

South Asia-2011: Focus of global economy and security

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It is four years since Observer Research Foundation launched an exclusive South Asia Weekly, with scholars specialising in individual nations of the region presenting a weekly report of individual countries with their assessments.

Now, the increasing importance of South Asia has come to be felt more than ever, and across the world. South Asia comprises eight nations, each one of them important in itself and collectively they comprise a region that is full of opportunities and challenges at the same time. From a western perspective, India, a leading South Asian player, is the happening nation other than China, around which the post-Cold War global geo-politics is getting woven. The new realisation in New Delhi that the rest of the region can as much be an economic opportunity as it could be a political challenge has thrown up issues and ideas, which in the fullness of time, could provide answers, rather than raise questions to some of the problems besetting South Asia and beyond.

On the political front, India and its South Asian neighbours account for a substantial share of the global population, attendant as it is with the proverbial benefits and problems. The region accounts for some of the best practices under democracy. It is also home to some of the poorest of the poor in the world, whose poverty-alleviation has to be now tempered with concerns for ecology and environment, as industrialisation and job-creation gets stymied in more ways than one. In the decades of the two Great Wars, and more so after the conclusion of the 'Cold War', the sub-continent has become the focus of both State-centric geo-political projections involving China in this case and those involving non-State actors like Islamic *jihadi* groups.

The Indian Ocean sea-lanes as the 'global energy route' provide an additional dimension to the economic and geo-strategic concerns of the world at large and individual nations, including the US and China, Russia and European Union, India and the rest. The complexities of the issues involved, and the broader dimensions of the multiple pictures, have ensured that it is on South Asia, more than South-East Asia or elsewhere, that the 21st century world would be revolving around. The events and developments in Afghanistan, Iraq and now possibly in Iran have not made things easier for the region, either. The external presence of the US navy in the Indian Ocean waters, at times independent of individual military bases in independent nations, means that other intended super-powers and regional powers have been considering a blue-water navy of like proportions even while looking for bases to call their own. The Chinese 'String of Pearls', even while purportedly aimed at strangulating India on the seas, would imply an impossible situation for the host-nations in the neighbourhood, from which there would be no escaping after a time. Elsewhere, as their leaders would acknowledge, such practices in the past had led to public dissent and protests that have had the capability of overthrowing not only the government of the day but also the deep-seated system of governance as well. The Iran of Shah Reza Pahlavi was a case in point.

It is in this context that understanding the dynamics of individual nations in South Asia becomes as important as appreciating the role and intent of extra-regional players. With this intent, scholars at the Foundation have summed up their views of individual nations in South Asia as they shaped up in the year that is gone -- for having a comprehensive understanding of the region as a whole. In this context, it needs to be acknowledged

that more apprehensions of war and violence knocks at South Asia's doors, there is a collective determination now than ever before to face of such threats. The intent in this regard has to crystallise yet, so are the required mechanisms to be formalised.

Yet, institutions like the South Asian Association for Regional Cooperation (SAARC), which had been written off as a bilateral shouting-venue for India and Pakistan, the two major partners, has come a long way since. At the SAARC Summit in Addu City, Maldives, the leaders of the eight SAARC nations -- Afghanistan being the latest entrant -- collectively resolved to take the movement and their cooperation forwards, through specific programmes, which were deliberately calibrated to meet set goals in a phased manner than rush through some and produce next to nothing as the result. It was the Silver Jubilee Year of SAARC, and the fact that the Association had survived as many years under the circumstances was something noteworthy. If anything, the emerging global situation, impacting on South Asia, and emerging from South Asia at the same time, has lessons for and contributions from individual regional nations. It is in this context that the annual ORF analyses of individual South Asian nations acquire additional significance.

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Afghanistan: Tumultuous path to reconciliation

Haripal Singh Brar

The year 2011 echoed violence, death and an increased sense of uncertainty for President Hamid Karzai's Government and the civilian population in Afghanistan. The looming departure of the US-led international coalition forces in 2014, along with the terrorists' increased targeting of key Government officials fuelled civilian insecurity. In September, a UN report stated that 2011 saw 39 per cent rise in violence in the country compared to the previous year's figures. The average monthly figures for violent incidents hover around 2000. Even though there were fears that the US killing of Al-Qaeda founder Osama bin-Laden in neighbouring Pakistan would trigger a severe backlash in Afghanistan, this was not to be. The reconciliation process derailed after the assassination of Burhanuddin Rabbani, former President and head of the High Peace Council, but was later revived as the year came to a close.

Several protests were staged on the targeting of civilians by NATO forces and the burning of the *Quran* by an American pastor in the US. The military grew to meet designated targets and was focused on the implementation of the security transition process. By the year-end increasing confidence in the military could be noticed as they took the lead in joint military operations with the ISAF forces in provinces affected by insurgency. The Taliban on the other hand aimed at the targeting of key provincial officials in an effort to undermine the Government. Their tactics included the use of IED's and Suicide bombers against vulnerable targets, including the targeting of ISAF personnel. On several occasions, the national capital of Kabul bore witness to terrorist attacks, and by the year-end speculation grew over sectarian violence after a string of attacks targeting Shiite gatherings brought an end to a violent and tumultuous year.

Not all was gloomy and sad. The end of year bore witness to two international conferences on Afghanistan, at Istanbul and Bonn, which included deliberations on strategic pacts with international partners. Both conferences concluded with commitment

of aid by the international community. Voices were raised by China, Iran and Russia on the presence of US military bases in the country. The presence of the US military in Afghanistan was a key part of the Afghan-American strategic pact which had been deliberated upon at the *loyajirga* convened in Kabul in November. Western goals of invading Afghanistan were achieved this year, the primary aim of which was the death or capture of Osama Bin Laden. With that being accomplished in Pakistan, western interests in Afghanistan could diminish in the coming years. The country fared better than was expected by most analysts. President Karzai and his allies were able to hold the country together despite the growing violence and insecurity.

Security transition

The year witnessed the implementation of the security transition process which was aimed at gradually giving responsibility back to the Afghan security forces by their international partners, ahead of the US led coalition's withdrawal in 2014. Issues arose on the targeting of civilians by the NATO forces which led to tensions between the Afghan Government and their international partners. With the looming departure of the Coalition, fears that the Taliban might win the campaign against the Government led to speculation over the success of the transition process. Battles were fought with insurgents in various Provinces, especially the Eastern and Southern parts of the country. Military operations were successful but largely undermined by the fact that the Afghan security forces were not combat-ready. Though their numbers rose to meet the targets, training and operational capacity was severely lacking. The Afghan National Army totalled 180,000 men by the end of the year, while the Ministry of Interior's Forces reached close to 140,000. However, the monthly attrition rate for the security forces averaged three per cent for most of the year.

Cross-border skirmishes between the Pakistan military and the Afghan security forces continued intermittently throughout most of 2011. They began in February when the death of a Pakistani soldier was blamed on ASF fire. Later in April cross-border engagements broke out in South Waziristan culminating in the death of 12 ANA soldiers and 14 Pakistan Security personnel. There were also many instances of cross-border rocket-fire. To protest such instances in July, 150 civilians gathered in Kabul and voiced their opposition to Pakistani rocket-fires into Afghanistan's eastern Provinces. Towards the end of the year in November NATO helicopters attacked a Pakistani military-post that led to the death of several Pakistani soldiers. There is a likelihood that these skirmishes would stop in 2012, after the November strike by NATO on a Pakistan military post. On the other hand analysts predict an increased Pakistani military activity as the US led coalition withdraws from the country.

On 22 March 2011, President Karzai announced the first phase of transition of security responsibility to the Afghan National Security Forces. This phase involved the gradual handover of seven districts and provinces, these included Bamyan, Kabul, with the exception of Surobi district, Panjshir, Herat City (capital of Herat province), LashkarGah (capital of Helmand province), Mazar-e-Sharif (capital of Balkh province), Mehtar Lam (capital of Laghman province). Although the first phase had been completed, it led to several instances when attacks by the insurgents coincided with the taking over of security by the Afghan forces.

In December the second round of security transitions were announced, this phase was expected to cover all districts and regions of the northern Parwan Province except

Shinwari and Siagerd. Ever though the security transition had been approved, concerns were raised by international observers on the fighting ability of the Afghan forces. The general consensus was that once the Afghan forces took charge, the security situation would deteriorate. International forces continued their assistance to the Afghan forces by providing guidance in combat operations.

In March, military operations were conducted in Kunar and Helmand Province. These operations were targeted against drugs and weapons-smuggling. Other important operations included those conducted by the 209 Shaheen Afghan National Army (ANA), in Baghlan Province. Meanwhile joint operations conducted by the ASF and the International Security Assistance Force (ISAF) in Nangarhar, Kandahar, Helmand, Logar, Ghazni and Paktika led to the recovery of 67,800 kg of ammonium nitrate along with weapons of different types including 84 kg of opium and 300 kg of hashish. Surprisingly a standout feature of these operations was the night raids by the Afghan forces. Although the operations were highly successful there was growing evidence to a shift in Taliban tactics. Rather than use conventional forces against Government troops, the insurgents have been able to continue with hit-and-run ambush tactics. Overall, 4,275 insurgents were killed by the ASF in 2011.

An annual survey conducted by the Asian Foundation revealed that the Afghan public had shown increasing satisfaction and confidence in the Afghan National Army (ANA) and the Afghan National Police (ANP). This was tabulated by the fact that two-thirds of the respondents of the survey felt that the presence of the ANA and the ANP was welcome. On the other hand, incidents of victimisation by foreign forces and police increased, while those from insurgent/militants fell as compared to last year. Moreover victimisation at the hands of foreign forces in the eastern Provinces was at the highest level recorded since the insurgency began.

NATO as 'occupation power'?

Although increasing responsibility was thrust on the ASF, the role of the ISAF in 2011 could not be undervalued. Analysts and international observers were increasingly speculating the inability of the ASF, but with the UN Security Council extending the ISAF mandate in Afghanistan for another year, to assist with the proper implementation of the security transaction process and the training of the Afghan Security Forces. Confidence was gained regarding the further deterioration of the security situation.

The NATO and ISAF actions in the year led to controversy over damage inflicted against civilians. In March, this included the death of nine children in an air raid in Kunar Province. Later in May 2000 people staged a demonstration over the killing of civilians in Takhar Province. These protests led to the death of 12 civilians. Another 80 were injured. Protests resumed again to condemn night-raids, and to mark the 10th anniversary of NATO's presence in Afghanistan.

