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## Editor's Note

Dear Readers,

*I welcome you to the second issue of the in-house journal of the India Foundation. Our maiden issue was well received by our readers and we have received very encouraging feedback from them. We have also received some constructive suggestions that we will endeavor to incorporate in our upcoming issues.*

*The focus of this issue is **Afghanistan and the Region: Security, Stability and Prosperity**. Af-Pak region has been the epicenter of global terrorism with its sweep from US to Europe, Africa and Asia. It has special import for India not only because of geographic proximity but the fact that Pakistan has used terror as an instrument of state policy both against Afghanistan and India. In the wake of the US decision to withdraw its troops from Afghanistan and provide political space to Taliban, a state of uncertainty has been created that has serious security implications for India and the rest of the world. To review the existing ground situation, possible scenarios and analyze likely policy options, a conference was organized by India Foundation in Washington in collaboration with DC-based think-tanks. We will be sharing in this issue some of the perspectives from across the spectrum of the key speakers from India, Pakistan, Afghanistan and the US.*

*India Foundation organized a seminar in New Delhi: **'Rakhine (Myanmar) to Bodh Gaya (India): Understanding Muslim Buddhist Conflict'**. The seminar covered various dimensions, including a historical perspective of the Rohingya problem in Myanmar and also explored its implications for India. India Foundation also held a conference in Bangalore on **Cultural Nationalism – The Indian Perspective**. The conference attempted to initiate a wider discourse among academics and thinkers on the concept and theory of cultural nationalism in the Indian setting. A brief summary of these events is included in this Journal.*

*This journal is intended to provoke and engage dialogue between the readers and the Foundation on issues of national importance. We hope you enjoy this issue and stay engaged with us as we try and bring to you well researched perspectives on issues that matter.*





**INDIA FOUNDATION**  
ANALYSIS | ADVOCACY | AWARENESS

## Centre for Security and Strategy (CSS)

Cordially invites you to the

### BORDERS' CONFERENCE

Friday, September 27, 2013 and

Saturday, September 28, 2013

For the first time in India, a conference to discuss the ground-realities prevailing on our land-borders, is being organised by the Centre for Security and Strategy of the India Foundation. The conference aims to provide a platform for interface between various stakeholders in management of India's border areas. The participants include policy makers, executive agencies, and the people living in border areas. This is especially important considering the state of country's security and the volatile relationship that it shares with its neighbours. The sessions of this conference will have various academic, intelligence and security experts, diplomats, Government officials and representatives from the security forces. Besides, we will also have representatives from various border villages, NGOs and the refugee community.

**The borders that will be covered in this conference are as follows:**

**Indo-Pakistan border:**      **Indo-Bangladesh**

-in Kutch area of Gujarat  
-in Rajasthan  
-in Punjab  
-in Jammu & Kashmir

**border:**  
-in Tripura  
-in Meghalaya  
-in Assam  
-in Bihar

**Indo-Tibet border:**

-in Jammu & Kashmir (LAC)  
-in Himachal Pradesh  
-in Uttarakhand  
-in Sikkim  
-in Arunachal Pradesh

-in West Bengal  
-in Mizoram

**Indo-Myanmar border:**

-in Arunachal Pradesh  
-in Nagaland  
-in Manipur  
-in Mizoram

**LoC in Jammu &  
Kashmir**

### Tentative Schedule

#### 27 September, 2013

1.00 PM : Registration  
2.00 PM - 6.00 PM : India-Tibet Border (LAC)  
6:30 PM - 8:30 PM : India -Myanmar Border

#### 28 September, 2013

9.00 AM - 2.00 PM : India-Pakistan Border  
including LoC  
2.30 PM - 5.00 PM : India-Bangladesh Border

*Venue :*

**Multi Purpose Hall,  
India International Centre (IIC),  
New Delhi, India**

#### **-: Speakers at the Conference :-**

- **Shri Arun Shourie**, Former Union Minister, New Delhi
- **Shri Bertil Lintner**, Columnist and Author, Thailand
- **Amb. Hardeep Singh Puri**, Former Permanent Representative of India to the UN, New York
- **Amb. P Stobdan**, Former Ambassador, New Delhi
- **Amb. G. Parthasarathi**, Former High Commissioner to Pakistan, New Delhi
- **Lieutenant General B S Jaswal (Retd.)**, GOC-in-C, Northern Command, Chandigarh
- **Shri R N Ravi**, Former Special Director, IB, New Delhi
- **Shri P K Mishra**, Former IG, BSF, Rajasthan
- **Shri Manvendra Singh**, Former MP, Barmer
- **Representatives from border villages**, NGOs and the refugee groups

For registration visit our  
website : [www.indiafoundation.in](http://www.indiafoundation.in)

## Afghanistan and the Region : Security, Stability and Prosperity

\*Rajnath Singh

Honourable Chairman and a very distinguished friend of India, Mr. Ed Royce, my fellow-panelists, ladies and gentlemen! We in BJP are the believers of the ancient Indian dictum – Vasudhaiva Kutumbakam – the entire world is one family. I address all of you, our American hosts, participants from various important think tanks and institutions, embassy and government representatives, as well as members of Afghan, Pakistan and Indian communities, in that spirit.

My warm greetings to all of you I convey special greetings to my friends in and from Afghanistan.

India and Afghanistan share a millennia-old strong civilizational bond. The linkages go back to the Harappan civilization, the spread of Buddhism, followed by the spread of Islam under the Turks and later the Moghuls.

We in the BJP attach key importance to these age-old bonds as the foundation for a lasting friendship with our north-western neighbour.

I would like to recall that I was the Chief Minister of India's most populous State, Uttar Pradesh, when one of Afghanistan's most prestigious and adorable historic sites at Bamiyan,

which was also the world's biggest statue of Bhagwan Buddha, was vandalized by the fundamentalist regime of Taliban in 2001. At that time, as a symbol of the common commitment of India and Afghanistan to global peace and harmony, I pledged to build the replica of Bamiyan Buddha at Kushi Nagar in Uttar Pradesh, a town where Bhagwan Buddha had attained Heavenly Abode. I am sure this Conference would be a forum to reiterate that commitment by all the distinguished people here.

Afghanistan has passed through very difficult times in the last three decades. Conflict with the Soviet Union, followed by the repressive Taliban regime brought innumerable sufferings to the people of Afghanistan. They now deserve peace and stability.

We applaud their determined efforts to establish a democratic and progressive Afghanistan. As the world's largest democracy, India would always be there to help Afghan people in their endeavor to democratize, modernize and stabilize their country. US, the world's oldest democratic nation, will, I am sure, stand with Afghanistan in the long run in its democratic nation-building enterprise.

\* *The author is the President of Bharatiya Janata Party*

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In fact it was the intervention of the International Security Assistance Force (ISAF), mostly consisting of the NATO countries' troops, actively assisted by the Northern Alliance Forces in the end of 2001 that had paved the way for the decline and eventual overthrow of the Taliban regime. India supported this US-led intervention in Afghanistan to overthrow the obscurantist Taliban regime that sheltered Al-Qaeda on Afghan soil. The regime also allowed terror groups targeting India to be trained on its territory. We commend the success of US/NATO forces in neutralizing the Al Qaeda and eliminating its leader found hiding in a military garrison town in Pakistan.

We don't make a distinction between the Al Qaeda and the Taliban on the premise that one primarily targets the West and the other does not. For us, the menace of religious extremism and terrorism is seamless as the roots of the ideology of intolerance are the same and can be directed against any perceived enemy as the situation demands.

Despite the success in decimating the Al Qaeda, the menace of terrorism emanating from the region persists. The attack on the twin towers in New York showed the great geographic reach of terrorists. The recent terrorist attack in Boston, despite all the international and homeland security steps that the US has taken, demonstrates the continuing vulnerability of democracies to this menace.

India has been a target on the radar of terrorists in the last three decades. The Indian

Parliament was attacked in 2001. The commercial capital and pride of India, the city of Mumbai, has been repeatedly attacked. The latest attack was in 2008 in which 266 people, including 6 US nationals and several other foreigners, were brutally killed.

Indian Government has enough evidence to prove that the perpetrators of these crimes against humanity found shelter and safe haven in our neighboring country, Pakistan. Incidentally Osama bin Laden, the Al Qaeda chief too was found hiding in Abbottabad in Pakistan.

The extremists thrive less on popular support and more on the clandestine support they get from certain political, military and intelligence outfits in pursuit of their stated or unstated strategic and ideological objectives. This is at the root of the growth and survival of the terrorist groups in the region. I am pained to state that we the Indians and the Afghans have been exposed to threats from the terrorists who have their safe havens in our shared neighborhood.

The US has made Pakistan a partner in its war on terror in Afghanistan in the last ten years. The results have been a mixed bag. While the Taliban and Al Qaeda have lost many key leaders and thousands of fighters they continue to hold on to their strongholds in the South and East of Afghanistan and also inside Pakistan territory. This happened primarily because along the way sometime in 2003/4 the US had lost focus due to its campaigns elsewhere and the terror outfits had gained the breathing space to regroup and resurrect. The result was further fleecing of

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American dollars by Pakistan, further dependence of America on that country and further rise in the activities of terror networks. Pakistan needs to do a lot to tackle this menace. Unless the fundamental problem of safe havens of these groups and their leadership in Pakistan is addressed, the Taliban menace cannot be eradicated. The BJP expresses cautious optimism keeping in view the track record of successive regimes in Pakistan.

The US has to make its own decisions regarding the final scope and time-table of withdrawal from Afghanistan. But its decision has implications for the region in terms of the combat against extremism. As a major power in the region, India needs to be properly informed about any US' initiatives in the region besides other countries. It is important to ensure that the country doesn't relapse into the pre-2001 anarchic mode once the NATO troops withdraw.

It must be ensured that we do not leave behind a 'Black Hole' of global security while leaving that country.

India has supported reconciliation in Afghanistan that is Afghan-led and Afghan-owned. The sincere efforts in the first couple of years after 9/11 had led to the Loya Jirgah meeting in 2003-2004 and emergence of a democratic Islamic Republic of Afghanistan with a new Constitution. The Government of Hamid Karzai was a product of that exercise. India extended full support to the initiative and has been actively involved in supporting the democratic regime through development aid. India's development aid stands at \$ 2 Billion today. Almost the entire

amount is spent on development related activity like the construction of the new Parliament building, dams, roads, electricity to Kabul, hospitals, schools etc.

We are committed to continuing this development aid to Afghanistan as long as they need it. We are also committed to making Afghan government, the nodal agency for implementation of these projects. India doesn't want to interfere or control the affairs of that country either directly or through proxies. We are in favor of a democratic, sovereign and progressive Afghanistan capable of managing its own affairs without any foreign intervention. For the land-locked Afghanistan to have greater decisional autonomy and boost its economy, improved connectivity with the outside world can be a major game changer. Any efforts to replace the present democratic arrangement with a totalitarian and sectarian Taliban regime would be detrimental not only to the people of Afghanistan or its immediate neighborhood, but also to countries like India, Russia, China and even the US. It is the experience of the whole world that terrorism knows no boundaries.

It is in this context that the situation in Afghanistan must be weighed. The ideology of totalitarianism, religious bigotry, violence and terror, oppression of women and minorities, aggressive anti-democracy and anti-modernity, that sections of Taliban propagate, raises its head in various different forms including the ones like Lashkar-e-Taiba.

Regional and global peace can be ensured

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only if we complete the process that had begun in 2001 and rein in and democratize the remnants of Taliban and Al Qaeda completely. We in India have shown to the world that democracy is the best healer and answer to terrorism and totalitarianism.

The eagerness to engage with elements that want to return Afghanistan to the status of 'Islamic Emirates' in the hope that they would deliver, and in the process humiliating and weakening the democratic leadership, doesn't behave well for the region. If this accommodation with the Taliban is pursued with cooperation of the Pakistani military, as seems to be the case, the situation will become even more fraught, as many would say that it is the strategic ambition of the Pakistan Army to control Afghanistan that is at the root of the conflict there.

Pakistan must act responsibly to ensure a smooth transition in Afghanistan. We expect the new Pakistan leadership to show courage and determination to rein in radical elements within the ISI and the Pakistan Army from interfering in the internal affairs of Afghanistan after the NATO Forces' withdraw. Pakistan must realize that the radical Taliban have caused enormous damage to not only the NATO Forces and the democratic leadership in Afghanistan, but also the Baluchs and many others in Pakistan too. The plight of the Baluch people at the hands of these extremist and terrorist elements calls for serious attention by the international community.

It is regrettable that once again an attempt is being made to make-believe that the real cause of the Afghan conflict is India-Pakistan rivalry there.

This is a travesty of facts; the creation of Taliban, its takeover of Afghanistan, the Taliban-Al Qaeda links, the presence of Osama bin Laden there, the attack on the Twin Towers traced to the Al Qaeda in Afghanistan, the subsequent US military intervention there, the presence of the Taliban leadership in Pakistan, the killing of NATO soldiers by the Haqqani group and others and the drone attacks against terrorist targets in Pakistan; none of them have anything to do with India.

Afghanistan is a mineral rich country. To keep it backward and poverty-stricken is a crime against its people. India is willing to invest in its economic development in a big way.

Our strategic partnership with Afghanistan embodies our long term commitment to the political and economic stability of that country within the larger vision of closer ties between Central Asia and the Indian subcontinent built around trade, energy and investment flows. The best instrument to control the rise of extremist forces in this larger region is economic development and interdependence.

A democratic, sovereign and progressive Afghanistan will usher in peace and progress in the region that includes Iran, Pakistan, India, Central Asian Republics, Russia and China. All these countries, along with the US, should have stakes in ensuring a stable and peaceful Afghanistan.

India and Afghanistan have traditionally been tied together by the Silk Route. If India does not share a land border of 106 kms with Afghanistan today, it is because of Pakistan's illegal occupation

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of this historical part of the state of Jammu and Kashmir since 1948. The Northern Regions of Gilgit and Baltistan, whose people are subjected to massive oppression and human rights violations today, are a gateway for India to Central Asia with which we have had millennia-old relations. India should get rightful access to Central Asia through the Gilgit-Baltistan region, with connectivity being established between Kargil in India and Skardu in Gilgit.

India is committed to supporting the democratic forces in Afghanistan. The nascent Afghan security forces – the Afghan National Army and Afghan National Police – the combined strength of which has reached nearly 350,000 have shown encouraging combat spirit in countering the challenges on the ground. While keeping the overall political and security balances in view, India is willing to provide its share of training and non-lethal support in bolstering the defensive

capabilities of the Afghan security forces.

A democratic, developed and progressive Afghanistan has the potential to act as a major springboard for economic progress and development of the entire region. This will bring smiles back on the faces of our cousins, lights in their households, dollars in their pockets and most importantly peace in their neighborhood.

Mutually beneficial and supportive India-Afghanistan ties do not stand in the way of Afghanistan's ties with its other neighbours. We would wish Afghanistan to have close, friendly ties with all its neighbours and exercise full freedom of choice in this regard.

India and the US must continue to work together constructively and transparently in ensuring that the end game in Afghanistan is played out smoothly, in Afghanistan's best interest and without damaging the interests of its neighbours. All should emerge as winners!



## **Stable Afghanistan - Vital for the South Asian Region**

**\*Kanwal Sibal**

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2014 will be a turning point in Afghanistan. Power will be handed over to a new President after elections. The US military will complete its withdrawal. The Afghan National Security Forces will take over the security responsibility for the country.

The prospects for all these transitions do not look promising. The new President will have to be a Pashtun in order to ensure broad-based ethnic support. President Karzai was parachuted to the presidency without elections in post-war circumstances in which the US and the West could impose their will. But the US and the West have not been able to manage Karzai, despite having many levers at their command. Can a new Pashtun leader emerge who can assure cross ethnic support? Will he be able to deliver political stability and a degree of economic development in very difficult circumstances?

The US has signed a Strategic Partnership Agreement with Afghanistan, but the follow-up agreement- the Bilateral Security Agreement- on the status of the residual US forces in military bases remains to be finalized. The US has failed to secure a suitable agreement in Iraq. If it fails in Afghanistan, it is threatening a “zero option”. Whether this is pressure tactics or is a veritable

option is not clear. In any case, the fact that this is being considered shows that the US has no clear answer for the future.

The ANSF may have numbers and reports that they are performing well does not guarantee they will be able to operate successfully in a post-US withdrawal environment, especially if the US leaves in a politically unsatisfactory scenario. The ANSF lacks heavy weaponry, air power and sophisticated intelligence capability. Will they be able to really cope as a cohesive force?

The economic prospects in Afghanistan are not very reassuring despite the pledges of assistance made at Tokyo and the announced longer term commitments made by countries not to abandon Afghanistan. If the US exercises a zero military option, will that be compatible with a major economic commitment? Especially in a tight economic situation in the US and the Eurozone. Plans by countries to invest in Afghanistan not only depend on internal stability but also will take some years to yield results that will make a difference on the ground.

Adding to the problem is the general instability around Afghanistan. The internal situation in Pakistan is fraught despite recent elections. Iran has a new President but the nuclear

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*\* The author is a retired diplomat who last served as the Foreign Secretary of India.*



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dossier remains problematic and sanctions on Iran have been further tightened. The Arab world is in turmoil, with the so-called Arab Spring having withered very rapidly. Religious extremism is spreading and this gives political oxygen to such forces battling in Afghanistan.

India has to cope with the situation as it develops. We have faced the worst when the Taliban took over Afghanistan in the mid-90s. We know of course what the dangers are ahead and have tried to play our role in preventing untoward conditions from developing through our political and economic engagement with Afghanistan.

India is pursuing a very responsible policy in Afghanistan. We want a sovereign, stable, democratic and prosperous Afghanistan, one that is free from extremism and where human rights, especially those of women are respected. India is doing nothing contrary to the achievement of this objective in Afghanistan.

We are maintaining friendly relations with Afghanistan based on equality and respect for sovereignty. We are not interfering in Afghanistan's internal affairs, arming any particular group or providing safe-havens for terrorists or anti-government political groups to carry on violent activities against the legitimate government of Afghanistan.

