefore, a significant portion of the remittances goes to non-commercial investment. This may be of particular concern given the challenges Bangladesh has faced in operationalising initiatives to leverage its Diaspora, as discussed below. Second, Lapati, drawing on the case of migration between Mexico and the US, argues that although remittances can have an impact on reducing income inequality, migrants could have a greater impact on reducing income inequality by remaining at home. Although similar studies have not been conducted of the unique conditions facing Bangladesh and its migrants, such

Population Figures for Overseas Bangladeshis



a hypothesis calls into question whether large-scale, long-term migration from Bangladesh has a greater impact on development than contributions to development from within Bangladesh.

Successful Diaspora networks usually combine three elements: first, they bring together people with strong intrinsic motivations to contribute to the home country; second, Diaspora members play both direct roles, such as direct investment or implementation of development projects, and indirect roles, such as bridging between home and host countries and locating new investment opportunities for others; and third, projects initiated by the Diaspora are able to come to fruition. This latter point has proved to be difficult for both the Bangladeshi government and its Diaspora. Although interest in leveraging this Diaspora's financial and human resources has increased over the past decade, Bangladesh has been much slower, at translating discussion into concrete action, than other countries with large Diasporas, such as China and India. This has, in turn, frustrated many NRBs, who suggest that Bangladesh lacks a governance environment that is conducive to investment, as investment is frequently held up by excessive bureaucratic red tape and suspected corruption.

Bangladesh may use its potential to attract more of its Diaspora's investment, particularly in readymade garment, IT, outsourcing, and power and infrastructure projects. So the government has to maintain a good connection with the Bangladeshi Diaspora, spread all over the world, to lure prospective investors to Bangladesh.

Trends emerging among the Bangladeshi Diaspora may make it increasingly difficult for Bangladesh to leverage the resources of its Diaspora. First, studies have shown that linkages between first generation NRBs and Bangladesh are not automatically passed on to second and third generation NRBs, which translates into fewer contributions to development in Bangladesh by the second and third generations. For example, Garbin noted that while approximately 20 per

cent of NRBs in the UK sent remittances to Bangladesh in 1995, this figure represented a sharp decline from the 1960s and 1970s, when approximately 85 per cent of NRBs in the UK sent remittances home. This figure may be even lower today, as the cost of living in host countries generally has increased, forcing many NRBs to spend more in the host country, and as family reunification processes allow for the reproduction of family structures in host countries. Second, since 9/11, many states, including those with large NRB communities such as the US and the UK, have increasingly approached remittances from a security perspective. The securitisation of remittances has been manifest in greater scrutiny of remittance channels and greater restrictions on remittance transfers. Combined, these trends may portend an even greater drop-off in remittance transfers to Bangladesh in the coming decade.

Therefore, although the Bangladeshi Diaspora has been largely successful at translating migration into individual and familial economic advancement, and although this Diaspora has made significant economic, social, and political contributions to Bangladesh, these contributions lack the direction and oversight that could maximise their development impact. Although interest in maximising this impact has increased, emerging trends including decreases in and the securitisation of remittances mean that it is even more important for Bangladesh to engage with its Diaspora in an effective, meaningful way.

** Dr Ahsan Ullah is Assistant Professor, School of Global Affairs and Public Policy, and Associate Director, Centre for Migration and Refugee Studies (CMRS) at The American University in Cairo (Egypt). He can be contacted at aullah@aucegypt.edu. The co-author of this article is a graduate student. Dr Ahsan Ullah and Dr Md Mizanur Rahman (Senior Research Fellow at ISAS) are co-editors of **Asian Migration Policy: South, Southeast and East Asia** (a book relevant to the theme of this article).*

Quest for PAKISTANI ETHOS ABROAD

* MAZHAR YASIN MUGHAL

The Pakistani overseas community has come under increasing limelight in recent years – from the suspected ‘role’ of some persons in the 2005 London bombings to Amir Khan’s success as the British Light Welterweight Boxing World Champion and the prominence of United Kingdom-based ex-Prime Minister of Pakistan Shaukat Aziz who had also worked in Singapore for some years.

This community is diverse and spread all around the world. Main concentrations of overseas-Pakistanis are found in the six Gulf Cooperation Council (GCC) states, North America and Europe, with minor concentrations present in Southeast Asia, East Asia, Australia and Africa. This community has gradually developed in the last six decades – since Pakistan’s independence from Britain – in five successive waves, and mainly comprises economic migrants.

The first wave of migration rose in 1950s when thousands of semi-skilled Pakistanis went to UK to work in factories. They were joined by their families in subsequent decades, and thus formed the basis for today’s 1.2-million-strong British Pakistani Diaspora. In 1960s, thousands of Pakistani doctors, engineers and professionals moved to the United States and other Anglo-Saxon countries in search of better economic conditions. This

permanent migration of high-skilled Pakistanis reportedly led to a brain-drain in the country.

A third migration-wave began with the onset of oil boom in the Persian Gulf. This was the strongest outflow of Pakistani workers which deeply impacted the Pakistani society and economy. Hundreds of thousands of semi- and unskilled Pakistanis went to the GCC states to work in the construction and production sectors. This flow of workers, on mostly temporary contracts, slowed down in 1980s with the fall in oil prices.

During the 1990s, political instability and poor economic management in Pakistan led to a stagnant economy and growing pressure on the job market, causing another outflow of highly-qualified professionals. This ongoing flow of mostly permanent migrants to North America and other English-speaking countries has resulted in the establishment of a vibrant and resourceful Pakistani Diaspora

in these countries. In the United States, for instance, there were 409,000 naturalised citizens and immigrants of Pakistani origin in 2010, according to latest census figures. Most of them were first-generation immigrants. Other US government estimates put the size of the Pakistani community at 700,000.

The fifth and most recent wave of migration rose in early-2000s, as increasing numbers of skilled and semi-skilled workers left for GCC countries. Unlike the previous episode when most Pakistani workers went to Saudi Arabia, the United Arab Emirates have been the favoured destination this time. Pakistan’s Bureau of Emigration and Overseas Employment (BEOE) has estimated that 1.5-million and 1.2-million Pakistanis currently reside in Saudi Arabia and the UAE respectively.

The regional distribution of outward migration from Pakistan is heavily skewed. Most of the migrants come from Punjab, Khyber Pakhtunkhwa, Azad Kashmir and Karachi. A few districts in the upper parts of the country, particularly in Northern and Central Punjab and Azad Jammu and Kashmir constitute the bulk of source-areas of these migrant communities in Europe.

The demographic and socio-economic profile of Pakistani overseas community has evolved with successive migration episodes. Till 1980s, the bulk of migration consisted of semi- or unskilled males working on temporary work contracts in the Persian Gulf. However, the share of skilled workers

and qualified professionals has grown substantially in the last two decades. This has also led to more family migrations than before, implying stronger ties with the economies of host countries. The share of female migrants has also increased. With increasing skilled migration of permanent nature, the Pakistani migrant community has begun playing a more active role in the economy and politics of the host countries. Members of Pakistani community have been elected to local and national legislative assemblies in countries such as UK, Canada and the US.

The community today possesses better intellectual and financial wherewithal than ever before. The American Pakistani Diaspora's median household income of US\$ 63,000 is far above the median American income figures, and over 55 per cent of the community holds a university degree, which is almost double the national average in the US.

Today, the Pakistani Diaspora represents one of the largest migrant communities in the world. Although exact figures of the community are not available, estimates suggest the current size to be close to seven million.

About two-thirds of the community is found in the six GCC states, with Europe representing another quarter of the Pakistani Diaspora. In Europe, UK, Italy, Greece, Spain and France have the highest concentrations of the Pakistani community. The North American Pakistanis, though less important in numbers, are the most educated and the wealthiest of the overall Pakistani Diaspora in the three major destination regions. Migration to Australia and East and Southeast Asia, though still low, has also picked up in the recent past. In the Association of Southeast Asian Nations (ASEAN) region, Malaysia hosts the highest number of Pakistanis. According to Pakistan's Bureau of Emigration and Overseas Employment, 26,000 Pakistanis went for work in Malaysia in the last four decades. The BEOE does not register return-migration, hence the exact figure of current migrants is not known.

