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## Impact of Ukraine conflict on USA's Indo-Pacific strategy

### - C. Raja Mohan

**Context-** When Russian President Vladimir Putin invaded Ukraine at the end of February, it was widely asked in Delhi if the new challenges of European security would result in a dilution of the US's strategic commitment to the Indo-Pacific.

- Put simply, can the US continue to balance China in Asia as Russia upends the European order?
- The question is a legitimate one. After all, even the most powerful states find it hard to concentrate their resources in two distinct theatres.

**Biden's view-** Biden's answer is a definitive one — yes, the US can handle Russia in Europe and China in Asia.

- **Indo-Pacific is highest priority-** Biden came to power with a determination to make the Indo-Pacific the highest priority of his foreign policy. He is not going to abandon that objective in dealing with the unexpected crisis in Europe.
- **China is bigger threat than Russia-** Biden shared his predecessor Donald Trump's assumptions that China was the principal challenge and Russia was less of a threat. That is one of the reasons Biden chose to meet Putin in June 2021 to offer prospects for a reasonable relationship with Russia in order to devote US energies to the China question.
- **Russia inclined towards China-** But Putin's calculations led him in the other direction — towards a deeper strategic partnership with China. Putin and the Chinese leader Xi Jinping announced a partnership "without limits" and "no forbidden areas" just days before Russia invaded Ukraine.

#### **Who is a bigger threat- Russia or China?**

- **Same stance as earlier-** America's assessment of the Russian and Chinese threats has not changed since the war began in Ukraine.
- **Bill Burns' views on China threat-** The Director of the US Central Intelligence Agency, **Bill Burns** said that- Xi's China was the "biggest geopolitical challenge we face over the long-term as a country", even though the threat from Putin's Russia could not be underestimated.
- **Rise of Russia-** He also said that, "aggression by Russia demonstrates in a very disturbing way that declining powers can be at least as disruptive as the rising ones".

#### **Assumptions that have proved wrong-**

- **Russia & China are on defensive foot-** Contrary to the initial assumptions that America is on the retreat and the West is in disarray, it is Moscow and Beijing that are on the defensive as the war in Ukraine completes three months.
- **No gains for China-** The idea that China will gain from the Russian war in Ukraine has also proven to be false.
- **China tied itself to Russia-** If Putin is locked in a military conflict that he can neither win nor withdraw from, Xi has tied himself to the fading star, Putin. Expectations that Russia's triumph in Ukraine will be followed by a successful Chinese invasion of Taiwan have begun to dissipate.



- **Growing pressure on China-** If the annexation of Taiwan must wait, Xi Jinping must also cope with the continuing pressures from the US on a range of issues — economic, political, and diplomatic.

#### USA vs China in Indo-Pacific-

- **South Korea-** In northeast Asia, the election of Yoon Suk-yeol as the president of South Korea — he will be sworn in this week — has tilted the scales slightly towards the US in the continuing battle for influence between Beijing and Washington.
- **South Korea and Japan dispute-** The US is also actively trying to reduce the differences between its two treaty allies in the region — South Korea and Japan. Biden's trip to Seoul and Tokyo later this month is about consolidating the bilateral alliances with South Korea and Japan.
- **Tokyo summit-** The Tokyo summit of the Quad leaders — the third in barely 15 months — is about making the forum a critical element in the regional security architecture as well as boosting strategic ties with India.

#### USA is regaining Indo-Pacific from China-

- **Clawing back on USA-** Last year, it seemed China's advance in the east was unstoppable and the American retrenchment was inevitable. Now the US is clawing back into the region.
- **Setbacks for USA in the region-** There have been setbacks to the US too: For example, the security pact between China and the Solomon Islands could lead to the PLA's permanent military presence in the South Pacific. But Washington is signaling that it is here to stay and ready to wrestle with multiple challenges in the region.
- **Problems faced by China-** Meanwhile, China is reeling under self-inflicted problems, most notably Xi Jinping's zero Covid strategy and his crackdown on the large internet companies. Beijing's prospects look a lot less rosy than before as the Chinese economy slows down and Xi's foreign policy turns out to be quite costly for China.

#### USA's two-front strategy to regain Indo-Pacific

- **Use of allies by USA-** Biden's lemma to the theorem on a two-front strategy is a simple one — that Washington will address the simultaneous challenge in Europe and Asia not by acting alone but in coordination with allies and partners.
- **Jake Sullivan's views-** National security adviser of USA, **Jake Sullivan** emphasized the core principle of Biden's strategy — “building a latticework of alliances and partnerships” around the world.
- **Alliance is a strength for USA-** The idea was rooted in the recognition that alliances and partnerships are America's greatest strength and most important advantage over Russia and China.
- **Trump vs Biden on alliances-** If Trump trashed US alliances as a political and fiscal burden, Biden has focused on empowering allies to achieve its broader strategic objectives.
- **Are US alliances falling? -** Both Putin and Xi might have convinced themselves that the US alliances are falling apart amidst the deeper crisis within the West. But the Russian invasion of Ukraine has reinvigorated NATO and the Western alliance across the Atlantic.
- **China's aggressions have helped USA-** In Asia, China's muscular approach to disputes with its Neighbours has helped strengthen the US alliances, create new forums like the AUKUS, elevate

old ones like the Quad to a higher level, and consolidate the strategic conception of the Indo-Pacific.

- **Using Europe for Indo-Pacific-** Besides Britain, the US has also drawn Europe into making commitments for the Indo-Pacific that have endured despite the war in Ukraine.

### China's dilemma in Indo-Pacific-

- **Change in stance of China-** Until recently, China was heaping scorn on the Quad and Indo-Pacific. Today, it is painting them as the greatest threat to regional and global security. China has no one to blame but its own hubris.
- According to **C. Raja Mohan**, Moscow plays China card to enhance its leverage w.r.t USA similarly closeness with Pakistan is intended to warn India.
- **China's unilateralism-** Asia's new coalitions are a response to Xi Jinping's unilateralism and his quest for regional hegemony.
- **Why is India against China-** India's enthusiasm for the Quad can be directly correlated to Xi's military coercion on the disputed frontiers with India.
- **Way forward for China-** If Xi does not like the Quad or other "small cliques", he could simply return to a peaceful resolution of territorial disputes and restore normal ties with Neighbours. That would at once take away the source of resurgent Asian alliances.

### Impact of USA's strategy on India-

- The two parts of Biden's answer to the Europe-Asia or Russia-China question have **worked well for India**.
- **Relief for India wrt Russia-** For one, the US's emphasis on the long-term challenge from China has meant that Washington is willing to cut some political slack for Delhi on the Russian question. This gives India time to diversify its defence ties that have been heavily dependent on Russia.
- **USA is countering China-** The US emphasis on partnerships rather than unilateralism in dealing with the China challenge means India's agency in the region can only grow.
- **Chance for India to grow-** The Quad allows Delhi to carve out a larger role for itself in Asia and the Indo-Pacific in collaboration with the US and its allies.

### Scholars and quotes that can be quoted for India-Russia-

- In words of **PM Narendra Modi**, "India gives top priority to its relations with Russia. In this rapidly changing world, our relation has become more relevant."
- In words of Russia's Ambassador in New Delhi, **Nikolay R. Kudashev**, "The Indo-Russian cooperation that is built in mutual trust and enriching each other is a living formula for the rest of the world."

### Conclusion

In sum, the new Indo-Pacific strategy appears to be taking regional concerns more seriously, while also re-emphasizing both the importance of American interests in the region and Washington's recognition of the need for partners in pursuing these interests.