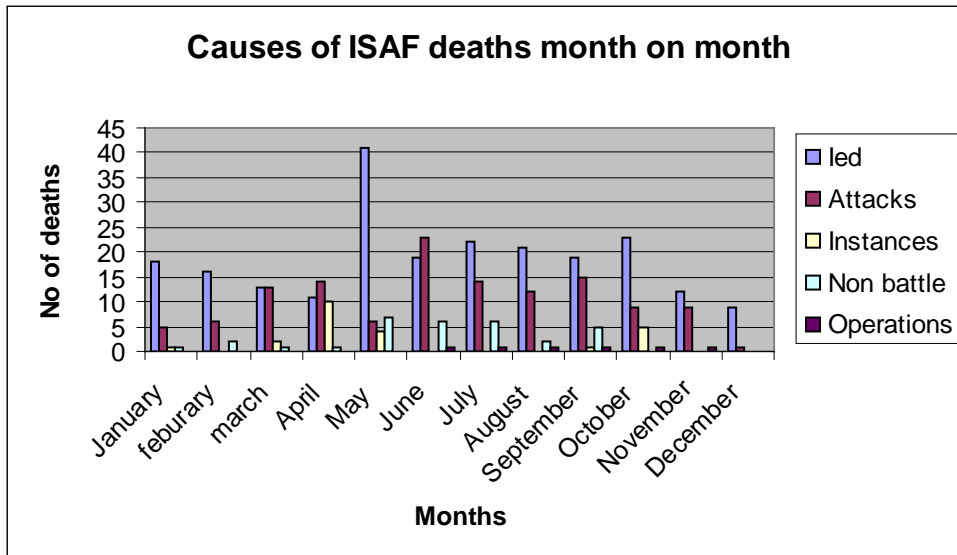
Rogue killer-squads tainted the image of ISAF. Soldiers were photographed posing with corpses of civilians killed in mock encounters. The US convened a court martial and sentenced a key figure to 24 years in prison. The alienation of the Afghan civilians became evident as the US and its allies continued to operate without concerns over civilian deaths and night raids. In June announcements were made to reduce the presence of US personnel in the country. Later in July, with the increasing collateral damage being inflicted by the NATO forces on Afghan civilians, President Karzai stated

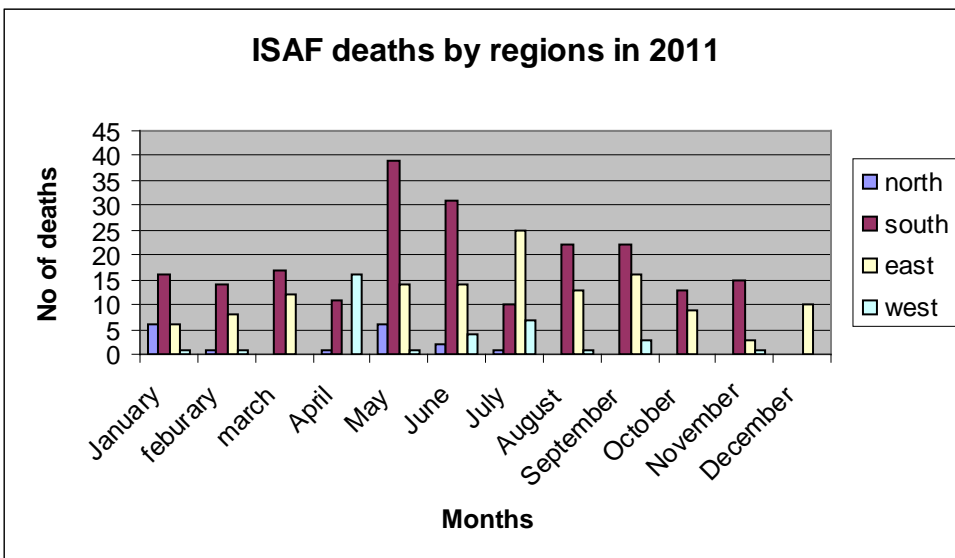
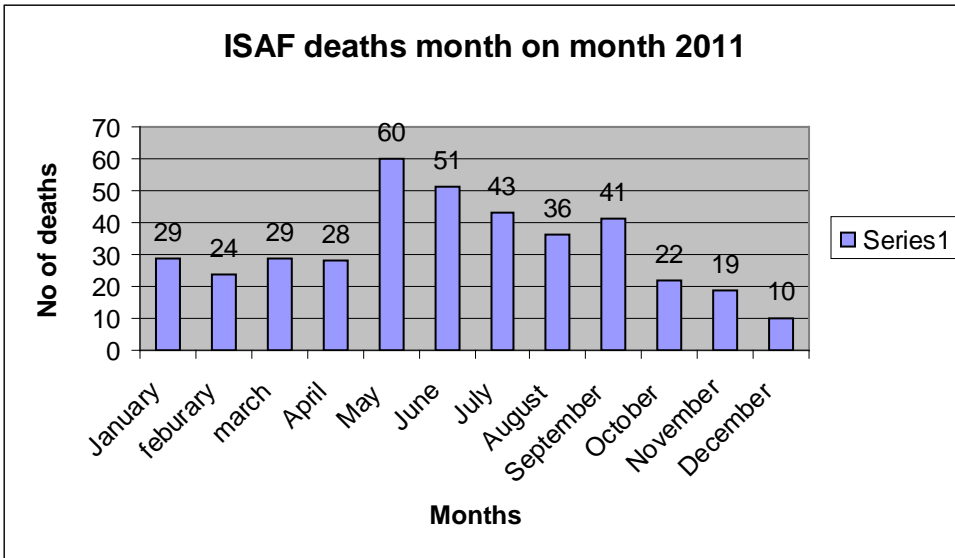
that “unless NATO stopped bombing Afghan homes, it would face unilateral action from the Afghan Government, and would risk being viewed as an occupation power”.

Meanwhile, there were several instances of attacks against ISAF forces perpetrated by Afghan soldiers and police. One such attack took place on the Australian troops in Uruzgan Province. An Afghan soldier attacked and killed three Australian soldiers, then stole a tank and fled. Many other instances of trainers being attacked also emerged this year. This has resulted in growing speculation on whether the Taliban has been able to infiltrate the Afghan security forces.

On the other hand, a key concern of the ISAF was the growing troop casualties noticed in the Southern and Eastern provinces of the country. Southern Afghanistan witnessed the most ISAF casualties, followed by the East. This pointed at the growing insurgency in the South and East but also the vulnerability of the ISAF to Taliban insurgency tactics. Meanwhile targeting of ISAF soldiers rose to its highest levels in May and was stable through most of the year. IED attacks were concluded to be the main cause of ISAF losses.

In August, debate over the presence of US forces in Afghanistan post-2014 commenced during deliberations on the US-Afghan strategic pact. The pact would allow US Special Forces, Air Force and trainers to continue in Afghanistan till 2024. Later towards the end of the year the US withdrew 10,000 troops from Afghanistan. These troops were part of the Provincial Reconstruction Teams operating in Parwan Province. Similarly other international partners presented plans of their withdrawal and future military engagement with the Government.





The International Security Assistance Force, found the insurgency harder to tackle. They saw their role changing from active combat to assistance and training of the budding ASF. Nevertheless with mounting losses and their withdrawal plans in place, their participation in Afghanistan in 2011 was not just limited to policing. They were also part of provincial reconstruction teams. Although endeavours to keep the security situation stable were bearing fruit, the insurgency wasn't far behind undoing most of the hard work. As the year progressed so did the audacity of the anti-government forces.

Taliban's 'Spring offensive'

The leading cause of civilian insecurity and increased international scepticism could be directly attributed to the insurgency. The public's fear of participation in a range of activities decreased this year along with an increase in fear of expressing political opinion. The Taliban forces over-ran the district headquarters in Nuristan Province. Nuristan, Kunar, and Nangarhar share a porous border with Pakistan, and were the preferred route for insurgents. This forested region was a stronghold for the Haqqani and the Hizb-i-Islami groups. The Taliban launched its much-awaited spring offensive 'Badar', for which foreign officials and troops, members of the High Peace Council, Afghan

Security Forces and Government officials were the identified targets. This operation highlighted a dramatic shift in insurgent tactics. The Taliban also laid emphasis on the recruitment of rogue soldiers who launched attacks against unsuspecting ISAF and ASF troops.

Attacks were also trained at recruiting and military establishments. In an interesting shift the insurgents targeted recruiting centres and Afghan military establishments with the objectives of scaring off potential recruits and undermining confidence in the ASF; attacks like the one in Kunduz which killed 40 people when a Taliban suicide bomber struck at an Afghan National Army recruitment centre caught Media's attention. On April 18 2011, a suicide bomber wearing a military uniform penetrated the defence ministry; the bomber killed and wounded several Afghan soldiers. Earlier on April 16 another bomber disguised in military fatigues targeted the Afghan National Army 201 corps in Eastern Afghanistan.

Another spotlight of the insurgency was the targeting of key figures in the provincial and district-level administration. Kandahar Mayor, Gulam Haidar Hamidi was killed in a suicide attack when the bomber exploded his device in the City Hall. Earlier in the year the Chief of police of Kandahar was also killed in a suicide attack. The targeting of key officials included attempts on the Interior Minister Bismullah Khan Mohammadi, who narrowly escaped a suicide-bomber and Gen Abdul Hameed, the highest-ranking military commander in southern Afghanistan, who narrowly escaped assassination. Others like Ahmed Wali Karzai and Prof Burhanuddin Rabbani were not so fortunate. The increased targeting of provincial and district officials was aimed at reducing President Karzai support at the provincial levels and feed the growing insecurity of the civilian population.

Kabul bore the brunt of several attacks including the one against the British counsel's office this attack was intended to mark the anniversary of Afghanistan's independence from the United Kingdom in 1919. This along with the US embassy, and NATO headquarters attack in September were glaring signs of the growing potency of the insurgent groups. Meanwhile accusations levied on Pakistan's military and Inter-Services Intelligence (ISI) in abetting and assisting the Taliban insurgency were not ill found. They were further enforced in an interview with a detained Taliban insurgent who confessed that he had undertaken his initial training in Pakistan with the assistance of the Pakistan military. Again in December officials from the Afghan intelligence detained two Pakistani nationals. These individuals were caught with USD 7,000 in Asadabad district of Kunar province and confessed during interrogations to participating in anti-government activity. The double role played by Pakistan in Afghanistan became more evident in negotiations which were frequently jeopardised at the behest of Pakistan.

Talking directly to the Taliban

While the insurgency fed the growing insecurity situation, support for peace and reconciliation remained high this year. Reintegration of insurgents who were willing to throw down their arms witnessed increasing support from the public. The people also voiced their support in favour of a political solution rather than just a military one. However sympathy for the insurgents-militants has fallen dramatically since 2009. Peace talks with the insurgents/Taliban commenced in April, and the talks were hoped to be more substantial than those held in 2010. Many observers were of the view that the High Peace Council would continue acting as an interlocutor for more serious players like the US, Germany and the UK. India and Russia showed scepticism stating Pakistan's role in

the talks was essential, and without Pakistan no inroads for a political settlement could be made. The year-end proved this scepticism right, with Pakistan playing no role at Bonn. The assassination of the Prof Rabbani, the head of High Peace Council, also cast doubts over the success of the reconciliation effort.

Efforts to create a credible direct line of communication with the Taliban culminated with year-end announcements of a Taliban liaison office in Doha, Qatar. In August the *New York Times* stated that the insurgent groups had expressed willingness to begin negotiations for a political settlement. The Taliban had agreed to hold talks with the presence of NATO forces on the ground, contrary to their earlier rhetoric. This shift in opinion had come at a time when the Afghan public was getting increasingly sceptical over the peace and reconciliation process. In the same month talks between the US and the Taliban were scuttled by the Afghan officials who feared that President Karzai's position would be adversely affected. The official's deliberately leaked reports that forced the chief Taliban negotiator 'Tayyab Aga' into hiding.

August also witnessed the Afghan Government's agreement to include Pakistan in the US led reconciliation talks with the Taliban. The Afghan Foreign Minister urged Pakistan to join the process but the negotiations hit a massive roadblock when in September the head of the High Peace Council and former President Burhanuddin Rabbani was assassinated. After the death of Prof Rabbani, the Afghan Government refused to hold further talks on the three-way peace-bid and accused the Pakistan Government and the ISI of being party to the assassination. The Government also cancelled plans to invite the Prime Minister of Pakistan, Yousaf Raza Gillani, to Kabul for the Afghan-Pakistan joint commission for reconciliation and peace. The cause for this cancellation rested on the belief that the Afghan Government desired to engage the Taliban directly on account of growing suspicions that Pakistan was purposely jeopardising peace talks between them and the Taliban.