We have legitimate interests in Afghanistan as a neighboring country and every right to be present there. The international community cannot accept the curtailment of Afghan sovereignty by endorsing the principle that the Afghan government should give precedence to the interests

of any particular country over that of any other. It is for the Afghan government to take independent decisions in a responsible way. India has no intention to occupy the legitimate space that other neighboring countries of Afghanistan seek there.

India has established a strategic relationship with Afghanistan. This is anchored in a longer-term bilateral and regional perspective. India has geo-political, strategic interests in this entire region that forms a part of our strategic neighborhood. Afghanistan borders Central Asia and Iran, apart from China and Pakistan. India has had intimate age-old ties with Afghanistan, Central Asia and Iran, with the history of our country linked to this region over centuries.

Central Asia is landlocked and so is Afghanistan. The development of this region faces a particularly difficult challenge because of this. This entire region needs the broadest possible choices for its development. It is natural for it to look for enhanced ties with India as the biggest economy in Southern Asia that can substantially contribute to this objective. We are willing to respond.

Afghanistan has huge mineral resources that await exploitation. India is ready to invest large sums in this sector, beginning with iron ore extraction. Afghanistan is ready to offer to India a natural resources corridor for development. For realizing this objective India needs better access to Afghanistan, as Pakistan is not as yet willing to provide transit facilities through its territory to Afghanistan.

India is looking at the Chabahar port in Iran

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as an access route to Afghanistan as well as Central Asia. We have recently committed \$100 million to this project. US/EU sanctions on Iran are a complication for such efforts to give Afghanistan alternative options for its trade and facilitate foreign investment there. The US government should take a positive view of Indian investments in Iran that are specifically directed at easing Afghanistan's difficult situation, which will be important for stimulating the Afghan economy, at present too dependent on foreign assistance and income derived from the presence of foreign troops on its soil.

In developing trade and energy ties between Central Asia and the Indian subcontinent, a project that the US favours as part of the New Silk Road project, Afghanistan is a critical hub. We support the TAPI pipeline project that will bring Turkmenistan gas to Pakistan and India through Afghanistan. India can fruitfully participate in projects to increase electricity grids in the region to alleviate regional energy-related problems.

India is participating in several international efforts to contribute to development in Afghanistan, whether it is the Istanbul Process and the Heart of Asia conferences in Kabul in June 2012 and in Istanbul in April 2012, or the initiative we took ourselves to organize a Delhi Investment Summit on Afghanistan also in June 2012, followed by the Tokyo Conference on aid to Afghanistan in July 2012.

India's own bilateral aid to Afghanistan has reached \$2 billion. Some see in this an effort by us to seek undue influence in Afghanistan. If

India's foreign assistance programme is considered and the billions Indian companies are investing abroad, this is not a very big sum. There is full participation of the Afghan authorities in selecting Indian assistance projects that are infrastructural as well as geared to meeting the basic requirements of people and localities spread over the country. A large number of our projects are in the Pashtun areas. India has earned great popularity because of the manner in which we have conducted ourselves.

Economic development in Afghanistan and the region is essential to check-mate the growth of extremist ideologies in the region and associated terrorist activity. These concerns are uppermost in India's mind as we are most exposed as a country to terrorism and supporting ideologies. As a secular, multi-religious state, we are particularly sensitive to such threats. Any boost given to these extremist forces, even unwittingly, should be unacceptable as our security is threatened.

It is with concern therefore that we view the outreach by US, Britain and others to the Taliban. We are not against any genuine attempt at reconciliation if all sides want it on a basis that respects the red lines drawn by the international community for a dialogue with the Taliban. We find that these red lines are being blurred by NATO's anxiety to withdraw from Afghanistan by 2014 whatever the ground situation.

Such a strategy gives the upper hand to the Taliban groups in Pakistan in negotiations as they know time is on their side.

The rhetoric remains that the reconciliation

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process should be Afghan-led and Afghan-owned, but the manner in which the dialogue is being structured does not suggest that it will be an independent intra- Afghan process. President Karzai has already distanced himself from the US initiative. We feel that nothing should be done behind the back of the Kabul government. Latest statements from persons close to President Karzai express the deep concern of the Kabul government about understandings that the US may have reached with Pakistan and the possibility of south and eastern Afghanistan being handed over to the Taliban, which could divide the country and trigger an all-out conflict.

The end-game in Afghanistan is being played out in an atmosphere of great suspicion and bickering amongst the principal parties involved. The manner in which the Doha office of the Taliban was opened has made matters worse. The conduct of the Taliban in declaring themselves the Islamic Emirate of Afghanistan made their own end-game clear.

The link between the Taliban and Pakistan is evident. One will have to wait and watch whether the declared US position that no single country will be allowed to dominate post-2014 Afghanistan can be sustained by it when its intention to withdraw from Afghanistan is so clear.

India has not been kept adequately in the picture about the dialogue with the Taliban, despite India's vital concerns being involved. India suffered when the Taliban came to power in 1996. That was the only time India had no diplomatic relations with Afghanistan and terrorists were

being trained on its soil for attacks against India. If the Taliban were to be accommodated again, India has reason to be concerned.

We find that the policies our western friends in Afghanistan neither sufficiently steady nor transparent.

The argument that the Taliban has various currents in it and there are "moderate" Taliban has been exposed as hollow by what has transpired in Egypt where the same arguments distinguishing between various strands in the Muslim Brotherhood and welcoming their assumption of power have proved devoid of worth.

India does not want conditions of ethnic conflict to be created again in Afghanistan. The international community must safeguard against it. The post 2014 situation in Afghanistan remains very uncertain as the country will be faced with a political and military transition even when the external danger to the country has not been neutralized.

Establishing democracy in Afghanistan by integrating forces into the polity that are currently threatening the country will be a most difficult enterprise.

The root of the problem must be dealt with, which is external support for Afghan extremists and their instrumentalization for achieving the military ambitions of a third country. So long as there are safe havens for extremists outside Afghanistan the problems will not go away. If the Taliban retain influence in eastern and southern Afghanistan, it is because their staging grounds are outside.

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India's traditional ties have been with the Pashtuns in Afghanistan. A large number of our development projects are in Pashtun areas, and they have been very well received by the local people. We support ethnic harmony in Afghanistan, with the Pashtuns adequately represented in governance, but this has to emerge through a democratic process, without the shadow of externally supported violence.

Our strategic partnership with Afghanistan is not directed against any third country. The primary element in this strategic relationship is not military. India is willing to contribute to the capacity-building of the Afghan national security forces through training and supply of non-lethal equipment so that they can better provide security to the people after the withdrawal of foreign troops from the country. Our goals are primarily economically oriented. We do not want to supplant NATO.

It is a hugely perverse notion that the real problem in Afghanistan is India-Pakistan rivalry. Those who feel that their intervention in Afghanistan has not worked to stabilize the situation to the extent that they may have wanted and now want to cut costs at all cost should not seek to transfer the responsibility for their failure on India's shoulders. India was not responsible for the rise of religious extremism in the region; it was not responsible for the civil war in Afghanistan after the Soviet departure; it did not put the the Taliban in power in Kabul; it had no

hand in the presence of Al Qaida and Osama bin Laden in Afghanistan; it had no responsibility for US/NATO military intervention in Afghanistan; the Taliban groups or the Haqqani group are not in India; NATO soldiers have not been killed by groups operating from Indian soil. If the US has had to resort to drone attacks against terrorists in Pakistan it is not because of India.

We seek a friendly relationship with Afghanistan. We seek no exclusive relationship. Afghanistan should have friendly relations with all its neighbours. We are willing to work with all of them. India and China are already talking to each other on Afghanistan. There should be no problem in discussing Afghanistan with Pakistan in a constructive way that opens up the doors for transit facilities eventually. The new government in Pakistan should think along those lines, rather than allowing Pakistan's policies to be guided by the ambitions of its armed forces.

We have been very constructive in our dealings with the US on the Afghan issue. We have supported the international military intervention in Afghanistan and the ouster of the Taliban regime from power. We have been sensitive to US equities and concerns in Afghanistan despite serious provocations from Pakistan, including the terrorist attacks against the Indian Embassy in Kabul and India-related targets there. We continue to be willing to work with the US in a positive and mutually beneficial way in Afghanistan.



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## Security Implications of an Unstable Afghanistan

\*Ajit Doval, KC

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**M**r. Chairman, ladies and gentlemen, I am grateful to the US-India Political Action Committee, American Foreign Policy Council and FIDS for providing me this opportunity to speak on ‘Moderate and Balanced Afghanistan – Imperative for Regional Security’. Friends, before I start, may I ask if there is anyone in this audience who holds a contrarian view and feels that an unstable Afghanistan ruled by extremists would help regional security. Great, there is none. Special thanks to the organizers once again for giving me an opportunity to speak to an audience that unanimously supports the subject.

Friends, like all of you, I also support the view but with a caveat. I believe that a moderate and balanced Afghanistan is not only an absolute necessity for regional security but is equally imperative for rest of the world. A radicalized and unstable Afghanistan, imbued with intolerant jihadi fervor, has implications for US or Europe as much as for South Asia. Any resurgence of violent Islamic terrorism will have a cascading effect that will define the future trajectory and intensity of global terrorism, endangering the people here as much as in the region. Al-Qaeda is down but not out. Its structures and cadres have been degraded but in its new incarnation as an

ideological hub driving and uniting violent form of political Islam pose a threat that is real, more complex and extensive. We are seeing some early trailers in the Gulf, North Africa and Western Eurasia etc.

The debate is not about agreeing upon the end objectives but examining emerging ground realities, re-validating assumptions on which our policies rest, and evaluating new initiatives to see to what extent they enhance or reduce the possibility of achieving the end objectives. Are the critical players and stake holders involved in this complex imbroglio pursuing the policies that will lead to a stable and moderate Afghanistan? Are there gaps and anomalies in their stated positions and real intentions? Good intentions are important but not sufficient to achieve intended objectives.

US and other members of ISAF have invested heavily in last 12 years to bring peace and stability in Afghanistan. US alone has suffered over 2,000 military casualties and spent over \$600 billion in this fight. The results though commendable, have not been proportionate to the cost. The outcome might have been different if assumptions about Pakistan, the non-NATO ally with front line responsibilities, had proven to be correct. The

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*\* The author is the former Director, Intelligence Bureau, India*

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moral- when assumptions are wrong the strategies fail to deliver.

The security environment in Afghanistan is far from optimal for smooth transition to a stable and moderate Afghanistan post 2014. The Taliban and their allies are better organised and resourced, have deepened their coercive influence in new areas and exude a sense of triumphalism. Islamist hardliners world over are looking at them with awe and respect. Within Afghanistan, their political engagement on the asking, if not cajoling, by their erstwhile adversaries has given them a sense of legitimacy as victors on one hand and generated a fear of uncertainty and insecurity among those who stood on the side of religious moderation, human rights and democracy.

The recent developments indicate that there is lack of synergy and coherence among major stakeholders responsible for a stable post 2014 Afghanistan. The ruckus over president Karzai objecting to blatant display of the Taliban flag and a plaque with the inscription 'Islamic Emirate of Afghanistan' at its Doha office and US talking about a zero option in post 2014 Afghanistan underlines that the two players critical for stability in Afghanistan are not on the same page. The left over elements of Al-Qaeda and undented Haqqani group being allowed by Pakistan to consolidate their positions along Af-Pak border are ominous. Pakistan ISI's duplicitous deals with various factions of Taliban and other armed groups in Afghanistan in furtherance of its unknown post 2014 agenda has compounded the situation further. Pakistan's advocacies of including sections of

Taliban close to it but known to be soft on Al Qaeda in the peace process have serious long term implications. The cost of promised co-operation in future by Pakistan may prove more costly for the world than estimated.

The problems of governance, internal security and weak economics both in Pakistan and Afghanistan may only give a fillip to further radicalization in these two countries. While the world is closing in to 2014 drawdown, the insurgency and law and order situation both in Afghanistan and Pakistan is under serious drift. In first six months of this year, over 800 Afghan army and police personnel, 365 civilians and 63 ISAF soldiers have lost their lives. The situation in Pakistan where Islamic terrorists are in control of large tracts in tribal regions is no better. In last six years, more than 2000 Pakistanis including 400 security personnel have been killed in terrorist related violence in the country. All these straws in the wind raise serious doubts about emergence of a moderate and stable Afghanistan after draw down unless basic correctives are applied at this stage.

I have great respect for the optimists, not because they are always right but because they keep the hopes alive, at least till the things go wrong. On Afghanistan, the hopes of optimists are premised on following assumptions:

- Taliban will change. They will sever their links with the Al-Qaeda and its affiliates with Pan-Islamic global agenda. People in last twelve years have developed vested interest in democracy, development, and

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respect for human rights. Taliban will not get their support if they revert to their old ways. Democracy will stay and ethnic rivalries will be subsumed by a resurgent Afghan nationalism.

- Nearly 3, 35,000 strong Afghan national army and police will remain a cohesive force, will be adequately resourced and remain committed to its fight against terror; irrespective of political complexion of the people who assume power.
- Most importantly, Pakistan will change and will not pursue its three decade old policy of furthering its strategic and political objectives by using Jihadi terror as an instrument to keep Afghanistan under its control to the exclusion of others. It will no more follow a duplicitous policy in dealing with terrorism and terrorist groups.

If these assumptions hold good, even to a reasonable degree, we can hope for a moderate and stable Afghanistan. Friends, I am not a scientist but a great admirer of Einstein. He defined insanity; as doing the same thing over and over again and expecting that the results will be different next time. Pakistan will change is a possibility but not a probability.

It is true policies and strategies cannot always be made on the basis of totally proven facts and crystal gazer's ability to peep into the future. But it is necessary that we do not deny the existence of facts because that is unpalatable and do not deliberately work in a direction that negates the assumptions on which our policies rest. The right

approach at this time should be to put in collective efforts to ensure that the above assumptions on which the end objectives are premised are reinforced, resourced and refined. In my assessment, there are plenty that we can do at this stage but the window of opportunity may not remain open indefinitely.

I consider that affirmative and coercive actions in three important domains from now till 2014 will be necessary to ensure that the post-2014 Afghanistan is reasonably stable and minimizes security threat to the region and the world at large. First, no agreement or assurances to Taliban or other radical groups contravening the constitution, as it exists or is amended through due process, should be made. It is also important that no covert arrangements are arrived at by extraneous forces without taking into confidence the constitutionally elected government in Afghanistan. Whatever its shortcomings and failings may be, which indeed are plenty, undermining constitutional or moral authority of a democratically elected government will weaken constitutionalism and rule of law in Afghanistan that has been one of the major achievements of last 12 years. This is, however, still feeble and needs to carefully nurtured.

Second, the continuation of foreign financial assistance for maintaining the ANSF would be necessary. The security apparatus should also remain apolitical and selection of military commanders should not be influenced by ethnic considerations or political proximities. Large private armies and armed groups working under

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varying influences, ranging from drug syndicates to radical Islamic groups and to political parties, under a well calibrated plan of action should be de-legitimized, disarmed and demobilized. Any external forces trying to control or influence them to sub-serve their agenda in post 2014 setting should be shunned.

Third, Pakistan's role is going to be critical in defining the future. It has a past that is not very re-assuring. Measures have to be taken and compulsions created that makes it unaffordable for Pakistan to pursue a course that undermines stability in Afghanistan, boost terrorism in the region and most importantly endanger Pakistan's own safety and long term security. Let us look at some expert views about Pakistan in the last few weeks:

- Barely two week back here in Washington DC, Ambassador Robert Blackwill speaking at the Ambassador's Round Table said, "there is no evidence that Pakistan military has changed its view- its primary role is to prevent the rise of India. It continues to look at Taliban as a strategic asset that can be leveraged to further its strategic objectives, particularly viz a viz India."
- Brig AR Siddiqi writing in *The News*, Pakistan's leading daily on July 11 quoted Musharraf when he was the President and Army Chief, "Taliban are my strategic reserve and I can unleash them in tens of thousands against India when I want..." Gen Kayani was probably the ISI Chief at that

time. He indicated that there was no shift in this mindset.

- On July 3, Afghan Army Chief Gen Sher Mohammed Karimi told the BBC that "The Taliban are under Pakistan's control – The leadership is in Pakistan."
- Bruce Riedel – on July 3, said "By 2004 under the leadership of its then spy chief and today top general, Ashfaq Kayani, Pakistan's intelligence service, the ISI, was deeply engaged in helping the Taliban again. It still is. The senior Taliban leadership including Mullah Omar is protected by the ISI in Quetta and Karachi."

All this and many more such inputs indicate that Pakistan continues to pursue a plan that may not be in consonance with what the world wants – a stable and moderate Afghanistan. It estimates that with American provocation gone and political space apportioned by its surrogates like Mullah Omar and Sirajuddin Haqqani, it will be able to play the Islamic card and regain lost ground with militant Islamic groups on both sides of the border. The recalcitrant few could be neutralized with their support. On one hand it will help it to mount over its precarious internal security predicament and on the other make available "strategic assets" for pursuing its agenda in the region like India, Central Asia etc. Pakistan's assumption may prove to be its nemesis but many others may have to pay a heavy price.

More than anyone else, it is the US which exercises the leverage and influence to make



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Pakistan follow the right course and force it to abandon its policy of using terrorists as instruments of its state policy. It should be unequivocally made clear to the new regime in Pakistan that support to any form of terrorism irrespective of its cause, target or ideological persuasion would be unacceptable and involve costs. All financial assistance and aid to Pakistan should be made conditional to its deliverance on the terrorist front.

I would like to conclude with a reiteration that one assumption which must be dumped is that the threat emanating from Afghanistan would only affect the region. It won't. It will engulf the regions

far beyond. From Al Qaeda down to the lone wolves, the developments are being seen by the Jihadists as their victory against the sole superpower and rest of the world that stood by it in their fight against terror. They also are hopeful that the new dispensation in Afghanistan will provide them a foothold for pursuing their global agenda. The challenge is what we can do to prove them wrong. And, if despite our best efforts, desired results do not come forth, start preparing for the worst- an unstable Af Pak region - right from today, jointly and more resolutely. You often don't have to fight the wars you had prepared for in advance.