## What the two-front war in Ukraine means for the world

### -Pratap Bhanu Mehta

#### Introduction

Is the war in Ukraine entering a new and, perhaps, even more dangerous phase? The answer to this question depends on seeing Ukraine as a two-front war.

#### What's the current status of the war?

- **Ukraine holding Russian forces**- There is the battle being fought in Ukraine, where the country has admirably held back Russian power, and cut it to size. But it is still not clear what the endgame of this struggle is going to be.
- **Both Russia & Ukraine not ready to backoff**- It is not very likely that Ukraine will be able to enforce all its territorial claims. Nor is it likely that Russia will want to simply walk away from this war under a narrative of total defeat.
- **Is the war a political disaster for Russia?** - How much territory in Ukraine will Russia want to hold on to so that the war does not count as a complete political disaster for Vladimir Putin is an open question. What means it is willing to deploy to devastate Ukraine is also an open question.

#### Impact of the war-

- **People & Infrastructure loss**- In many ways, Ukraine has suffered immense devastation already, with more than 10 million people displaced and the country's infrastructure destroyed.
- **Support from west**- It has found immense reservoirs of national resolve, and support from the West. But whether that will be enough to achieve its objectives is not clear.
- **Stalemating the war**- The risk of Ukraine overplaying its immense success is real. There could be a protracted stalemate, but one that will continue to impose immense humanitarian costs on Ukraine. Putin could escalate, not for purposes of winning but to inflict punishment.

#### Second front of the war-

What may be more decisive for the war is the second front — the **political and economic effects** that are being played out in the rest of the world.

- **Sweden & Finland joined NATO**- On this front, it is not clear that Putin is losing as badly as the West might like to think. Putin has driven Sweden and Finland into the arms of NATO and for a moment resuscitated the idea of the West.

But from a **longer-range perspective**, several things on this second front are becoming clear.

1. **No consensus in west to isolate Russia**- The West has not been able to secure as deep and meaningful a consensus on isolating Russia as it might have hoped. So, the idea that global pressure or sanctions will work on Putin has turned out to be something of a non-starter.
  - **Needed support from India & China**- It might have worked if China, India and the rest of the world had exerted more pressure on Russia. But operationally, it is the West that found itself more isolated.

- However, according to **P.S. Raghavan**, China made substantial concessions to settle its boundary disputes with Russia and Central Asia, in pursuit of larger strategic and economic objectives in the region
- 2. **Half-hearted efforts by west**- The Western resolve has proved to be half-hearted at best. There is something reassuring about publics not wanting to rush to war. But what we have seen play out in countries like **Germany** is the refusal of the political class to invoke even the slightest whiff of a language of political sacrifice.
  - Big objectives like standing by a proud independent country of 40 million, or pushing back against autocracy (if that is the objective), do not come without forthright talk about some necessary sacrifice.
  - That unwillingness has been striking. Even in the US, most recent polling is showing slipping support for the effort in Ukraine.
- 3. **USA is avoiding direct confrontation with Russia**- The United States was in this bind — for prudential reasons it sought to avoid a direct confrontation with Russia. The risk still exists that if Russia escalates, it could force the US's hand. But even standing by Ukraine meant telling some grand story or narrative that could rally support for it.
  - **USA's support without any gains**- But this sweet spot — showing enough resolve to rally domestic support behind Ukraine, sending a signal to the Russians about American resolve but not risking all-out war or a path of no return for Russia — is not an easy one to sustain. It has been sustained up till now, but that window could close very fast indeed.
- 4. **Impact of war have reached the whole world**- Fourth, the disruptive effects of the war are now beginning to reverberate throughout the world. The global economy is facing a serious and unprecedented crisis: Inflation at the highest levels in a generation, unpredictable supply shocks, very little global political coordination, deep intellectual disarray about what ails the major economies, and even deeper political polarization.
  - **Pre-existing inflationary conditions**- Inflation was already an issue before the war started. In fact, the war may have provided some political cover for an incipient economic crisis in many economies. Across the world, there were too many complacent assumptions about monetary policy and the economy.
  - **Lack of global economic coordination**- After the 2009 financial crisis, G-20 was supposed to adopt something of a role as a steering committee for global capitalism and the stability of the global economy. But the closing in of China, the intensification of America First policies, have meant that the world is without credible mechanisms of global economic coordination.
  - **China factor**- To top it all you have China's continued insistence on zero-Covid policies, which just increases the probability of supply-related shocks.
  - According to **C. Raja Mohan**, Russia also sees itself as the sole protector of the former Soviet Republics and may not be ready to share that role with China — “yes” to coordination, but “no” to a Sino-Russian security diarchy.

### **Possible Political re-structuring in the short-run?**

Something creative may emerge from this crisis as economies restructure. But that is in the long run. Under present conditions, the second-order effects of the war in Ukraine have magnified a great deal.

- **USA**- In the US, inflation could potentially deepen America's political woes. It certainly hands Republicans an advantage.
- **Europe**- A slump in European growth could still produce unexpected political outcomes.
- **Russia's view**- If Russia is going down, it is not going down without inflicting serious costs on the rest of the world. If Putin's endgame has always been to assert Russian relevance by not just playing spoiler, but causing disruption in the rest of the world, he has managed enough — even when he is being humiliated in his own backyard.

### What can we expect in the long run?

- **Pondering questions**- How much of this disruption is the world willing to endure? Will the uncertainties on the second front — global economic disarray, and deepening political uncertainty — actually prompt a rethinking in the West about the endgame in Ukraine?
- **Short term gains vs long term loss**- Does the calculation shift from the need to show resolve to an understanding that even the current hard-won gains in Ukraine may be frittered away the longer the war drags on?
- **Can we rely on US support?** - No Western leader can count on the deep and continued support of their publics. President Joe Biden is just embarking on a tour of Asia. But it has been characteristic of the Biden Administration that it tries to conduct global diplomacy without committing any serious economic resources behind its efforts.

### Conclusion

So, is it the moment, where both West and Ukraine become conscious of how to walk away with major gains, or risk that time and the disruption of the global economy, produce a debilitating stalemate that takes everyone down? The only trouble is, no one knows what is Putin's endgame: An apocalyptic vision of a world in disarray, or is he amenable to a respectable way out? It is not a comforting thought that any answer to this question is just speculative.

## What lessons can India take from Russia?

- Harsh V Pant

### Introduction

Russia's invasion of Ukraine has had many impacts, but one area which merits more attention is whether it has produced effects sufficient to alter our understanding of warfare. A perusal of the evidence suggests that there is not any significant change in the nature of warfare. However, there are some key takeaways which have implications for the Indian military, which uses a significant number of Russian-origin weapons systems.

### 3 Claims that the Ukraine war has changed the nature of warfare-

1. **Are the battle tanks of no use in war-time situation?** - The first is that the battle tank has been rendered obsolescent, because of the highly effective performance of anti-tank missiles such as

the American-built Javelin or Advanced Anti-Tank Weapon System in visiting destruction upon Russian T-90s. But tanks have withstood past obituaries.