Later in October, the American Government again stated their intent to continue talks with the Taliban, even though President Karzai refused to negotiate with the Taliban in the absence of an office for the outfit. The US was still continued to negotiate with the Taliban without the knowledge of the Afghan Government. This culminated in an agreement to open a Taliban office in Qatar. Initially President Karzai expressed reservations, insisting that his government had been kept in the dark on the US led 10-month-long secret dialogue with the Taliban. Eventually the US-led effort bore fruit when President Karzai accepted a Taliban office in Qatar. Thus the year 2012 could prove eventful for the peace and reconciliation efforts provided the parties to the talks act responsibly and continue to involve each other in dialogue, this would represent a historic milestone towards an eventual political solution in 2012.

The Afghan public could take joy in the fact that the international community assured the Afghan Government of its commitment in aiding and development after 2014. The president was able to consolidate his position as the leader of Afghanistan in the eyes of the international community by reaching out to countries like India and other regional players and cementing relations that would be beneficial in 2012 as the US led alliance plans to move out of the country. The insurgency was a major concern coming into the New Year, while equally anxiety on the abilities of the ASF might also be expressed. 2012 would be a crucial year for the Afghan military, with the gradual withdrawal of foreign forces and the increased responsibility of the still budding ASF challenges await President Karzai soldiers.

Although President Karzai has been able to cement his position as the leader of the country, negotiations with the Taliban must be brought to fruit. A restructuring of the High Peace Council along with the appointment of a new leader would go a long way in assisting the Afghan Government take the lead in the reconciliation process.

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Bangladesh: Year of hope and despair

Dr. JoyeetaBhattacharjee

The year 2011 was a mix of both hope and despair for Bangladesh. The country for the first time in its history, jointly with India and Sri Lanka, hosted the prestigious Cricket World Cup. Hosting of the Cricket World Cup in March gave a boost to the national image and enthralled the people of the country with a feeling of optimism. But signs of politics becoming increasingly confrontational, coupled with instability in the share market, the return of large number of labour force employed overseas in the aftermath of the 'Arab Spring' and price-rise gave rise to despair, as well. The year was also eventful for the country. Some of the important event included the exit of Nobel laureate Prof Mohammad Yunus from Grameen Bank, the abolition of the 'caretaker government system' ahead of parliamentary elections, elections to civic bodies and the trial of 'war criminals', dating back to the creation of the new nation in 1971. Some of these events greatly influenced the politics, economy and society of the country.

How did the Government fare? The year began with Prime Minister ShiekhHasina's assurance to the people that her Government would fulfil all the electoral pledges that her party Awami League had made during election time. Sheikh Hasina also urged people to have patience. Contrarily, ruling Awami League's popularity started to dwindle. The first sign of the party losing ground was reflected in January when the Opposition Bangladesh Nationalist Party (BNP) surpassed the ruling Awami League in the municipal elections. Out of 236 municipalities, the BNP own 97 while the Awami League could manage only 90. As the year came to a close, the popularity of the Awami League was seen as having declined significantly. A survey carried out by a popular English newspaper claimed that almost 44 percent of the people are very dissatisfied with the government which very much higher in contrast to 2010, when only 29 percent people were said to have been dissatisfied with the Government.

Popularity of Awami League government

The Government was accused of encouraging nepotism, crony capitalism and sycophancy. Some of the incidents that lent credence to such feelings included the removal of Prof Muhammad Yunus, internationally known as the 'Father of micro-finance', as the chief of the Grameen Bank, founded by him. People perceived this as a motivated act of the Government after he had tried to launch a political party during the regime of the military-backed 'Caretaker Government' (2007-08). Instability in the

share market, perceived to be engineered by some vested quarters close to the ruling party, was said to be another reason for the Government's dipping popularity. Doubts on this count centred round similar kind of instability witnessed during the previous Awami League Government (1996-2001). People also questioned the need and wisdom behind massive projects like a new international airport outside Dhaka, arguing that the existing airport was under-utilised. The feeling is that such measures were taken to serve the interests of some vested quarters. The ruling party was also accused of being biased while making in Government appointments. The people's discontentment with the Government was so high that they failed to look into its achievements. The power situation in the country improved following the setting up of many rental power stations. But the Government was criticised for concentrating on short- term solutions and not focussing on long-term measures to resolve the energy crisis.

Restoring secularism in Constitution

In June, the Government got Parliament to amend the Constitution, to re-introduce 'secularism' as one of the fundamental principles of the State after this provision was omitted by martial law in 1975. Interestingly, the amendment retained Islam as the State religion, which had also been introduced by the martial law rulers alongside. But the most important constitutional change involved the abolition of the system of caretaker government. The system was introduced into the Constitution in 1996 to ensure free and fair election in the country. Since 1996 elections, an impartial caretaker government used to take charge after the elected government completed its five-year term and would conduct fresh elections within three months and hand over charge. But the Hasina Government was criticised for the abolition of the system, and its promise to strengthen the Election Commission too came under a cloud.

The Opposition Bangladesh Nationalist Party (BNP) and its allies like the Jamaat-e-Islami tried to capitalise on popular dissatisfaction. The BNP and its allies constantly said that the Government was a failure and demanded its resignation. Through the year, the Opposition staged demonstrations and street-protests, which became violent after the Government abolished the 'caretaker government' system. In December, a few bomb-explosions in the national capital of Dhaka killed one and injured a few others during day-long street protests, organised by the BNP. The party declared that it would not participate in the upcoming parliamentary elections likely to be held in 2014 unless the caretaker system is restored. Such a declaration has raised doubts about the future of politics and democracy in the country.

Awami League & BNP's acceptance rate

Another issue that increased the irritation of the Opposition was the setting up of an International War Crimes Tribunal in 2010, to try those involved in mass-murder and other crimes relating to the 'Bangladesh independence war' of 1971. The initiation of the trial led to the arrest of many top leaders of the Jamaat-e-Islami, like Matiur Rahman Nizami. The Opposition has accusing that such arrests are politically motivated to harass the opposition. Meanwhile, the opposition expressed its intention of intensifying agitation which only made politics volatile.

Death penalty for terrorism

Overall, the year was peaceful as there were no major incidents of militancy or terrorism. The Government remained vigilant about the activities of the militant

organisations and arrested some top leaders like Moulana Yahiya, chief of the Harkat-ul-Jihad Bangladesh. To strengthen counter- terrorism initiatives, the Government even amended the laws that included death penalty as the highest punishment for terrorism in the country. However, law-enforcement agencies came under fire from rights groups for the increasing incidence of forced disappearances. Media reports claimed that more than 22 individuals, including political activists, businessmen and suspected criminals were abducted by groups of men identifying themselves as plain-cloth law enforcement officials.¹ Such incidences increased a feeling of insecurity among the people. In a recent study conducted by popular English newspaper *The Daily Star*, people perceived that the law and order situation had taken a beating and that it was among the weaknesses of the Government.

The economy faced many strains in 2011 following soaring inflation, hefty rise in bank borrowings by the Government and a fall in foreign aid. Besides, the economy also experienced a fall in private sector credit flow, depreciation of the local currency, Taka against the dollar, high import growth except in capital machinery and raw materials, low foreign aid disbursement and current account deficit. The issue that attracted utmost importance related to rising prices of foods and essential commodities. Increasing prices hit common man hard. Inflation touched double digit, and point-to-point inflation rate increased by 0.16 percent to 11.58 percent in November, compared to that of the previous month. It owed mostly to rising fuel prices, to the Bangladesh Bureau of Statistics. The point-to point inflation rate was 11.42 in October. Increasing fuel prices also added to overall price rise. Increasing prices of crude oil led the Government to escalate energy prices and cut subsidies, which led to heavy borrowing from banks and burdened the economy. Looking at the overall inflation, doubts were expressed that the seven percent growth projected by economic planners might be difficult to achieve.

The inflow of remittances and disbursement of foreign aid were also low. According to data of Bangladesh Bank, in November the inflow of remittances was \$908.79 m in contrast to \$998.64 m earned during the same period a year earlier. The average monthly imports skyrocketed to \$3 billion in the first four months of the fiscal year as the import bill payment during the period amounted to \$11.75 billion compared to \$ 9.56 billion in the corresponding period in previous financial year. The total import payment in 2011 was around \$32 billion, posting a 35percent rise on year-on-year basis, mainly, due to the import of fuel. The Government's borrowing from the banks, however, fell to some extent at the end of the year as the Government repaid some of the debts. The Government's borrowing from the banking sources reached Taka 198.05 billion in November, which exceeded the total borrowing target of Taka 189.57 billion set for the entire financial year, July 2011-June 2012. The main reason for the rise of inflation was the depreciation of the taka against the dollar, which also increased the cost of imports and the consumers felt the pinch. On December 21, dollar sold at Taka81, which was 15 per cent higher than the previous year's.

Warm ties with India

Bangladesh was able to maintain friendly relationship with most of the major powers, including China, the European Union and the Islamic world. However, its relationship with the US generated some heat over the removal of ProfYunus from the Grameen

Bank. But by the year-end, relationship turned normal. The country's relationship with Saudi Arabia also faced some jolts following the execution of eight Bangladeshi national in that country. Bangladesh's relationship with Russia also needs mention here as both the countries signed an agreement for nuclear cooperation. Under this agreement, Russia will help Bangladesh to build a 2000-MW nuclear power plant. Bangladesh's relationship with other South Asian countries saw significant improvement. Warming up of the relationship with Sri Lanka and Bhutan needs special mention. The President of Sri Lanka and the Prime Minister Bhutan visited Bangladesh in 2011. However the country's relationship with neighbouring Myanmar could not make much progress. Issue of repatriation of Rohingya refugees and the delimitation of the maritime boundary issue remained unsettled.

In 2011 India and Bangladesh relations was extremely warm. The year was marked by many high- level bilateral exchanges. Many top Indian leaders visited Bangladesh during the year. The list included Commerce Minister Anand Sharma in April, External Affairs Minister SM Krishna in July, and Congress President Sonia Gandhi, also in July. The bilateral relations reached its peak with the visit of Prime Minister Manmohan Singh to Dhaka in September. The visit not only reflected India's genuine interest in strengthening ties with Bangladesh but also led to the resolution of many long- standing issues, like the exchange of enclaves in each other's territory. During the visit the two countries signed a 'Framework Agreement on Cooperation for Development' and a 'Protocol to the Agreement Concerning the Demarcation of the Land Boundary between India and Bangladesh and Related Matters'. Besides, the following bilateral documents were also signed during the visit:

- i. Addendum to the MoU between India and Bangladesh to Facilitate Overland Transit Traffic between Bangladesh and Nepal
- ii. Memorandum of Understanding on Renewable Energy Cooperation
- iii. Memorandum of Understanding on Conservation of the Sundarban
- iv. Protocol on Conservation of the Royal Bengal Tiger of the Sunderban
- v. Memorandum of Understanding on Cooperation in the field of Fisheries
- vi. Memorandum of Understanding on Mutual Broadcast of Television Programmes
- vii. Memorandum of Understanding between Jawaharlal Nehru University and Dhaka University
- viii. Memorandum of Understanding on Academic Cooperation between National Institute of Fashion Technology (NIFT), India and BGMEA Institute of Fashion and Technology (BIFT), Bangladesh.