## The Afghan View: Success so far and Challenges Ahead

\*M. Ashraf Haidari

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The Honorable Members of Congress,  
Excellencies,  
Distinguished Scholars,  
Ladies and Gentlemen,

Please allow me to begin by thanking the co-organizers of this timely Conference, including the U.S. India Political Action Committee (USINPAC), the American Foreign Policy Council (AFPC), and the Foundation of India and Indian Diaspora Studies (FIIDS). In fact, I have been on a private visit to the U.S., and did not come to Washington-DC for this purpose. But my special thanks to the Chairman of USINPAC, Mr. Sanjay Puri, who kindly extended to me an invitation to speak today. I gladly accepted to do so, on a short notice, given the importance of our enduring strategic partnership with India and the United States. Of course, I am deeply honoured to share this podium with Members of the United States Congress, B.J.P. President the Honorable Rajnath Singh Ji, as well as other distinguished speakers from the U.S. and India.

Ladies and Gentlemen,

In an increasingly interdependent, interconnected, and shrinking world, security and stability in one country depends on the security and stability of the rest. This is especially the case

with landlocked countries, whose stability and sustainable development squarely depend on an enabling regional environment. Afghanistan is a landlocked country and heavily relies on regional cooperation, from economic to political and security sectors, in order to stabilize and develop on a sustainable basis.

However, as we recall from the recent history of Afghanistan, regional and international actors have not always been kind to us, indeed, at their own peril on the long run. During the Cold War, Afghanistan was compelled to side with the West led by the United States, and together we ended the Soviet occupation of Afghanistan and subsequently toppled the Communist Regime, which the former Soviet Union supported. After this victory, the Afghan people rightfully expected the international community and the United States in particular to help stabilize and rebuild our country so that peace, freedom, democracy, and pluralism could gradually take root and become institutionalized in Afghanistan.

On the contrary, however, soon after the fall of the Communist Regime, following the withdrawal of the defeated Soviet forces from Afghanistan, the post-war reconstruction and stabilization of our country were completely

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neglected. Morally speaking, we were not rewarded for the destruction of our country, the killing of over two million Afghans, and the displacement of over five million others, all caused by a Cold War proxy conflict that we fought on behalf of the West.

As the world disengaged from Afghanistan prematurely, our state institutions began failing, our politics became factionalized, and our country turned into a no man's land, serving as a battlefield for regional proxy conflicts. This subsequently allowed Pakistan to create and launch a paramilitary force labelled as "Taliban" to invade and occupy Afghanistan. And overtime, as we recall, the Taliban invited and sheltered the leader of Al Qaeda, Osama Bin Laden, in Afghanistan, from where he and his transnationals network comfortably mastermind and executed the tragedy of 9/11.

Anyone who visited Afghanistan under the Taliban 12 years ago and has visited the country since would tell you about the fundamental ways in which Afghanistan has been transformed. Our monumental achievements of the past 12 years result from the sacrifices of many nations in Afghanistan. And we remain indebted to each of the 48 nations, which have been providing us with moral and material support over the past decade.

Foremost, we are thankful to the United States people and government for their continued support, as they have stood by us every step of the way to get where we are today. We honour the ultimate sacrifices of more than 3,000 American forces, which bravely fought alongside their

Afghan comrades to help provide an enabling, secure environment for institutionalization of peace and democracy in Afghanistan. I want their families and their Representatives in the United States Congress to know that these forces' ultimate sacrifices have not gone in vain but have changed forever the lives of millions of Afghans across our country.

At the same time, we are grateful to the Indian people and government for sharing their bread with us over the past 12 years. India's generous assistance has complemented the aid provided by the U.S. and other countries in building institutional capacity in our government, rebuilding our critical infrastructure, and connecting Afghanistan commercially with the rest of the region.

As a result of combined international aid over the past 12 years:

- 10.5 million Afghans are enrolled in schools across Afghanistan. Each year, more than 150,000 students graduate to pursue higher education in Afghanistan and abroad, including India where we have nearly 10,000 students pursuing degrees in the different fields.
- Our per capita GDP of \$591 in 2011 is five times higher than \$123 per capita GDP of 10 years ago.
- Nearly 8,000 kilometers of national highways, regional highways, and provincial roads have been built, cutting travel time by 75%.
- Moreover, civil aviation has improved,

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connecting Afghanistan with major regional hub.

- Access to electricity has increased by 250%, while some 18 million Afghans have mobile phones. Collectively, this has helped us maintain a 10% growth rate, creating many jobs that never existed in the Afghan history.

And democracy is flourishing. We have the freest media in the region, one of the most progressive constitutions in the region, allowing 27% of women to serve as MPs in the Parliament. At the same time, Afghanistan's civil society is growing more and more vibrant, frequently challenging the government and holding it to account.

Ladies and Gentlemen,

These and many of our other achievements are naturally a work in progress. To ensure their consolidation into sustainable gains, we have signed a number of Strategic Partnership Agreements with our allies in the region and beyond. These Agreements build on the objectives of the Istanbul, Bonn, Chicago, and Tokyo conferences on Afghanistan, helping us transition towards self-reliance in the post 2014 period into a decade of transformation.

The U.S. and India are two of our major strategic allies, and the Agreements we have signed with them provide for their continued support to Afghanistan beyond 2014. In an effort to work together towards our common objectives to help stabilize and rebuild Afghanistan, our three countries have established a Trilateral Strategic

Dialogue, which has met two times so far. But the mechanism remains under-utilized, which must be reinvigorated and used to ensure strategic coordination of the U.S. and Indian aid efforts, in support of Afghanistan now and beyond 2014.

As we consolidate our gains of the past 12 years with continued international support, we have increasingly taken over from our allies the tasks that any sovereign country should execute on its own. Last June, the Afghan National Security Forces (ANSF) took over from the NATO International Security Assistance Force (ISAF) the complete leadership and ownership of all military operations across Afghanistan. The ANSF is now providing protection for the whole Afghan population, while NATO-ISAF has begun its new mission of advising, training, and equipping the ANSF.

In spite of the ongoing successes of the ANSF against the enemy, our forces are yet to be fully independently operational. We continue to lack an Air Force and other such critical enablers as artillery, armoured mobility, reconnaissance and intelligence capabilities, close air support capabilities, airlift and medical evacuation capabilities, as well as logistics and maintenance mechanisms that constitute the backbone of any force.

To help address these needs, we are going to sign a Bilateral Security Agreement (BSA) with the United States. At the same time, we have provided India with a list of needs to assist Afghanistan with. We believe that India can fill some of the training and equipping gaps in the

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Afghan National Security Forces. And the Indian government has responded positively to our request for enhanced defense cooperation, based on the Afghanistan-India Strategic Partnership Agreement.

Parallel to the security transition, the Afghan government has striven to ensure the success of our political transition through implementation of a legitimate, fair, and transparent presidential election next year on April 5, 2014. As HE President Karzai has said many times, his second and last term under the Constitution is going to come to an end, and rumours that he would remain in office is baseless. In fact, the President signed in two law two critical electoral reforms paving the way for the peaceful and democratic transfer of power to the next president.

At the same time, despite the way the Taliban office was opened in Doha, Qatar, we remain committed to ending the war in Afghanistan that would result in further strengthening of our sovereignty and territorial integrity. That is the basic expectation of the Afghan people, the victims of more than three decades of war, who continue to fight and die day after day and year after year to ensure the absolute freedom and independence of our country, nothing less.

With that basic fact firmly in mind, the Afghan government and people are cautiously seeking a negotiated settlement with the armed opposition, including the Taliban. And that means an Afghan-led, Afghan-owned, and Afghan-controlled peace process where only Afghans talk to Afghans, with non-Afghans only facilitating the

process at the request of the Afghan government.

The new democratically elected government of Pakistan under HE Prime Minister Nawaz Sharif has taken initial, bold steps towards honest cooperation with Afghanistan and India. The Afghan people and government welcome with great optimism the Prime Minister's call for a new policy that sees the end of interference in the Afghan affairs now and beyond 2014.

To that end, this past Sunday, HE Sartaj Aziz, Adviser to the Prime Minister on National Security and Foreign Affairs, visited Kabul, and delivered an invitation from HE Prime Minister Sharif to HE President Karzai to visit Pakistan. The President accepted the invitation "in principle," but asked that a substantive agenda with specific objectives on supporting the peace process and effectively fighting terrorism be prepared, before the visit could take place.

HE Foreign Minister Dr. Zalmi Rasool also met with HE Aziz and expressed our hope to make considerable progress with Pakistan's new government in all areas, including in the fight against terrorism and extremism and the networks and systems supporting them. HE Aziz offered to use his country's influence and contacts with the Taliban, in support of the Afghan-led and Afghan-owned peace process. This is a welcome offer of assistance, which Afghanistan had long been seeking. The two sides also emphasized the importance of expanding bilateral transit trade, following a meeting of the Coordinating Authority to address issues related to the Afghanistan and Pakistan Trade and Transit Agreement (APTTA).

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Afghanistan's number one challenge is insecurity with external roots, which exploits Afghanistan's numerous vulnerabilities, including ethnic diversity, widespread poverty, and weak state institutions. The externality of insecurity can also spoil the peace process in Afghanistan and impede our progress into a decade of transformation beyond 2014.

That is why we welcome regional efforts with strong, proactive participation of India to address this shared challenge facing Afghanistan and the whole region. India should play a leading role in regional processes, as well as reaching a consensus with Russia and China to work out a regional roadmap for stabilization and reconstruction of Afghanistan where our sovereignty and territorial integrity are ensured, thereby allowing the three countries in the region to invest in Afghanistan and to prevent destructive interference in the Afghan affairs.

At the same time, we renew our call on the international community to stay the course in Afghanistan. Our gains of the past 12 years should be consolidated through implementation of win-win objectives, which have been outlined in the Bonn, Chicago, and Tokyo Conferences, as well as through regional initiatives such as the Istanbul Process.

Indeed, winning or losing in Afghanistan squarely depends on whether our allies and friends would actually deliver on the commitments they have made in these conferences and their routine interactions with the Afghan government. We hope

they would do so for the reasons, which I would like to explain briefly.

The implications of winning are clear: a sovereign Afghanistan at peace internally and at peace with others focused on win-win objectives towards a region where every nation would be secure and prosper through economic cooperation. This is the world in which we live today, a world which is increasingly interdependent and where zero-sum designs have proven a failure and a disaster. Sincere, results-oriented cooperation is the call of our peoples in the region and beyond. And Afghanistan stands ready to do our part for the good of all.

By contrast, however, the implications of losing what is a winnable war for peace and justice are also clear in Afghanistan. Any short-cut to peace leads to failure. Such half-measure peace initiatives were tried to engage the Taliban in the 1990s, with disastrous consequences. Let's remember that the Taliban of today are the same dark forces that brutally terrorized the Afghan people, systematically destroyed our cultural heritage sites, enforced a gender-apartheid of unspeakable cruelty, and sheltered and aided Al Qaeda to plot and execute from the Afghan soil the tragedy of 9/11. Morally speaking, any attempt to sideline Afghans and undermine their democratic gains of the past 12 years would not only destabilize the region but irresponsibly endanger international peace and security again.

Thank you.



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## How an Emerging Taliban Crescent Impacts Moderate and Democratic Afghanistan

\*Senge H. Sering

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Gilgit-Baltistan's geostrategic importance is gaining prominence for anti-Afghan and anti-American forces as the US prepares for withdrawal from Afghanistan. This little known region situated in the western Himalayan Mountains and contested by both India and Pakistan is poised to emerge as linchpin in what I call 'the Taliban crescent'; an area of extremists' control and influence, which will stretch from Afghanistan to the west, northern Pakistan, and reach into Indian Kashmir to the east.

The region is valuable for the Afghan Taliban, whose alliance with Kashmiri militant groups is a harbinger of future Jihadist efforts in that area. As Gilgit-Baltistan is situated right between the two, it will grow in strategic importance to this effort. The rugged mountains of Gilgit-Baltistan are well situated for staging forays for militant groups like Harkatul-Mujahideen which is keenly interested in increasing their influence in the Central Asian Republics and northern Afghanistan. It is worth-noting that members of the Pakistan Defence Council, a coalition of Jihadi outfits, religious parties and retired military officials, have called Gilgit-Baltistan the missing link between Kashmir and Afghanistan.

Prominent elected members of the Gilgit-Baltistan Legislative Assembly like Wazir Beg (June 24<sup>th</sup> Daily K2), Mirza Hussain and Mohammad Ayub Shah have repeatedly warned that Taliban are present in Gilgit-Baltistan in large numbers; and that the mountain passes of Gilgit-Baltistan leading to northern Afghanistan have become point of infiltration; and further, that local extremists are assisting the Taliban and helping them consolidate power and resources. Print media as well as various Pakistani TV channels (Dunya June 24) also state that militant camps are operational in districts of Gilgit-Baltistan (Capital Talk GEO), in the vicinity of the Afghan border. A few months ago, police arrested fourteen Afghan militants during a raid on a Madrassa located in Gilgit and run by Lashkar-e-Jhangvi, which according to the Ministry of Interior, has become the lead face of Al-Qaida in Pakistan.

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The Pakistani military's complicity in this campaign cannot be ruled out. As the Abbottabad Commission suggests, the military continues to view extremists as an asset. Again, it is significant when local elected leaders affiliated with the

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Peoples Party and Muslim League as well as religious scholars such as Qazi Nisar and Agha Rahat accuses the Pakistani secret agencies of aiding militant forces. Local reports frequently note the passage of Pakistani Secret Service vehicles transporting militants into Afghanistan via Gilgit-Baltistan. According to Ex-Inspector General of the Police of Gilgit-Baltistan Sarmad Saeed Khan (June 24, 2013), the federal government denied him permission to conduct security operation against Taliban in Gilgit-Baltistan.

Pakistan's tactical use of militants to enhance strategic influence in Afghanistan has created a perpetual state of chaos in the region. In the coming years, the ideology of Jihad will be employed once again, creating large scale destabilizing movement of militants across the Taliban crescent. Militant control over Gilgit-Baltistan will give Pakistan tactical advantage to help coordination between different non-state actors and the military. Kamran Shafi, a known defense analyst substantiates this fear and states that the time is not far when the Taliban in Afghanistan and Pakistan will unite with other radical groups and convert the region into a war zone (April 5, 11). The sudden surge of Taliban in the districts of Gilgit-Baltistan on the Afghan border is a real and grave concern for a democratic Afghanistan. Taliban consider a moderate Afghanistan a threat to their existence and instead demand the introduction of Sharia law and the rejection of the Afghan constitution.

Terrorism and extremism will only be eliminated if the regimes providing financial support and sanctuary are held accountable. Pakistan's policy to support terrorists who seek to destabilize Afghanistan must be reversed.

Further, the US must realize that a policy of appeasement will not halt the growing radicalization in the region. By lending credence to and negotiating with the Taliban, the US is in danger of legitimizing militants and Pakistan's influence in Afghanistan. This will ensure that the Taliban crescent will be firmly established and capable of further expansion.

However, it is not just the terrorists who are gaining control in Gilgit-Baltistan as a means to influence Afghanistan. The Pakistani establishment has also allowed China to station troops as well as build roads and rail links through Gilgit-Baltistan to further its influence into Afghanistan. It is happening at a time when US relations with Islamabad have deteriorated and a strategic vacuum is developing in Afghanistan due to NATO withdrawal. What is most alarming is that both China and the militants have strained relationship with India as well as expansionist designs on Afghanistan. Chinese leadership is courting extremist Pakistani organizations such as Jamat-e-Islami and promoting the interests of Lashkar-e-Toaiba while their military personnel are making unofficial visits to the Tribal regions of Pakistan (Oct. 12) where Taliban are stationed near the Afghan border. The nexus of this mutual interest can potentially mean a coordinated



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effort between the Pakistan's allies to control Afghanistan.

China's reliance on Gilgit-Baltistan to influence Afghanistan is well known. Until 2003, China used the Karakoram Highway of Gilgit-Baltistan to export military hardware to the Taliban government. Currently, China is planning to spend over eighteen billion dollars in the construction of tunnels in Gilgit-Baltistan to enhance access to Afghanistan and Balochistan. Jennifer Dyer in her article *China, Gilgit-Baltistan (Memorize it Now)*, and the *Balance of Power in Asia* (March 5, 11) writes that the road and rail plans will place China in a position to bypass and out-flank both rivals, India and Russia, and bisect "Asia with a Chinese-built, Chinese-controlled transport corridor". In summary, China is using Gilgit-Baltistan as a wedge to negate political and economic influence of its opponents and to advance strategic and political interests in the region. Authoritarian China's complete control over this corridor, leading to an upper hand in Afghanistan should be a concern for US policy makers who are interested in a democratic and free Afghanistan.

Not long ago, Gilgit-Baltistan was considered the hub of international trade, connecting Afghanistan and Central Asia to India and beyond. Free movement and commerce created a culture of co-existence and tolerance. Today, we have a choice to carry forward that tradition or to allow a darker scenario to emerge with global security implications. Ignoring Gilgit-Baltistan's strategic value puts the entire region on brink for political

isolation, economic vulnerability and the growth of extremism and authoritarianism. The only tenable solution is to help transform Gilgit-Baltistan from the linchpin of terror to a hub of international trade, commerce and prosperity where all stakeholders have an incentive to maintain free movement between South and Central Asia.

Such a policy will improve coordination between the people of Afghanistan and Gilgit-Baltistan as US allies in fighting terrorist networks. It will establish a wedge in the Taliban crescent and contain militant efforts to consolidate power in northern Afghanistan. Further, it will create a counterbalance to China's ambitions which are bound to destabilize regional security and curtail democracy.