The worldwide Pakistani migrant community has doubled in size during the last three decades. Along with this, its importance to Pakistan's economy has grown substantially. Official remittances sent by overseas Pakistanis, for instance, amounted to US\$ 13 billion in 2012. This was equivalent to about one-half of the country's merchandise exports and covered almost the country's entire current account deficit. During the

recent global economic slowdown, rising remittances sent by the overseas Pakistanis kept the Pakistani economy afloat by covering the foreign exchange gap caused by stagnant exports and falling foreign direct investments. The Pakistani Diaspora has also played its role in the country's socio-economic uplift. Several schools, universities and hospitals in Pakistan have been set up with funding by overseas Pakistanis; and many organisations working for social welfare and awareness in the society have been established and financed by the overseas community. Similarly, the Pakistani Diaspora's role in the country's political set-up is being increasingly recognised.

The Pakistani overseas community faces a host of issues, which differ with respect to migrants' socio-economic status in the host countries. In the Persian Gulf states, low-skilled workers often face harsh work conditions and inadequate housing. Moreover, given that much of the migration to GCC is of temporary nature, workers need to re-adapt to local economic conditions after their return home and find good use for their skills and experience acquired abroad.

This problem is shared by, and is particularly important for, the individuals who try to illegally immigrate to Europe and the Middle East every year and get deported by the authorities. The thousands of undocumented migrants in southern Europe, who work in agricultural and services sectors, often get low wages and suffer from harassment at

work and a general sense of isolation and abandonment by the home-society.

At the other end of the spectrum, permanently settled families in North America and Europe face issues of integration and assimilation in the society and work-environment of their adopted homelands. Inadequate command over the local language, incompatible qualification or transferable job experience, and ethnic or cultural discrimination cause brain-wastage among first-generation migrants. Among low-income Pakistani households, particularly in UK and other European countries, these problems often lead to social marginalisation and ghetto-like experiences. Adjustment with alien cultures and the raising of children in the adopted country's traditions are also important challenges that the overseas Pakistani community faces. Given the growing importance of permanent migration to the countries in North America and Europe, the extent to which the community will be able to solve these issues will define the strength of the global Pakistani Diaspora in future.

** Dr Mazhar Yasin Mughal is Lecturer at the University of Pau in the city of Pau in France. He can be contacted at mymughal1@hotmail.com.*



A group of overseas Pakistanis at a recent event in Singapore.

A Convention to Connect GLOBAL SOUTH ASIANS

SOUTH ASIAN
DIASPORA
CONVENTION 2013

South Asia is home to an ancient civilisation which has had interactive exposure to other cultures over the millennia. So, the sub-continent retains to this day a distinctive character. Yet, South Asians are not immune to the airwaves of ongoing globalisation.

Raising the thematic banner of 'Connecting Global South Asians', ISAS will organise the *South Asian Diaspora Convention 2013* (SADC 2013) at Suntec Singapore on 21 and 22 November.

SADC 2013 is a thoughtful sequel to the first-ever convention of overseas South Asians that was held in Singapore in July 2011. Interestingly, it was ISAS that took the lead in organising that event as well, in the name and style of SADC 2011.

In the light of ongoing project work (as this is written), SADC 2013 will offer a unique platform for exploring practical ideas of cooperation among the South Asian Diaspora leaders and between them and potential global and regional partners. The dominant focus is to promote investments in South Asia by its Diaspora leaders and prime movers who could act in concert among themselves or with partners from

across the globe – Singapore, the South Asian sub-continent, and the rest of the world. The financial integration of South Asia is expected to come under laser-like focus at this convention.

Singapore's President, Dr Tony Tan Keng Yam, has kindly agreed to grace SADC 2013 as the Guest of Honour at the event's gala dinner on 21 November. At the preceding opening session of the convention on the same day, Singapore's Deputy Prime Minister, Mr Teo Chee Hean, will deliver the keynote address.

Practical business, the pulsating principle of SADC 2013, is not limited to conventional and sunrise industries or social enterprise. The convention is also designed to promote people-to-people bonding and robust cultural interactions among the participants. This process is expected to generate a multiplier impact on the South Asian Diaspora communities, as the participants at the convention will be

drawn from North America, including the United States, the United Kingdom, the Middle East, Australia, East Asia, and South Asia itself.

The anchor-themes of plenary sessions are: (1) politics and international relations; (2) challenges of financial integration; (3) economics, business, and industry; and (4) media and entertainment.

Parallel sessions will be held to explore collateral themes within a framework of conceptual focus and practical purpose. Besides an India Symposium under the auspices of the Confederation of Indian Industry, the other parallel sessions will cover (a) literary arts and (b) social entrepreneurship. Efforts are also under way to showcase a few states in India – Gujarat and from the Northeast – as investment-friendly destinations for the South Asian Diaspora leaders and their partners.



Singapore's elder statesman, Mr Lee Kuan Yew, (right) with ISAS Chairman, Ambassador Gopinath Pillai, (first from left) and the Dean of Lee Kuan Yew School of Public Policy, Professor Kishore Mahbubani, (second from left) at the ISAS-organised South Asian Diaspora Convention 2011.



Singapore's Emeritus Senior Minister and ISAS Patron, Mr Goh Chok Tong, (centre, at the table), flanked by Singapore leader, Mr S Dhanabalan, (left, at the table) and ISAS Chairman, Ambassador Gopinath Pillai, (right, at the table) at a social event on the occasion of the South Asian Diaspora Convention 2011.

There is place for the identities of all South Asian peoples and countries under the ISAS canopy of SADC 2013. In tune with this spirit, the convention will feature the release of *The Encyclopaedia of the Sri Lankan Diaspora*, an ISAS book. In terms of research and policy focus, the book is sequel to a similar project with which ISAS was indeed associated. In 2006, *The Encyclopaedia of the Indian Diaspora* was published as a product of Singapore's scholastic leadership.

On balance, it will not be 'all work and no play' at SADC 2013. A 20-20-over (T20) cricket match is being planned for 23 November. A few professional players from South Asia, increasingly the new hub of international cricket, are expected to jostle for friendly honours with some local enthusiasts from Singapore and its sporting environment.

For the enthusiasts of 'live culture', as different from discussions on the related issues, the SADC 2013 Gala Dinner on 21 November will feature a cultural performance.

On the sidelines of SADC 2013, *Kalaa Utsavam*, a 10-day Indian festival of arts under the auspices of Singapore's Esplanade, will be a huge attraction. In all, the SADC 2013 and the related sporting and cultural events will constitute a montage of South Asian Festival in Singapore in November.

On the logic of pioneering the project of South Asian Diaspora conventions, ISAS Chairman Ambassador Gopinath Pillai says that the institute is best-placed to capitalise on Singapore's dynamic attribute as a politically "neutral" host to the global South Asians and other citizens of the world. With cultural affinity and geographic proximity to South Asia, Singapore can serve as a hub

for policy-oriented and practical exchanges of ideas on how the robust South Asian Diaspora can partner other entrepreneurial leaders to boost the business and economic prospects of the sub-continent. Viewed in this perspective, Singapore can serve as a springboard for the South Asian Diaspora's possible projects in the sub-continent, and ISAS will provide the necessary platform for exchanges of ideas on policies and projects, Ambassador Pillai notes.

More significantly, Ambassador Pillai draws attention to another vibrant dynamic at work. He says that the overseas South Asian communities are "not burdened with the baggage of politics" that often overwhelms their relatives and friends in their native homes.

Unsurprisingly, Singapore was an early-bird in grasping this overarching fact. A few years ago, Mr S R Nathan, then the President of Singapore, urged ISAS to take the initiative to try and integrate the South Asian Diaspora groups and through them the sub-continent too. His proposal was not a political project in any sense of the sovereign South Asian sensitivities, which are still rampant across the modernising sub-continent. Rising to such a challenge, formidable in spite of the clear choice of a non-political and non-partisan path, ISAS organised the first-ever global South Asian Diaspora Convention (SADC) in July 2011.