To strengthen bilateral economic ties and people-to-people contacts, India also provided duty-free access to all Bangladeshi products to its market. This initiative was greatly appreciated in Bangladesh and the belief is that it will help in reducing the trade gap which Bangladesh often complains. Yet the non-signing of much-expected agreements like sharing of the waters of the Teesta River and the transit agreement the visit led to some disappointment in the country. Despite, disappointment, the warmth did not fade away.

The Indian announcement about the formation of a joint venture company for the construction of the Tipaimukh hydro-electric project over the river Barak was severely criticised in Bangladesh and the Government was under tremendous pressure to take tough action against India. Instead of succumbing to public pressure, Dr Gowhar Rizvi, the Foreign Affairs Advisor to Prime Minister Hasina, was sent to New Delhi to discuss this issue. India also acted positively and the Ministry of External Affairs issued a statement explaining the status of the Tipaimukh project.

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Bhutan: An alternative model to GDP-based growth

Sripathi Narayanan

The global economic downturn came as a boost in the arm for the long-practised traditions of Bhutan, which measured its wealth in terms of gross happiness and not in terms of GDP. To this end, Bhutan also stressed the need for nations to revisit their economic policies when Prime Minister Jigme Y Thinley addressed the 17th SAAARC Summit in Addu City in Maldives in November 2011. The Prime Minister also stressed the need for nations to cater to the needs of their people by looking after their welfare and happiness, instead of being bogged down by the profit-driven, GDP-based economic structure of the West.

This address by the Prime Minister gained prominence because of Bhutan's unique approach to economics, which also acts as an alternative to the existing mainstream international practices. He also said that the well-being of the people cannot be guaranteed without taking into account environmental issues, since both of them are inter-linked. The Prime Minister's address to a large extent covered the growing concerns of a number of countries, which at present are pitched against the rest in terms of economic growth versus well-being of the people and environmental concerns.

Apart from the forthright address by the Prime Minister at the SAARC Summit, the Himalayan Kingdom has also made a great deal of progress with respect to its ties with its neighbours and in foreign relations, even otherwise. To this end, the land-locked country has improved its connectivity by entering into a transit agreement with Bangladesh. This includes both land and air transportation rights. The two countries have also inked agreements on inland water usage. All these efforts have the active support of the Government of India since all connectivity efforts by Bhutan will invariably cross Indian territories at some point or the other. Similar agreements have been entered into with Nepal, too. To this end, the Governments concerned have already worked out feasibility studies and identified suitable access-points in the otherwise hilly terrain.

But then the sticking points in the ties of Bhutan with the nations of the neighbourhood remain. They related to China and Nepal. Bhutan and China do not share any formal diplomatic ties while the two nations have an unresolved border issue. The border between the two countries till date has not been demarcated. Ties with Nepal have largely been driven by the refugee issue. Nepal houses more than 100,000 Bhutanese refugees since the early Nineties. At present with the assistance of the UN, close to half the number of refugees have been relocated in other nations like the US and the UK. But then the two nations have yet to resolve this issue while Bhutan has discouraged third-party intervention of any kind.

Easing media freedom

On the domestic front, the Government eased broadcasting rights by opening up this sector to private participation. Six entities have expressed their interest to set up television channels in the kingdom, which is otherwise predominantly closed to the outside world. At the same time, the oldest newspaper of the country, *Bhutan Today*, had to undertake a major restructuring as it faced financial problems. The story of the *Bhutan Today* is true of other media houses in the country. The primary reason for this is that the newspapers get close to 80 percent of their revenue from Government advertisements, having little scope or room for private advertisements. The Government, while welcoming the participation of foreign investors in the Bhutanese media, has declared retail business as a no-go area. To this end, sector-wise foreign investments under the new FDI policy varies from 51 per cent in agriculture and manufacturing sectors to two-thirds in star-hotels to 100 per cent in speciality health service. This staggered FDI policy in turn is reflective of the nation's needs, capabilities and requirements.

Apart from this, the other major issue that made headlines in the kingdom related to the tobacco laws. Bhutan has the world's toughest laws with respect to the sale and consumption of tobacco. The year's biggest news-maker was the tobacco debate and the Government's enforcement of this law, which has resulted in the arrest of a number of people, including a few foreigners. At the same time, Parliament was rocked by the debate on revisiting the tobacco laws and the need to increase the quotas for import of the same. Despite the dust-storm this subject kicked off, there has not been any real change in the Government's position.

The tobacco debate was accompanied by the elections for the local bodies. These elections were originally slated to be held in 2008 but were delayed. The local body elections unlike the parliamentary polls were held on a non-party basis and, with restrictions on spending limits for individual candidates. With these elections, the nation completed a cycle of democratic practices, though it is still in a nascent stage. The nation has got much ground to cover on the road to democracy.

Royal wedding, part of democratic process

But then the democratic path chosen by Bhutan received a shot in the arm when the King Jigme Khesar Namgyel Wangchuck, while addressing Parliament on 20 May, announced his engagement with Jetsun Pema. The address by the King and the subsequent announcement were perceived to be very symbolic since it was the King who had voluntarily relinquished his powers as an absolute monarch and paved the way for a democratic government. The King gave up his powers to the people despite facing opposition from a few quarters.

The Royal wedding of King Jigme Khesar Namgyel Wangchuck to his childhood sweetheart, a commoner Jetsun Pema took place on October 13. The guests at the royal wedding comprised members of the royal family and other dignitaries of Bhutan. Senior Indian Government and political personalities were part of the wedding guest-list. It did not include any Head of State or Head of Government, or royalties from other parts of the world.

The wedding, and the honeymoon of the newly-weds in India acted as means to strengthen the ties between the two countries. While in India, President Pratibha Patil

and Prime Minister Manmohan Singh felicitated the couple. Even otherwise, Bhutan has improved its ever-lasting ties with India by entering into a number of agreements, including hydro-power projects, an increase in the quota for marble exports and also the export of hydro-electricity. The two countries have also increased the number of transit routes to the existing 16 by identifying 11 more. This will facilitate both trade and the movement of people and also improve Bhutan's connectivity with both Nepal and Bangladesh. At the same time the Indian Government has also aided Bhutan with financial assistance by allowing the latter to borrow close to `10 billion to meet with domestic requirements. This apart, the Indian Government also extended financial grants for Bhutan.

(The writer is a Research Assistant at Observer Research Foundation)

India: People's power to the fore, but...

Dr. Satish Misra

People's power on streets, rather the emergence of civil society groups, particularly that of social activist Anna Hazare led India Against Corruption movement, was one of the prominent highlights of 2011, which sought to question the legitimacy of the ruling UPA-II without being critical of the entire political class. But by the time the year came to an end, the credibility and legitimacy of Anna Hazare-led movement was itself under serious doubt with people at large asking whether it was a political outfit or still remained a social movement. On the whole, the Indian political class came under serious public scrutiny as many of its representatives were arrested and were sent to jail and doubts arose about others. Cynicism about the political parties and their ability to lead grew in people's mind.

The year 2011 began with the prevailing confusion as the UPA Government continued to drift and the Opposition failed to evolve a credible pathway to power as it continued to be destructive without being positive in its outlook. In a nutshell, corruption and the issue of black money became two prominent discourses in 2011 with the political parties and civil society movement often taking adversarial positions. Former Telecommunication Minister in the UPA Government A Raja, who had resigned from the Union Cabinet after details of the Comptroller and Auditor-General's report of a presumptive loss of ` 1.76 lakh crore to the exchequer in the allocation of 2G spectrum in 2007-08 became public, was arrested by the country's premier investigating agency CBI on February 2. On February 23, the ruling UPA conceded the Opposition's demand for setting up a 30-member Joint Parliamentary Committee (JPC) to probe into the 2G scam. Earlier, the combined Opposition had stalled Parliament business for days.

Quashing of the appointment of P. J. Thomas as Central Vigilance Commissioner by the Supreme Court on March 3 was a serious setback for the Government of Prime Minister Manmohan Singh as its image took a further blow. Thomas's name was on the accused list in the palmolein scam case in native Kerala State. Later, on April 25, Commonwealth Games Organising Committee chief Suresh Kalmadi was arrested for alleged financial irregularities. It was alleged that he had caused a loss of Rs 95 crore to the exchequer. These arrests provided enough ammunition to the Opposition parties to train its guns on the Government, thus causing a loss of face to the ruling combine at the Centre.

These arrests and the later-day jailing of then Tamil Nadu Chief Minister and ruling DMK president M Karunanidhi's daughter Kanimozhi in October in the 2G spectrum case put the Government at the Centre on defensive. It was busier in fire-fighting than taking policy initiatives. Union Textile Minister Dayanidhi Maran's resignation from the Union Council of Ministers following charges of wrong-doing in telecom sector was yet another blow to the Government's prestige. This went on to create friction between the Congress leader of the UPA and the DMK partner. Later, the arrest of former General Secretary of the Samajwadi Party Amar Singh in 'cash-for-vote' scam further added to the prevailing cynicism about the political class.

The 'Arab Spring' and the growing street demonstrations elsewhere, ably supported, nurtured and furthered as they were by the social media, gave a boost to the need of a similar street movement in the country. This saw the emergence of the 'India Against Corruption' (IAC) movement in public space, which came to be led by a social activist Anna Hazare, who had successfully led many such movements in his native State of Maharashtra. Hazare, leading the movement, created a forum for launching an attack on the menace of corruption in public life and structures of governance. The IAC asked the Government to enact a law for creating an institution of the Lokpal at the centre and Lokayuktas in the States, which could probe into cases of corruption against the high and mighty as well as the entire government machinery. The IAC also offered the Government its version of the institution of Lokpal.

After a four-day fast in the national capital of Delhi by, Anna Hazare, the Government accepted all demands of the IAC and issued a Gazette notification for the formation of a 10-member joint committee, consisting of five Ministers and five members from the civil society nominated by Hazare. The Government accepted the formula that there will be a politician Chairman and activist non-politician Co-Chairman. After several meetings of the joint committee, the two sides could not agree on details of the proposed bill that could, if enacted by Parliament, could result in setting up of a Lokpal at the Centre and Lokayuktas in states. Both the Government as well as Anna Hazare team members accused each other for betraying the will to fight corruption.

Another major protest took place at Delhi's Ramlila Maidan on June 4 in which yoga teacher Baba Ramdev sat on a fast. Earlier, Ramdev claimed that he had undertaken a 100,000-km journey across the country, called the 'Bharat Swabhimanyatra' (Journey for India's Pride). Ramdev demanded that untaxed money invested abroad should be declared to be the wealth of the nation and, further, that the act of caching money alleged to have been obtained illegally in foreign banks should be declared a crime against the Indian State. It is estimated that around \$350 billion to \$1.4 trillion worth of black money is stashed away in foreign banks. Several Ministers of Prime Minister Mamohan Singh's Cabinet tried to dissuade Baba Ramdev from undertaking fast. During their several round of negotiations with Ramdev on June 1, 2 and 3, it appeared that some understanding was arrived at but Ramdev sat on fast on June 4. On the night of June 5, the Delhi Police raided the fast site and detained Ramdev and removed his supporters from the site.

During the Monsoon session of Parliament, the Government introduced a bill on August 4 in the Lok Sabha, which was rejected by the civil society and Opposition parties, saying that it was weak, toothless and ineffective. On August 8, Hazare wrote a letter to the Prime Minister saying that if an effective and strong Lokpal bill was not brought in Parliament, he would go on fast unto death from August 16 and this time his fast would

continue till provisions of the IAC's Jan Lokpal were not included in the bill that was introduced in Parliament. After the authorities denied permission for the IAC to hold fast at the Janatar Mantar in New Delhi and also did not give permission at the Ramlila Maidan and Hazare was arrested, there were country wide protests. Ultimately, the IAC was given permission by the Delhi Police to hold the fast at the Ramlila Maidan.