Today Afghanistan stands at a cross road. Post 2014, the policies of Afghanistan's neighbors will determine whether the country will emerge as a voice of moderation or regress back to the Taliban era. The destiny and stability of Afghanistan is essentially tied to what happens in Pakistan. Pakistanis are still celebrating a change of civilian government in Islamabad which has promised to improve relations with India and Afghanistan. Yet, Pakistan's history suggests that the will of the people is often subsumed by military and intelligence goals. For a democratic and stable Afghanistan to come into existence, Pakistan's military will have to respect Afghanistan as a sovereign nation and halt efforts to unduly influence its shaping. Pakistan needs to stop

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attempts of defining who Afghanistan's allies and opponents should be. At the same time, the people of Afghanistan, Gilgit-Baltistan and Balochistan will have to unite in their struggle for social tolerance, economic liberalization, linguistic and cultural diversity, plural democracy, and peaceful co-existence.

US policymakers can support this shift by declaring Pakistan a Country of Particular Concern and using all measures of diplomacy to deter

Pakistan from aiding region's terrorist networks. Further, US forces must identify and collaborate with local communities especially the indigenous peoples of Gilgit-Baltistan and Northern Afghanistan who are fighting terrorism. Lastly, by expanding trade activity in Gilgit-Baltistan by reviving the Silk Route, the US will ensure that the economic potential is fully realized, which is the surest course to peace and stability for Afghanistan and the region.



## Falling Rupee – The True Reasons

\*Shaurya Doval

Should India be concerned about the falling rupee or, trusting the Finance Minister that there was nothing to worry about it? A weak currency is the sign of a weak economy, and a weak economy leads to a weak nation said Ross Perot, a leading US business tycoon and two times presidential candidate. The free falling rupee, fastest ever in 66 years of its independence and highest among the Asian countries, is symptomatic of decline in its national power and that must concern all Indians. For a common man, too, it means a rise in prices, falling employment and bleaker future.

Economists estimate that for every 10% fall in the rupee, prices get pushed up by 1-2%. For a common man the pinch is more than 2% as it leads to a disproportionate rise in prices of essential food items, fuel and other essentials which are non-discretionary in nature. A country where more than 40 crore people live below the poverty line this means a steep fall from their bare subsistence level of existence.

It no less hurts the burgeoning middle class, the potential driver of India's economic success story, whose progress is stalled and opportunities squeezed. Career prospects, travel, overseas education and healthcare also become increasingly un-affordable. The falling rupee ultimately

adversely affects all sections of society.

The government also emerges as the net loser with the political leadership losing their credibility and control over the economic variables. Every fall in one unit of the rupee siphons thousands of crores out of the country to meet external interest repayment obligations. The capital that could have otherwise built hospitals, fed the poor, generated employment or created infrastructure gets drained out purely as capital on capital. In a country, like ours where paucity of capital means foregone opportunities for our people, this drain retards our national journey to prosperity. When we add to this the additional burden a falling rupee puts on the national GDP in terms of imports, foreign outward remittances and other external payments, the drain is colossal. No nation can afford such excesses, least of all a poor nation like ours, where the opportunity cost of capital for every matrix of human existence is very high. India imports nearly seventy percent of its defence requirements from overseas and a falling rupee substantially pegs up the cost of guarding the nation. Often forcible cuts are made adversely affecting our defence preparedness.

Gross capital formation that leads to higher investment, accelerated industrial and agricultural growth, investment in infrastructure and human

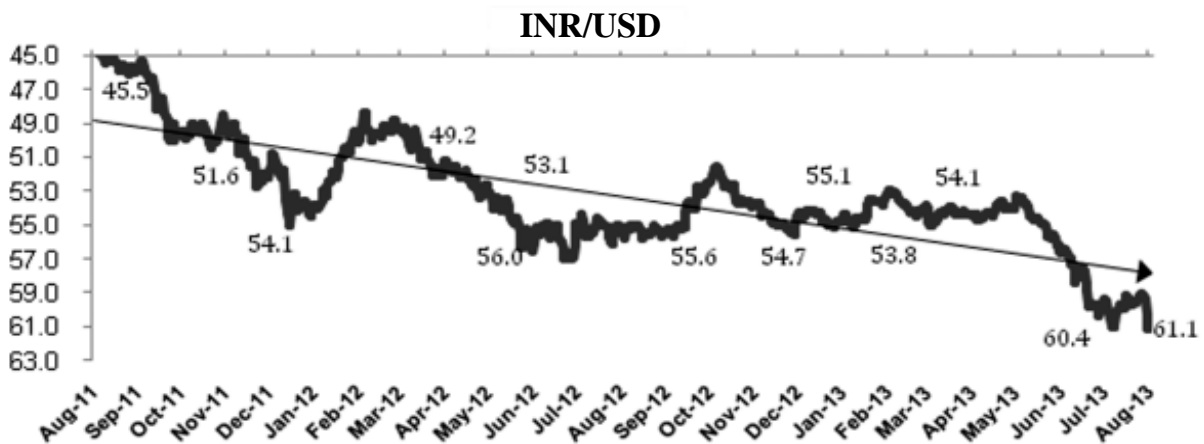
\* The author is Director of India Foundation, New Delhi

resource development lies at the root of economic growth. For a country to get out of the poverty trap it has to increase its investible surplus and add to its assets. Accretion in assets is directly proportionate to rate of economic growth and savings. Falling rupee, as the subsequent pages will explain, erodes both growth and savings at compounded rates. Preventing and arresting the fall of the rupee thus becomes vital. Any argument, to the contrary, no matter the justification, is delusionary and can never be a panacea in the long run. No wonder, there were few takers in informed circles of Finance Minister's underplaying the fall in rupee.

In recent time the falling rupee has assumed alarming proportions. While the Indian economy has slowed down and there has been a stalling of reforms but Indian growth has not collapsed by any measure. India still continues to be the second fastest growing economy in the world. It also has some very fundamental strengths like a large and growing middle class, services growth, political

stability, developed regulation etc. Yet the speed and the intensity of fall in it's currency in the last three years has been unprecedented. As the chart below demonstrates the rupee has in absolute terms fallen by 38% in the last 3 years and the slide continues uninterrupted.

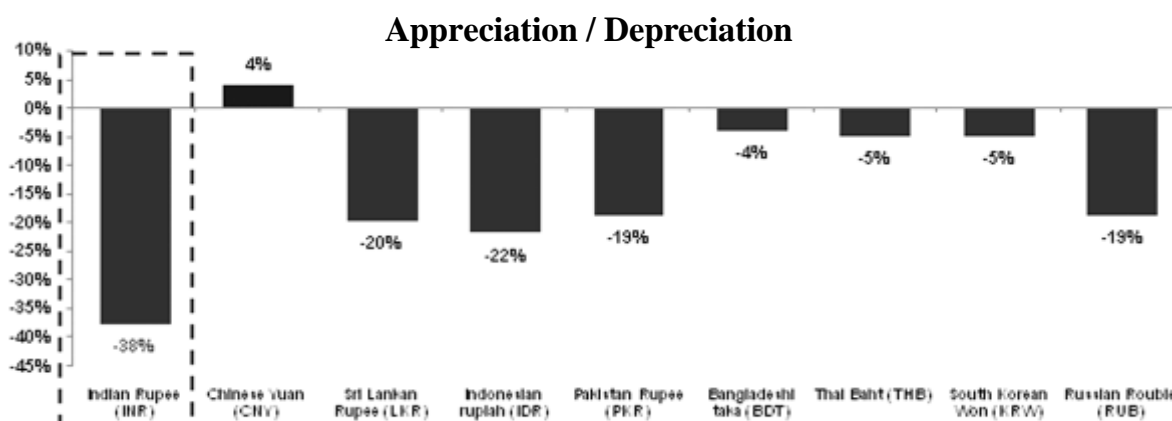
This fall of the rupee and the low levels breached are now here to stay. Why did this all happen? What does it mean. A 15 rupee drop in the last 3 years means that merely the interest cost to the nation has increased by Rs 27,000 crores annually, leave aside its implications on imports, external debt and other variables. This is a reduction of what could have been the additional gross capital formation. This capital could have given the nation 4000MW of power, 3 additional ports, 3,000 kms of highways and a whole host of other social spending opportunities. Now this capital is lost forever and the nation is not better off in any way. Further, at even a 10% return this capital could have generated Rs 2,700 crores of additional income annually if productively deployed.



The political discourse seems to be trying to explain to the nation that this is a short term phenomenon that with some policy tinkering will correct itself soon and the rupee will return to its earlier levels. If this was indeed the case than this merits a simple question: why has this not been done? The rupee has been consistently falling for last three years and if it was so easy to reverse the trend than the government is either guilty of

willful negligence or of capacity deficit to execute its policies.

At other times we are told that the fall of the rupee has to do with factors that are external and beyond domestic control. Nothing could be farther from the truth and nothing illustrates this better than a simple look at the performance of some comparable currencies during the corresponding period:



\* 2-year % change, from Aug 1, 2011 till Aug 2, 2013 (Source: Oanda.Com, Historical Exchange rates)

The data makes it obvious that the fall in the Indian rupee has been the worst among all emerging market currencies during this period. Even bankrupt nations like Pakistan have performed better during this period. Some of the BRIC countries like Russia and Indonesia, which have greater dollar dependence than India have also done a better job in managing their currency value. The Chinese Yuan has actually strengthened against the dollar.

A lot of noise has been made holding the US monetary contraction responsible for the falling rupee. In late May-2013, addressing the US

Congress' economic committee, Ben Bernanke hinted that the Fed's largesse – it had been pumping in US\$ 85 billion every month at near-zero interest rates – could be re-evaluated. What this meant was that four- year- long easy capital policy intended to create jobs in the US, could soon end. By the time Mr. Bernanke mentioned the possibility of a roll-back second time in June 2013, international investors were already winding down their interests abroad. Foreign Institutional outflows from India in June-2013 hit a record high of US\$7.53 billion. However, as the above chart shows that by May 2013 the rupee was already at

57 to a dollar a 26% fall over the previous year. The alibi comes unstuck and is a poor attempt to distort the facts. However, what the further 10% fall in the rupee since the announcement does is that it only additionally proves the relative unattractiveness of rupee vis a vis the dollar. Why is the currency of a fast growing nation with strong economic and social fundamentals so unattractive?

Before we get into the reasons for the fall of the rupee it may be worthwhile to quickly put the history of the sliding rupee in perspective. The rupee has seen a structural decline in its value since independence. This decline each time to a new level has either been triggered by an external or internal event. In between these events the rupee has been silently drifting downwards without it registering an economic alarm.

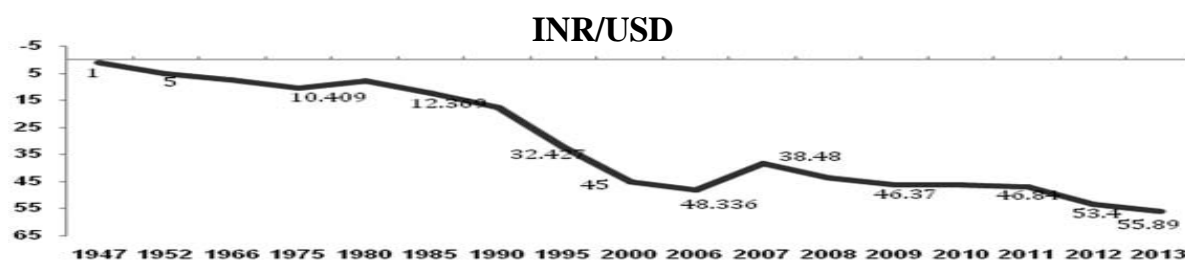
When India achieved independence there were no external borrowings on India's balance sheet and the rupee and dollar were at par. In 1951 at the onset of the First Five year plan the rupee was devalued by the government to raise the capital to finance the First Five Year Plan. The second devaluation came in 1966 when the Government devalued the rupee by 57.5% to INR 7.50/US\$.

From 1950, India had run continued trade deficits that increased in magnitude in the 1960s

and the government could not borrow capital from abroad or from the private corporate sector. This along with cutting of foreign aid resulted in the second devaluation of the rupee.

The rupee then was quite stable for a 15 year period when in 1985 the Rajiv Gandhi Government devalued the rupee by 40% in nominal terms to INR 12/US\$. The depreciation had been necessitated by the political uncertainty that gripped the government and the continuing high inflation of the 70s' which could no longer be managed by domestic policies. The next big decline came in July 1991 when the rupee was devalued by over 20% in a determined effort to change the course of Indian economic policy towards one of an outward-orientation. In 1993, the then Finance Minister Manmohan Singh let the rupee to float freely. This linked the rupee to external markets as was visible in 1997 when the Asian financial crisis led the rupee to fall from INR 35/US\$ to INR 39/US\$ as investors exited Asian markets.

Since 1997 the rupee had been fairly stable depreciating by about 15% over a 15 year period until Sept 2011. Positive macro-economic environment and growth in the past few years have been deceptive in that they have hidden the fundamental weakness of the Indian currency.



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## Reasons behind the fall of the Rupee:

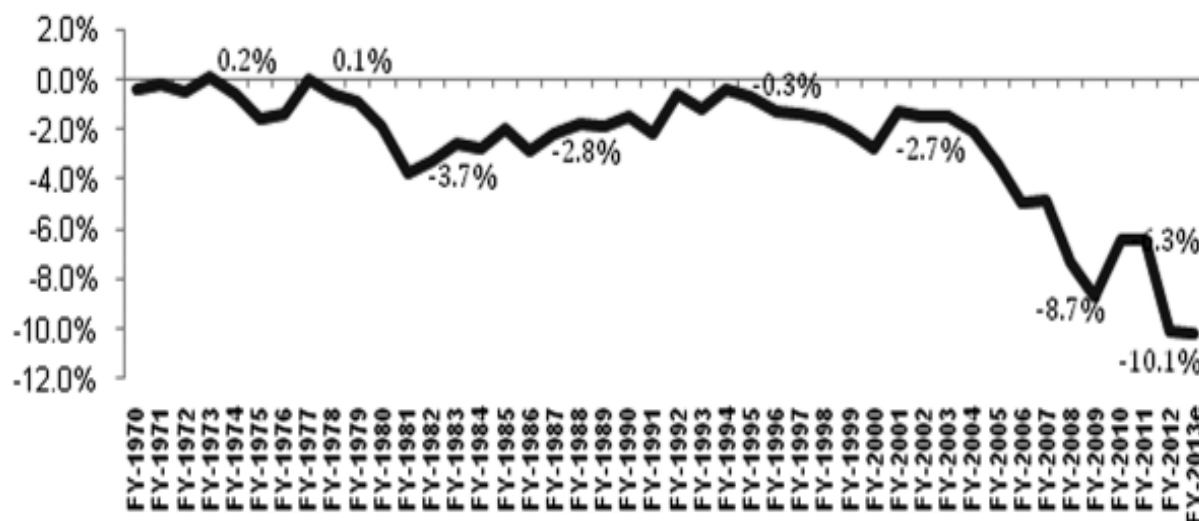
### Problem of Deficits

The first and foremost problem is that India has a large trade deficit and this deficit is ever growing. In simple terms India imports more than it exports. This means that as a result more capital leaves India than comes to India. This creates the first level of pressure on the currency.

Export growth has been contracting with a slowdown biting the economies of trade partners and also because Indian economy struggles to export more. The tremendous bottlenecks in Indian infrastructure prohibit India from exporting more and there has been no reflexive benefit of weaker currency in boosting higher exports. Lack of policy support, high red tape and lack of ease of doing business means India is not an export center.

However, imports have been growing unabated, led by crude oil and gold. Gold imports have been rising as there has been negative real interest rates in the country on account of high inflation. At the same time oil imports have also been rising faster than expected due to unviable subsidies in place which do not allow the consumers to experience the true cost of the commodity. This has led to distorted patterns in our oil consumption and created inelasticity in its import. Political reasons delay the correct course of action and the rationalization of subsidies becomes more and more difficult with passage of time. One rupee depreciation increases the losses on selling fuel below cost by Rs 8,000 crore in a year. This increases the trade deficit and assuming the government shares half, the fiscal deficit by 0.4%.

**Trade Deficit as % of GDP**



Source: Economic Survey of India 2012, Statistics Handbook

Trade deficit as a percentage of GDP was 10.1% in 2012-1 and has widened to its second highest ever level in May this year. Trade deficit as a percentage of exports has also been continuously increasing and is at a 27 year high at 68.7% in 2013. Taken together, they expose the unproductiveness of our gold and oil imports. What this means is that while imports increase our deficit they are not necessarily increasing our GDP in the same proportion.

This problem is structural and becoming worse by the day. For e.g. with recent depreciation in rupee, the trade deficit may worsen further in FY14. India has already recorded gold imports of about 300 million tonnes in first two months of FY14 against 846 million tonnes in whole of FY13.

Crude import is inelastic, and will go up as a falling rupee makes oil imports costlier despite the international stability of the Brent crude. So the widening deficit problem continues. The source becomes the symptom and symptom worsens the source and the vicious cycle continues.

Linked to the trade deficit is the problem of the rising current account deficit ('CAD') and the balance of payment problem. CAD is a wider term as it not only includes the import and export but also includes all other transfers in and out of the country. It is defined as the difference between the imports of goods, services over the country's total export of goods, services and transfers. This CAD has also seen a rising trend as is clear from the table below.