- **Suggestion to end usage of tanks during WWI**- Immediately after World War I, which witnessed the emergence of the battle tank, there were voices, especially in Britain, pronouncing the death of the tank, because it could not punch through German defences. This conclusion proved misleading because the Germans saw considerable merit in the tank and employed it to devastating effect in the form of the Blitzkrieg in World War II.
  - **Need of use of infantry**- Fundamentally, at a tactical level, for the tank to be effective requires the use of infantry in close support of armored operations.
  - **Why has Russia suffered loss with tanks?** - As was the case in past wars in which the tank suffered losses, this is still absent in Russia's strategy, which explains why the Russians have suffered such heavy tank losses.
  - **Advantage of Tanks**- As a standalone capability, the tank provides advantages in the form of a trinity of elements – firepower, mobility and protection. No weapons platform for ground operations can serve as a credible substitute.
2. **Obsolescence of legacy platforms of war**- A second claim is that emerging technologies such as cyber and digital technology, Artificial Intelligence, remotely piloted systems such as Unmanned Aerial Vehicles, and space-borne capabilities have rendered obsolescent legacy platforms such as fighter planes, warships, and artillery weapons.
- **New tech vs legacy platforms**- Emerging technologies cannot be a substitute for legacy platforms; they can at best enhance their performance.
  - **Advantage of legacy platforms**- If precision firepower is to be delivered against adversary targets, legacy systems will matter for launch of ordinance.
  - **Advantages of emerging technologies**- Emerging technologies can enable better Command, Control, Communication, Computers, Intelligence, Surveillance and Reconnaissance, help optimize situational awareness, reduce decision time for commanders from detecting threats to responding to them, and augment sensor to shooter capabilities.
  - **Reason for loss of Russian forces**- The devastating losses incurred by the Russian ground forces from drone and anti-tank attacks operating in Battalion Tactical Groups, comprising largely Armour and artillery units and little infantry, seem to have convinced proponents that there is a change in the nature of warfare.
  - **Poor tactics**- Infantry plays a key role in providing protection to any advancing tank column and retaliating when threatened. This doesn't herald a change in warfare, it is just poor tactics.
3. **Failure to curtail the air power of opponent**- Finally, the failure of the Russians to effectively apply air power botched the invasion from the outset. This has convinced proponents that air power is not consequential.
- **Suppressing air defence of opponent**- Indeed, Suppression of Enemy Air Defences should be the foremost requirement for any invading force. Russia's failure to neutralize Ukrainian air defences remains a glaring weakness.



- **Limited regional impact-** Active Ukrainian air defences have compelled the Russians to revise their military aims and confine their military operations to Donbas and the Black Sea coast.
- **Communication lines cut-** Russia's invasion left long lines of communications and military columns that could not be supplied and reinforced. This left them exposed to lethal interdiction by Ukrainian forces.
- **Low morale-** A corollary to this is the low morale among Russian soldiers consisting of a large number of conscripts and poor command. Military effectiveness is critically a function of troop morale and command competence. These two vital variables have very little to do with technology or logistics.

### What are the key takeaways for India from this war?

- **Investing more in emerging tech-** The key takeaway for India from Russia's unimpressive military performance is to invest more in sensors, electronic warfare, greater digitization, satellite communications and unmanned systems not just for reconnaissance and surveillance, but also attack missions.
- **Relying also on legacy platforms-** This does not require dispensing with legacy platforms, but rather making them more lethal and effective.
- **Missile technology-** India will also need greater missile forces to enhance its offensive capability. The Indian armed forces will need to be proficient at combined arms warfare. No amount of advanced technology can substitute or compensate for low morale and training, weak command, poor tactics and strategy.

## How can India ensure better South-Asian neighborhood?

- C Raja Mohan

### Introduction

As higher oil and food prices trigger inflation and popular unrest across the region, more intensive regional cooperation is one of the tools for managing the new dangers. The last few weeks have seen some positive trends in that direction as well as enduring negative policies that defy the logic of geography.

### Recent crisis with Sri Lanka-

- **Faith of Sri Lanka on India-** Last week, the Indian High Commission in Colombo was quick to scotch wild speculation that the former strongman prime minister of Sri Lanka Mahinda Rajapaksa was fleeing to India.
- ✓ We don't know if Mahinda Rajapaksa, a target of the people's outrage for the terrible mismanagement of the economy, was actually planning to take a short flight out of Lanka. If he did, India would be the natural first destination given the geographic proximity.
- **India as safe neighborhood-** India has had a long tradition of hosting political exiles from the region. Whether it was the Dalai Lama from Tibet or Prachanda from Nepal, Delhi has welcomed leaders from the neighborhood taking shelter in India.

- **Flip side of India's curtesy-** There is a dangerous flip side to this positive tradition in the Subcontinent. India has paid a high price for the decision in the early 1980s to train and arm Sri Lankan Tamil rebels. That, hopefully, is an exception rather than the rule in India's emerging neighborhood policy.
- **Distrust between India & Sri Lanka-** While India's muscular meddling in the internal affairs of Sri Lanka did not succeed in realizing the Tamil demands, it unfortunately contributed to the deep distrust between Delhi and the Sinhala nationalists. As a consequence, the geographic imperative became a casualty in Colombo.
- **HARSH V. PANT-** Expecting India to bail Sri Lanka out every time there is a crisis may work for some time, but it's a recipe for disaster

#### India's role in re-building of Sri Lanka-

- **Rebuilding political confidence-** The current crisis in Sri Lanka raised hopes for transcending the internal ethnic divide in the island nation and rebuilding political confidence between Colombo and Delhi. To be sure, positive sentiments driven by crises do not always last.
- Highlighting the geostrategic significance of Sri Lanka, **Harsh V. Pant** has held that the "great game" of this century will be played in the waters of the Indian Ocean. In his own words, "Sri Lanka matters because the Indian Ocean matters."
- **India's financial support-** But Delhi's unstinting support — both material and financial — for Colombo during this unprecedented economic and political crisis has generated much goodwill in Sri Lanka. This offers a major opportunity to reframe Delhi's ties with Colombo.
- **Importance of cultural geography-** If India's relations with Sri Lanka underline the importance of continuous tending of political geography, Prime Minister Narendra Modi's visit this week to Lumbini, the birthplace of Lord Buddha in Nepal, highlights the immense possibilities of cultural geography in reshaping the Subcontinent's regional relations.
- **Buddhist circuit-** The idea of a "Buddhist circuit" connecting the various pilgrimage sites across the India-Nepal border has been around for a long time. Given the massive size of the global Buddhist population — estimated to be more than 500 million — and the wider international interest in the historic sites, it is surprising how long it has taken Delhi and Kathmandu to come together in developing the Buddhist circuit.
- **China factor-** That China has built a new airport near Lumbini and Modi is avoiding it points to the turbulent triangular dynamic between Delhi, Kathmandu, and Beijing.
- In words of **C. Raja Mohan**, "Beijing has emerged as the biggest challenge to New Delhi, and the US is increasingly becoming the part of the answer. India's membership of the Quad is a response to such geopolitics."
- According to **Harsh V. Pant**, China views India's role in Sri Lankan affairs not only as a means to "control" Sri Lanka and achieve "regional hegemony" in South Asia but also to "expel the influence of other countries."
- **Cultural geography and economic geography-** The return of the Nepal Congress to the helm and its readiness to deepen ties with India has also opened the door for a recalibration of Delhi's ties with Kathmandu. Revitalizing the shared cultural geography inevitably involves better management of economic geography.



- **Infrastructure development**- The last few years have seen the Modi government step up on infrastructure development on the Indian side and accelerate transborder transport and energy connectivity in the eastern subcontinent.