Hazare's fast, which began on August 16, attracted large numbers of youth who were predominantly represented India's burgeoning middle class. There were solidarity protests and meetings in many towns and cities of the country. Support both at the site of the fast as well as in different parts of the country where candle light processions and protest meetings were held was overwhelming. People prayed for the health of Hazare. Seeing the swell of support, the government and the opposition parties discussed the issue in the two Houses of Parliament on August 27 in a special sitting. A resolution carrying the sense of the two Houses was conveyed to the fasting leader which accepted the IAC's three key demands to fight corruption. Originally conceived as a resolution, Parliament conveyed its agreement on three issues raised by Hazare – citizen's charter, lower bureaucracy under Lokpal through an appropriate mechanism and establishment of Lokayukta in the states -- and to remit them to the Parliamentary Standing Committee for giving its recommendations.

At this, Hazare agreed to break his fast on Sunday, August 28. Breaking his fast on the 13th day, he told the nation that he would come back to fast if the government did not enact a law for creation of a strong and effective institution of the Lokpal at the Centre and Lokayuktas in the States. A Parliamentary Standing Committee was constituted which was headed by the Congress member of the Rajya Sabha, Abhishek Manu Singhvi who is a lawyer by profession and whose lawyer-father, the late Dr L. M. Singhvi had in a way launched the campaign for the need to set up an institution of Ombudsman in late fifties and had coined the word 'Lokpal'. The 30-member panel held 17 sittings and adopted the 199-page report which had 16 dissent notes, including three from the Congress members namely Deepa Munshi, P T Thomas and Meenakshi Natarajan. The entire political spectrum as represented in Parliament held different positions on what exactly a bill for creation of the institution of the Lokpal should contain. The Standing Committee, in its wisdom, left to the Government and Parliament to decide about the final shape of the proposed Lokpal bill.

As the winter session of Parliament was unable to take up the Bill and the date of Anna Hazare's fast, venue of which had been shifted to Mumbai instead of New Delhi, the Lokpal and Lokayukta Bill, 2011 was introduced on December 27 in the Lok Sabha during the three-day long extended session of Parliament after the previous bill introduced on August 4 was withdrawn. Along with it Citizens Right to Grievance Redress Bill, 2011 was also introduced in the Lok Sabha. After a prolonged debate for over 11 hours, the Lok Sabha passed the Lokpal and Lokayukta Bill, 2011 by a voice-vote after the Government moved ten official amendments, taking into account demands made by the Opposition parties and allies. But another Bill which aimed at providing a constitutional status to the institution of the Lokpal was defeated in the lower house.

In the 245-member Rajya Sabha on December 29, where the ruling UPA did not have the required numbers to get the Bill adopted, a long debate ensued which went past 11 p.m. The Chairman of the Rajya Sabha adjourned the house sine die without a vote. The main sticking points about the Bill, as emerged during the debate in the two Houses of Parliament, were the different understanding and interpretation of principle of

'federalism' as enunciated in the Indian Constitution. As a result Article 252 and 253 became contentious with the opposition saying that making of Lokayuktas mandatory "violated the Constitution's federal structure". There was also difference of opinion on the role of the country's premier investigating agency, CBI. While the Government's Bill offered to bring the investigating and prosecution wings under the ambit of the Lokpal, the Opposition wanted an autonomous CBI, free from Government control. Similarly, there were differences on the process of selection of Lokpal and their removal.

As soon as the Rajya Sabha failed to vote the Bill, the claim and blame game began between the Congress and its allies and the opposition parties. While the UPA-II claimed that the Bill was alive and would be taken up in the budget session of Parliament, the Opposition parties, which were joined by some of the UPA allies including the Trinamool Congress, condemned the adjournment of the house saying that it was the "murder of democracy" and the ruling combine was not serious in getting the Bill passed. The Government defended the adjournment of the house saying that there were 187 amendments and there was a need to study them. After studying the amendments, the Cabinet would take a call on what to accept and what to reject. After that process, the government will get back to the opposition parties and consult its allies, the Government ministers informed adding that the Bill was on the Rajya Sabha register.

Meanwhile, Hazare began his fast in Mumbai's MMRDA ground on December 27 when the Lok Sabha met to take up the Lokpal Bill. The next day Hazare abruptly ended his fast with the IAC members claiming that the social activist was down with fever. Hazare also called off the *jail bhara* (Go to Jail) movement which he had announced earlier. Over 100,000 citizens were believed to have volunteered for going to jail to protest against the Government's failure to enact a strong and effective Lokpal. Even the attendance at the MMRDA ground was not substantial. Compared to the popular response of Hazare's fasts in April and August, the show in December was poor which was interpreted by the media and experts as the erosion of popular support for the IAC.

According to political analysts, the erosion of popular support for Team Hazare began when the IAC campaigned against the Congress candidate in the Hissar Lok Sabha by-poll in October. The IAC's campaign against the Congress candidate, who lost the election, exposed the movement against corruption as being political in character rather being a social movement as was originally claimed by Hazare and his team members. Overall, the domestic politics appeared to be in disarray with no political party having a clear vision of the future or a course of political action to win the confidence of people. On the side of the Congress-led UPA, Prime Minister Singh often looked helpless as different allies struck different notes in public domain and even Congress ministers appeared to be working at cross-purpose with each other. On the Opposition front, the principal Opposition party, namely the Bharatiya Janata Party, was itself a bundle of contradictions. Despite its best efforts, it failed to evoke confidence as its house was divided with different leaders behaving as warring groups.

The budget, monsoon and winter sessions of Parliament saw more disruptions than legislations or debate thus creating an atmosphere of negativity which put serious constraints on the Government's ability to take policy initiatives. Even the results of the five Assembly elections in Assam, Kerala, Puducherry, Tamil Nadu and West Bengal failed to clear the political confusion. In Assam and Kerala the Congress scored victories. In West Bengal, regional party the All India Trinamool Congress in alliance with the Congress decimated the CPM-led Left Front. The DMK led alliance lost in Tamil Nadu and

Puducherry ensuring the return of AIADMK leader Jayalalitha to the chief ministerial chair for the third time.

The Left parties, particularly the Communist of India (Marxist)- the CPM)- were also in disarray particularly after the ouster from power in West Bengal after the crushing defeat of the Left Front in Assembly elections held in the month of May. While the national parties were facing internal crisis and were more or less in a state of drift, May assembly election in West Bengal, Tamil Nadu, Kerala, Assam and Puducherry introduced newer dimensions to the national politics. It saw the worst ever defeat of the Left parties and the victory of the regional outfit-the Trinamool Congress which catapulted its supremo Mamata Banerjee to the seat of the Chief Minister.

Victory of the Trinamool Congress in West Bengal and return to power of the former Chief Minister Jayalalitha led AIADMK in Tamil Nadu introduced new complexities in the national governance structures. The message from the electorate appeared to be that States were assuming more significance and they need to be taken more seriously by the national parties. In States that went to seek the popular mandate, there was no uniformity. Message from the States was clear that federalism as principle in the Constitution was on the forward march. As a mark of growing cynicism in society against the political establishment, former Deputy Prime Minister and a veteran BJP leader L K Advani's 40-day country-wide *Jan Chetna Yatra* for the avowed purpose of creating public awareness against corruption and black money failed to evoke a popular response.

Local issues, larger dimensions

Politics in all the 28 Indian states and seven Union Territories seems to be dominated rather propelled by local issues and no uniform pattern became discernible in 2011. While five States which went to the polls in middle of 2011 witnessed mixed results with the north east State of Assam defying the anti-incumbency factor, states like Kerala, West Bengal, Tamil Nadu and Puducherry succumbing to the same. Another feature of the elections was the high percentage of voter-participation. Mamta Banerjee, whose party Trinamool Congress, with an alliance with the Congress parent, routed the ruling Left Front in Assembly elections in native West Bengal, emerged as a major player in the national politics. She intelligently started weaving the threads of her future politics which was essentially aimed at power at the Centre with her feats firmly grounded in her State.

As West Bengal Chief Minister, Mamata raised objection to India concluding an agreement with Bangladesh on sharing of Teesta river water. Not only that she declined to be the part of the delegation of the Prime Minister who went on a bilateral state visit to Bangladesh on September 6 but she thus by her action underlined the significance of regional players in the conduct of the country's foreign policy. On June 7, the West Bengal Government and the Gorkha Janamukti Morcha signed a pact for a new elected body in the Darjeeling hill area with the Assembly passing the Gorkhaland Territorial Administration Bill 2011 on September 2. The State, however, witnessed three major series of tragedies this year — a spate of infant deaths allegedly due to inadequate medical attention, a fire accident in AMRI Hospital, Kolkatta, killing over 90 persons, and over a hundred deaths in an illicit liquor tragedy.

In Assam, the Congress scored a hat-trick by returning to power for a third time in succession and Tarun Gogoi became Chief Minister, also for the third time. In Kerala, the Congress-led UDF scraped through with a razor-thin majority which surprised the

election- watchers. The ruling CPM-led Left Front gave a close fight to the Congress, but fell to the anti-incumbency factor that has been the blessing or bane of electoral politics in the State. Oomen Chandy was sworn in as Kerala's 21st Chief Minister.

In Tamil Nadu, the AIADMK led alliance stormed back to power displacing DMK led alliance. In the neighbouring Puducherry, the All-India NR Congress led by a Congress rebel N Rangaswamy captured power and became the Chief Minister. As one of her first major steps of the new Government of Chief Minister Jayalalitha, the Tamil Nadu Assembly adopted a resolution against attempts to revive the Legislative Council abolished in 1986. The Mullaperiyar dam issue between Tamil Nadu and Kerala surfaced again amidst reports about the vulnerability of the 117 year old structure to an earthquake. The Kerala Assembly on December 9 adopted a resolution demanding the level in the dam be lowered to 120 feet. Within a week, the Tamil Nadu Assembly too adopted a unanimous resolution calling upon the Kerala Government to enable the rising of water level in the dam. This heightened the tensions between the two states proving once again how water issue can play a spoil role in the evolving principle of federalism. There were claims of dam being safe and counter-claims of dam being a danger in the public domain as well as before the Empowered Committee headed by former Supreme Court Chief Justice A S Anand. Following the Fukushima disaster, anti-nuclear activists and people living near the Kudankulam nuclear plant took to fasting at Idinthakarai, Tamil Nadu, protesting the commissioning of Kudankulam Nuclear Power Project thus putting a serious question mark on country's nuclear energy programme.

The issue of Telengana remained at the centre of Andhra Pradesh politics as the Srikrishna Committee, set up in 2010, had submitted its report on December 30, 2010. On January 6, 2011, the Union Home Minister made the 505-page report public at the All-Party meeting. It gave six solutions but it favoured maintaining the status quo of an united Andhra Pradesh while separate Telengana as the second best option. As soon as the contents of reports came into public domain, Osmania University campus was hit by violence. There were protest marches and non-cooperation with the state government. Unprecedented violent protests rocked the state legislature in which the opposition parties including the TDP and TRS tried to mishandle Governor E M L Narasimham. On July 4, July 81 MLAs, 12 MPs and 17 MLCs tendered their resignations in support of a separate statehood for Telengana and the next day both MPs from TRS and 11 of their MLAs resigned. But later, the Assembly Speaker rejected the resignations of 101 Telengana MLAs. Thus political uncertainty continued to prevail with the Congress Government being on defensive on account of rebellion from former Chief Minister Y S Rajsekhra Reddy's son Jagnamohan Reddy who quit his Lok Sabha seat and floated his own political outfit and from Telengana supporters. A beleaguered Congress sought to strengthen its political position by ensuring the merger of actor turned politician Chiranjeevi's political outfit Praja Rajyam Party.