BOP situation uncomfoting								
(\$ billion)	FY07	FY08	FY09	FY10	FY11	FY12	FY13P	FY14E
<b>Trade Balance (a)</b>	-61.8	-91.5	-119.5	-118.4	-130.5	-189.8	-196.5	-204.5
Invisibles (b)	52.2	75.7	91.6	80.0	84.7	111.6	108.7	119.9
-Software services	29.0	36.9	43.7	48.2	53.3	61.0	67.6	74.4
-Transfers	30.1	41.9	44.8	52.0	53.1	63.5	63.2	69.5
-Others	-6.9	-3.2	3.1	-20.3	-21.8	-12.9	-22.1	-24.0
<b>Current Account (c=a+b)</b>	-9.6	-15.8	-27.9	-38.4	-45.8	-78.2	-87.8	-84.6
Foreign Investment (i)	14.8	43.3	8.3	50.4	39.7	39.2	46.1	39.7
-FDI	7.7	15.9	22.4	18.0	9.4	22.1	20.3	19.7
-FII	7.1	27.4	-14.0	32.4	30.3	17.2	25.8	20.0
Loans (ii)	24.5	40.7	8.3	12.4	28.4	19.3	34.8	22.0
Bank Capital (iii)	1.9	11.8	-3.2	2.1	5.0	16.2	20.4	22.0
Rupee Debt Service (iv)	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	1.6	0.0
Other Capital (v)	4.2	11.0	-5.9	-13.2	-11.0	-6.9	-3.3	-6.9
<b>Capital Account (i-v) (d)</b>	45.2	106.6	7.4	51.6	62.0	67.8	99.7	76.8
Errors and Omissions (e)	1.0	1.3	0.4	0.0	-3.0	-2.4	2.0	-2.0
<b>Balance of payments (c+d+e)</b>	37	92	-20	13	13	-13	14	-10

Source: ICICI Securities Ltd



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The CAD for FY13 stood at \$ 87.8 billion, 4.8% of GDP. This is an increase of over 300 per cent in the last three years. The rising CAD puts a strong pressure on the currency as India needs to sell more of its currency to purchase US dollars. At the same time a depreciating rupee also increase the CAD through the rising trade deficit. Economists estimate that a 2% depreciation of rupee adds 20 basis points (bps) to the CAD as a percentage of the gross domestic product (GDP). So the vicious cycle of currency impact which plagues the trade deficit also extends to the larger CAD.

India has been able to address the deficit in the CAD in the past by robust inflows in capital account in form of FII, FDI and external borrowings. Here lies the second problem - India finances the problems of its consumption by taking external capital; that is like a house whose expenses exceed its income. Financing the gap through borrowings or external capital, in whatever form, can give some relief but hardly solves the problem. What if they ask their capital back? Then India needs to find the capital to pay it back. Where will that capital come from! This is often forgotten in the euphoria of balanced books and sometimes the often touted large foreign currency reserves.

The \$290 Bn foreign reserves that India has are not really India's earned reserves through selling more to the world like China's. India has always been a trade deficit nation for most of its independent history. So the only way it could have built capital was to take external capital in whatever form. Debt is always easier than equity and that is exactly what India has done over the

last few years by borrowing externally. The world borrowed capital when they believed India was a good investment destination. But like all investors when they lose confidence in India they will seek it back. This is a structural problem with the Indian foreign reserves which India should be worried about but often is forgotten as the fine print. These reserves could be wiped out pretty quickly if the rupee continues to depreciate. Hence the so called foreign exchange reserves are not really reserves in a true sense but actually foreign exchange liabilities.

This is exactly what is happening these days. At the moment, the foreigners are starting to leave India with their capital in light of slowing growth. Since 2008, RBI has sold about \$60 billion in the market to support the rupee, bringing down the forex reserve to \$287.9 billion, enough to cover imports for about six months - dangerously low, say economists. It has not become a run yet but could become soon even if there was no fundamental change but a mere sentiment shift away from India. We have already started to see outflow in FII investments in debt instruments. If the risk off sentiment persists, we could witness higher FII outflows from both debt and equity markets. Hence, unlike last fiscal, capital inflows may not be able to cover India's CAD. What will happen to the currency then?

### **Policy Problems**

If this deficit problem was not bad enough, UPA II has added to the economic problems by total abdication of governance. There is total policy paralysis in the Government machinery and

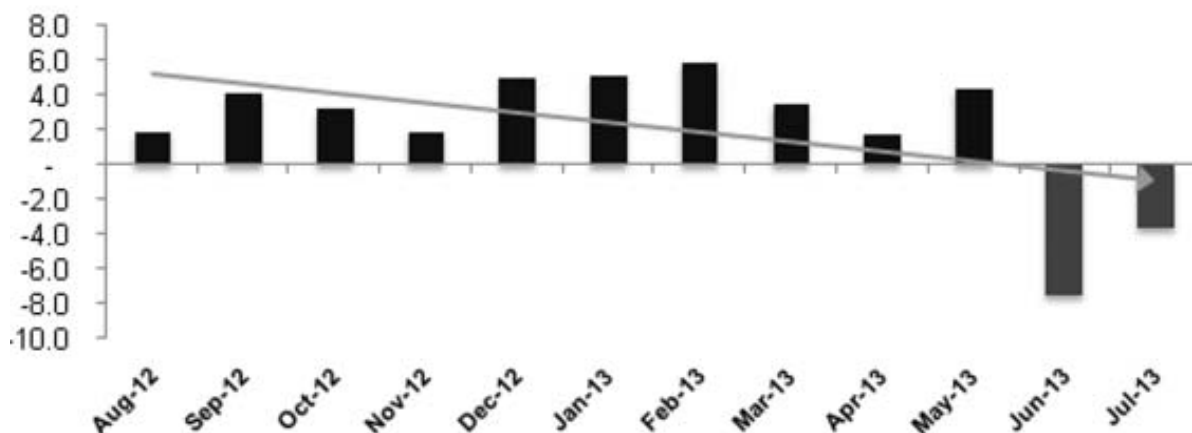
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a total lack of policy initiatives and execution. Little progress has been achieved. The government is seen as struggling between one scandal after the other as it fights for a survival on a day to day basis. Despite the noises and assurances to the contrary this confusion has now been going on for much of the last four years. In today's global economic cycles four years is a long time and it is unlikely that the world will be waiting on India.

Whatever be the reasons, the failure of governance has been the hallmark of this current regime resulting in stalled/shelving of projects by

corporate India. There is total lack of investor confidence in India and its ability to foster and sustain consistent growth. This may have serious implications for FDI/FII and foreign exchange reserves in future and hence may depreciate the rupee further from its current levels. It may also lead to investor confidence issues in India and lead them to start withdrawing their capital which also will have further downward implications on the rupee. India can ill afford to let its growth falter. Unfortunately, that is what has precisely happened under the UPA regime.

### FII Flows: Last 12 months (US\$ Bn.)

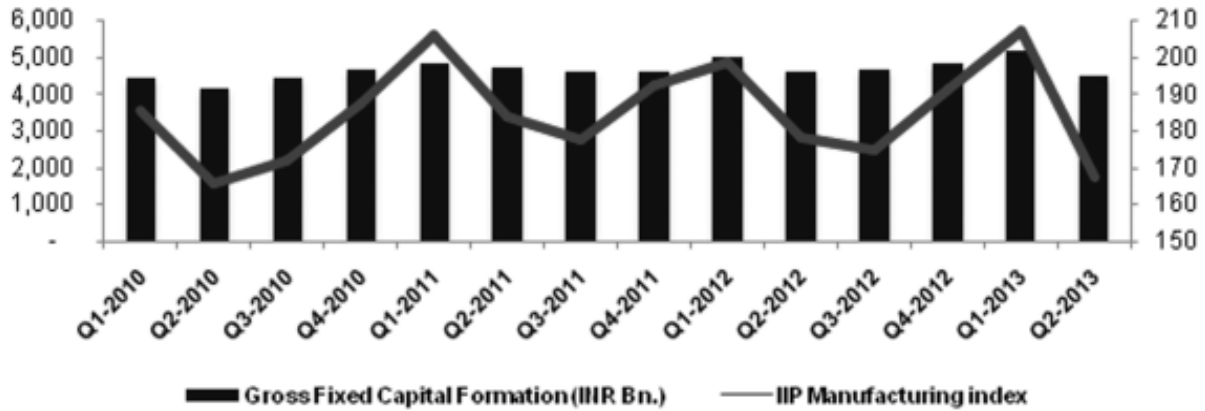


Source: SEBI, Foreign Investment in India Statistics

The above chart illustrates the FII flow in India has started to decrease thereby demonstrating the loss of investor confidence in India. One common refrain is that investors do not think India is a business friendly place and thereby there is decreasing desire to do business. This is also evident from the below mentioned chart on the gross capital formation in the last

few quarters. Business no longer wants to increase its capex spend given regulatory uncertainty and that is demonstrated in either flat or decreasing capex spends. Our own businesses are also losing confidence in the ability of the country to keep its growth momentum. This does not speak well of the government effort to keep India's growth rate at globally attractive levels.

## Capital Spending (Gross Fixed Capital Formation in US\$ Bn.)



Source: Trading economics Statistics, RBI Indian Statistics Handbook

Slowing growth has serious implications on the rupee. First and foremost, a slow growth will alter the country's credit ratings. India is already at risk of a downgrade from its marginal investment grade (BBB-) rating. This falling credit profile reduces the investor risk for India thereby reducing investor attractiveness and also raises the cost of borrowing both domestically and internationally. This in turn slows growth which further fuels the eventual downward slide of the rupee.

For a country dependent on imports for many raw materials, a weaker rupee impacts the profits of companies at a time when they are already stressed. Corporate profitability is affected negatively as the input cost increase for companies importing raw materials. This further slows growth and also accelerates the depreciation of the rupee.

The rupee's weakness may make foreign investors think twice before investing. Foreign

capital inflows are typically at risk when the local currency weakens. Already, portfolio flows into both debt and equity have been gradually tapering, with investors subscribing to the view that the local currency could depreciate further. The average daily net FII inflows into equities tumbled to \$27.22 million in June compared with \$171.4 million in May, according to data from the market regulator, Securities and Exchange Board of India. The situation worsens in debt with FIIs pulling out \$259.7 million in each session in June compared with a \$23.6 million average daily inflows the previous month. The yield differential, between Indian 10-year government bonds and US treasury yields of the same maturity, has fallen by 1 percentage point since the beginning of this year.

Slowing growth has bad news written all over it for the rupee. The government cannot let the growth falter at any cost as the impact on the rupee will be disproportionate. This is exactly what has happened in the last few years and there is little to

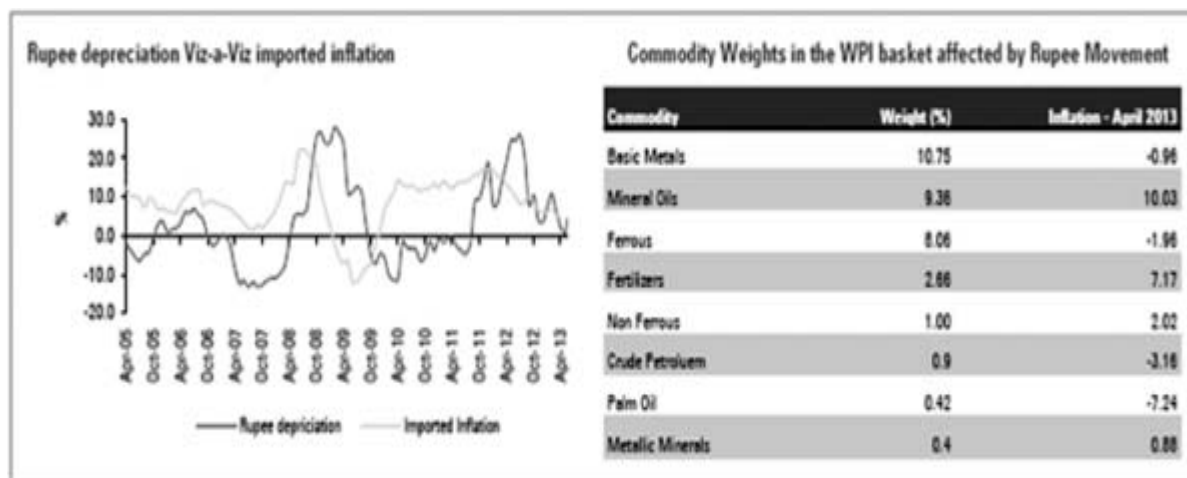
demonstrate that the downward slide has been arrested.

### Inflation over growth

Unfortunately problems don't end here. There is another related issue which deeply cuts into the stability of the rupee. This is the nature of the relationship between imports, inflation and the rupee.

Inflation is a key driver of the rupee depreciation. It is both a cause and effect of the rupee depreciating. On one hand the rising inflation in the country forces the domestic currency to lose value against the dollar. On the

other hand, in a high import dependent economy, depreciation in rupee accelerates imported inflation in commodities like crude, metals, some edible oils and certain chemicals (combined weight of ~25% in the main index) of which India is a major importer. Unless India solves its energy dependence this will not go away and will always keep the rupee linked to the volatility of global commodities. A **1% depreciation in rupee, on an average adds ~20-25bps to the headline WPI inflation**. Therefore WPI is likely to inch closer to 6% from 4.89% due to ~8% YTD depreciation in rupee.



Source: ICICI Securities Ltd

The falling rupee elevates inflationary expectations thereby forcing RBI to continue with its anti-inflationary stance through a high interest rate regime as India is currently witnessing. Also, depreciation in rupee further aggravates concerns over CAD. This forces the RBI to keep deferring interest rate cuts and continue with a high interest regime. Further, if RBI cuts rates, it runs the risk

of the interest rate arbitrage (between Indian government bonds and US Treasury yields) becoming less attractive, thus compromising the possibility of further capital flows.

All these measures to control inflation, while balancing the rupee, reduce liquidity and have a direct bearing on economic growth. As a natural consequence, there is crowding out of private

capital and slower growth. With inflation as a key driver of electoral fortunes, controlling inflation becomes the sole focus of the government thereby repeatedly sacrificing growth at its alter. This while gives momentary relief, builds in larger structural problems like deficits and external debt which impair the rupee in a more serious way in the long run.

This balancing act also often forces RBI to engage in currency intervention, which in itself involves absorption of rupee, thereby creating further liquidity tightness. However, this is not sustainable. The Central Bank has neither the intention nor the wherewithal to intervene in the foreign exchange market. India just does not have enough foreign exchange reserves to sell in the market to support the rupee and thus intervention is meaningless. This thereby reduces the Central

Bank's ability to play with the currency unless solid economic fundamentals provide the required currency support.

### The Debt Trap

Finally, India also has a debt problem. At US\$ 390 billion, the country's current external debt is far from comforting. This is the capital owed by Indians (Government, Companies and Individuals) to entities abroad which also has a bearing on the rupee. This debt has been rising due to trade credit taken by importers and by Indian companies borrowing overseas. According to government statistics, out of India's outstanding external debt, about 23% or \$85.3 billion comprises external commercial borrowings, or ECBs. Further, the share of short term debt has also risen to 44.2% of total debt.

**Table 1.1: External Sector Vulnerability Indicators**

Indicator	(Per Cent)				
	End-Mar 2011	End-Mar 2012	End-June 2012	End-Sep 2012	End-Dec 2012
1. Ratio of Total Debt to GDP*	17.5	19.7	19.7	19.3	20.6
2. Ratio of Short-term to Total Debt (Original Maturity)	21.2	22.6	23	23.2	24.4
3. Ratio of Short-term to Total Debt (Residual Maturity)#	42.2	42.6	42.9	43.7	44.1
4. Ratio of Short-term Debt to Reserves+	21.3	26.6	27.8	28.7	31.1
5. Reserves Cover of Imports (in months)	9.6	7.1	7	7.2	7.1
6. External Debt (US\$ billions)	305.9	345.5	349.1	365.6	376.3
7. Net International Investment Position (IIP)	-209.8	-248.5	-224.1	-271.5	-282
8. IIP/GDP ratio	-12.3	-13.3	-12.2	-15.1	-15.4

Source: RBI, Financial Stability Report – Issue No. 7

Linked to this is also the interest burden increase on foreign currency denominated debt. For companies that have availed of foreign currency loans for implementation of projects, the rupee depreciation will stretch their balance sheets,

as the amount of debt will increase in rupee terms. As these loans mature, the cash repayment will also be disproportionately impacted.

Unless India pays down this debt with its earnings it will be forced to finance one debt with

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the other debt. Unfortunately, that is what has been happening. That only defers the problem to another day. The high external debt not only increases the payment obligations but further puts a downward pressure on the rupee as it increases the local currency required to meet these obligations. As the rupee depreciates this pressure gets compounded forcing the country to borrow more and at the same time increasing its obligations not just in absolute terms but also in relative terms because of a falling currency. This is a classic debt trap of which many nations have been victims to the point of bankruptcy. India is not close to such a point but its currency remains vulnerable to the shocks linked with high external debt burden.

### **Future Outlook of INR**

We live in a world of relative opportunities. The United States is back at the center of global investors' radar screens. US equity securities remain in ascendancy accompanied by increasing long-term interest rates as the process of global risk re-pricing and asset (re)allocation away from emerging-market assets runs its course. The emerging market asset class remains in vulnerable territory influenced by the triple adverse effect of decelerating endogenous economic growth, declining equity securities valuations and expected shifts in US monetary policy direction implied by forward guidance rhetoric.

The RBI has been forced to tighten liquidity conditions and halt its monetary easing efforts as the need to stabilize the rupee has taken priority.

Fixed income outflows were particularly debilitating for the rupee and exacerbated the rupee negative impact of weak funding conditions for India's current account deficit. The external accounts are certain to remain the key constraint to the RBI going forward, as further domestic liquidity tightening cannot be ruled out to support the rupee. **USD INR could touch as low as 70.00 by year-end.**

### **What can be done:**

Unfortunately there are no-short term solutions. India has a structural problem and it will have to bite the bullet. Sooner or later the pain will be unavoidable but it is better that the pain be taken now and the problem sorted forever.

The key is to have a long term strategy to increase our "net-exports" and to rebuild the country's balance sheet "brick by brick" to get to a situation where we have foreign exchange balance that is truly a "reserve" in nature. Short-term measures, such as imposing a higher duty on "non essential goods" and gold, are unlikely to take us very far. Raising investment limits for foreign direct investment in some sectors will neither reverse the direction of the rupee in the currency market, nor will it help revive growth in a conclusive way. We have reached a stage where structural reforms are needed to regain the lost momentum.