A Big Picture of South Asian Diaspora has emerged as a global reality in recent decades. This reality has a texture that cannot be missed. A subtle unifying factor is also at work. The overseas Indians and Pakistanis, for instance, are inclined to acknowledge their similarities that envelop their perceived differences. The South Asian Diaspora is influenced by its adopted social landscape.

During SADC 2013, Ambassador Pillai says, ISAS will encourage the business leaders of the South Asian Diaspora to discuss and initiate ways to bring about financial and economic integration of South Asia. For a start, the diverse expertise of the invitees and prospective participants will facilitate the prime objective of the convention. Business leaders and groups from the South Asian Diaspora will be encouraged to strike

partnerships among themselves or with the private sector in their respective countries of origin. ISAS will seek to act as a “catalyst” to generate ideas and practical initiatives for the flow of private sector investments that might link South Asia with its diverse Diaspora and with other regions. However, the state-owned enterprises in South Asia or elsewhere are not necessarily precluded from this challenging process, he notes.

SADC 2013 is likely to be defined by its pronounced accent on the possibilities of business initiatives by South Asian Diaspora for South Asia. In addition, an overview of some relevant policy issues and discussions on literature as also arts and culture are expected to make the convention truly three-dimensional.

P S SURYANARAYANA
Editor (Current Affairs) at ISAS

‘South Asian’ Global Winners: 1947-2013

NAME	CITIZENSHIP	PLACE OF BIRTH	DATE OF BIRTH	AWARD WON
Har Gobind Khorana	American	Raipur Village, Punjab, British India	1922	1968 Nobel Prize in Physiology or Medicine (the first India-born person to win a Nobel Prize after India’s Independence in 1947)
Mother Teresa	Indian	Skopje, Ottoman Empire	1910	1979 Nobel Peace Prize
Abdus Salam	Pakistani	Sahiwal District, Punjab, British India	1926	1979 Nobel Prize in Physics
Subrahmanyan Chandrasekhar	American	Lahore, Punjab, British India	1910	1983 Nobel Prize in Physics
Dabbala Rajagopal (Raj) Reddy	American	Katoor, Telugu Region of Madras Presidency, British India	1937	1994 ACM Turing Award (the first ethnic-Asian to win the highest global award in Computer Science)
Amartya Sen	Indian	Santiniketan, Bengal Presidency, British India	1933	1998 Nobel Memorial Prize in Economic Sciences (the first ethnic-Asian to win this prize)
V S Naipaul	Trinidadian	Chaguanas, Trinidad and Tobago	1932	2001 Nobel Prize for Literature
Muhammad Yunus	Bangladeshi	Bathua Village, Hathazari, Chittagong, British India	1940	2006 Nobel Peace Prize
Venkatraman Ramakrishnan	American	Chidambaram, Tamil Region of Madras State, Republic of India	1952	2009 Nobel Prize in Chemistry

Compiled by Rahul Advani, Research Assistant at ISAS

For updates on the South Asian Diaspora Convention 2013 in Singapore in November, please log on to: <http://southasiandiaspora.org>

YOUTHFUL Impressions

As an alumna of a junior college, which encourages its students to evince interest in the affairs of communities and societies beyond those they have grown accustomed to, I have naturally developed a liking for work surrounding foreign affairs and policy.

Yet, the concept of being a global citizen is one that is still largely foreign to me – the worldly issues faced by others are engaging and perplexing, but remote nonetheless. An aspiring student of Politics and Economics, my thirst for knowledge and experience is not one that could be quenched merely by reading the newspapers. In this respect, an internship at ISAS was the perfect opportunity to get an insider's perspective into the forces that are shaping the South Asian as well as the greater Asian region – and engage with people who are at the heart of the action.

In my first week at the institute, what struck me most was the great diversity of the researchers' backgrounds and areas of interest. This has facilitated the rich exchange of ideas and opinions that enhances the comprehensiveness of the research being done on South Asia. In my research on China's acquisition of Gwadar port in Pakistan and the strategic implications for India, it proved extremely useful to have such a wide range of perspectives and influences within the institute, as I sought out different views on the Sino-Indian maritime situation.

Having Professor Chilamkuri Raja Mohan, a renowned expert on South Asia's defence and strategic policy, as my supervisor, allowed me to gain much insight into the strategic climate and tensions that India is currently facing. This was particularly so, when I assisted Professor Raja Mohan in his research on India's defence cooperation agreements during the 1950s as well as in his monitoring of recent exchange of visits by India's and Myanmar's key political figures. An understanding of the story behind India's strategic direction helped me define better its outlook on Gwadar. During my conversations with Dr Amitendu Palit about China's motivations in regard to Gwadar vis-à-vis India, the juxtaposition of the economic argument against the strategic argument was further explored, and our follow-up discussion on the potential for conflict was both a stimulating and enlightening exercise.

With the strengthening presence of Asia in the global consciousness, I believe that there has never been a more exciting and dynamic time to be studying the South Asian region than now – the work and events at ISAS clearly reflect this. Despite my short stint as an intern, I was exposed to several

book-launch ceremonies and closed-door discussions from which I drew much insight into the political, strategic and economic landscapes of South Asia. The lively debates between panel members during the book-launches was also a refreshing experience for me, as it illuminated new ways to examine contemporary issues.

Through the process of conducting my research and learning from others more experienced than me, the entire internship experience at ISAS has left an indelible mark on me in my journey to better understand the world beyond Singapore's shores. While it has greatly enriched my knowledge and perspective of South Asia, it has also fuelled my curiosity about the many other elements of South Asian society that remain unknown to me.

CHRISTABEL NEO

Age: 18 years

ISAS Intern from January 2013 to March 2013

INDIA-CHINA DYNAMICS-1

Xi Jinping's NEW 'PANCHSHEEL'



* S D MUNI

China's new leader Xi Jinping has come up with five principles for developing India-China relations. Addressing media persons from the BRICS countries (Brazil, Russia, India, China, and South Africa) in Beijing on 19 March 2013, he described India-China relations as "one of the most important bilateral relationships" for China and listed five principles for building this relationship.

They are (as cited by the Foreign Ministry of the People's Republic of China. <http://www.fmprc.gov.cn/eng/zxxx/t1023070.shtml>):

First, we should maintain strategic communication and keep our bilateral relations on the right track. Second, we should harness each other's comparative strengths and expand win-win cooperation in infrastructure, mutual investment and other areas. Third, we should strengthen cultural ties and increase the mutual understanding and friendship between our peoples. Fourth, we should expand coordination and collaboration in multilateral affairs to jointly safeguard the legitimate rights and interests of developing countries and tackle global challenges. Fifth, we should accommodate each other's core concerns and properly handle problems and differences existing between the two countries.

This formulation reflects a three-fold message of the new Chinese leadership that it stands for continuity in the present momentum of India-China relations; that it is not yet ready to resolve the boundary question and that at present, India is not in the priority zone of China's foreign policy.

The new leadership's preference for continuity is evident when we compare these five principles with the yet-another set of five guiding principles in India-China relations as enunciated by Mr Xi's predecessor, Hu Jintao, a year back when he was in India in March 2012, also for BRICS summit. Mr Hu's five principles, as outlined by the Foreign Ministry of the People's Republic of China (<http://www.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2711/2713/t919324.shtml>), were:

1. The two countries should maintain high-level contacts and increase political mutual trust ... strengthen strategic communication through various consultation mechanisms and carry out dialogues on new topics such as maritime cooperation.
2. Deepen practical cooperation ... enhance economic policy coordination and cooperate in the fields of infrastructure, information technology, mutual investment and environmental protection ...
3. Expand cultural and people-to-people exchanges so as to promote mutual understanding ...
4. Properly handle their differences and work for peace and stability ... push forward border talks in the spirit of peace, friendship, equal consultation, mutual respect and mutual understanding ... so as to jointly safeguard peace and security on the borders.
5. Strengthen communication and coordination to expand cooperation in international affairs ... within the frameworks of the United Nations, the Group of 20 and BRICS ... enhance dialogue and coordination on regional issues to safeguard peace and stability and promote common development in the region.