#### **Steps to ensure peaceful and prosperous South-Asean neighborhood-**

- **Religion and culture**- Religion and culture are deeply interconnected in South Asia. Developing all religious pilgrimage sites across the region, and improving the transborder access to them could not only improve tourist revenues of all the South Asian nations, but could also have a calming effect on the troubled political relations between nations.
- **India-Pakistan initiative**- Despite their frozen bilateral political relationship, Delhi and Islamabad had agreed to open the Kartarpur corridor at the end of 2019 across their militarized Punjab border.
  - ✓ The corridor makes it easier for Sikh pilgrims to visit the shrine in Kartarpur in Pakistan, where Guru Nanak founded the Sikh faith.
  - ✓ There is much more to be done on reconnecting the Subcontinent's sacred geographies — including the Ramayana trail and Sufi shrines.
- **Pakistan's anti-geographic policy**- While parts of the region are aligning their policies with the geographic imperative, Pakistan would seem to be an exception. Some would say, Islamabad's policies are deliberately anti-geographic.
  - ✓ Consider, for example, the recent controversy in Pakistan over the routine appointment of a "trade officer" in its high commission in Delhi.
- **Pakistan's economic crisis**- Facing a barrage of media criticism, the new government led by Shehbaz Sharif had to clarify that it was not planning to improve trade ties with India. Given the depth of its macro-economic crisis and massive inflation, one might have thought Pakistan would want to expand trade ties with India in its own economic interest. But Pakistan's politics are hard-wired against the logic of geography.

#### **India-Pakistan way forward-**

- **Pakistan's adamant policies**- Delhi had little reason to believe that Pakistan's new government can alter its self-defeating policy towards India. But it must continue to bet that the geographic imperative will eventually prevail over Islamabad's policies.
  - ✓ **Pessimists** in Delhi will say the word "eventually" means nothing for policy-making today.
  - ✓ But **optimists** would say India must continue to find ways to work with Pakistan.
- **Realists** might want to argue that current trends in the Subcontinent point to India's growing agency in shaping its neighborhood and that Pakistan will not forever remain an exception.
- For Delhi, the policy question is whether India can do something to hasten the inevitable change in Pakistan.

## Why engagement with ASEAN should be high on the priority list for India - HARSH V. PANT

### Introduction

The strengthening of relations in the geopolitical sphere has also given a push to the India-Asean economic ties, with Asean now India's fourth-largest trading partner engaging in bilateral trade in 2019-20 worth \$86.9 billion.

### Importance of ASEAN for India-

- **'Act East' policy**- India's 'Act East' policy is a core tenet of its Indo-Pacific vision. This was underlined at the special Association of Southeast Asian Nations (Asean)-India foreign ministers' meet hosted by New Delhi on June 16 to mark the 30th anniversary of India's ties with Asean.
- **Asean's centrality and unity**- In his keynote speech at the security conference, Shangri-La Dialogue, in 2018 in Singapore, Narendra Modi had stressed on Asean's centrality and unity 'at the heart of the new Indo-Pacific'.
- **Indo-Pacific Oceans' Initiative**- When India launched the Indo-Pacific Oceans' Initiative at the 2019 East Asia Summit in Bangkok, Thailand, countries like Indonesia, Singapore and Vietnam also became India's partners in this initiative.
- **S. Jaishankar** in his book, 'The India Way: Strategies for an Uncertain World', mentions that, Asia is being shaped largely by the outlook of the US, the power of China, the weight of Russia, the collectivism of ASEAN, the volatility of the Middle East and the rise of India.

### Importance of India for ASEAN-

- **Giving importance to Indo-Pacific**- Asean, in trying to balance relations between US and China, is also making an effort to engage with other potential like-minded partners in the Indo-Pacific.
- **Trade**- The strengthening of relations in the geopolitical sphere has also given a push to the India-Asean economic ties, with Asean now India's fourth-largest trading partner engaging in bilateral trade in 2019-20 worth \$86.9 billion.
- **FTA**- India already has a free trade agreement (FTA) with Asean, spanning goods, services and investment.

### ASEAN and RCEP-

- **India rejected RCEP**- India-ASEAN ties took a hit when India walked out of the China-inclusive Regional Comprehensive Economic Partnership (RCEP) in November 2019.
- ✓ Though many have argued that RCEP is a China-centric economic framework, the Asean countries believe it to be an **Asean-led mechanism**. So, when India decided not to be a part of this initiative, India-Asean relations were hit.
- **Bilateral FTA's**- India already has FTAs with 13 of Asean's 15 members. India now has to actively engage with the grouping in trade and investment so as to ensure that it considers this region as a potential economic partner, and that New Delhi's decision to pull out of RCEP was based on the singular fact that the latter was not meeting the objectives India hoped for.

### Indo-Pacific Economic Framework and ASEAN-

- The Indo-Pacific Economic Framework (IPEF) has **four pillars-**
  1. Trade
  2. Supply chains
  3. Clean energy, decarbonization and infrastructure
  4. Tax and anti-corruption
- **ASEAN members-** Barring Cambodia, Laos and Myanmar, other Southeast Asian nations are part of IPEF.
- **QUAD & ASEAN-** With this initiative launched on the sidelines of a Quad summit, most Asean countries agreed to be a part of IPEF, notwithstanding their concerns that mechanisms like the Quad may impinge on Asean centrality.
  - ✓ This presents another opportunity for India, alongside Quad member-countries, to work with the Asean countries towards establishing sustainable and diversified supply chain networks from an overly China-dominated one.
- **USA on IPEF-** The Joe Biden administration defines the IPEF as ‘a 21st-century economic arrangement designed to tackle 21st-century economic challenges, ranging from-
  1. Setting the rules of the road for the **digital economy**
  2. Ensuring secure and resilient **supply chains**
  3. To helping make the kind of **major investments** necessary in clean energy infrastructure and the clean energy transition
  4. To raising standards for **transparency, fair taxation and anti-corruption**’.

### Conclusion

These are, indeed, the main challenges engulfing the Indo-Pacific. But it is too early to assess how successful IPEF as an alternative would be. Unless concrete steps like providing greater market access are taken to make it an attractive proposition to member-countries, it may just remain one of the many initiatives simply given a name by the US. So, India needs to continue its engagement both with Asean and individual member countries on a bilateral basis.

## **INDIA-USA Relations- Priorities in the next decade** **- Harsh V Pant**

### Introduction

The India–United States (US) partnership—pivotal in maintaining international security and order—could yet be the defining one for this century. The US is India’s most comprehensive strategic partner, and cooperation between the two extends across multiple areas such as trade, defence, multilateralism, intelligence, cyberspace, civil nuclear energy, education, and healthcare.

**Need of free and open Indo-Pacific-** As the two nations venture into a new decade, they must articulate a new agenda for cooperation in the Indo-Pacific region which they are both committed to keeping “free and open”.

### India-USA relations in the recent years-

- **Impact of COVID-** In recent years, exigencies such as the COVID-19 pandemic have redirected the relationship to a forward-looking assessment of regional and global geopolitics.
- **Important sectors in the post-COVID world-** The sectors that will be key to shaping the arc of a strong Indo-US relationship in the years ahead are the following: emerging technologies; national security and defence cooperation; counterterrorism; and trade.
- **Defence cooperation-** Today, bilateral defence cooperation has exceeded even the more optimistic predictions that were being made a decade ago. While some of the heaviest lifting has already been done, tasks remain in streamlining procedures, reducing bureaucratic obstacles, inaugurating new military exercises, and re-energizing the Defense Trade and Technology Initiative.
- **Bilateral to multi-lateral-** Beyond defence ties, the relationship has begun expanding in scope from the bilateral to the multilateral while embracing a wider range of issues that include-
  - (1) Civilian nuclear cooperation and nuclear non-proliferation
  - (2) Infrastructure financing
  - (3) The production and delivery of COVID-19 vaccines
  - (4) Humanitarian aid and disaster relief
  - (5) Peacekeeping and education
  - (6) Space and cyber security
  - (7) Countering terrorism and extremism
  - (8) Governance of the oceans
  - (9) Promoting a free and open Indo-Pacific and the rules-based order
- **Multilateral strategic dialogues-** Meanwhile, two multilateral strategic dialogues that have gained prominence in recent years are the Quad grouping (of India, Australia, Japan, and the US) revived in 2017, and the new West Asian Quad or I2U2 (comprising Israel, India, United Arab Emirates, and the US) inaugurated in 2021.