These are a few things that can be done to build intrinsic worth in the Rupee. The government should seriously consider taking some

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of the following steps:

1. Identify on an all India basis goods/ services that can be exported from the country where India can quickly build global competitiveness in cost, scale and quality.
2. Incentivise the production of such goods and services by providing fiscal and tax incentives.
3. Go for massive build outs of world class SEZs and solve the infrastructure bottlenecks through large interventions that provide an enabling environment to the manufacturing sector. As a labour abundant nation, India does not produce labour intensive goods at sufficiently large scale.
5. Concerted efforts to increase the share of agriculture as a % of GDP. Solve for the supply side bottlenecks, quality, access to markets, marketing and credit problems that plague the sector. This will be very important to tackle supply side problems and control inflation.
6. Import substitution for crude oil. India will have to find replacement for crude oil as our primary fuel. Alternate technologies and solutions need to be developed on a war footing. This is possible, if a nation is determined and focused, as the US has recently demonstrated.

These steps will not only help the Indian economy to improve on output and growth but, overtime, will also help maintain a stable external

account. This will go a long way in strengthening the rupee.

The other priority is to bring back growth in the economy on a real time basis. This can only be done by improving the business environment of the country. Kick starting the infrastructure build should be the foremost priority as it is the single largest bottleneck to growth. The Indian corporates should also be encouraged to spend more via incentives and supportive business policies. Government support is a must for creation of an investment friendly environment that in turn is vital to kick-start growth. Capital has an option of going to over 180 countries around the world. In the “Ease of Doing Business Ranking” by the International Finance Corp., India ranks 132 out of 185 countries. Put differently, 131 countries offer better business conditions than India. In enforcing contracts, the very basis of a market economy, India’s rank is 184 out of 185 countries. Both starting and liquidating a business is extremely difficult in India; 172 countries offer better conditions for starting a business. Clearly, these rankings will not inspire national or international investors to invest in India. Therefore, a coordinated effort between business, banks and the government is required. The “status quo bias” has done enormous damage. Can this opportunity be used to remove hurdles and create an environment for large-scale investments, especially in the manufacturing sector?

Finally, inflationary expectations have to be brought down by a more restrained fiscal spend

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and consolidation. This will boost the real exchange rate competitiveness in the economy. This will give more leeway to the policy planners to control inflation without necessarily having to forsake growth. Political consensus should be generated and if tough decisions are indeed the only option forward than the entire nation should be taken into confidence in order to share the burden. Playing politics on such a matter each time should now finally stop!

India needs sustained and consistent policy intervention to get its rupee back in business. The malaise of the trade deficit is the real culprit behind

the story of the falling rupee. India has and must cut its deficit with a vengeance. As long as it relies on FII and FDIs to solve its financing problems the rupee will be susceptible to this falling trend. India must go after improving its exports and cutting its imports drastically.

That way it will ensure that our balance of trade keeps the balance of payments always in the surplus territory. When only that happens will the rupee not only achieve fundamental stability but will truly acquire a global standing and be treated as a gold standard. It is then when it will be a truly national asset.





## Beyond Sri Lanka's Big Brother Syndrome

\*Vivek Katju

Amidst the entire range of complexities that mark the situation in Sri Lanka one fact remains incontestable: President Mahinda Rajapaksa and his three brothers — Defence Secretary Gotabhaya, Basil, who controls politics and economic policies, and the soft-spoken Speaker of the Parliament, Chamal — are the arbiters of their country's destiny. The institutions of democracy as provided for within Sri Lanka's democratic constitution operate but neither the parliamentary opposition nor voices of dissent within the ruling alliance have the strength to put a brake on the objectives that the Rajapaksa brothers, especially the President, have set for themselves and, by extension, for their country.

It is clear from the policies the Rajapaksa brothers have pursued since the defeat of the LTTE in May 2009 that their principal objective has been to prevent forever the emergence of a similar organisation. Now, the surest way to ensure that objective would be to take steps to erode, if not eliminate, separatist sentiment among the Tamil community. And the first measure in this direction would be to implement the 13th Amendment and the recommendations of the Lessons Learnt and Reconciliation Commission (LLRC) report, especially with regard to incidents of excessive or malicious use of force against civilians in the last few months of the anti-LTTE operations. However, President Rajapaksa and Gotabhaya in

particular, have always been critical of the 13th Amendment devolution process which created the provincial councils and gave the provinces meaningful powers including over land and the police. The legislation they wish to promote now would effectively take away these powers. They also desire that in future, constitutional changes regarding provincial powers could be accomplished by Colombo with a simple majority of provinces siding with it. This would lead to Colombo retaining in its hands the authority over subjects that are connected with the state security apparatus and, indirectly, demography.

President Rajapaksa would like to get these changes through before the Northern Council elections which he has announced would be held in September. It is pertinent that he wishes to hold the elections prior to the Commonwealth Heads of Government Meeting in November. For the time being, the proposed changes are being resisted by some ruling alliance partners.

### Reconstruction

A recent visit to Colombo and Jaffna enabled this writer to hear a range of voices and also see the reconstruction activities that have been undertaken by the Sri Lankan authorities in the latter city and area. The resettlement work and the reconstruction of physical infrastructure in the four years that have passed since the LTTE's

*\* The author is a ret'd. diplomat and was a member of India Foundation delegation to Sri Lanka in May 2013*

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defeat have been good. While there is a civilian administration in place, the Governor is a retired army officer and this is a ground for complaint. It is true that Colombo would have had little option but to rely on the army in the immediate aftermath of the conflict for resettlement and development work. However, popular sentiment would now be addressed by reducing the army's salience. The acquisition of land for the expansion of defence facilities is a major ground for complaint.

One of the most contentious issues relates to the size of the defence force to be stationed in the Northern Province. Almost all sections of Tamil opinion are convinced that if the defence forces are placed in large numbers in extensive military facilities, their sole objective would be to coerce the Tamil population. The basis of this belief is that the threat of violent separatism has disappeared with the defeat of the LTTE. The Rajapaksa view, endorsed by many Sinhalese, is that this is not so. It strongly holds that the ambition of a separate Tamil state is widespread, especially in the influential Tamil diaspora. The diaspora is currently focused more on putting pressure on Colombo on human rights issues. However, in future it can promote violent activities and an empowered province in the north may provide them with a base.

There is no easy resolution of these two fundamentally contradictory visions. In the 21st century, terrorist violence is an issue but the security of plural and multi-ethnic states is best guaranteed in satisfactorily addressing the reasonable aspirations of ethnic and religious minorities including their quest for identity,

justice, democracy and development. On their part, minorities must shun violent approaches and understand the concerns of the majority communities. Historical memory, ancient grievances and the dubious lessons of battles lost and won in centuries past cannot guide leaders, particularly those who control the destinies of peoples and countries in this digital age.

### **13th Amendment**

The 13th Amendment is the cornerstone of the position of the overwhelming majority of the Tamil political class. It has already been diluted by the decision of the Court regarding the inadmissibility of the merger of the Northern and the Eastern provinces. Any further weakening of the Amendment is unacceptable to them. The Indian position too is to support the implementation of the Amendment. Recently, the Union Minister for External Affairs, Salman Khurshid, urged his Sri Lankan counterpart that elections for the Northern Provincial Council need to be held within the time frame announced by President Rajapaksa and under the present provisions of the Constitution. While India is firmly committed to the territorial integrity of Sri Lanka, the entire country shares the concern expressed in Tamil Nadu for the rights and welfare of Sri Lanka's Tamil community. Will President Rajapaksa take these views into account and if he does not, what can and will India do? The communication channels which have worked successfully to diffuse situations in the past now need to operate urgently.

*(Courtesy - 'The Hindu', July 3,2013)*



## Buddhist Economics of Compassion and Communion

\*S.R. Bhatt

It is universally felt that all is not well with the present day thoughts and practices in the sphere of economics engulfing the entire world in a severe crisis and therefore this calls for serious thinking as to what ails the prevailing states of affair and how to rectify the root causes of the problems facing the humankind. In view of urgency of the situation apparent symptoms are to be attended and curative measures are to be adopted. But it is imperative to go to the root causes and undertake preventive and positive measures This necessitates rethinking about economic principles, policies, planning and programs.

This paper has limited concerns and stems from the disillusionment with the dichotomous, exclusivist and lopsided economic situations that obtain in the modern world and outlines a brief sketch of economic system as per the Indian Buddhist approach to structure and manage economy at the national and global levels. It is hoped that the classical Indian thought can possibly offer an effective and more beneficial alternative to the present day individualistic-materialistic-consumerist-profit seeking-competitive-exploitative economy which is bereft

of welfare contents, sustainability of economic resources and spiritual orientation.

The motivating factor in presenting this paper is that if we possess something which may prove helpful and useful to world peace, progress and plenitude, we should not hesitate in sharing it with the world at large. Rather than being burden to the world or being idle spectator to the universal suffering or feeling shy in sharing cultural heritage with others, we should attempt to partake in cooperative endeavor to resolve the problems of the world and creatively reconsider what our ancient culture, civilization and traditions can contribute to the present world for a bright future, as Pandit Jawaharlal Nehru always emphasized.

There should be no denial of the fact that the inquisitive mind is looking for a redeeming knowledge. The western economic thought seems to have reached a point of saturation resulting in a global economic turmoil. Therefore it calls for a bold initiative for paradigm shift for which some directions can come from the classical Buddhist thought. The Buddhist approach is that of a moderate economy based on 'Buddhist Middle Path' which is sustainable both in production and consumption that are the two aspects of economic

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planning and development. The Buddhist way is an economy of balanced development, balancing different pairs like production and consumption, individual and society, nation and universe, physical and spiritual, present and future and so forth. It is holistic and integral approach to economic issues from micro and macro perspectives, which measures development in terms of prosperity, health and happiness of the present and the future generations in terms of intra-generational and inter-generational justice. It provides for a cosmos-friendly economy in which instrumental and intrinsic goods are put in a symmetrical and balanced harmony. It is an economy of compassion and communion, of peace and non-violence. Full details can be worked out on the basis of the seminal ideas presented here, as only a blueprint is provided at this juncture for perusal of concerned and interested scholars.

Buddhism is both a view of reality and a way of life seeking to realize the *summum bonum* of existence. It has therefore an all comprehensive perspective on all facets of reality and life. Its understanding of economic aspect of our life has something fresh, unique and of great contemporary relevance and may serve the need for a desirable alternative model at the national and global levels. It attends to all the four drivers of economic development, viz., human resources, natural resources, capital resources and innovative technology. Though it has not been presented very systematically in the classical Buddhist literature, it can be reconstructed from the discourses of the

Buddha with rulers of his times contained in the early Buddhist literature supplementing this with other classical literature and given a coherent shape. Buddhist Economy is based on and can be derived from the teachings of Lord Buddha in the well known *Dhammacakkapavattanasutta* in which the 'Four Noble Truths' and the 'Eight-fold Noble Path' contained in them are propagated. But in the Pali texts we get sufficient material for constructing an economic theory.

Buddhist Economy is essentially characterized by love and compassion, benevolence and altruism, interdependence and interrelation, mutual openness and reciprocity, fellowship and participation, plenitude and happiness, giving and renouncing, caring and sharing. The four noble virtues for ideal human conduct named as *Brahmaviharas* (global virtues) of universal friendship and amity (*maitta*), universal compassion (*karuna*), universal responsibility making others happy (*mudita*) and indifference to narrow self-interest (*upeksha*) are the guiding principles on which economic thought and planning and economic behavior of individual and society are to be based. It is an integral and organic approach which is holistic and non-divisive and takes into its purview well being of the entire cosmos (*lokanukampaya*). Morality and universal responsibility are the very heart of Buddhism and therefore Buddhist economics is dharmic (ethical) being guided by virtuous mind (*kusala citta*). It can be described as **dharmia-oriented** and **dharmia-based** economy. Its motto

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is morality first, money thereafter. Morality is not a policy but a principle of life and existence. There are three facets of dharma; it is sustaining, it is regulating and it is instrumental for good. *Prajna* (wisdom) and *Sila* (morality) as *karuna* (compassion) are the two foundations on which it rests. Economics like other human pursuits are only the means and its ultimate goal is cosmic well-being and happiness (*bahujana hitaya, bahujana sukhaya*) leading to realization of *summum bonum* of life (*nirvana*).

One of the most significant implications of the Buddhist non-substantiality view (*Anatmavada*) of Reality is that the cosmos, rather the cosmic process, is a totality of fleeting occurrences and not of things. It is a highly complex, complicated and intricate but planned and purposive networking of events and not a mechanistic arrangement of preexistent entities. Every worldly existence has a dependent origination out of a causal collocation characterized by mutuality and openness, interrelatedness and reciprocity. Each one depending upon ones nature has a specific nature, place, role and function in the cosmic setup as determined in the scheme of the universe.

Human existence is not in isolation with the rest of the universe. It is not in the form of just ‘I’ but also ‘we’. In the economic functioning every one has to contribute according to ones ability. The cosmos is a network of relationship of interdependence giving rise to organic collective living (*samgha jivana*) like that of an

organism. As Hua-yen Buddhism puts it,

In one is all, in many is one

One is identical to all, many is identical to one.

The natural implications of such a view point are non-individualism, non-isolationism, non-selfishness etc. in negative terms and mutual dependence, collective living and corporate functioning in positive language. The model of a living organism is best suited to explain this position. A living organism is a dynamic totality of multiple organs at once holistic and integral, centrifugal and centripetal, collective and individual. Here whole lives for the parts and parts live for the whole. There is mutuality and reciprocity in a natural way, a sort of pre-established harmony. Every one discharges ones duties and obligations without caring for ones rights. It is duty-oriented rather than rights-oriented. There is coordination and cooperation which is generally smooth and if it gets disturbed the result is sickness and ailment and possible decay. The ideal requirement is maintenance of harmony. Harmony is natural and to be preserved, and imbalance is unnatural, to be avoided. This organic approach which is holistic and integral has some elements of ‘panpsychism’.

The basic concepts underlying the Buddhist approach to economics are middle path (*madhyama marga*), right living (*samyag ajivaka*), collective living (*samgha Jivana*), interdependence and interrelation of all phenomena (*pratitya samutpada*), preservation,

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conservation and consolidation of all resources (*ksema*), enhancement and revitalization of all existing resources (*yoga*), non-profiteering and non-deprivation of others ensuring intra-generational justice (*asteya*), safeguarding and preserving the resources for the posterities as intergenerational justice (*aparigraha*), management of end, means and modalities in a planned, purposive and efficacious manner (*upaya kausala*), and self-reliance (*purusartha*). In his discourses on economic issues, on agriculture, trade, commerce and industry, on business enterprises, on monetary transactions and the like Buddha has expounded these ideas very clearly and the *Tripitakas* (Buddhist sacred literature) are replete with them. Sometimes he explains them directly, and sometimes through stories and parables.

The non-substantial approach has deep and tremendous impact in shaping the Buddhist economy. Since it advocates egolessness it avoids individualism and all its corollaries. No individual is isolated existence. Every individual depends on the other. There is supportive mutualism. Individual-centeredness degenerates into narrow individualism which breeds all sorts of economic offences, conflicts and deprivations. It leads to consumerism and profiteering, unlawful practices and alienation. Buddhist economy respects individual and individual freedom, personal initiative, preferences, choices and actions but also calls for universal responsibilities. It believes that pursuit of individualistic goods at the cost of others

is counterproductive in the ultimate analysis. Since every existence is interdependent and interrelated Buddhism advocates holistic and integral understanding of the nature of reality in general and of economic reality in particular. It is feeling of oneness and selfsameness with all. This is the meaning of spirituality in Indian context. Santideva in *Bodhicaryavatara*, eighth chapter, uses two poignant words *paratmasamata* (feeling of selfsameness with others) and *paratma parivartana* (transforming oneself as others, a sort of empathy) for this. This also finds expression in the famous four *Brahma viharas* of *Maitri* (fellowship), *Karuna* (compassion), *Mudita* (rejoicing at the happiness of others) and *Upeksa* (indifference to self-interest) referred to earlier.

Buddhist economy is based on the doctrine of middle path avoiding the extremes of materialism and idealism, capitalism and communism, individualism and totalitarianism, poverty and affluence, self-negation and self-indulgence. It ensures consumption without consumerism. It accepts profit without profiteering. Profit is not to be used solely for personal purposes. It is to be utilized for growth and development, for helping the needy and for benevolent purposes like education. Buddhist economy emphasizes social component with the ultimate goal of cosmic well-being. As Lord Buddha exhorted his disciples,

“O Monks! Move around for the well-being of every one, for the happiness of every one, showering compassion on the entire world; for the

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good, for the welfare of divine and human.”  
(*Vinaya Pitaka* I.23)

In the present day economic mode people are first induced to desire and use things which are produced or to be produced. This is consumerism. In consumerism demand follows production. More and more consumption is sought through inducements of various types so that sales increase and profit accrues. Whatever is produced must be sold and consumed and profit generated. As far as possible disposable goods should be produced so that they can soon be discarded and newer production may be facilitated. Newer demands are created by producing more attractive and enticing goods. This also leads to competition among the producers and sellers. The entire management of economic planning, production and distribution is geared towards this goal. Those who can help in doing so are termed as ‘management gurus’. In the Buddhist system the scenario should be just the opposite. Human being is not born to consume whatever is produced. Production is for human being and human being is not for production. Production should be only for meeting the demands and as far as possible demands are to be curbed and not increased. Since production follows demand and since demands should be reduced to minimum, production has to be need-based. Any sort of cross materialism is not in keeping with Buddhist view point. Economic enterprise is only to meet the legitimate needs and necessities, and not to cater to greed. Thus, in contrast to the individualistic-consumerist, profit-

oriented economy of the present times based on the culture of ‘having’, of acquisition and possession, of extravagant consumption and excessive indulgence, Buddhism offers an alternative model of the culture of ‘giving’, of sacrifice, of renunciation, of peace, harmony and cooperation, of lawfulness and of respect to environment. It calls for fulfillment of needs but not to cater to greed. It repudiates competitive economy and calls for cooperative economy. The Buddhist economy can therefore offer a new approach, fresh insights, deeper intuitions and a new rationality for a paradigm shift, a shift which is natural as human fulfillment lies only in the alternative set of values. In this shift the focal point of economy is not profit but service, not exploitation but judicious employment of resources. *Digganikaya* (III.p.168) gives the example of a bee which gathers honey without damaging flower and spares honey for consumptions by others. This cares for ecological purity and balance, justice and fair play. It is conducive to holistic growth, human and cosmic.