What was missing in the Hu statement but is present in Mr Xi's formulation is the emphasis on mutual "accommodation" of "core concerns". The Chinese core concerns are well defined and include Taiwan, Tibet and lately also South China Sea. India's core concerns are not as well defined, but one area where China impinges adversely on India's core concern is Pakistan. China has been consistently building Pakistan's military capabilities in both conventional and nuclear fields.

In its latest move in this respect, as reported in *The Times of India* and *The Indian Express* on 23 March 2013 and 24 March 2013 respectively, China signed an agreement 'secretly', in February 2013, with Pakistan to build its Chashma-III nuclear reactor of 1000-MW capacity, ignoring serious objections raised by the Nuclear Suppliers Group. China has justified its nuclear cooperation with Pakistan by saying that it deals with the civilian sector and that it does not violate international norms (*The Hindu*, 26 March 2013). On the sidelines of BRICS summit in Durban on 27 March 2013, India's Prime Minister Manmohan Singh told Mr Xi, without specifically mentioning Pakistan, that Beijing should not allow its ties with other countries to become an impediment to advancing India-China relations (*The Indian Express*, 7 April 2013). India is also sensitive to the growing Chinese activities in Nepal's domestic politics (Prashant Jha, 'The message from the north', *The Hindu* 5 October 2012). It may be interesting to note here that the Chinese Ambassador in Nepal has recently proposed a trilateral alliance between India, Nepal and China to support Nepal's socio-economic development. One wonders if China would be willing to consider such a trilateral alliance between India, China and Pakistan or India, China and Myanmar as well!

India has repeatedly stated its position on Tibet, treating it as the "autonomous region of China" and assured the Chinese authorities that the Tibetan refugees based in India will not be allowed to indulge in anti-China activities. For resolving the problem of Tibet, China needs to engage the Dalai Lama in a constructive manner. That is nowhere in sight. Beijing has now publicly blamed the Dalai Lama for the increasing instances of self-immolation by the Tibetan monks (*The Straits Times*, 8 March 2013). The new Chinese leadership also looks inclined to follow the hard-line policy of its predecessor in this respect (*Voice of America*, 5 March 2013, <http://www.voanews.com/content/tibetans-pessimistic-on-new-china-leader-see-time-running-out...>).

There was no reference in Mr Xi's five points to the resolution of the border dispute with India. When specifically asked, his prescription was to maintain the *status quo*, keeping the issue on the back-burner. He said that "the boundary question is a complex issue left from history, and solving the issue won't be easy". However, he pleaded for "friendly consultations" and asked that "pending the final settlement of the boundary question, the two sides should work together to maintain peace and tranquillity..." (*The Times of India*, 20 March 2013).

Panchsheel, or five principles of peaceful coexistence in interstate relations, were enunciated by the first Prime Ministers of China and India, Zhou Enlai and Jawaharlal Nehru respectively, in 1954.

The Chinese leadership is acutely aware that the border question with India cannot be resolved without 'Mutual Understanding and Mutual Accommodation', a guiding principle that was proposed by them long back and readily accepted by India. The Chinese leadership is also not very confident of whether, in view of a turbulent Tibet, they can show any accommodation towards India along the McMahon Line. It is, however, a different matter that China had strategically accepted the McMahon Line as the basic negotiating point while resolving the border issue with Myanmar and Nepal. As China is busy asserting its claims on the eastern front, with Japan and the South-China Sea neighbours, keeping the Sino-Indian border calm and stable and unaltered is the best strategic option for them.

However, Beijing has not given up its assertion of territorial claims that are based on rejecting the realities of its recent history under colonial domination. In a nuanced difference, New Delhi is keen to assert territorial claims based on its colonial-era inheritance.

For now, though, even the Indian leaders are in no position to be flexible on border claims as they are running weak coalition governments, bound by emotional parliamentary resolutions. In the long run, however, it may not be a prudent strategy for India to leave the border issue unresolved, because China is a fast-growing military power and its fortification of the Tibet region has already achieved impressive progress. Being preoccupied on the eastern front, it is in China's interests to keep its border with India stable and tranquil, and this preoccupation may not be overcome very soon. However, once China is free from its worries on the eastern front, why would it not pursue its claims on the Southern Tibetan front as assertively as it can?

Even otherwise, China can give India tense moments along a *status quo* border. Recall the long absence of movement on the border issue after 2005. China even went back on some of the already-arrived understandings on Sikkim. It also stepped up its pressure on Arunachal Pradesh and Tawang monastery. It was only by March 2012 that a new bilateral mechanism for the border affairs could be put in operation through negotiations between India's National Security Advisor Shivshankar Menon and the Chinese Special Representative Dai Bingguo.

While Mr Xi's five principles are meant to ensure stability and peace in bilateral relations, they will encourage greater economic engagement between the two countries. China seems keen to increase its investments in India and enter into the infrastructure sector, which is India's crying need. India has unresolved questions about security and fair trade practices in relation to the Chinese firms and their economic activities. How far these principles will be able to induce India towards resolving these questions remains to be seen.

** Professor Sukh Deo Muni is a Visiting Research Professor at ISAS. He can be contacted at isassdm@nus.edu.sg and sdmuni@gmail.com. Professor Muni and Professor Tan Tai Yong (ISAS Director) are co-editors of **A RESURGENT CHINA: South Asian Perspectives** (a book relevant to the theme of this article).*

INDIA-CHINA DYNAMICS-2

The SINO-US FACTOR

As the world's geopolitical focus shifts to Asia, there is much interest in the kind of contribution that India could make to the rapidly evolving balance of power in the region amidst the changing equations between China and the United States.

* C RAJA MOHAN



United States President, Mr Barack Obama, (left) with India's Prime Minister, Dr Manmohan Singh.

Photo: Courtesy of India's Ministry of External Affairs, New Delhi.

This interest in India's approach to the Asian order is based on the nation's rapidly growing material capabilities. India today is the tenth largest economy in nominal terms and the third biggest in terms of purchasing power parity (as of 2012). India has one of the world's largest armed forces and is the eighth big-spender on national defence (2012). Thanks to the continuing high economic growth rates (in comparison to the West), India's emergence as a major power is inevitable over the coming years.

East Asia has enjoyed a prolonged period of relative political stability since the late-1970s.

There have been few major regional conflicts since the end of the Cold War. This relatively benign phase appears to be drawing to a close amidst the new fissures that have surfaced in recent years.

The last few years have also seen the rapid growth of political and military tension between China and the US in Asia. With China seeming to threaten US primacy in Asia, a geopolitical fact of life since the end of the Second World War, Washington unveiled the policy of 'pivot to Asia' in 2011. This involves strengthening the traditional US military alliances in Asia with

Japan, South Korea, the Philippines, Thailand, and Australia, deepening partnerships with emerging powers like India and Indonesia, more active participation in the regional efforts towards economic integration, stepping up its forward military presence by moving more of its military assets to the region, and devising a new military doctrine to counter the challenges arising from China's military modernisation. Despite repeated American assertions that the 'pivot to Asia' is not aimed at China, Beijing has seen the shift in the US policy as an attempt to contain China and constrain its emergence as a great power.

As China and the US circle each other in Asia, the region's responses have been diverse but united by one common thread – the Asian powers will not simply submit themselves to the discipline of a bipolar framework. That Asia's large nations want a say in the future regional order is not surprising. Consider the Cold War era, when Asia was very weak and a theatre in the global rivalry between America and the Soviet Union. Yet the region, unlike Europe, would not accept the regimen of the Cold War. China switched from a treaty-alliance with the Soviet Union in the 1950s to a strategic *entente* with Washington during the 1970s and 1980s. It later proclaimed an independent foreign policy and is now seen as threatening US primacy in Asia. India emphasised non-alignment, but drew

closer to the Soviet Union in the 1970s and 1980s and has warmed to America since the end of the Cold War.