In the neighbouring State of Karnataka, the ruling BJP and its Chief Minister B S Yeddyurappa faced charges of corruption. State Governor H R Bharadwaj accorded sanction to prosecute Yeddyurappa over allegation of denotification of land acquired by the government. Despite legislative majority, the ruling BJP was confronting embarrassment because of Yeddyurappa. In July, the Karnataka High Court upheld Lokayukta police inquiry against the Chief Minister and on July 27, the Lokayukta's final report, submitted to the government, indicted Yeddyurappa forcing his to resign four days later. D V Sadananda Gowda was sworn in as the 26th Chief Minister of the State.

Yeddyurappa had to surrender at the Special Lokayukta Court in Bangalore following an arrest warrant in a land scam case on October 15 and was freed on bail after 24 days in prison.

Orissa, whose name was officially changed to Odisha and its language from Oriya to Odia, faced problems on account of agitation against the setting up of mega-steel plant by the South Korean multinational Posco. The project got a conditional nod on January 31 and also received final forest clearance from the Ministry of Environment but the state government had to suspend land acquisition for the proposed plant in Jagatsinghpura district indefinitely. The biggest State of Uttar Pradesh witnessed trouble from the beginning of the year on the issue of land acquisition by the state with farmers in the state notably in Bhatta Parsaul village holding protests and the state law and order machinery suppressing them. The Supreme Court on July 6 ordered the return of 156 hectares of land acquired by the State Government to the farmers. Popular agitation and the Supreme Court's intervention created a demand for amending the archaic colonial land acquisition law which was framed

The beleaguered Government of Chief Minister Mayawati took several steps to meet the demand of agitating farmers. As Uttar Pradesh is headed for Assembly polls Mayawati proposed to divide the most populous state into four—Purvanchal, Bundelkhand, Awadh Pradesh and Paschim Pradesh. The Centre, however, returned the resolution seeking clarification. Another notable development was that the Supreme Court stayed the Allahabad High Court verdict that directed division of 2.77 acres of the disputed land at the disputed site in Ayodhya.

In Uttarakhand, the ruling BJP was forced to change Chief Minister Ramesh Pokhriyal Nishank in September in the wake of growing discontentment among party legislators and the prospect of a defeat in the next years Assembly elections. Nishank was replaced by former Chief Minister Bhuwan Chandra Khanduri on September 11. Arunachal Pradesh Chief Minister Dorjee Khandu was killed in a helicopter accident on April 30 and he was replaced by his Power Minister Jarbom Gamlin who had to resign on October 31. Nabam Tuki was sworn in as the next Chief Minister of the State, bordering China. A tragedy hit India when a 6.8 magnitude quake rattled with Sikkim as its epicentre on September 18, damaging Sikkim's infrastructure and the Kanchenjunga Conservation Area besides leaving scores dead. Four month economic blockade in Manipur added more woes to the North-East region. Manipur suffered as blockade created scarcity of essential goods making life of an ordinary citizen miserable.

Defence and security in focus

The Centre's strategy of security forces' action with a focus on Maoist-prone areas appeared to be bearing some result. In June 2011, the Prime Minister stated that "Development is the master remedy to win over people" adding that the Government was "strengthening the development works in the 60 Maoist-affected districts. Despite continued violence in 2011, the most recent the Centre's campaign to contain and reduce the militant Maoist presence appears to be having some success, the 2011 toll of 447 civilians and 142 security personnel killed having been nearly 50% lower than the 2010 toll. Some States experiencing this sharp reduction in Maoist hostilities, such as Madhya Pradesh, attribute their success to their use of IAP funds for rural development. Maoists suffered a set-back as Communist Party of India (Maoist) Politburo

member Koteshwara Rao alias Kishenji, who was spearheading Maoist operations in West Bengal, was killed in a suspected encounter on November 24.

India remained on terror alert throughout the year. Three coordinated bombings on (July 11) tore through the heart of Mumbai at Dadar, Zaveri Bazaar and Opera House, on July 13 killing dozens in the worst terror attack in the country since the 2008 Mumbai siege. The terrorism target this year was Delhi High Court, where a high intensity briefcase bomb went off in the crowded reception area on September 7 killing 11 people and injuring over 75.

The rapid modernisation of the Indian armed forces, begun almost a decade back, is continuing with an annual budget (2011-12) of ₹ 1,64,415 crore (US \$ 36.05 billion) which is roughly 1.83 per cent of country's GDP. Modernisation is primarily focused on developing missile defense system and a nuclear triad apart from developing infrastructure in states like Arunachal, Assam, Jammu and Kashmir, Uttarakhand, Bihar, Uttar Pradesh, Punjab, Rajasthan and West Bengal which have an international border. A major event was the public debut of the Sukhoi fifth-generation stealth fighter T-50 in an air show in Moscow. This is being jointly developed by Russia and India. At the same time, country's first indigenously designed and developed Light Combat Aircraft Tejas got Initial Operational Clearance 27 years after its being conceived. Air Chief Norman Anil Kumar Browne took over as the 23rd Chief of Air Staff on July 31. Russian nod to provide India with an advanced version of the Sukhoi-30MKI which has fifth generation capabilities and stealth features is expected to give the country a considerable edge over Pakistan.

In September, a short range nuclear-capable missile was tested. The trial of surface-to-surface Agni-II missile would go a long way to build up its atomic deterrent. Decision to deploy Brahmos cruise missile in Arunachal Pradesh was taken to improve country's military reach into Tibet Autonomous Region and to counter China's elaborate missile deployment along the Sino-India border. It was also announced that a nuclear capable long range ballistic missile Agni V with strike beyond 5,500 km will be fired soon.

Challenges and opportunities

According to provisional reports of 2011 Census, released on March 31, population increased to 1.21 billion with a decadal growth of 17.64 percent, thus throwing up new challenges as well as opportunities for the decision and policy makers of the country. After registering a GDP growth of approximately 8.5 per cent in 2010-11, the economy faced major challenges on account of global economic crisis particularly in the US and Euro-zone countries along with political turmoil in West Asia and North Africa.

The international dimension of the problem was further accentuated by lack of policy initiative by the Manmohan Singh Government, which had to face numerous domestic challenges on account of lack of cohesion within the ruling UPA alliance, set of scams, allegations of corruption and uncooperative and obstructive Opposition in Parliament resulting in pending legislations. Labour troubles continued to put pressure on the economy as was evidenced in the India's car manufacturing giant, Maruti Suzuki. Rising costs of petroleum products and other mineral created sustained pressure on the national economy. The nation's economy suffered a setback with inflation particularly food inflation remaining high throughout the year. Inflation touched 9.36 percent in October. The GDP growth rate slid to 6.9 percent against the projected 8.5.

Bad timing and lack of a national debate on the issue of foreign direct investment (FDI) in retail sector created hurdles when on November 24 the Union Cabinet gave nod for 51 per cent FDI in multi brand retail and 100 per cent foreign equity in single brand trading. Almost the entire opposition as well some of the UPA allies particularly the Trinamool Congress opposed the government's move forcing the UPA to suspend the decision on December 7. Similarly, plans of the Central Government to install and enhance nuclear energy capacity in the country received a setback when domestic Opposition to nuclear energy grew in states of Maharashtra and Tamil Nadu.

During 12 months, the Sensex, country's market index which monitors the performance of large Indian companies, witnessed a decline of 3843 points or 19.52 per cent, reaching a high of 19701.73 in April and a low of 15175.08 in December. This lowered the confidence of Indian businessmen and raised doubts over the country's economy. Equally the Indian currency also faced considerable pressure. On November 22, the Rupee slumped to a historic low at 52.73 against US dollar. On December 13 Rupee slipped to a historic low before ending at 53.23/24 a dollar. A notable development was the news that took much of Indian media space was the announcement by Tata Sons Chairman Ratan Tata of his successor in Cyrus Mistry who took over from the leading industrialist in December.

Judiciary takes polity to task

In a notable feature, the higher judiciary in the country rose almost as one, alongside the civil society, to take the Government and the polity to task for their failings. Tussle between the Judiciary and Executive continued in 2011 also. Need for judicial reforms continued to reverberate but the Judicial Standards and Accountability Bill, which was tabled in the Lok Sabha in the first week of December, could not get parliamentary approval as opinion remained divided between the ruling UPA and the BJP Opposition, which pressed for setting up of a National Judicial Commission.

A three-member panel framed charges against Sikkim Chief Justice P D Dinakaran. Facing impeachment on charges of corruption and judicial misconduct, Dinakaran resigned on July 29 expressing "lack of faith and confidence" in the three-member inquiry Committee probing charges against him. Similarly, Calcutta High Court Justice Soumitra Sen was impeached by the Rajya Sabha on August 18 on charges of corruption but he tendered his resignation fearing the ignominy of removal after the impending impeachment by the Lok Sabha. The Lok Sabha dropped impeachment proceedings against him after the Centre notified his resignation.

Neighbourhood, key to foreign policy

The India foreign policy remained active in developing initiatives towards Africa, East Asia and neighbouring countries in South Asia with ties with Afghanistan, Bangladesh, Sri Lanka, Maldives, Nepal and Pakistan improving. There were some notable achievements which are going to shape country's external relations in the medium and long term. Possibly, 2011 will be remembered for New Delhi getting its act together on its ties with its neighbours. Not only that ties with Bangladesh saw a high when Prime Minister Manmohan Singh paid a visit to Dhaka in September paving the way for a new era in bilateral relations.

In pursuit of vital foreign policy goals, President Pratibha Devi Singh Patil and Vice-President Hamid Ansari travelled abroad forging and deepening bilateral ties. Patil paid visits to Korea and Mongolia. She also travelled to Switzerland and Austria. Ansari went to Turkey on a six-day visit. His visit, after Prime Minister Atal Behari Vajpayee's trip in 2003, was a confirmation of the rising role of Ankara in regional and international politics. Efforts continued to conclude a preferential deal with the South African Customs Union as it would help the country to expand its economic footprints on the vast African continent which is an area of future economic growth.

Diplomatic efforts appear to be bearing fruits with Australia indicating its readiness to export Uranium to India despite New Delhi's continued refusal to sign an international treaty aimed at preventing the spread of nuclear weapons. Similarly, India began to explore the possibility of concluding a comprehensive deal with 10-nation Association of South East Asian Nations (ASEAN) that would cover services and investment. India was elected to serve on the Economic and Social Council (Ecosoc). The second India-Africa summit, held in May in Addis Ababa, was the part of the initiative that New Delhi decided to take two years back which aims at deepening economic, cultural and geo-strategic ties with the emerging continent. BRICS countries emerged as a significant group at the multilateral forums and conferences where India, Brazil, Russia, China and South Africa took joint positions on important global issues. The BRICS summit, held in China, admitted South Africa as its fifth member.