The culture of ‘giving’ is not motivated by selfish considerations of getting name and fame, or power and prestige. Greatness of a person depends not in amassing wealth or in showing it off for charity. It depends on character of benevolence. It is not ego-satisfaction or for seeking return-favors. It is for cosmic well-being (*bahujanahitaya*). It is selfless giving. It is giving for social and cosmic peace, prosperity and plenitude. It is giving with joy and for joy. It is

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sharing of material and spiritual goods. It is an economy in which need of everyone is taken care of but greed of none is catered to. It is not an economy of extravagance, spendthrift-ness and wastefulness. This calls for the role of *wisdom* and *compassion* in economics. In a discourse with king Pasenadi in the *Suttanipata* Buddha tells him that a person who acquires wealth and does not use it for the wellbeing of himself and others is not praiseworthy.

Buddhism recognizes importance of wealth for happy and contented worldly life. In Buddhist economy wealth is a means and not an end. The means must be pure and conducive to end which also has to be pure. This is *samyak ajivaka*. The end is not hedonistic pleasure but moral and spiritual uplift. Wealth is neither an evil nor it is a final end. It is to be acquired in a *dharmic* (pious and righteous) way, with legitimate limits and restraints. This is known as *utthanasampada*. In the *Andhasutta* of *Anguttaranikaya* Buddha says that a person who is poverty stricken is like a blind. One who tries to acquire wealth but does not care about the righteousness of means of acquisition is like one-eyed person. The two-eye person is one who distinguishes between good and bad. Ethical and spiritual orientation is the key note of Buddhist economy. Wealth and virtue should go hand in hand. Buddhism calls for balancing of wants and consumption, of labour and leisure, of income and expenditure. This moderation is technically known as *samajivita*. (*Anguttaranikaya*, IV. P.281). This

balancing is possible by cultivation of *apramada* (vigilant attitude). In following the middle path there should be neither poverty nor affluence, neither austerity nor excessive indulgence. Life should be neither stringent nor extravagant. There should be neither misuse of wealth nor enslavement to wealth. One should not feel elated when wealth comes nor should one be miserable and depressed when wealth departs. This sort of indifference is best suited to mental peace. The attainment of given end with minimum means is *upayakausala* (skillful employment of means). It is a symbiosis of end, means and modalities. It is maximum output with minimum input, maximum realization with minimum possession and consumption. Buddhism reconciles with 'will to exist', and 'to exist in a moderately good way' ensuring quality of life. Buddhist economy cares for quality of life and good standard of living but this is to be measured qualitatively and not quantitatively. Moreover, Buddhist economy is economy of non-violence, non-violence to ones own self, non-violence to others and to the total cosmos. For Buddhist way of life economic behavior is purposeful in gathering tangible wealth for balanced material consumption and for accumulating merits for future life. It provides a basis to worldly life and also to moral and spiritual life. Buddha realized the need and importance of wealth. With empty stomach one can not get wisdom nor can one teach wisdom. Buddha, therefore, did not preach to hungry persons. With poverty all evils come,



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economic offences are generated and social institutions are disrupted and destroyed. With economic growth social order and peace are established. It is advocacy of mixed economy with individual initiative and state control. This message is clearly conveyed in the *Cakkvatthi-simhanadasutta* and *Katadantasutta*.

Buddhist economy has both micro and macro dimensions. It attends to all facets of economy agriculture, industry, trade and commerce, business and fiscal policies. It deals with employment, production, distribution, consumption and development of economy. It explicitly states what is to be produced, how to be produced, how much is to be produced and for whom it is to be produced. The same applies to consumption as well. Economy is to be evaluated depending upon the way it is produced and consumed. Care is to taken that there is no violence or harm to self and to other living beings and to nature. As stated earlier, non-violence is at the center stage of Buddhist economy. The doctrine of karma comes as a guiding principle in structuring the economic system in so far as it emphasizes rational action and intentionality coupled with universal responsibility. One must possess *pious mind* for righteous livelihood.

Humane development is the keynote of Buddhist Economy. Development is for human being and not that human being is for development. But it is sustainable development of the entire cosmos and not just human development. It involves seven factors, viz., human agency, human

motivation, material resources, monetary system, technological support, management at different levels, and market for distribution. The development and management of economy in the Buddhist framework touches all the three phases of production, distribution and consumption keeping in view the law of demand and supply. The motivating factor is not first production and then creation of demand; rather it stands for production only for satisfaction of legitimate demand. Economic planning comes under *Upaya kausal* (skillful and efficacious employment of means). It has two stages. One is management of action and the other is management of the results of action. It is emphasized that we must know what is to act, why to act, and how to act. We must act in most skillful manner so as to realize the desired result. Management of result is to be guided by intra-generational and intergenerational justice. Our wants are unlimited but resources are limited and exhaustible though renewable to some extent. Our wants are increasing day by day; our desires remain in-satiated. Consumerism has led to more and more hankering after sensuous pleasures and desire for fulfillment of carnal appetites. Strictly speaking our needs are limited but wants are becoming unlimited. So we have to set limits to our wants and cease to be 'ever-wanting storehouse'. We wrongly think that nature has infinite resources or that all resources should be geared for our benefits only. According to Buddha the problem of scarcity leads to unjust distribution and consequent poverty. Wealth can generate

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resources but cannot remove scarcity. So we have to control our wants and desires (*tanha*) making a distinction between need and greed.

Buddhism as a school of thought and a way of life is at once both ancient and modern. It proved useful in the past and could spread all over Asia, not by force but by conviction and usefulness. In modern times also it has attracted the minds of the elites all over the world. But ramifications of its seminal ideas are yet to be worked out in different fields of human and cosmic life as per the modern needs and aspirations. Buddha was a practical and pragmatic person and he had genuine concern for human and cosmic wellbeing. It is

high time that Buddha's teachings are made to outstep the confinements of religious or academic enterprises, though they are also useful, and other dimensions are also attended to. It is revisiting Buddhism with fresh insights and innovative ideas and creative reinterpretations. Perhaps a collective thinking and multidisciplinary team work may be more helpful. It is hoped that the Buddhist alternative will be reconstructed and given a fair trial to ameliorate the human miseries, as was the objective of the Buddha.

*Note: This paper can be read ignoring Sanskrit words, the English equivalents of which are given in bracket.*



## Conference on Afghanistan and the Region;

23 July 2013, Washington DC



The India Foundation has joined hands with three Washington DC-based think tanks to organise an important international conference on Afghanistan and the Region - Security, Stability and Prosperity on 23 July 2013. The event was held in the Canon Building on the Capitol Hill in Washington DC. Local host organisations were the Foundation for India and Indian Diaspora Studies (FIIDS) led by Mr. Khanderao Kand, the US India Political Action Committee (USINPAC) led by Mr. Sanjay Puri and the American Foreign Policy Council (AFPC) led by Mr. Herman Pirchner.

Delivering the Keynote Address for the Conference, the National President of the BJP Mr. Rajnath Singh said “India’s development aid

stands at \$ 2 billion today. Almost the entire amount is spent on development related activity like the construction of the new Parliament building, dams, roads, electricity to Kabul, hospitals, schools etc.” He cautioned the US-led NATO forces stressing the need for a systematic withdrawal and said, “it must be ensured that we do not leave behind a ‘Black Hole’ of global security while leaving that country”.

The discussions centered on developing a balanced and unified roadmap to enable security and stability for a prosperous Afghanistan and South Asia. Leading US policy makers including the Chairman and Ranking Member of the House Foreign Affairs Committee: Congressman Ed



Royce and Congressman Eliot L. Engel, and Congressman Joseph Crowley, Co-Chair, Congressional Caucus on India and Indian-Americans attended the conference to share the American perspective to the debate. They expressed political willingness for best possible options relating to US- Afghan alliances on intelligence gathering, training and equipping Afghan forces during the transition phase. Congressman Joseph Crowley reiterated that people of Afghanistan have the right to chart their own future; “I believe they are ready for peace and the 2014 elections is their chance to vote for self-governance, stability and security in their country”, he said.

Other speakers at the conference included Mr. Kanwal Sibal, Former Indian ambassador to Russia and Mr. Ajit Doval, Former Director, Intelligence Bureau of India.

Mr. Ashraf Haidari, Deputy Chief of Mission of the Afghan Embassy in India said, “it is yet to be seen if the help pledged in the conferences on Afghanistan is delivered”. He was sure that if given a chance and left alone, the Afghans will be able to take care of themselves and their country. Mr. Senge Sering, President, Institute of Gilgit Baltistan Studies stated that the area of Gilgit- Baltistan is the lynchpin of Afghanistan in Pakistan. Ms. Lisa Curtis, Senior Research Fellow, Heritage Foundation and Mr. Michael O’ Hanlon, Director of Research, Brookings Institute weighed in on

critical issues relating to peace and security in the region.

The discussions prompted robust interaction between the speakers and the audience. All stakeholders agreed that despite challenges facing Afghanistan it can achieve security, stability and prosperity in the future. However, this will require committed and inclusive political strategy, judicious exploitation of natural resources and strong and continuous support from the international community. Hope was expressed that Afghanistan can rise to these challenges and with expertise and assistance from stable and ethnically diverse democracies like USA and India, as its strategic partners, the country could play a vital role in ensuring stability and security not just for its own citizens but for those of South Asia and the world.



## Seminar on Cultural Nationalism :The Indian Perspective



**I**ndia Foundation, Centre for Study of Religion and Society (CSRS), New Delhi and The Mythic Society, Bangalore jointly organized a two day National Seminar on Cultural Nationalism: The Indian Perspective on 7<sup>th</sup> and 8<sup>th</sup> August 2013 at the prestigious Daly Hall, Mythic Society, Bangalore.

The Concept and Themes of the Seminar was:

- Nationalism in Ancient India
- Colonial Distortions of Indian History and Society
- Comparing and Contrasting the West and India on Nationalism
- Cultural Nationalism in Indian Perspective

- Theory of Cultural Nationalism
- Cultural Nationalists of Modern Times
- Issues before the Cultural Nationalists
- Problems and Prospects of Indian Nationalism

The Inaugural Address was delivered by Prof.M.G.S.Narayanan, Former Chairman, I.C.H.R., New Delhi wherein he spoke that History of Cultural Nationalism in India and Europe evolved separately. In Europe, it evolved based on language concept, but India had far changing political boundaries and went through frequent foreign invasions. India had a vague kind of cultural unity, which can be found in Sanskrit

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literature, which is now emphasized by right wing Hindu Political Parties. India Nationalism is purely modern phenomenon. With the inflow of population from north to south and also foreign military adventures, gave rise to a unique composite culture. With the advent of west, nationalism of western type developed, which gave rise to anti –British struggle and assertion of native Independence.

Keynote Address was delivered by Prof R.L.M Patil, Chairman (Retd.), Dept of Political Science, Bangalore University. Addressing the gathering, Dr.Patil said that India had a concept of a Raja and State as in western concept was not there. It was only after unification of Italy and Germany, concept of Nationalism sprang up in Europe which eventually influenced even India, At the same time Indian National Congress was established in 1885. Foreigners called us as Indians; What were We?. The dynamism which existed and thrived before Independence disappeared immediately after Independence. Pt..Nehru made serious mistakes and followed false identity or notion, because of which we have seen criminals’ ruling our nation today. This will correct itself as the culture of India is very strong and it will bounce back, but we have to wait for it.

The session was presided over by Dr.M.K.L.N Sastry, President of The Mythic Society, In his speech he said,” Indian culture is an integration of different cultural harmony. Cultural Nationalism is nothing new for us, secularism is antithesis of religion. The uniform

civil code which is still not implemented, because of the stand by the people at helm of power, the basic principle of Fraternity is at threat. The ethos of whole India is secular from time immemorial. Dharma is basis of Bharatiyata, its unity and fraternity. Dharma constitutes the basic strength of India and respect for all groups of people, Dharma is upliftment of all humanity; we are INDIANS FIRST and INDIVIDUALS NEXT.

The Special Lecture was delivered by Dr. N.S.Rajaram a renowned Scientist & Historian on the topic “Cultural Nationalism in India: What and why?”

Important points of the lecture were:

- State and the nation- The nation is defined by history, tradition and the identity of the people who make up the nation.
- India became independent in 1947, It was divided along religious lines and clear national identity was not stressed by the ruling party. Unity of India as a nation - Sardar Patel united India only because sense of unity going back to untold antiquity and it is wrong to say that the British united India
- Ancient Indian nations -Vedic culture with local variations that upheld this national spirit
- Sri Aurobindo wrote about it more than a century ago. It is the Kshatriya spirit that upholds a nation, virtues of the Kshatriya we must inculcate. Damage was done by “Brahma-bala” of Vasishta defeating Vishwamitra’s armies

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- Medieval Dark Age- Islamic armies destroyed India, but the culture survived even after 500 years of domination. Without this cultural foundation, Vijayanagara, Shivaji and Sikhs later would not have regrouped as they did. Kshatrabala received a blow which is still not recovered.
  - Nationalism means defending culture and tradition, but not blind worship of the past. Nationalism: Sri Aurobindo-”When it is said India shall rise, it is Sanatana Dharma that shall rise. When it is said that India shall be great, it is Sanatana Dharma that shall be great.. It is for the Dharma and by the Dharma alone that India exists... I no longer say nationalism is a creed, a religion or faith. It is Sanatana Dharma alone that is for us nationalism.” Indian rulers surrendered to foreigners at least three times in modern times
    1. In 1921, Mahatma Gandhi subverted the Non-Cooperation Movement to support the Khilafat Movement
    2. In 1947, Gandhi and Jawaharlal Nehru asked Mountbatten to continue as Governor General of India
    3. In 1991, the Congress Party handed over the party to Sonia Gandhi and her entourage
  - “War is an ugly thing, but it is not the ugliest of things. A soldier must feel he is defending something worth by laying down his life for this cause. There is no

greater sacrifice than laying down one’s life for the defense of the nation. Never neglect the soldier

A Special lecture by Dr.Santishree D.Pandit, Professor of Politics & Public Administration, University of Pune, who spoke on Hindu / Indian Civilization.

- India did not glorify its civilization, For instance, we go to any South East Asian countries, all of their prominent places welcome people with Hindu Symbols, Even a Muslim country like Indonesia has named their airways as Garuda Airways, but India just shies always or is lethargic in projecting its glorious past civilization symbols. If civilization has to survive, its symbols have to be displayed and this is how, cultural continuity is carried to the next generation.
- Only Hindu Culture gives all power to Women, Goddess Parvathi signifies Power, Goddess Saraswati signifies Knowledge and Goddess Lakshmi signifies Wealth. No other religion makes their female consort all powerful
- India is the only civilizational state which portrays gender equality. Draupadi symbolizes the most liberated women of all time; she played the pivotal role in the Mahabharat War.
- V.D Savarkar said Hindutva is a Secular Doctrine.
- Maharshi Aurobindo mentioned Spiritual Nationalism as the only goal for India, but

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unfortunately this is not taught in educational institutes

- Sri Adi Shankara was the first spiritual unifier of India and no parallels to him and his Advaita Philosophy in the World.
- Swami Vivekananda is the modern icon, who is instrumental in building Hindu institutions which are universal in nature.
- Indian civilization is the only civilization which assimilates  
Shri Dattaterya Hosabale, India Policy Foundation, New Delhi delivered the valedictory address:
- Inclusive Nationalism contributes to the unity of a Nation. One should take pride in Cultural Nationalism
- The collapse of U.S.S.R was because, it was a multi-national State created with an authoritarian rule. For Jews it was a nation without State, Land, people and cultural values.
- Our Sages taught of well being of entire humankind.
- Nation and Rashtra are conceptually two separate terms while Nation refers to Native and Rashtra refers to Contributor or Light. In the same way Citizenship and Nationality are separate terms Citizenship is a legal term and Nationality is a Socio-Cultural and Spiritual term.
- Sammuel P.Hunting, an influential political scientist from U.S.A raised a serious question – ‘Who are We and attempts to understand the nature of U.S.

identity and the challenges it will face in the future and defined that White, Anglo-Saxon, Protestant as an American. Culture Forms a strong foundation of a Nation.

- Vedic concept of Nation is the Soul and Spiritual Consciousness of its people. Shri.Achutha Menon, a communist party leader from Kerala said ‘Adi Shankra unified the whole of the country’. Dr.Lohia, a great socialist leader organized Ramayana Mela and said such motifs unified the Nation. He also said that if Ramayana unified India from north to south, Mahabharat unified between West and East.
- Another important aspect, which can be noticed in India, is what ever might be the language, we have common proverbs, and this is only possible only when we have a common cultural identity.
- Indian is a perfect example of practicing Cultural Nationalism Nation; Cultural Nationalism is an everyday experience, but unfortunately not part of our academia.

The seminar was successful, in rekindling the ethos of Cultural Nationalism among the youths. More than 12 papers were presented and speakers had come from all over India and shared their ideas about this concept. The two day event witnessed about 60 participants, who constituted enthusiastic individuals, students and academic faculty from various educational institutes all across the country.





## Rakhine (Myanmar) to Bodh Gaya (India)- Understanding Muslim Buddhist Conflict

### Seminar held on July 18, 2013



The discussion on the Muslim Buddhist conflict was organized by India Foundation on 18<sup>th</sup> July, 2013 to provide a platform where eminent speakers shared and put forth their concerns regarding the recent events in Myanmar and Bodh-Gaya and their impact on India in particular and the world in general.