India's response to the new dynamic between China and the United States is driven by at least five competing strategic imperatives. One, India sees its economic future and prosperity in greater integration with Asia. Two, while India sees China's massive economy as the engine of regional growth, it is also increasingly worried that Beijing's rise may not be peaceful. Three, while India is keen to see the US balance China's power in Asia, Delhi does not want to be caught in the potential cross-fire between the two. Four, India is also concerned that the United States, on a path of relative decline, may not be able to sustain its historic commitments to its Asian partners. Finally, India is concerned that a weaker America might sorely be tempted to accommodate China's rise at the expense of the rest of Asia.

To understand where India is headed, one must recall briefly the complex story of India's relations with both China and the United States. Delhi's relations with Beijing have been marred by a host of unresolved bilateral disputes since they became neighbours in the middle of the 20th century and by an unending competition for regional influence. It is only recently that the difficulties in the relationship have been tempered by a growing economic engagement. Even as Delhi and Beijing seek peace and tranquillity on their Himalayan borders, they find themselves rubbing up against each other in the Indian and Pacific Oceans.

As China continues to rise much faster than India, Delhi can only bridge the gap with Beijing with a policy that combines internal and external balancing. An alliance with Washington, then, would seem natural for Delhi. That logic, however, is constrained by political opposition from those who point to India's traditional policy of non-alignment. The logic of a *de-facto* alliance with the United States is also limited by Delhi's concerns about the inconstancy of American policy towards China and about the fiscal as also political



Panelists (from left) Professor C Raja Mohan (ISAS Visiting Research Professor and author of this article), Mr Kwa Chong Guan, Dr Tim Huxley, and Professor Tan Tai Yong (ISAS Director) at an ISAS panel discussion on the Indo-Pacific, in Singapore on 1 February 2013.

sustainability of the 'pivot to Asia' in Washington. Delhi is acutely aware of the dangers of a potential Sino-US rapprochement that could leave India exposed. India therefore seeks simultaneous expansion of security cooperation with the United States and deeper political engagement with Beijing as part of an effort to insulate itself against the twists and turns in the US-China relationship.

As it copes with the rise of a great power in its vicinity, managing its relations with China and the United States and coping with the uncertainties in the Sino-US relationship have become central challenges to India's foreign policy. There is widespread domestic consensus in India on three important propositions: (1) it cannot become a junior partner to the United States, (2) it cannot accept a Sino-centric order in Asia, and (3) it needs stronger political and economic cooperation with both China and the US. In translating these propositions into policy, India has been hamstrung by an unprecedented weakness of government in Delhi.

To make the best of its new salience in Asia, India needs to redefine the notion of 'strategic autonomy' so dear to the Indian political class and the national

security elite. This in turn demands that India return to the original conception of non-alignment of the 1950s. Unlike in the more recent past, India's first Prime Minister Jawaharlal Nehru did not see non-alignment as 'neutrality'. Nor did he imagine India's 'strategic autonomy' as 'equidistance' between the rival superpowers. What he emphasised was the capacity for independent judgement on world issues, simultaneous engagement with all the great powers, building coalitions with medium powers and a determination to elevate India's standing in Asia and the world. Unlike Nehru, his successors today have greater freedom of action to pursue such a policy and a much bigger chance to influence the outcomes in Asia, if only they are prepared to lead.

** Professor Chilamkuri Raja Mohan is a Visiting Research Professor at ISAS. He can be contacted at isascrm@nus.edu.sg and crmohan53@gmail.com. He is the author of **SAMUDRA MANTHAN: Sino-Indian Rivalry in the Indo-Pacific** (a book relevant to the theme of this article).*

INDIA-CHINA DYNAMICS-3

ALL-WEATHER DIALOGUE, NOW!

Photo: Courtesy of India's Ministry of External Affairs, New Delhi.



India's External Affairs Minister, Mr Salman Khurshid, (left) with the Chinese Premier, Mr Li Keqiang, in Beijing in early May 2013.

China's new Premier Li Keqiang's visit to India from 19 to 22 May 2013 has raised the possibility that the two Asian mega-state neighbours, going forward, can hope to engage each other in the mode of all-weather dialogue. The concept of all-weather dialogue, conceived by this author as a variant of Sino-Pakistani 'all-weather friendship', will be useful in almost all situations. If New Delhi and Beijing can talk to each other amid good as also bad and indifferent times in the Sino-Indian political ambience, the prospects of detente and good neighbourliness across the snow-draped Himalayas will indeed look up.

Mr Li visited New Delhi for serious parleys with Indian leaders, even as the dark clouds of a military standoff between the two sides were just then receding. The military standoff, at a place in the Depsang/Tianan stretch along the Line of Actual Control (LAC) in the general area of the disputed Sino-Indian Himalayan border, began around 15 April. Several weeks later, the standoff was defused through diplomatic and mil-to-mil efforts by the two countries – without a fire-fight.

For Mr Li, the visit surely transcended his youthful impressions of his country's ancient neighbour which was now modernising too. Moreover, his talks with the Indian leaders, followed by a visit to commercial Mumbai, must have served as a reality check on the contemporary India of his nascent prime ministerial times.

Beyond the symbolism of his cheerful outreach towards the Indian leaders and people was his businesslike fervour for

* P S SURYANARAYANA

Sino-Indian dialogue on difficult issues. Going by the official Chinese version of Mr Li's in-camera talks with India's Prime Minister Manmohan Singh on 19 and 20 May, China underscored the "need" to "take into account each other's *concerns* and properly handle sensitive issues". The unambiguous message was that Beijing would be willing to address New Delhi's concerns on the basis of reciprocity.

What Mr Li has now done is to place the "*concerns*" of both sides at the very nucleus of their interactive negotiations. This marks a calibrated forward movement in Sino-Indian state-to-state relations. China's new helmsman Xi Jinping had, in a media interview in Beijing on 19 March, urged China and India to "accommodate each other's core concerns". He was spelling out his foreign policy priorities before leaving for the 27-March BRICS summit in Durban (among the leaders of Brazil, Russia, India, China, and South Africa).

Critics may argue that Mr Li's studied avoidance of the word "*core*" even as he echoed Mr Xi's guideline shows that China has scaled down its interest in India's "*core concerns*" – within the space of a few weeks since these two leaders assumed office. However, the same logic will lead to the awkward conclusion that the new Chinese leaders have indeed lost interest in the "*core concerns*" of their own country in a matter of some weeks. On balance, therefore, Mr Li's message to India is that China is gradually moving from public pronouncements to a policy preference in this sensitive area of addressing mutual concerns.

It is now a question of giving diplomacy a genuine chance to prevail over the military means of settling disputes. Since the early-1990s, India and China have agreed to the principle of maintaining peace and tranquillity along the undefined



Singapore's Emeritus Senior Minister Goh Chok Tong spelling out his thoughts on 'India-China Cooperation for Global Good', at ISAS Eighth International Conference in Singapore on 22 November 2012. Mr Goh said the "determinism" that "China and India are bound or even destined to be strategic adversaries" was indeed "misplaced".

LAC. Surely, peace along the LAC was not breached during the April-May bloodless military standoff that occurred at just one place. However, tranquillity was the main casualty. Surely, this was not the first episode of its kind since the 1990s, but it was almost inexplicable that military tensions had rocketed on this occasion despite a visibly cordial meeting which Mr Xi and Dr Singh held in Durban on 27 March.

By design or default, Mr Xi had earlier chosen to emphasise the centrality of core concerns, distinguishable from core interests, of China and India. The core interests of a state ensure its survival and success as a sovereign political entity. By contrast, the *core concerns* of a state reflect its anxieties over specific issues at any given time.