### Priorities in the next decade-

- **QUAD & West Asian QUAD-** The Quad has become a premier format for India and the US to pursue targeted multilateral cooperation with like-minded democracies while the West Asian Quad's focus on technology cooperation carries unique potential.
- **Against terrorism-** Now that America's military withdrawal from Afghanistan has reduced its dependence on Pakistan for supply routes, India-US counterterrorism cooperation is likely to expand further, to include multilateral efforts to apply pressure on the Pakistani military-intelligence complex to abandon support for terrorist groups.
- **Infrastructure investments-** India and the US must also collaborate with each other, and with other like-minded partners, to meet the urgent need for infrastructure investments in the Indo-Pacific and the growing appetite amongst regional capitals for higher-quality, more reliable alternatives to China's Belt and Road Initiative.
- **Global value chains-** Finally, as India and the United States look toward strengthening global value chains (GVCs), they must enhance two-way foreign direct investments (FDI) and provide incentives for the private sector to make investments that facilitate integrated GVCs that serve both countries' economic and national security interests.

### What are the key recommendations to deepen the relations?

- **Investment in emerging technology**- Enhance cooperation in emerging technologies and artificial intelligence (AI) as data regulation, information sharing, and privacy protection become increasingly salient issues crucial to the preservation of national security.
- **Multilateral co-ordination**- Strengthen coordination multilaterally and on international issues, including prioritizing two multilateral strategic dialogues that have gained prominence in recent years—i.e., the Quad and the West Asian Quad or I2U2.
- **Counterterrorism**- Pursue greater cooperation on counterterrorism, including coordinating strategies for managing a Taliban-led Afghanistan and leading multilateral efforts to apply pressure on the Pakistani military-intelligence complex to abandon support for terrorist groups such as the Taliban and Haqqani Network, and Kashmir-focused groups like Jaish-e-Mohammed and Lashkar-e-Taiba.
- **Global value chains**- Strengthen and integrate GVCs, using FDI in each other's economies to strengthen bilateral trade and integrate GVCs as well as incentivize multinational corporations to participate in these initiatives.
- **Co-ordination**- Seek greater coordination between line ministries working on cybersecurity, especially identifying relevant counterparts on specific issues.
- **Interlinking of technologies and ministries**- Embed security and defence issues into their emerging technology agenda, focusing for instance on identifying common principles for defence applications of artificial intelligence.

#### Scholars and quotes to be used for India-USA-

- **Dennis Kux**: India and USA have come a long way from being estranged democracies to engaged democracies.
- **Ashley J. Tellis**- held that despite their shared affinities of constitutional democracy, liberal politics, and civic nationalism, the United States and India have not enjoyed consistently warm relations because of contrasts in worldview, differences in national priorities, and asymmetries in power capability, which lasted in their strongest form until the end of the Cold War.
- **S. Jaishankar**- India America ties have reached to the level where the only direction to go was "up". He added that, the USA economy is largely complementary and there is no fundamental clash of interest between the two sides.

## Repairing the complex India-Nepal relations

- RAKESH SOOD

### Context-

The Nepal Prime Minister, Sher Bahadur Deuba, paid a long-awaited visit to India. Sworn in in July 2021, this was his first bilateral visit abroad, in keeping with tradition. The outcome might appear modest but what is significant is that India and Nepal effectively managed to steer clear of divisive issues.

At 75, Mr. Deuba is a political veteran and first became Prime Minister in 1995. Now in his fifth stint, he is no stranger to the complex relationship between the two countries.

### Agreements signed between India-Nepal-

1. **Jayanagar to Kurtha rail link-** Among the highlights was the operationalization of the 35 kilometre cross-border rail link from Jayanagar (Bihar) to Kurtha (Nepal).
  - ✓ Two further phases will extend it to Bijalpura and Bardibas.
  - ✓ The ₹787 crore project had been ready for over a year but operationalisation was held up because of the necessary administrative requirements in Nepal to set up a company that could recruit staff.
  - ✓ The Konkan Railway Corporation will provide the necessary technical support initially.
2. **Tila to Mirchaiya circuit transmission line-** The second project that was inaugurated was the 90 km long 132 kV double circuit transmission line connecting Tila (Solukhumbu) to Mirchaiya (Siraha) close to the Indian border.
  - ✓ Constructed with an Exim Bank concessional loan of ₹200 crore, there are a dozen hydroelectric projects planned in the Solu corridor for which the Nepal Electricity Authority has concluded PPAs of 325 MW.
3. **Technical co-operation in Railways-** In addition, agreements providing technical cooperation in the railway sector, Nepal's induction into the International Solar Alliance, and between Indian Oil Corporation and Nepal Oil Corporation on ensuring regular supplies of petroleum products were also signed.
4. **Sarada and Tanakpur barrages-** The Mahakali Treaty, signed in 1996 during Mr. Deuba's first visit as Prime Minister, covers the Sarada and Tanakpur barrages as well as the 6,700 MW (approximately) Pancheshwar Multipurpose project.
  - Both sides have agreed to push for an early finalization of the detailed project report. The ambitious \$7 billion project needs political will to move it forward.
5. **Power sector cooperation-** The joint vision statement on power sector cooperation recognizes the opportunities for joint development power generation projects together with cross border transmission linkages and coordination between the national grids; it can provide the momentum.
6. **Millennium Challenge Corporation-** On February 27, Mr. Deuba pushed through the ratification of the agreement with the U.S. Millennium Challenge Corporation (MCC), despite the reservations of his coalition partners, the Maoists and the UML (Unified-Socialist).
  - The agreement provides a grant of \$500 million for building 318 km of high voltage transmission lines along with sub-stations and the maintenance of 300 km of the East-West highway.
  - The Chinese Embassy in Kathmandu had actively sought to sabotage the agreement by planting stories that it was part of the U.S.'s Indo-Pacific strategy aimed at containing China.
  - The agreement had been signed in 2017, during Mr. Deuba's fourth stint as Prime Minister, and was awaiting ratification. Together with the Pancheshwar project, it provides welcome synergy.

In words of **C Raja Mohan**, "For India, Nepal is the "Punya Bhoomi", Nepal's sacred geography is a living repository of the Subcontinent's spiritual heritage. For Nepal, India is the vast economic hinterland and may well be called its "Karma Bhoomi". If their destinies are inseparably intertwined, problems have



often arisen whenever Delhi or Kathmandu has acted against the logic of extraordinary interdependence.”

### **China’s growing role between India and Nepal-**

1. **China’s changing importance of Nepal-** During the monarchy, China maintained a link with the Palace and its concerns were primarily related to keeping tabs on the Tibetan refugee community.
  - With the abolition of the monarchy, China has shifted attention to the political parties and to institutions such as the Army and Armed Police Force and considers Nepal an important element in its growing South Asian footprint.
2. **India-Nepal- high and lows because of China-** In recent years, India’s relations with Nepal have had both ‘highs’ and ‘lows. Prime Minister Narendra Modi has often spoken of the “neighborhood first” policy.
  - He started with a highly successful visit in August 2014 but then saw the relationship take a nosedive in 2015, with India first getting blamed for interfering in the Constitution drafting process and then for an “unofficial blockade” that generated widespread resentment against India.
  - It reinforced the notion that Nepali nationalism and anti-Indianism were two sides of the same coin that Mr. Deuba’s predecessor, Mr. K.P. Sharma Oli, exploited successfully.
3. **Agreement on Transit Transportation-** In 2016, Mr. Oli visited Beijing to negotiate an Agreement on Transit Transportation. Three years later, a Protocol was concluded with China providing access to four sea ports and three land ports.
  - The first ever visit of the Chinese Defence Minister took place in March 2017, followed by joint military exercises a month later.
  - A military grant of \$32 million was also announced.
4. **FDI and Investment-** China has overtaken India as the largest source of foreign direct investment.
  - In 2019, China’s President Xi Jinping visited Kathmandu. Annual development assistance has been hiked to \$120 million.
  - Today, China is also engaged with airport expansion projects at Pokhara and Lumbini. Rather than compete with China, India needs to up its own game.