The speakers at the event were **Dr. Tint Swe**, Former MP (NLD), Burma Center Delhi (BCD) and **Shri Bhaskar Mitra**, IFS (Retd.), Former Ambassador to Myanmar. **Dr. Chandan Mitra**, MP (Rajya Sabha) and Director-India Foundation chaired the event.

**Dr. Chandan Mitra** started the discussion by pointing out that the situation in Myanmar has spilt over to a large part of the subcontinent. It is a well planned move by Islamist groups to mobilize in the name of *Umma* and cause turmoil through the Indian subcontinent. He said it is very unfortunate and surprising that considering the close association between India and Burma historically (pointing out that Burma derived its name from *Brahmadesh*), India and Burma post independence have drifted apart for inexplicable reasons. Burma has gone through a long period of turmoil, particularly due to the military

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dictatorship Burma drew close to China although some leaders were in this period in contact with India. But the issue of today's discussion of the conflict between the Islamists and the Burmese people particularly the Buddhists and how this has spread to parts of India (mentioning the rally which took place in Mumbai as a protest against the Rohingya Muslims in Burma and how the morphed pictures were used against the people of North East causing widespread disturbance across the nation). The motive of these activities is to create disturbances in India and thereby expand the role of Islamist groups by bringing them under one radical banner so that it serves their purpose eventually to radicalize Muslim communities in India.

It is now clear that Lashkar-e-Taiba has been training the Rohingya insurgents to unleash massive anti-Buddhist and anti-Hindu violence in India. This is a problem which India shares with the democratic Myanmar and there is a need to discuss and highlight this issue.

**Dr. Tint Swe** started by saying that his perspectives were those of a Burmese Buddhist and may be biased. For the serial blasts at Bodh Gaya he tendered an apology to India in particular and the Buddhist community around the world in general. He deeply regretted the death and casualties of non-Buddhist community. He felt that it was wise that India was finding out whether Bodh Gaya attacks had any linkage with communal riots in Myanmar.

Dr. Swe pointed that recently there has been a lot of pressure from the international community

on Myanmar regarding the Rohingyas. According to him 'Burmese Muslims' have been living peacefully for hundreds of years and have had no problems with the Buddhist majority. They constitute about 4% of the Myanmar's population which is predominantly Buddhist (90%). It was important to differentiate between 'those who just want to be called Rohingyas' and 'those who are militants' as described in the websites of the extremists. The title, 'Rohingya' is extremely popular outside the country while it is not uttered inside Burma. The government's official stand repeatedly states: this population is officially called 'Bangali Muslims'. Foreigners including UN are asking to amend the citizenship law of Burma. He said he was ignorant if there any country in the world was asked for such amendment

He pointed out the unprecedented and disproportionate response of international community to the violence in northern Arakan in mid-2012. The situation arose when an Arakanese woman was gang raped and killed by local Muslim men. Unlike the Delhi rape this incident failed to attract world's attention. His Holiness denounced violence. Other Buddhist population nations across the world were quiet. There were few to take the case of the Buddhist population. On the other hand when the violence of retaliation broke out causing 170 deaths foreign assistance flowed in hundred of millions of dollars particularly from Gulf nations. Compare this to the devastating Cyclone Nargis which hit coastal lower Burma on May 2, 2008 in which 130,000 Burmese died. The

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combined international help was less than USD 50MM.

This he believed was because the Islamic world is well organized, thanks to OIC (57 countries, 5 observers and 7 organizations) and the UN (196 nations). “The Secretary General of the Organization of Islamic Cooperation (OIC), Professor Ekmeleddin Ihsanoglu **tasked** the Government of Myanmar to assume its responsibility to eradicate all forms of discrimination against Muslims and not allow Buddhist extremists to incite against any section of the community. He noted that this discrimination includes the 2005 law which imposes on all Rohingya Muslim families the policy limiting them to only two children in Buthidaung and Maundaw cities in Arakan State. He described this law a violation of all human rights standards.”

Common Burmese are curious to know what did **task** mean. It is not a usual diplomatic language such as urge, call for or appeal. He spoke at the Arakan Rohingya Union Congress held in Jeddah from 7 – 8 July 2013. On the same day on July 7, two Buddhist monks were injured in a string of bombings at Bihar’s 1,500-year old Mahabodhi temple in Bodh Gaya in India where the Buddha attained enlightenment.

He pointed that the world community fails to take the entire issue in perspective and the biased reporting often leads to certain wrong perceptions. The pushing factor for communal riots since the last one year in Burma is rooted in migration from outside. Unless this is checked

problem will not go away. Also the biased help to a particular community and not to others also fuels greater and wider dissent. He shared the Buddhist perspective on this issue. One Burmese author recently wrote an article which says, “Anger and anxiety in multi-ethnic Myanmar”. The arguments are interesting.

1. Threat perception in Buddhist Communities
2. Name and Shame strategy does not work
3. Assertive leadership required

Dr. Swe sincerely wished India and neighbouring countries escape from collateral damages of this conflict

**Shri Bhaskar Mitra** said that the reaction of the international community on the issue in Myanmar has been very unfortunate. This he said was because the Burmese government has always failed to put across their own views and failed to put across the situation as they see it in a more persuasive manner. They just let it slide.

Shri Mitra got into the genesis of the problem. The first Muslims who went in Myanmar was in 1430 when the then King Narameikhlha restored his kingdom with the help of the Sultanate of Bengal. They were small in number.

The term Rohingya itself doesn’t exist anywhere either as an ethnic group or as any other group and the Government of Myanmar has consistently refused to accept that there is any ethnic group as Rohingya. The first time this word, which was written by a local journalist in a local paper *The Guardian, Rangoon* where they sought a political identity. Although Muslims had been

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moving there in small numbers since 1430 it basically increased after the conquest of the Arakan by the British around 1820. The British like all over the world created a major problem here. They wanted the good farming land and increased paddy production so they bought Muslims over from India. Hence unchecked migration took place there. In 20 years, the population had jumped over 300%. This became a problem politically, socially and economically vis-a-vis the local people.

The situation continued right up to 1942 when the Japanese invaded Burma. General Aung San allied with the Japanese initially. British thought that since there was a difference with the Muslim community so they armed the Muslim community in the Arakan asking them to fight the Japanese and promised them a national area of their own. Fortunately for the British and unfortunately for everybody else in Myanmar, the Muslim population used those weapons not against the Japanese but to wipe out the Arakanese Buddhists. 20,000 people are recorded killed. First seeds of real violence were sown at that time.

In 1946, well before the time of independence of Myanmar, when of course a great deal of talk of independence was going on and Mr. Jinnah was speaking loud and far. The Muslim leaders who have gone under various names like Rohingya Patriotic Group, Rohingya Liberation Front etc approached Jinnah and asked for a separate region, adjacent to Bangladesh, to be joined with the then Pakistan. Not much came of it but thereafter continuously illegal immigration continued and

demand on part of Muslim population of joining Bangladesh started. In 1952, Myanmar government carried out the Mayu operation and in 1954, they carried out Operation Monsoon. The major centres of the Mujahids were captured and by 1957 they had surrendered. The Mujahids surrendered to Brigadier Aung Gyi once they realized that there was no longer any hope for their rebellion due to negotiations between Burma and Pakistani governments on handling of the rebels on border areas.

From 1962 when General Ne Win took over, who was a very strong administrator, things were very quiet. Then came the 1971 war, where Bangladesh fought for independence and naturally there was lot of flow of arms in the region. At the end of that, many of the Muslim groups of Arakan got hold of substantial number of arms. They started this party called the Rohingya Liberation Party which was a very aggressive party and it started operation against the Burmese Army in 1974. This in one form or the other continued. In 1978 General Win carried out Operation King Dragon which was a very major operation and large number of persons fled Myanmar. In the early 1980s, more radical elements broke away from the Rohingya Patriotic Front (RPF) and formed the Rohingya Solidarity Organisation (RSO). RSO was based only on religious lines unlike others who also had a political front. In 1991, Myanmar government again carried out a massive operation against Rohingyas and over 250,000 fled. It is interesting to note that at that point of time, Saudi Defence Minister Prince Khaled Sultan Abdul

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Aziz happened to visit Bangladesh and it is there on record that he advised the Bangladesh Government to go against Burma like Operation Desert Storm.

This situation continued till Gen Win stepped down in 1988. After democracy waves started and student's movement, there was a situation of confusion, an uneasy situation in Myanmar so the Rohingyas again went on the offensive. The monks have a very significant hold over the army. In 1988 when the students demonstrated for democracy, the senior most monks lend their support to this movement. When some of the soldiers had orders to shoot down the monks, some of the monks in Mandalay who are most active monks, immediately passed a *fatwa* against the Generals saying that they will not attend their marriages, funerals and so on. Within hours the Generals were on their knees and apologized to the monks. It is not entirely correct to talk of Muslim-Buddhist conflict as such because unlike the Muslims pushing the religious factor very far the Buddhist monks have till now played a very dormant role. Theravada Buddhism, predominant in Myanmar, is that branch of Buddhism where the monks do take very active part in politics as we have seen in Vietnam, Thailand and also in Burma from time to time. However in Myanmar there intervention has been very limited till now. If you take this entire picture into mind it leaves us with no doubt

that the Myanmar government is doing very best under very trying circumstances. How long this patience will last is yet to be seen

Dr. Chandan Mitra thanked the speakers for putting the problem in perspective.

have gone after this entire conflict on the religious basis and they have enormous support from Muslim groups in the country and outside the county. It is not entirely correct to talk of Muslim-Buddhist conflict as such because in addition to Muslims pushing the religious factor very far the Buddhist monks have up till now played a very low role. I really don't see them out in a militant mood like in the past. Theravada Buddhism is that branch of Buddhism where the monks do take very active part in politics as we have seen in Vietnam, Thailand and also in Burma from time to time but certainly not on this issue. As regards the recent riots in 2012, foreign minister of Bangladesh Deepu Moni, herself said that the Jamat in Bangladesh was actively helping these people. If you take this entire picture into mind it leaves us with no doubt that the Myanmar government is doing very best under very trying circumstances. I would really love to see how the west which is so critical of Myanmar would have dealt with a situation like this if it happened in their own country.

Dr. Chandan Mitra thanked Shri Bhaskar Mitra for putting the problem in perspective.



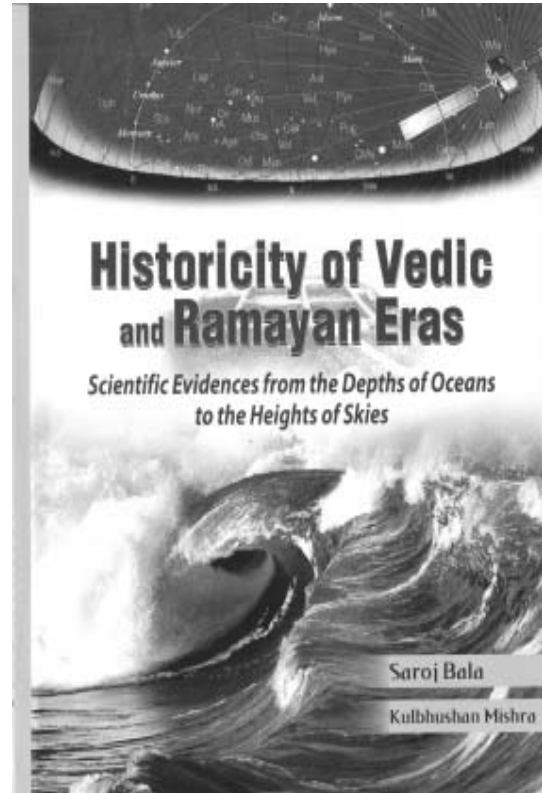
## **Historicity of Vedic and Ramayana Eras:**

*Scientific Evidences from the Depths of  
Oceans to the Heights of the Skies*

**Author:**  
**Saroj Bala**  
**Kulbhushan Mishra**

**Publisher :**  
Institute of Scientific Research on Vedas ; Rs.960/-

*The book provides a fresh perspective of our past on the basis of multi disciplinary scientific research using the most modern tools to recreate our ancient history with unquestionable accuracy. The author belongs to 1972 batch of Indian Revenue Service with a deep interest in the study of History and Archaeology.*



**H**istoricity of Vedic and Ramayana Eras: Scientific Evidences from the Depths of Oceans to the Heights of Skies', edited by Saroj Bala, & Kulbhushan Mishra. Published by Institute of Scientific Research on Vedas (I-SERVE Delhi Chapter)

A casual look at this well illustrated and beautifully produced book would first give an impression that it is just another work glorifying our remote past, but a closer examination immediately reveals that it is a work of multi-disciplinary scientific research using the most modern tools to recreate our ancient history with unquestionable accuracy.

This book is the result of the National Seminar on Scientific Dating of Ancient Events Before 2000 BC, which was organized by Institute of Scientific Research on Vedas (I-SERVE), Delhi Chapter on 30th & 31st July 2011 at New Delhi. This book contains research papers of eminent scientists/scholars from the fields of Astronomy, Archaeology, Palaeobotany, Remote Sensing, Oceanography, Anthropology, etc. These papers, written in simple language, bring out amazing confirmation of some of the events and facts described in ancient scriptures!

The book also contains inaugural address of His Excellency Dr. A.P.J. Abdul Kalam, former

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President of India and a renowned scientist titled 'Past meets the Present Leading to a better Future'. His speech mentions how scientific dating of ancient events leads to transformation of mythology into history. He also referred to Prof. Tobias's work on Genetics and Palaeo-anthropology. He recommended launching of major research initiative on India's epics comprising of at least 100 Ph.Ds with the highly talented scholars to ascertain the veracity of history and dates of events in our epics.

Ashok Bhatnagar's paper titled 'Astronomical Dating of Planetary References in Rigveda and Epics using Planetarium software' deals with the study of astronomical references mentioned in Vedas and epics. He traced the evolution of the Indian calendar from around 7000 BC. On the basis of planetary references in the Valmiki Ramayana at the birth time of Rama, he calculated 10th January 5114 BC as the date of birth of Rama. Several other dates calculated by him sequentially match with the references in Ramayana. His study established that many of the events mentioned in the Vedas and the epics are real and it is possible to ascertain their dates in a purely scientific manner.

Kulbhushan Mishra presented vast information of material remains of human past recovered from different archaeological sites located in the Indian sub-continent, ranging from 7th to 4th millennium BC, in his paper titled 'Origin and Development of Civilization in the Indian Sub-continent during last 8000 years: An Archaeological Perspective'. He elaborated that

the latest archaeological data from the sites like Mehargarh, Kotdiji and Nausharo in northwest; Lothal and Dholavira in Gujarat; Lahuradewa, Jhusi, Tokwa and Hetapatti in Ganga Valley have proved the indigenous origin and development of civilization in the Indian sub-continent since 7000 BC.

C.M. Nautiyal explained the theoretical basis, principles and methods of Radiometric dating techniques in his paper titled 'Radiocarbon dating in Determining the Antiquity of Cultural Remains in India'. He further elucidated that some new methods including Thermo Luminescence (TL), Optically Stimulated Luminescence (OSL) and Accelerator Mass Spectrometry (AMS) have also been developed and used for dating archaeological samples. He also explained the results of Radiocarbon dating which have been conducted at sites like Banawali, Kunal, Tokwa, Lahuradewa, Jhusi and Kanmer.

Chanchala Srivastava's paper on 'Archaeobotanical Evidences of Ancient Cultures in Indian Sub-continent before 2000 BC' starts with the explanation of the term Archaeobotany/Palaeoethnobotany and history of archaeobotanical researches in India, which is followed by the zone wise and culture wise distribution of ancient plants, trees and herbs found during the course of excavations at various sites of Indian Sub-continent.

A joint paper by J.R. Sharma and B.K Bhadra titled 'Signatures of Palaeo Rivers Network in Northwest India using Satellite Remote Sensing' is a wonderful study based on satellite pictures

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taken by ISRO. According to their study the Saraswati river system was in existence around 6000 BC in the northwestern regions of Indian sub-continent. They explained that the river Saraswati originated in higher Himalayas, flowed through the states of Himachal Pradesh, Punjab, Haryana and Rajasthan and finally discharged into the Rann of Kachchh in Gujarat. The river dried up during 2500-1500 BC due to tectonic and palaeo-climatic changes in Himalayan region. The radiometric dating of river sediments suggests that the age of Vedic Saraswati may be as old as 28,000 years.

Rajeev Nigam explained the fluctuations of water levels in the oceans in his paper titled 'Sea Level Fluctuations during last 15000 years and their Impact on Human Settlements'. On the basis of the oceanographic studies a sea level curve was prepared and it shows that around 2500 BC, sea level was high and the ancient site of Lothal in Gujarat was on the sea level. He also explained that as per the sea level curve water level of the ocean was about 3 meters below the present level between 7000-7200 BP. It shows that the Ram Setu which is submerged at about 3 meters depth at present was a walkable bridge between India and Sri Lanka during the time of Ramayana.

V.R. Rao explained in his paper titled

'Genetic Profile of the People of India during Holocene: Some Inferences' that recent genetic profiling of world populations corroborates that entire population from all parts of India had common ancestors and indigenous civilization has constantly been developing in Indian sub-continent for more than 10000 years. Therefore, the Dravidians as well as North Indians have common ancestors and both are indigenous to India.

In last paper titled 'Historicity of Ramayana Era: Scientific Evidences from the Depths of Oceans to the Heights of Skies' Saroj Bala, the main force behind this publication, corroborated the salient features of all the papers included in this book. She correlated the astronomical dates of Ramayana Era with geographical and geological evidences of more than 250 places visited by Lord Ram in India and Sri Lanka. She also presented the genealogy chart of Suryavansha, giving names of 63 predecessors and 30 successors of Lord Ram.

Overall this book takes a valuable initiative in ascertaining the true antiquity of ancient history of India based purely on the multi-disciplinary scientific research; as a result of which Vedas and Epics, in particular Ramayana and Mahabharata, are likely to shift from the realm of mythology to the realm of History.

- Book Review by

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