India's *core interests* in its interactions with China require: (1) political detente as the possible pathway towards a permanent state of Sino-Indian peaceful coexistence; (2) nuclear and other forms of military deterrence so that India could attain and sustain a state of equivalence, not necessarily

equality, with China; (3) Beijing's acceptance of Jammu & Kashmir (preferably, in its entirety) as an indivisible part of the Indian Union; (4) a conscious, even if gradual, Chinese effort to jettison the suspected anti-India catalyst in the Sino-Pakistani "all-weather partnership" and "all-weather friendship"; (5) the creation of a level-playing Sino-Indian economic domain (consistent with India's "rights" as a lower-riparian state in regard to the *Brahmaputra* (*Yarlung Tsangpo*)); (6) a litmus test of China's attitude towards India's growing aspiration to be accepted as a veto-empowered permanent member of the United Nations Security Council, indeed like China itself; and (7) China's support for India's efforts to enter the elite multilateral entities and caucuses that seek to administer nuclear-non-proliferation and other international-security issues.

Beijing's *core interests*, in regard to New Delhi, can be traced as: (1) the *sine qua non* that China strike a stable and sustainable bilateral equation – in a bid to give India no credible cause to try and become a geostationary satellite in orbit around the United States or, in a more earthy language, become a pro-US swing-state in the currently-fluid and evolving power-dynamics in Asia; (2) a game-plan, if the Chinese could indeed devise one, to attract or pull India towards them in the potential or real Sino-American power struggle; (3) the perpetuation of Beijing's sovereign control over Tibet as an integral unit of the People's Republic of China; and (4) New Delhi's total and durable acceptance of Beijing's non-negotiable One-China policy.

For the present, there is nothing in the Joint Statement on the Singh-Li meetings in May to indicate a definitive forward movement over the **core interests** or even the more immediate **concerns** of either side. As for steps to settle the border dispute, of increasing priority on both sides, it is evident that neither wanted to cross the Rubicon of escalation at the height of the April-May episode of military tensions. In political terminology, the ball is still very much in play between the two countries to establish a definable LAC as the prelude to a final settlement of the border question.

A caveat will be in order in regard to New Delhi's *concerns* over its trade imbalance and other economic issues with Beijing. It is indeed up to India to try and make itself more of a complementary partner for China. Beijing will then come under pressure to concede to India a level-playing economic field. China may, on the other hand, find it necessary to address India's concerns

over the *Brahmaputra* waters with a greater degree of transparency and accommodative spirit. Beyond these aspects, there is a lot more to Sino-Indian diplomacy.

In a coded signal targeting China, India and Japan announced, on 29 May, a seemingly non-threatening deal – the Japanese offer to sell to India the US-2 amphibious aircraft (for civil-military-use). A logical derivative of this unfinished deal, as of June 2013, was that New Delhi could arm itself with a virtual Japan-card in diplomacy, given the Tokyo-Beijing rift over a number of issues.

Targeting India through a coded signal on 23 May, Mr Li offered Chinese help to Pakistan over two projects – modernisation of the Karakoram Highway at the India-Pakistan-China tri-junction, and the Pakistan-China Economic Corridor that would link China to the southern Pakistani port of Gwadar, which Beijing had acquired recently. It is hard to miss the potential strategic value of these projects to China in relation to India in Pakistan's neighbourhood.

In the more immediate context, two strands of thought are relevant to Sino-Indian relations. Japanese Prime Minister Shinzo Abe had told Dr Singh over dinner in Tokyo on 29 May: "You remember that I spoke of the Confluence of the Two Seas (Pacific and Indian Oceans) in 2007 at the Indian Parliament. I am of a belief that it is the task for the maritime democracies to safeguard our vast oceans".

In some contrast to the Japan-India maritime idiom, Mr Li has visualised a Sino-Indian "handshake across the Himalayas". While the Sino-Indian land boundary links the two countries, India and Japan share no connecting border across land or sea. This raises interesting questions about competition and cooperation among India, China, and Japan along the "vast oceans". As for Mr Li's colourful idiom of China's Himalayan handshake with India, obviously in velvet gloves on both sides for greater effect, the May 2013 summit should give neither China nor India a cause to conceal an iron fist!

* Mr P S Suryanarayana is Editor (Current Affairs) at ISAS. He can be contacted at isasps@nus.edu.sg.

INDIA-CHINA DYNAMICS-4

TRADE FEATURES and Issues

* AMITENDU PALIT

The rapid increase in Sino-Indian trade during the last decade has surprised many. The increase has occurred in spite of the two countries having occasional political friction. Growth in trade has also not been affected by the absence of a bilateral trade agreement providing preferential export-access to each other's domestic markets.



Chinese President, Mr Xi Jinping, (first from left in the front row) with India's Prime Minister, Dr Manmohan Singh, (third from right in the front row) at the BRICS (Brazil, Russia, India, China, and South Africa) Summit in Durban (South Africa) on 27 March 2013.

Photo: Courtesy of India's Ministry of External Affairs, New Delhi.

The momentum in bilateral trade growth has also not been influenced by major global developments like the financial crisis of 2008 and the prolongation of economic stagnation in Europe. Though overall economic and trade prospects of both countries have suffered due to the global financial meltdown and recession in Europe, the robust bilateral trade has contributed to both maintaining a reasonably satisfactory rate of growth in overall external trade. With drivers of exports and imports on both sides remaining strong, bilateral trade is expected to continue its rapid growth.

Just about a decade ago, the size of the Sino-Indian trade was hardly significant at US\$ 4.8 billion in 2002-03. Since then, trade has grown fast to reach US\$ 75.6 billion by 2011-12. The increase represents an annual average growth of almost 40 per cent during this period. At its current rate of growth, Sino-Indian trade is well placed to reach US\$ 100 billion much before the target year of 2015.

The sharp growth in bilateral trade has drawn attention to its features. Two of the much-discussed issues in this regard are the structural imbalance and the commodity composition of trade.

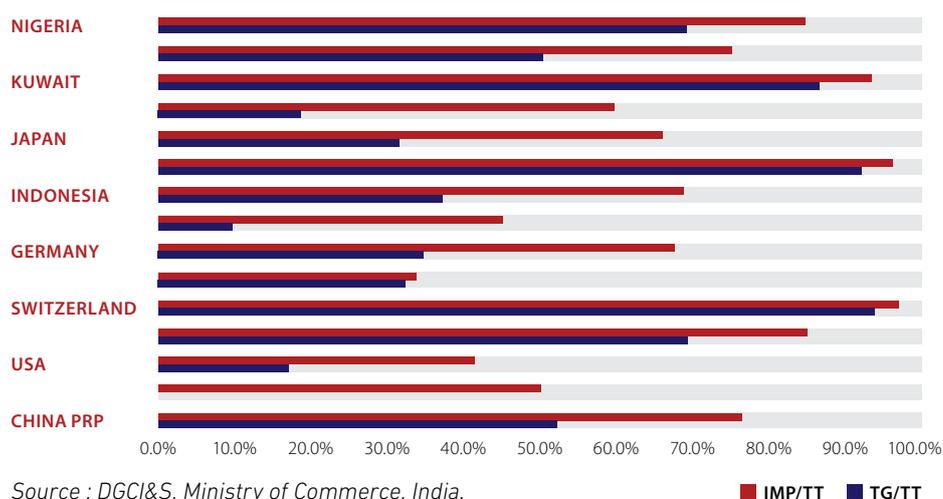
STRUCTURAL IMBALANCE

Growth in Sino-India bilateral trade has been accompanied by an imbalance in its structure, with the balance of trade widening in China's favour over a period of time. During 2002-03, the trade surplus was only US\$ 0.8 billion in China's favour. Since then, it increased to US\$ 39.4 billion at the end of 2011-12 and was 21.5 per cent of India's overall trade deficit.

Is this structural imbalance unusual? China runs a trade surplus with the rest of the world and is, in this sense, a net exporter. However, this does not mean that it has trade surpluses with all regions of the world. It runs surpluses with Europe, North America, and Latin America, and deficits with Asia,

Africa and Oceania. Within Asia, China has surplus trade balances with all countries from South Asia, including India. But it has trade deficits with several economies from West Asia (e.g. Iran, Iraq, Kuwait, Oman, Qatar and Saudi Arabia), East Asia (e.g. Japan, Taiwan and Republic of Korea) and Southeast Asia (e.g. Malaysia, Indonesia, Philippines and Thailand). China's trade surplus with India needs to be viewed in the context of its trade relations with different parts of Asia.