### **Managing differences between India and Nepal**

Over the years, a number of differences have emerged between India and Nepal that need attention.

1. **Changing political narrative-** The political narrative has changed in both countries and these issues can no longer be swept under the carpet or subsumed by invoking a ‘special relationship’ based on ties of a shared culture, language and religion.
  - Part of the success of Mr. Deuba’s visit was that none of the differences was allowed to dominate the visit.
  - **Need of discussion-** Yet, to build upon the positive mood, it is necessary these issues be discussed, behind closed doors and at Track 2 and Track 1.5 channels.
2. **1950 Treaty of Peace and Friendship-** As one of the oldest bonds, the 1950 Treaty of Peace and Friendship was originally sought by the Nepali authorities in 1949 to continue the special links they had with British India.

- It provides for an open border and for Nepali nationals to have the right to work in India. But today, it is viewed as a sign of an unequal relationship, and an Indian imposition.
3. **Revision of the treaty**- The idea of revising and updating it has found mention in Joint Statements since the mid-1990s.
    - It has been discussed sporadically, but in a desultory manner, by the Foreign Secretaries in 1997, and even at the ministerial level at the 2014 Joint Commission.
  4. **Demonetization**- Demonetization is another irritant.
    - In November 2016, India withdrew ₹15.44 trillion of high value (₹1,000 and ₹500) currency notes. Today, over ₹15.3 trillion has been returned in the form of fresh currency.
    - Yet, many Nepali nationals who were legally entitled to hold ₹25,000 of Indian currency were left high and dry.
    - The Nepal Rashtra Bank, which is the central bank, holds ₹7 crore and estimates of public holdings are ₹500 crore. After more than five years, it should certainly be possible to resolve this to mutual satisfaction.

**Shyam Saran** in his book, 'How India Sees the World' mentions that, with no other Neighbour is India so well bonded on these fronts as it is with Nepal. And yet there is a widespread perception in Nepal that India does not respect the country's sovereignty and independence that it often intervenes in Nepal's domestic affairs and generally behaves like an overbearing Big Brother.

**Prof. S D Muni** - The relations have been damaged seriously over the past two years. India resorted to an intrusive approach, muscular diplomacy and economic coercion. And Nepal reacted, under Oli's leadership, by whipping up a robust anti-Indian nationalism and an aggressive display of the China card to reduce its dependence on India.

#### **Kalapani boundary issue-**

- **Internal political crisis led to rise of issue**- In **2019**, Mr. Oli, facing domestic opposition within his party, needed a distraction and found one in the form of the Kalapani boundary issue.
- **When was boundary fixed?** - These boundaries had been fixed in 1816 by the British, and India inherited the areas over which the British had exercised territorial control in 1947.
- **Un demarcated boundaries**- While 98% of the India-Nepal boundary was demarcated, two areas, Susta and Kalapani remained in limbo.
- **New map by India**- In November 2019, India issued new maps following the division of the State of Jammu and Kashmir as Union Territories, Jammu and Kashmir and Ladakh. Though the new Indian map did not affect the India-Nepal boundary in any material way, Mr. Oli expanded the Kalapani area dispute.
- **New map of Nepal**- By whipping up nationalist sentiment, he got a new map of Nepal endorsed by the legislature through a constitutional amendment. While it did not alter the situation on the ground, it soured relations with India and added a new and emotive irritant.
- As noted by **Dinesh Bhattarai**, a former Nepali diplomat, the border dispute "looks minor, but allowing it to fester is likely to sow the seeds of immense competition and intense rivalry in the sensitive Himalayan frontier with far-reaching geopolitical implications



## Conclusion

The need today is to avoid rhetoric on territorial nationalism and lay the groundwork for quiet dialogue where both sides display sensitivity as they explore what is feasible. India needs to be a sensitive and generous partner for the “neighborhood first” policy to take root.

## India needs a forward-looking strategy on Pakistan - C Raja Mohan

## Introduction

One of the major changes in Indian diplomacy in the last eight years has been the way Delhi deals or does not deal with Pakistan. India’s approach today is very different from the framework that emerged at the dawn of the 1990s. If Pakistan came from a fresh victory in Afghanistan, having ousted the Russian forces who had occupied the country for a decade, India found itself at one of its most vulnerable moments.

## How is the relation between the two changing?

- **Change of initiative**- For nearly three decades, it was Pakistan that had the political initiative. Under Prime Minister Narendra Modi, India has begun to reset the terms of the engagement agenda.
- **Changing international context**- Meanwhile, the regional and international context has also altered in many ways since the early 1990s essentially in India’s Favour.
- **Changing balance of power**- Even more important, realists say, is the changing balance of power between India and Pakistan that was bound to alter the nature of their bilateral relations.
- **Atal Bihari Vajpayee**- Friends can change but not neighbors who have to live together
- **Atif Shafique**- “On the face of it, South Asia, largely Indo-Pak, appears to vindicate the Hobbesian image of international relations”.

## Evolution of India-Pakistan foreign policy [In Pakistan’s terms]-

- **Post-cold war period**- After the Cold War, Pakistan loomed large, very large, over Indian foreign policy. The turmoil in Kashmir, the international focus on nuclear proliferation, and the relentless external pressure for a sustained dialogue with Pakistan put Delhi in a difficult situation.
- **India on the backfoot**- If Pakistan was on the political offensive, a series of weak coalition governments in Delhi were forced onto the back foot.
- **Pakistan’s ambition**- At the heart of Pakistan’s ambition was to change the status quo in Jammu and Kashmir with a three-pronged strategy —
  1. Violent destabilization of Kashmir while raising human rights concerns in global forums
  2. Reopen the Kashmir question that India believed was settled after the 1971 war
  3. Leverage global nuclear concerns to force Indian concessions on Kashmir.
- **Pakistan set pre-conditions for talks**- Islamabad often set preconditions for talks with India.
  1. Pakistan demanded India improve its human rights record in Kashmir.

2. It wanted to bring militant groups in Kashmir into a three-cornered negotiating table with India, insisted on meetings with the Hurriyat leaders whenever its officials visited India.
  3. It also sought to prevent India's military modernization in the name of arms control.
- **Pakistan linked Kashmir unrest to nuclear**- Islamabad also played up to the concerns in Western chancelleries that the conflict in Kashmir might escalate to the nuclear level. The new international consensus that Kashmir is the “world's most dangerous nuclear flashpoint” aligned well with Pakistan's strategy.
  - **Shashi Tharoor**- He called Pakistan “brother enemy”, we have pursued everything but nothing seems to work.

### India's response-

Delhi had no option but to respond, but any move to counter Pakistan would make the situation worse.

### Options with India-

- **Military force**- Responding with military force against Pakistan's provocative terror attacks, for example, would invite the fear of nuclear escalation and intervention by the great powers demanding a resolution in Kashmir.
- **Surgical strikes cross border**- A vigorous approach to cross-border terror would put India in the crosshairs of international human rights groups.