Not only that ties with Bangladesh saw a high when Prime Minister Manmohan Singh paid a two-day visit to Dhaka on September 6 paving the way for a new era in bilateral relations. A Protocol to the Boundary Agreement of 1974 was signed during the visit. Thus India and Bangladesh resolved boundary issues which had been pending for nearly 40 years and was causing immense sufferings to the common people in both the countries, particularly to those living in a stateless condition in the enclaves. By signing the Protocol, the two governments finalised the issue of enclaves and the territories in adverse possession, and the undemarcated areas. India also agreed under the Protocol to provide 24-hour access to Bangladeshis to the enclave of Dahagram-Angarpota across the Tin Bigha Corridor. It may be recalled that the Sheikh Mujib-Indira Gandhi Border Agreement had been ratified by Bangladesh in 1974 itself, but had remained unimplemented for want of commensurate action by India.

India also sought to assuage Bangladesh's concerns on bilateral trade imbalance and announced quota-free access to Indian market for 46 Bangladeshi textile products which will now have duty-free entry into the Indian markets. The visit would have been immensely successful if the proposed Treaty for the Sharing of Water of Teesta and Feni Rivers would also have been signed but it could not be done for want of cooperation from West Bengal Chief Minister Mamta Banerjee who not only refused to be the part of the Prime Minister's delegation but also opposed the Treaty which had been readied before the trip.

Relations with Pakistan also moved in a positive direction as Pakistan Foreign Minister Hina Rabbani Khar held talks with External Affairs Minister S M Krishna in New Delhi on July 27. The meeting came just two weeks after three synchronized explosions ripped through the city of Mumbai at rush hour, killing 24 people, wounding more than 100 and raising fresh Indian suspicions about possible Pakistani subterfuge. The decision by both sides to proceed with the meeting anyway signaled that broad-based talks aimed at

resolving issues between the countries were back on track. They had been stalled for more than two years after Pakistani gunmen killed more than 160 people in a rampage through Mumbai. "This is indeed a new era of bilateral cooperation," said Hina Rabbani Khar, Pakistan's new Foreign Minister, the first woman to hold that position and, at 34, one of the youngest. "I believe it is the desire of both countries to make an uninterrupted and unintermittible process." The two sides announced some confidence-building steps in and on Jammu and Kashmir, and promised to take the bilateral dialogue forward. Pakistan also decided to take India to the International Court of Justice for building Nimmo-Bazgo power project on Indus River which Islamabad said was the total violation of the Indus Water Treaty.

The two-day visit of Afghan President Hamid Karzai, in early October, marked a paradigm shift in Indo-Afghan relations as the two countries concluded a strategic partnership which opens the doors for cooperation in strategic areas like training of Afghan National Army and Police. The economic cooperation between the two countries also grew as Indian firms won the right to mine the iron ore. Afghan government awarded three of the four blocks at the Hajigak iron ore deposit. Earlier at the beginning of the year, the External Affairs Minister had visited Kabul.

While relations with Sri Lanka remained on an even keel during the year with leadership of the two countries taking steps to deepen the age-old ties, India remained concerned over lack of progress in Constitution making and peace process in neighbouring Nepal and continued to urge the political parties in Kathmandu to move forward. Four Day visit of Nepal Prime Minister Baburam Bhattarai in October resulted in building of mutual trust between the two neighbours and signing of three agreements.

India and Myanmar decided to double their bilateral trade to \$ 3 billion by 2015 from the existing \$ 1.5 billion. Arrival of Vietnamese and Myanmar Presidents Truong Tan Sang and TheinSein in October marked the logical evolution of country's "Look East" policy. Both the visits had strategic significance and were closely monitored by Beijing. Sang's visit, after becoming President in July, was not only a reaffirmation of old ties between the two countries but was also a response to growing importance of Asia-Pacific region in the emerging Asian security and economic structure. Sang's comment, before his arrival in New Delhi that "all cooperation projects between Vietnam and other partners, including ONGC, in the field of oil and gas, are located in the continental shelf within exclusive economic zone and under the sovereign rights and jurisdiction of Vietnam", was a clear message to China which had objected to any such agreement.

Relations with big powers also continued to grow as Indian economy despite slowing down continued to contribute to the global economy. US Secretary of State Hillary Clinton visited New Delhi for the second round of strategic dialogue between the two countries. Since the inaugural Strategic Dialogue in 2010, the India-US partnership has resulted in advances in nearly every area of human endeavour. Dialogue was successful as the two democracies despite the existing differences on issues like the civil nuclear cooperation have succeeded in expanding cooperation in crucial areas of security, counterterrorism, intelligence sharing. Clinton asked India to play a more "assertive role" across Asia-Pacific, noting that this was a "time to lead" by seizing opportunities. Notwithstanding, many problems in bilateral trade and US strained ties with Pakistan, the Indo-US relations appear to be moving on a steady course which is bound to impact the South Asian region in particular and Asia-Pacific in general in times to come.

Relations with China continued to evolve with some periodic setbacks. President PratibhaPatil arrived in China on a six day bilateral visit on May 26 to commemorate the 60 years of establishment of diplomatic relations between the two countries. The first ever China-India Strategic Economic Dialogue (SED) was held in Beijing in September. The SED, decided during Chinese Prime Minister Wen Jiabao's New Delhi visit in December last year, focused on global economic outlook, efficient use of water resources, energy efficiency and pricing, and potential cooperation in the Railway sector. A development of significance was the visit of Chairman of the restive Xinjiang Province, NurBekri, who brought a business delegation with him. The interest in Bekri's coming has to be viewed in the light of the unique position that Xinjiang occupies in China because of the Muslim majority Uighur population, which has, at various times, opposed the Han Chinese domination.

China's assurance that it will not divert the Brahmaputra river was welcomed in India. Meeting between Manmohan Singh and Chinese Prime Minister Wen Jiabao on the side-lines of ASEAN and East Asia summit was the reiteration of growing ties between the two big Asia neighbours but the scheduled 15th round of India-China border talks was postponed in the face of Beijing's demand that a congregation to addressed by Tibetan spiritual leader Dalai Lama be cancelled.

With the coming into force of Comprehensive Economic Partnership Agreement (CEPA) with Japan, Indian professionals and producers of textiles, pharmaceuticals and a number of other goods are going to gain as this pact seeks to abolish import duties on most products, increase access for Indian professionals and contractual service suppliers to the Japanese market and liberalise investment rules. The two countries decided to bolster cooperation on security and economic issues during the annual summit where Manmohan Singh and Japanese Prime Minister Yoshihiko Noda discussed wide ranging issues including stepping up of defence ties. The two countries also agreed to accelerate a joint development of rare earth mineral deposits in India. Ties with Russia continued to grow with the two countries declaring their intent to expand cooperation in all areas including in nuclear energy at the 12th annual summit held in Moscow in December.

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Maldives: Year of strife and success

Preeti John

The year 2011 was a year of great strides for the Maldivian archipelago. Not only did the tiny islands-nation had its moment of glory in the international arena with the hosting of the 17th South Asian Association for Regional Cooperation (SAARC) Summit in Addu City across the Equator, it also became one the most recent of countries to recognise the International Criminal Court (ICC) and agree to be bound by the latter's codes and rulings. Yet, in a system that is still adjusting to the changes that began in 2008 with the adoption of a new Constitution and multi-party democracy, Maldives also faced a year of internal political turmoil. All in all, the trajectory of domestic politics underwent a massive structural shift. Recovering and stabilising from the shift to the democratic form of government, the nation has progressed immensely.

For Maldives, 2011 was its year to shine on the international arena by being the host nation for the SAARC summit. Hosting the seven other member-nations – Afghanistan, Bhutan, Bangladesh, India, Nepal, Sri Lanka and Pakistan – allowed the island nation to showcase its tourism industry, which is the backbone of the nation's economy. The summit was also an apt opportunity for the nation to subtly push for those issues to be discussed at a multilateral level that were most important to it, especially the issues of terrorism and environmentalism.

In a move that garnered cheers and praise from keen observers of the island's staunch Islamic system, it recognised the ICC as a legitimate court and joined the Rome Statue and the 118th State Party. The Maldives expressed its commitment to ensure a domestic justice system that abides with the diktats of the ICC. However, surprisingly the most defining moments in the year were on the domestic front. In a move that is essentially crucial to the game of politics, the opposition used every opportunity possible to undermine the ruling Maldivian Democratic Party (MDP) and President Mohamed Nasheed and to create and ensure there is scope for power-change in the upcoming 2013 presidential elections. Despite denials, former President Maumoon Abdul Gayoom's decision to re-enter active politics by launching the Progressive Party of Maldives (PPM) by breaking the Dhivehi Rayyathunge Party (DRP), his earlier creation, highlighted the fractures in the Opposition with each senior leader vying for power in 2013. The economy faced a dark time in 2011. The Government was forced to devalue the local currency, Rufiyaa, in a possible last ditch effort to rescue the economy from complete failure, and to give it sufficient time to stabilise and resurge.

China takes centre-stage?

The 17th SAARC Summit held in November was the perfect opportunity for the nation to establish a place of respect for itself amongst its bigger neighbours. The Summit saw leaders of all eight member-States gather to discuss matters of keen interest to the South Asian region. For Maldives, tourism remains its most profitable sector and the SAARC summit helped promote the industry. Playing host to not only the visiting leaders and their accompanying official delegations, but also to the numerous media members and others who flocked to the archipelago during the event and in its aftermath, the nation was able to showcase its touristic appeal in a bid to boost its biggest money raking area. Apart from the eight member countries, there were also nine other countries with observer status attending the summit. These were Australia, the European Union, Iran, Japan, China, the US, South Korea, Myanmar and Mauritius. The summit allowed the nation a chance to tap new avenues beyond its neighbourhood to increase the inflow of tourists into the country.

The high point of the summit for multilateral relations was the number of treaties and agreements signed, collectively termed as the 'Addu Declaration'. The 20-point Declaration focussed on some of the points that have been central to SAARC's core agenda. Jointly adopted by all the member-countries, it reaffirmed the nations' commitment to peace, confidence-building, liberty, human dignity, democracy, mutual respect, good governance and human rights. The other most important development during the summit was the decision to speed up the implementation of the SAFTA (South Asia Free Trade Agreement) that will establish a great link between the member nations. By adopting the SAFTA, all eight member-States will automatically integrate their economies and have a system of interdependence, which will only be an advantage for the booming South Asian region which is poised on the brink of substantial economic

development. Another point in the Declaration of great importance to Maldives is the commitment to protect the environment. Environmental issues have plagued the island nation in recent years, with fears that the rising sea levels will invariably sink the entire country. President Nasheed has been commended around the world for his dedication to the environmental cause, and his commitment to make the Maldives carbon neutral in the coming years.

At the bilateral level too, the Summit period proved to be fruitful for the archipelago. With Indian Prime Minister Manmohan Singh combining his Summit visit with an additional day's State visit to Maldives, the two sides signed a number of agreements, the most significant of them being the defence cooperation treaty and one for commencing a passenger and cargo ferry service between Kochi (India) and Kulhudhuffushi in HaaDhaal Atoll (Maldives). Terrorism and religious fundamentalism related violence continues to be a pressing problem in the region and the defence treaty with India, arguably the largest and most secure country in the littoral, will enable Maldives to tackle these issues as well as protect itself in a more systematic and substantiated manner.

Yet, despite staying true to the spirit of the Summit which enabled the member-nations to achieve their goal in terms of keeping with the theme, 'Building Bridges', to ensure greater connectivity among themselves, the most crucial development during the period was the opening of the full Chinese diplomatic mission in Male, with the setting up its Embassy two days before the SAARC summit began. Observers were quick to note the timeliness of the event and the concomitant implications of this move. A key financier to Maldives and other nations in the region like Sri Lanka and Pakistan, China's growing role in the area has caused great worry in Indian strategic circles. India and China have been engaged in an undeclared yet obvious race for global power and prestige over the last few years. With both economies growing at a rapid pace, and with both countries being envisioned as the most logical challengers to US' supremacy in a few years, the two countries have been constantly looking to prove their mettle at the international level. Yet, despite what observers might note in their critiques, all in all, the 17th SAARC summit proved to be a solidifying event for regional cooperation amongst the member countries.