China's trade deficits with several economies from West Asia are due to its large imports of crude oil and refined petroleum products. Its trade deficit with Oceania is also due to large imports of mineral and natural resources. Deficits with economies in East and Southeast Asia arise from its large imports of intermediate products that are assembled and exported to third-country markets, mainly in Europe, North America and Latin America. This explains why China has trade surpluses with the latter regions.

Figure 1: India's Trade Gap and Imports (as proportion of Total Trade) (%)

Source : DGCI&S, Ministry of Commerce, India.

As a trade partner, China's reliance on India for imports is much less than that on West Asian and East and Southeast Asian countries. Except for some commodities like iron ore and raw cotton, China does not depend on India for supplies of either raw materials or intermediates. But India – like most countries in Europe, North America and Latin America – depends on China for sourcing several items, particularly capital goods like machinery and equipment, as well as chemicals, fertilisers and plastic.

Several analysts, studying the China-India trade from the Indian perspective, have raised concerns over the alarming level of the trade deficit. It must be noted that India runs trade deficits with most of its major trade partners (e.g. Saudi Arabia, Germany, Indonesia, Iraq, Japan, Kuwait, and South Korea). Its deficits with the West Asian

economies like Saudi Arabia, Iraq and Kuwait are because of oil imports and structurally similar to China's trade deficits with these countries. For other countries, including China, India's trade deficits are the result of imports necessitated by domestic supply inadequacies. Indeed, while imports from China comprise a significant share of India's trade with China, there are other countries for which the shares are larger (Figure 1). Similarly, India's trade gap as a proportion of its total bilateral trade is higher for Saudi Arabia, Switzerland, Iraq, Kuwait and Nigeria, compared with China. It is therefore incorrect to assume alarmist postures on India's growing trade gap with China as if it is an isolated instance.

COMMODITY COMPOSITION

A commonly held view on the China-India trade is that India mostly exports raw materials

to China while China exports finished goods to India. While the view is correct to a certain extent, it does not reflect the diversities in the export baskets on either side.

India's main exports to China include ores, slag and ash, cotton, copper, organic chemicals, inorganic chemicals, plastics, general machinery and electrical machinery. Ores dominate India's basket of exports to China. During 2005-06, they had 51.3 per cent share in India's total exports. But by 2011-12, the share fell to 25.5 per cent. The lower share of ores has been matched by an increase in the export share of cotton, which has gone up from 7.6 per cent to 22.2 per cent during this period. Similarly, the share of copper in total exports has increased from 1.7 per cent to 11.2 per cent during the same timespan.

The relative share of ores in India's exports to China has not reduced because of a decline in these exports, but because of a widening of the basket due to more exports of other commodities, whose shares have increased. Apart from cotton and copper, other Indian exports to China that are increasing over time include general machinery and electrical machinery and equipment. The shares of these two categories have increased from 1.7 per cent to 11.2 per cent, and 1.0 per cent to 5.0 per cent, during 2005-06 to 2011-12. On the other hand, shares of organic chemicals and iron & steel products have fallen.

A closer look at the three major product categories – ores, slag and ash, cotton and copper – reveals some key items from these groups as prominent exports to China (Table 1). Among ores, the most prominent item is iron ore and its concentrates. Raw cotton and cotton yarn are the key cotton exports to China while the dominant copper items are refined copper and copper alloys and copper wire. While ores and cotton are among India's major exports to the rest of the world, copper appears to be having a bigger export market in China than elsewhere.

Iron ore exports from India to China are being driven by the sustained infrastructure boom in China and demand for ore from China's steel industry. For Indian iron ore producers, China has emerged as a major market, given that most large finished-steel producers in India have captive iron ore mines and source requirements from these captive capacities rather than the open market. China is the biggest destination for India's iron ore and accounts for more than 90 per cent of such exports.

The infrastructure boom along with rapid urbanisation and real estate development

Table 1: India's Main Exports to China

Broad Product Category & HS Code	Key Items
1. Ores, slag and ash (26)	Iron ore and its concentrates (2601)
2. Iron & Steel (72)	Ferro Alloys (7202); Flat-rolled products of iron/non-alloy steel (7210)
3. Cotton	Cotton not carded or combed (5201), Cotton yarn (5205)
4. Organic chemicals (29)	Cyclic hydrocarbons (2902), alcohols & derivatives (2905), antibiotics (2941)
5. Inorganic chemicals (28)	Aluminium oxide (2818)
6. Copper & its articles (74)	Refined copper and copper alloys (7403), copper wire (7408)
7. Electrical equipment (85)	Transformers, static converters & inductors (8504), Parts for electrical apparatus (8538)

Source : DGCI&S, Ministry of Commerce, India. Note: Figures in parentheses are 2-digit and 4-digit HS (Harmonised System) Codes for the particular categories and items.

are also responsible for greater demand for refined copper and copper alloys and copper wire. The latter are being widely used in China's fast growing electric/hybrid car industry. Like iron ores, China is the largest market for refined copper exports from India and absorbs more than 90 per cent of such exports.

India's cotton exports to China are being driven by the high demand for raw cotton from scale-intensive large readymade garment manufacturing firms and textile mills. Domestic prices of raw cotton and cotton yarn have been steadily rising in China in recent years, forcing textile mills to import cheap yarn from India and Pakistan. China is by far the biggest export market for India's raw cotton. It is also one of the largest markets for export of cotton yarn, the other major markets being Bangladesh, Egypt and South Korea. However, another of India's major cotton exports to the rest of the world – cotton woven fabric – is not a major item of export to China. This is probably because of the dominance of local woven products in the domestic market.

India's basket of exports to China is undergoing interesting transformations. Iron ores are no longer India's only primary product export to China and are being matched by raw cotton and cotton yarn. Copper products have also become important in the export basket. The most striking transformation is the increasing exports of machinery and electrical equipment. Many would not expect India

to export machinery and equipment to China, given that the latter is a major producer of these items and also because India itself is a major importer of several machinery and equipment from China. It needs to be noted, though, that the machinery and equipment being exported by India to China are different from the items that it is importing from China.

India's main machinery and equipment exports to China include pumps for liquids, air vacuum pumps, machinery and laboratory equipment, machine parts, taps, cocks, valves and similar appliances. Other than these general-purpose machinery, India is also exporting electrical machinery and equipment to China. Products from this category include transistors and semiconductor devices, and parts and specific electrical apparatus, including those meant for use in telephony or telegraphy. While these exports could well be due to specific demands from users and producers in the Chinese market, only a longer-time trend will reveal whether they can establish deeper footholds in the Chinese market.

China exports multiple items to India (Table 2). Over time, China has not only become India's largest trade partner, but is also one of its major sources for several imports including chemicals, fertilisers, machinery and equipment. These are China's most important exports to India and account for almost a quarter of the export basket. Their share in total exports changed marginally from 25.5 per cent in 2005-06 to 23.5 per cent

in 2011-12. The second important category of exports from China to India are machinery and appliances, whose share has increased from 12.2 per cent to 18.2 per cent during 2005-06 to 2011-12. In more recent years, project goods have become China's major exports to India and they currently account for 8.6 per cent of China's exports. While organic chemicals were among China's main exports earlier and accounted for 12.1 per cent of total exports in 2005-06, their share declined to 7.3 per cent in 2011-12. Fertilisers now have 4.4 per cent share in total exports.

Several factors are driving China's exports to India. One of the main drivers is inadequate supply of machinery and equipment in India for domestic industries. For India, China has been a major source of equipment required by telecom and power industries. The rapid expansion of new-generation telecom services in India has been supported by a wide variety of telecom equipment and accessories sourced from China. Similarly, Chinese equipment is being extensively used by India's electricity producers. Private power-generating plants in India are using Chinese capital goods, leading to sharp rise in project goods exports. India has proven competence in computer software solutions. Unfortunately, it does not have matching capacities in computer hardware and accessories, which has provided a strong market for Chinese exports. On the other hand, infrastructure expansion and urbanisation has led to high demand for iron and steel products from China while inadequate supplies at home have increased the import of fertilisers.