### What did India do?

- **Ducked and weaved**- Successive prime ministers — PV Narasimha Rao, H D Deve Gowda, I K Gujral, Atal Bihari Vajpayee, and Manmohan Singh — ducked and weaved amidst the relentless international, regional and domestic pressures on the Pakistan question.
- **Defensive stance**- The Indian foreign office was at its defensive best in fending off external pressures on Kashmir, nuclear and Pakistan questions while incrementally expanding the diplomatic wiggle room.

### How did India gain upper hand over time?

- **Improved relations with USA**- India's transformed relations with the US, the resolution of Delhi's dispute with the global nuclear order, and getting the West to discard its temptation to mediate on Kashmir enormously improved India's diplomatic position.
- **Strategic moves in Afghanistan**- As Indian governments kept their heads down while laying the foundations for robust economic growth, Pakistan trapped itself in a grand geopolitical obsession to expand its strategic depth into Afghanistan and redefine the nature of its relations with India.
- **Economic strength of India**- The most consequential change has been in the economic domain. The persistent neglect of economic challenges left Pakistan in an increasingly weaker position in relation to India. If India has inched its way into the top six global economies, Pakistan today is broke.
- **Prof. Vinay Kaura**- Pakistan has always been an important factor in India's domestic politics and foreign policy – a position that flows as much from historical disputes as from Pakistan's continued support for terror activities against India.

### What strategy did India develop toward Pakistan?

1. **Talking on India's own terms**- Indian government has emphasized that the heavens won't fall if Delhi stops talking to Islamabad or negotiating with Pakistan-backed militant groups in Kashmir.
  - The Indian government insists that he will talk on his own terms and when he wants to.
  - Difficult conditions compelled Modi's predecessors to negotiate under pressure. The conditions are now in India's Favour.
2. **Nuclear question in Terrorism's sphere**- Delhi has been unafraid of staring at nuclear escalation in responding to Pakistan's cross-border terrorism. Sceptics will question if India's cross-border raids on the sources of terror have enhanced India's deterrence.
  - But it is Delhi that now leverages international fears about nuclear escalation to compel Pakistan to rein in terror groups.
  - India's campaign has also resulted in greater international scrutiny of Pakistan's support for terrorism.
3. **Making J&K a full-fledged UT**- By changing the constitutional status of Kashmir in 2019, India has reduced the scope of India's future negotiations with Pakistan on Kashmir.
  - **Rajesh Basroor**- The fundamental contradictions are India's status quoist approach on Kashmir and Pakistan's determination to change it. In context of this contradiction, he concludes that India has Pakistan challenge managed reasonably well

### Is India engaging with Pakistan?

- **India is ready for talks**- India is certainly not refusing to engage Pakistan. When it negotiated a ceasefire agreement with Pakistan in February 2021, it agreed to reopen talks on Kashmir. But it is Pakistan that is divided on its negotiating strategy.
- **Adamant view of Pakistan on Kashmir**- In early 2021, the Pakistan Army was signaling flexibility on Kashmir and on renewing trade links with India. But Imran Khan overruled the change.
  - ✓ The Shehbaz Sharif government, which is struggling to find its feet, is simply repeating Imran's line that no engagement with India is possible unless it "reverses" the 2019 constitutional changes in Kashmir. We probably have not heard the last from Islamabad on this.
- **Is there a chance of relation normalizing in short-run?** - With Imran Khan running riot, the old political elites on the defensive, and the current army chief General Qamar Jawed Bajwa set to retire in a few months, it might be premature for Delhi to hope for greater flexibility in Pakistan. But the parlous state of its economy and a weakened diplomatic position might encourage Pakistan to rethink its India policies.
- **India has gained the upper hand**- Critics will surely question the effectiveness of India's three-pronged policy. But there is no doubt that Pakistan's hand today is much weaker than in the 1990s and Delhi's room for maneuvering has grown, notwithstanding the challenges it confronts on the China border.
- **Shyam Saran**- India's Pakistan policy must be based on the recognition that India-Pakistan relations are deeply adversarial and likely to remain so for the foreseeable future

### Conclusion

India has shown that he can take bold steps when he wants — PM Modi invited Pakistan PM Nawaz Sharif to attend his inauguration in 2014 and dashed on short notice to land in Lahore to visit Sharif's family home at the end of 2015. While there can be much disagreement on Pakistan's capacity to respond,

Delhi's new initiatives can reinforce the positive evolution of Indian foreign policy, and expand the space for Indian diplomacy in the region and beyond.

## Why India must engage Taliban

- Vivek Katju

### Context-

- On June 2, the Ministry of External Affairs announced that a team led by **J P Singh**, Joint Secretary (PAI) "is currently on a visit to Kabul to oversee the delivery operations of our humanitarian assistance to Afghanistan".
- While conceding that the delegation would **meet "senior members of the Taliban"**, the MEA clearly implied that this engagement should be seen only in the limited context of assistance to the Afghan people with whom, it said, **"India has historical and civilizational ties"** and that these **"long-standing linkages will continue to guide our approach"**.
- Later, that day, the MEA spokesperson cautioned the media not to read too much into the visit.

### Taliban's response to the visit-

- **Taliban has hopes from the visit**- If the government has been coy about the implications of the Singh visit, the Taliban has shown no inhibitions about its connotations.
- **Wants to improve relations with India**- While this is not surprising because the Taliban, the de-facto ruler of Afghanistan, is keen to gain international recognition, the outfit's attitude also indicates that it is not averse to developing ties with New Delhi, despite whatever concerns Pakistan may have regarding an Indian presence in Afghanistan.
- **Beginning of ties as per Taliban**- A Taliban spokesperson tweeted after Singh's meeting with acting foreign minister **Amir Khan Muttaqi** that diplomatic relations between the two countries, and trade and humanitarian assistance were discussed. Muttaqi also called Singh's visit a good beginning in the ties between the two countries.
- **Choosing India over Pakistan**- This was an obvious indication of the Taliban's desire to develop independent ties with India despite its bonds with Pakistan. This would also be in keeping with the Afghan character.

### Indian move towards Taliban-

- **Humanitarian assistance**- The continuance of humanitarian assistance can be only one, though an important, segment of that interaction; other aspects, especially security issues and later, connectivity and investments, as Afghanistan stabilizes, have to be part of the dialogue with the Taliban.
- **Afghanistan impacts India's security**. It has, in the past, provided space to al Qaeda with which the Taliban had a special relationship. Afghanistan has an ISIS presence too, though the Taliban is at odds with it. Of special concern to India are the Taliban's ties with the Lashkar-e-Taiba and Jaish-e-Mohammed.

- ✓ **Terrorism and Afghanistan-** A recent United Nations report has emphasized that the Taliban's connections with these groups have not been severed. Indeed, it is unlikely that the Taliban would entirely turn its back on them.
- ✓ According to **M. K. Narayanan**, U.S. President Joe Biden's decision to set a date for the withdrawal of the American forces, and treat this decision as one carved in stone irrespective of the situation within Afghanistan clearly enabled the Taliban to take over.

### Should India have relations with Taliban at all?

- **India still ha relations with Pakistan despite security threats-** Those who argue that both "principle and pragmatism" demand that India should not do business with the Taliban obviously overlook the fact that Pakistan has continued to sponsor terror for the past three decades and more —indeed it has made the use of terror a part of its security doctrine on India —and yet India has continued to engage it and has maintained a diplomatic presence in Islamabad.
- **Directly impacts Indian security-** The argument that the diplomatic door must be kept open for Pakistan because it's a Neighbour while it can be shut on the Taliban is facile because Afghanistan directly impacts Indian security.
- **Will give an opportunity to India-** An engagement with the Taliban would at least give an opportunity to convey Indian concerns directly and encourage those elements within the group who wish to open up its diplomatic choices.
- According to **Samir Saran**, He dismissed the idea of quitting Afghanistan to focus on China as naive. According to him, U.S. has ceded South and South West Asia to Beijing. This may have disastrous consequences for India as India's primary security interests are in South Asia.