Unlike India's basket of exports to China, which has been changing over time in composition of primary products and the greater presence of capital goods, China's exports to India have remained broadly unchanged. This is essentially because the conditions encouraging demand for Chinese products in India have remained unchanged. Several categories of machinery and equipment continue to remain under-produced in India. For end-users of these products, China is a major source of supplies and is expected to remain so in the future.

Table 2: China's Main Exports to India

Broad Product Category & HS Code	Key Items
1. Electrical machinery & equipment (85)	Electrical apparatus for telephony including cordless handsets & videophones (8517), Reception apparatus (8528) Electrical transformers (8504), Transmission apparatus for radio telephony (8525)
2. Organic chemicals (29)	Antibiotics (2941)
3. Machinery & Mechanical appliances (84)	Automatic data processing machines & units (8471), Parts & Accessories (8473), Steam/vapour generating boilers (8402), Printing machinery (8443)
4. Project goods (98)	Project goods (9801)
5. Fertilisers (31)	Mineral/chemical fertilisers with 2/3 of N,P,K (3105)
6. Plastic & its articles (39)	Several different items
7. Iron & Steel (72)	Flat rolled products of iron/non-alloy steel (7208)

Source : DGCI&S, Ministry of Commerce, India. Note: Figures in parentheses are 2-digit and 4-digit HS (Harmonised System) Codes for the particular categories and items.

** Dr Amitendu Palit is Head (Partnerships & Programmes) and Senior Research Fellow at ISAS. He can be contacted at isasap@nus.edu.sg. He is the author of **China-India Economics: Challenges, Competition and Collaboration** (a book relevant to the theme of this article).*

THOUGHTS at the Threshold

South Asia has been a constant source of fascination for me, yet it was upon pursuing a Master's programme in South Asian Studies at Oxford last year that my interest developed into something more. ISAS, in many ways, has been the perfect place for me to continue this journey of discovering and analysing contemporary South Asian issues from an academic perspective.

The academic diversity of the community of scholars at ISAS has made South Asia so fascinating a subject for me to study.

Moreover, ISAS allows me to play to my strengths as an observer of India from the outside. At the same time, the institute's location in Singapore allows for deeper engagement with India which, with its close proximity to, and strong political and economic linkages with, Singapore, is never too far away.

The continual flow and exchange of ideas at ISAS, from panel discussions and Ambassador's Lecture Series to everyday interactions with colleagues, have encouraged me to consider new ways of thinking about issues I thought I already knew. From emceeing a book-launch to attending closed-door sessions, I have certainly been given more than a glimpse into the workings of ISAS.

While book-launches over the past few months presented an opportunity to witness academics discuss and defend their newly-

published work, the ISAS Chairman's weekly meetings with the institute's researchers have provided an exciting finale to each week here at ISAS. Covering hot topics of the week such as elections, police reform, terrorist attacks and parliamentary debates, the Chairman's meetings introduced me to an insider's perspective on South Asia's current developments. These meetings also revealed the value of using different lenses through which issues could be interpreted and de-constructed in myriad ways.

A dialogue session which in particular stood out for me was that by Professor Brij Lal about the conceptions of identity among the South Asian Diaspora. What made it tremendously interesting for me was the intrinsic connection of the subject matter to my life as an Indian, born and raised outside of India. The ideas that emerged from the discussion led me to realise the complexities of Diaspora, especially the many differences among the South Asian immigrant populations outside the sub-continent. One example is the difference between those who have and have not fully identified with

the countries they have migrated to. Even within the same household, it is possible to come across family members who have fully absorbed the social and cultural identity of their country of residence, while others, in search of meaning and identity, cling firmly to the culture of a country that has either become, or always has been, a distant physical entity.

My experience of writing about youth during my Master's, which ranged from the educational attitudes of young Indian expatriates in Singapore to the agency of youth within inter-caste relationships in Haryana and Uttar Pradesh, was something I have fortunately been able to continue at ISAS. When learning of the possibility of working on a youth-related project under the guidance of Dr S Narayan and Professor John Harriss, I jumped at the chance, and so began the process of researching a topic that has been the definite highlight of my ISAS internship – the politics of youth in India. The NUS library's incredible collection of India-related material and the wonderful book recommendations of Professor John Harriss have been invaluable to my continuing research on the issue.

RAHUL ADVANI

(He is Research Assistant at ISAS and can be contacted at isasra@nus.edu.sg. Age: 23 years; was ISAS Intern from January 2013 to March 2013).

Photographs of KEY EVENTS

ISAS Eighth International Conference



(Left)

In the keynote address at ISAS Eighth International Conference on South Asia, held in Singapore on 22 November 2012, Singapore's Emeritus Senior Minister, Mr Goh Chok Tong, called for China-India strategic leadership for global good.

(Bottom left)

Mr Goh with Singapore's former President, Mr S R Nathan, (right) and ISAS Chairman, Ambassador Gopinath Pillai, (left) before the start of the conference.

(Bottom right)

India's Ambassador to China, Dr S Jaishankar, (right) outlining the narratives in Sino-Indian relations 50 years after the two Asian neighbours fought a brief border war in 1962. ISAS Director, Professor Tan Tai Yong, presided over the envoy's special address and the follow-up dialogue session at ISAS Symposium, held in Singapore on 23 November 2012.



In an ISAS Public Lecture, in Singapore on 6 December 2012, Mr Imran Khan, leader of Pakistan Tehreek-e-Insaf (Movement for Justice), spoke about his vision of peace and progress at home and good neighbourly relations with India.



Pakistan Muslim League's Senior Vice President, Mr Akram Zaki, (first from left) speaking on Emerging Asia at an ISAS Seminar in Singapore on 27 December 2012. Seated next to him, ISAS Visiting Research Professor, Sukh Deo Muni, presided.



(Top) Singapore's Foreign Affairs and Law Minister, Mr K Shanmugam, (left) at the dialogue session that followed the release of ISAS annual report in Singapore on 29 January 2013. ISAS Chairman, Ambassador Gopinath Pillai, presided.

(Left) Mr Shanmugam (centre) with ISAS Chairman, Ambassador Gopinath Pillai, (right) and ISAS Director, Professor Tan Tai Yong, after the ISAS annual report was released on 29 January 2013.



Lecturer at University of Karachi, Ms Saima Zaidi, answering questions at an ISAS Seminar, 'Mazaar, Bazaar: Design and Visual Culture in Pakistan', held in Singapore on 9 May 2013.



Athena Infonomics Director, Mr Vijay Bhalaki, (right) addressing an ISAS Workshop on 'Infrastructure and Skill Development: Initiatives in India', held in Singapore on 17 January 2013.



Participants at a workshop organised by ISAS, in association with New York-based Center on Global Counterterrorism Cooperation, in Singapore on 6-7 December 2012. The theme: The Role of the Media in Addressing Terrorism and Violent Extremism in South Asia.



ISAS Visiting Research Professor, John Harriss, speaking at the Singapore-launch of his co-authored book, 'India Today: Economy, Politics & Society', at an ISAS function on 14 March 2013.

For ISAS Publications, please access
www.isas.nus.edu.sg/publication.aspx

For ISAS Events, please access
www.isas.nus.edu.sg/events.aspx



The Institute of South Asian Studies (ISAS), established in July 2004, is an autonomous research institute at the National University of Singapore. ISAS is dedicated to the study of contemporary South Asia. Researchers at the Institute conduct long-term and in-depth studies on social, political and economic trends and developments in South Asia and their impact beyond the immediate region. In addition, ISAS produces regular up-to-date and time-sensitive analyses of key issues and events in South Asia. ISAS disseminates its research output to policy makers, the academia, business community and civil society.

CONTACT US

Institute of South Asian Studies
National University of Singapore

469A Bukit Timah Road
#07-01 Tower Block
Singapore 259770

Tel: (65) 6516 4239 / (65) 6516 6179

Fax: (65) 6776 7505 / (65) 6314 5447

Email: isasec@nus.edu.sg

Website: www.isas.nus.edu.sg

Website: <http://southasiandiaspora.org>