### Tribal and regional contradictions in Afghanistan

- **Deobandi and Wahhabi** - While wedded to its mixture of Deobandi and Wahhabi theologies, it has pragmatists too. These sections are aware of the wider world and of the need to moderate the group's entrenched approaches on gender and minorities and perhaps even its harsh and retrogressive theology. It is unlikely though if they will be able to prevail anytime soon.
- **Should India leave Afghanistan?** - The question, therefore, is if India should leave the Afghan arena entirely to Pakistan and China because of the social manifestation of Taliban theology on the Afghan people?
- **Assistance despite unhappiness-** It is good that India has extended humanitarian assistance to Afghanistan at this time through international agencies and not let its unhappiness with the Taliban's policies come in the way.

### Can India avoid Taliban in Afghanistan?

- **Panjshir valley-** There are indications of the development of some opposition to the Taliban in the Panjshir valley. However, it would be futile for Indian policy makers to consider this as becoming effective. At most it will remain an irritant to the Taliban.
- **Taliban is here to stay for India-** There is also no indication of a popular countrywide upsurge which could push them out. Thus, the Taliban is here to stay and for India, there is no alternative but to deal with it even while repeating, if it wishes, the mantra of inclusive government.

- **Previous regime leaders-** There would also be nothing wrong in maintaining contacts with some of the leaders of the ousted Republic, especially as the Taliban itself wants them to return to the country.
- According to **M. K. Narayanan**, “For India, the virtual retreat of the U.S. from this part of Asia; the growing China-Russia-Pakistan nexus across the region; and an Iran under a hardliner like Ebrahim Raisi, all work to its disadvantage. A great deal of hard thinking is needed as to how to retrieve a situation that for the present seems heavily tilted against India.

### Conclusion

All in all, the sooner India establishes a permanent presence in Kabul the better for the pursuit of national interests in the external sphere. This is not an exercise in evangelism but the cold and undeterred pursuit of interests, which often requires supping with the devil — of course, with a long spoon.

## OECD’s global tax deal: Its impact on India

### Introduction

With the ever-expanding digital economy, how corporations conduct business has evolved manifolds. Today, the primary factor of production is on the cloud in the form of data rather than in physical factories. In the wake of the evolving nature of business, the international tax system has remained outdated.

**BEPS-** Attributed to which the big tech companies, mainly United States (US)-based, have been able to evade taxes. This is also called ‘Base Erosion and Profit Shifting’ (BEPS).

### Global tax payment by MNC’s-

- **Taxes by MNCs-** According to a report by **Fair Tax Mark**, between 2010 and 2019, multinational companies in the digital space across all offshore setups paid US\$155 billion less than what the actual tax would have required them to pay.
- **USA gets more than others-** Moreover, the US digital services companies pay four times more to the US than what they pay to other countries, while their significant income is accrued from countries other than the US.
- **Digital Services Tax** - Thus, the countries imposed Digital Services Tax (DST) so that the digital companies pay their fair share of tax to the countries that help them accrue their gains. However, there was **no global consensus** on this issue, so **countries arbitrarily decided on their tax rates**.
- **For example**, **Kenya** imposed 1.5 percent, while some countries in **Europe** imposed up to 5 percent DST.
- **India-** Likewise, the Government of India has imposed a 2-percent levy on revenues generated by non-resident digital services providers with a turnover of over INR2 crore in India, expanding the scope of the equalization levy, which till 2020, only applied to digital advertising services.

### Retaliation by USA-



- **Retaliatory tariffs-** In a counter move against DST, the US imposed retaliatory tariffs of up to 25 percent on some products in several countries, including India.
- **USTR report against equalization levy of India-** The United States Trade Representative (USTR) investigation report on India regarding the law, argues that it is discriminatory on many grounds.
  1. First, the law **exempts Indian companies** while targeting non-Indian firms, burdening them with double taxation.
  2. The second issue of contention is that **DST contravenes the international tax convention** as it is imposed on companies without a physical presence in India.
  3. Moreover, USTR argues that **119 companies are likely liable under the DST, 86(72 percent) of which are US companies** making DST essentially discriminatory against the US.
- **Reason for DST-** However, all these arguments **disregard the rationale for introducing DST**. The DST aims to ensure that non-resident digital service providers pay their fair share of tax on revenues that they generate in the Indian digital market.
- **Tax relevance during COVID-** The tax becomes even more relevant during the pandemic when these tech giants have boomed and increased their business through big markets like India. This tax is essential for developing economies to cope with the crisis at hand.

#### **OECD's initiative to solve the global debate-**

- **BEPS-** To resolve the global debate around digital taxes, the Organization for Economic Co-operation and Development (OECD) stepped up to develop a model to tax digital services companies uniformly around the globe.
- **2 Pillars-** The tax mechanism serves the dispute around digital taxation in two pillars.
  1. **Pillar 1** says that multinational companies with global sales of **over 20 billion euros and profitability of 10 percent** will have to pay taxes on where they conduct business irrespective of their home market.
  2. **2nd pillar** suggests a **global minimum tax rate of 15 percent**, irrespective of where they set their home base.

#### **Way forward for India-**

- **India pitched for 1 billion euros-** India, however, had pitched for 1 billion euros threshold which would have covered 5,000 global entities vis-à-vis. the new deal which would cover only the top 100 digital MNEs.
- **India's DST collection increased** 90 percent to reach INR4,000 crores owing to the post-pandemic economic recovery, increased tax scope and improved compliance. It is anticipated that the digital tax revenue might decrease as a result of the OECD tax deal.
- **India ratified the OECD deal-** Despite this, India ratified the deal as the G20 grouping played a major role in building political consensus on this matter amongst the non-OECD members due to the membership overlap between OECD and G20 countries.

#### **Focus can be on UN Model of tax convention-**

- **UN Model Tax Convention**- To circumvent the reduction in tax revenues, India must push for the UN Model Tax Convention.
  - ✓ **Article 12B** of the UN Tax Model lays down the principle that the beneficial owner of that income is a resident of the other contracting state, and the amount of tax imposed by the state of source may not exceed a maximum percentage of the gross amount of the payment as may be negotiated between the two parties.
- **Bilateral percentage issue**- Given India's limited partners in digitally-enabled services– the US, China, and a few of the European countries, deciding on a bilateral percentage should not be a problem.
  - ✓ However, the OECD tax deal does not provide this flexibility as it has indicated a minimum tax rate of 15 percent, going anywhere above that will be difficult to negotiate.
- **Qualified profits taxation**- Additionally, the UN model contemplates taxation of 'qualified profits' which is 30 percent of the amount resulting from applying the beneficial owner's profitability ratio or the profitability ratio of its automated digital business segment, if available, to the gross annual revenue from automated digital services derived from the contracting state where such income arises.
- **Both big and small companies covered**- This clause brings all the technology companies, big or small, in the tax ambit. Whilst the OECD tax deal only taxes those companies that have a minimum of 20 billion euros of global sales, excluding many medium-sized tech companies from taxation.

### Conclusion

Unlike the OECD's global tax deal, the **UN model** fares better firstly with respect to flexibility, giving source country a higher stake in deciding the tax rates with the partners, leading to a fair distribution. Secondly, the UN model allows taxing of medium-sized firms as well.

Hence, The UN model is more developing-countries-centric as it focuses more on taxing rights to the source country than on avoiding double taxation. It enables developing countries to accrue a part of the gains that their citizens help the Big Tech companies generate.