Managed float of the currency

The biggest challenge to the Maldivian economy over the last year was the Government's decision to devalue the Rufiyaa. Heeding to the IMF's advice, the government of Maldives decided to change the country's exchange rate system from a fixed peg of the dollar to a managed flexible float. The new managed float system allowed for the Rufiyaa to fluctuate within a 20 percent band of its previous dollar-peg. The Government's decision to implement the managed float system is part of a set of measures to be incorporated in order to reduce the budget deficit and stabilise the local economy. Defending his Government's move to devalue the rufiyaa, President Nasheed had said that a pegged currency created an artificial market value for the products which were not reflective of their real value. Only a managed float ensured that all goods, services and products were priced appropriately.

The devaluing of the Rufiyaa was immediately met with protests from opposition political parties and the civilian society. Citing an increasing cost of living, the opposition blamed the government for mismanaging the national economy and increasing the country's

debt. Yet, they surprisingly seemed to have forgotten the years of economic peril that plagued the country before Nasheed took over as president. In fact, under President Maumoon Gayoom's rule, inflation rates were as high as 12 per cent. President Nasheed inherited the economic crisis that plagued the Maldives for years, which ultimately left the Government with no choice but to depreciate the Rufiyaa.

While the managed float met with local resistance and protests, the international community, the IMF and other financial institutions at large praised the Government's gutsy decision. However, while the economic stabilisation process is slow, the MDP has not suffered much domestic backlash beyond the momentary protests. The IMF recommended move will likely only result in a substantial economic change in a few years, but for now the managed float seems to have been the only way to rescue the Maldivian economy.

Gayoom's political resurgence?

For former President Maumoon Abdul Gayoom 2011 induced fresh blood into his political career. Announcing a breakaway from the party he had helped form in 2005, the Dhivehi Rayyithunge Party, Gayoom declared an end to his retirement and re-entered active politics by launching the Progressive Party of Maldives (PPM). Engaging the country and the South Asian littoral in a will-he-won't-he enigma for the better part of the year, he shrouded his political plans in an air of secrecy till the end, even though his eventual decision would not have been much of a far off guess for the discerning observer of Maldivian politics.

For a country still reeling in the aftermath of three decades of authoritarianism under his rule, and one accustoming itself to its as yet nascent form of democratic government, Gayoom's decision to forge his own political party has caused justifiable worry. While his intentions might be guised in the dedication to public service and the promotion of democracy, his political ambitions are open for all to see; his eye is on the 2013 presidential elections. Despite initially endorsing the DRP leader Thasmeen Ali as his political successor, he has with constant growing intensity, distanced himself from his erstwhile protégée. Tensions within the DRP were palpable for months before the eventual split. Despite an initial show of unity, things started to go awry in the beginning months of the year. Initially forming the Zaeem DRP, or Z DRP, faction under the larger umbrella of the DRP, Gayoom and his supporters maintained a harsh criticism of the parent party and its leader, Ali. The Z-DRP soon became Gayoom's base for the PPM.

Announcing his decision to leave the DRP in September, Gayoom cited the growing corruption within the party as well as Thasmeen Ali's dictatorial leadership style as the main reasons for his departure. Accusing the Thasmeen-led faction of failing to follow the DRP's aims and goals as identified since inception, he expressed a desire to form a party that would serve the people in a just and democratic manner while upholding the ideals of Islam. While being backed by his supporters and immediate family, the most surprising show of support came from his half-brother and People's Alliance leader Abdulla Yamin, until then an adversary, who openly expressed his desire to unite his party with the PPM. The Progressive Party of Maldives was registered by the Election Commission in late October with an astonishing 3200 members, and immediately took on the role of the main opposition party and began being highly critical of the ruling MDP government and President Nasheed. In a tried and tested method of propaganda, both Gayoom and Yamin have repeatedly called for all opposition parties to unite in an effort

to oust Nasheed in 2013. And perhaps the President should consider the potential risk Gayoom and his party poses; a testament of the PPM's burgeoning strength would be its growing numbers which have multiplied since the party's creation.

While Gayoom's decision to form a new party might have come as an untimely shocker to the layman, it fit seamlessly into the game that is central to politics - to remain in control and on the top of things at all times. He surprised his critics with his graceful exit from the political arena after his loss in the 2008 presidential election, his recent calculated moves were possibly predictable by those familiar with his political trajectory. With the MDP government crossing the halfway mark in its five year tenure, all political parties are now focusing on the upcoming elections in 2013 in order to ensure they attain power. For the DRP, perhaps the only manner in which it could have retained a fighting chance at the 2013 presidential elections was what it recognised as the essential need to maintain a link to the Maumoon dynast in some form. For Gayoom, however it appears that the only logical manner in which to achieve his political ambition of acquiring national power once again was to break free and create a new party which could be centred on his political lineage and yet not be linked to his past as the former President.

A politically resurgent Gayoom definitely poses a threat to the Nasheed leadership and the MDP, especially with his goal clearly defined. However, while the MDP can breathe easy at the moment thanks to the visible cracks in an opposition that is nothing but weak, it should also stay cautious as there is nothing stopping the opposition from uniting against it. Interestingly, the PPM is trying to not only woo the DRP but also the other parties under a common cause and that is the protection of Islam. The call to 'defend Islam' by leaders such as Gayoom has ensured the issue remains a part of political rhetoric in the coming year. Unfortunately, and perhaps in a tactical move by Gayoom, it also gives credence to the extreme fundamentalists and gives them a backing for their protests, as seen in 2011 when religious fundamentalism reared its ugly head.

Fundamentalism, a thorn

As an Islamic democracy, Maldives has been in a unique position to maintain a balance between religious fundamentalism within the country and the projection of being a religiously tolerant state. Having always maintained a stance that wouldn't necessarily be termed as fundamental, the country continues to abide by the Islamic Sharia law. However, in recent months there has been growing Islamic fundamentalism in the country with hard-core followers even resorting to vandalism and violence. Perhaps the most well recalled incident was the vandalising of the Pakistani and Sri Lankan monuments erected during the SAARC summit for being idolatrous. Pakistan's monument was a representation of artefacts from its historical Indus civilisation, with engraved symbols and a bust of Mohamed Ali Jinnah, the country's founder, while Sri Lanka's SAARC monument was a lion statue, a representation of its national symbol. Both were defaced by the fundamentalists who justified their actions by claiming the monuments were offensive to Islam.

Additionally, the 'defenders of Islam' went into overdrive during the visit of the United Nations High Commissioner for Human Rights. Navi Pillay had called for the removal of the constitutional clause that stipulates that all Maldivian citizens must be Muslims. She further went on to express concern over the practice of flogging women. Pillay pushed

for the idea of a public debate over the issue in order to find an acceptable solution to such inhumane acts of violence. Her opinions caused quite a furore adding to the already burning fundamentalist mentality. President Nasheed and the MDP took a restrained approach to the issue by encouraging such dialogue and debate as a form of healthy democracy. The opposition were quick to criticise the government as anti-Islamic and suggest they were willing to give up the Islamic tenets central to Maldivian way of life.

The fundamentalist furore reached a culmination in December when both the moderates and the defenders decided to protest on December 23. Though the protests remained nonviolent, they brought to light the growing factions within Maldivian society – the MDP led moderates who want to promote a more liberal stance of Islam, and the DRP, PPM, Adhaalath Party led defenders who are critical of President Nasheed's governance style. While the MDP and President Nasheed seemed determined to stand their ground, one could note a slight yield when the government ordered the closing down of luxury spas and massage parlours as a result of the opposition's targeted protest against the sale of alcohol and pork which are targeted to the tourists. Yet, the most crucial factor to pay attention to here is how the issue will be exploited by the opposition and the ruling government to suit their prevalent agenda.

What next...?

As with previous years, domestic politics continues to be the essence of Maldivian political existence. An unavoidable power-struggle is in the offing with Maumoon Abdul Gayoom quite obviously seeking a presidential comeback. While his bid for power might include anti-government propaganda, the most startling fact is that he seems to have forgotten his 30 year authoritarian rule that only ended in 2008 when the present democratically elected government came to power. His most vociferous opponent during last two decades of his rule is the current President, Mohamed Nasheed, who brought along a radical change to Maldivian politics. It is him who Gayoom hopes to defeat in 2013. While his intentions thus far seem noble – the protection of Islam, the promotion of democracy, the safeguarding of people's rights – one can't be faulted for being sceptical and wary of Gayoom's presidential bid.

In a year when the Opposition repeatedly exploited a sensitive volatile issue, the government did well to hold its own. While critics might argue that it succumbed to pressure and gave in with the banning of spas and massage parlours, one must note that the ban has been lifted for now. Yet, it does not signify the end of this pressing problem. The 'defend Islam' issue is likely to grow in magnitude through the year as the country heads into election year 2013. Internationally, Maldives must continue to push for greater environmental consciousness as the perils of global warming become only more sinister for the archipelago.

However, in the matter of bilateral relations, while it may seek new grounds with other countries, most notably China, it must not forget that India remains the closest and arguably most stable country in its immediate neighbourhood. Maintaining strong relationship with India should remain a priority, while India too must work to woo the nation. In the coming year, it is likely that the domestic situation will only get murkier while the race to the top quickens. While it is unlikely that the events that transpired in 2011 have caused any sort of a setback to President Nasheed's bid for re-election next year, what will be imperative to watch is if he can continue tackling the problems that may arise with his well-known élan.

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Myanmar: Guided democracy, and not a charade?

Sripathi Narayanan

Myanmar in 2011 underwent a great deal of change even though they have yet to make a deep impact on the ground. The developments were certainly signs of the potential of the country moving towards establishing an inclusive political system and opening itself up to reengage the international community.

The major year-end political development that took place in Myanmar was the announcement of the dates for the by-election (scheduled for 1 April, 2012) by the Election Commission on December 30. The by-election is to be held to fill the vacancies both in Parliament and regional Assemblies. This announcement was part of the internal political reforms that Myanmar initiated in November 2010, when the first elections were held in the country in over two decades. Since then, the Army-led junta has taken small steps towards forming a political and an administrative system that reflects a transitional government of the 21st century. To this end, the electoral outcome of November last paved the way for a civilian administration. Though the military (or the *tatmadawas* it known in Myanmarese) stepped aside, and so did the Government of the day, the elected representatives in Parliament and in the regional Assemblies predominantly had a military background.

The current administration continues to be dominated by the old guard who have shed their military uniforms in favour of civilian attire. This has created an environment of “guided democracy” and the November elections were termed by some as a “charade”. The “charade of a democracy” however proved more than that. It has since won credentials with the State orchestrating laws and procedures that have rendered credible Opposition outside the political landscape. Even so, the *junta* has in fact worked with great diligence towards reforming over the past year. This has been through a process of recognising the basic rights of the citizens and working towards a road-map to reach out to all the Opposition groups, including several ethnic nationalities in the country.

On 30 March, there was a formal change in the Government. The military handed over the power to a civilian Government. Former military General Thein Sein became the President and the reins of the military was handed to Gen Min Aung Hlaing as the Commander-in-Chief. Since March, there has been a steady progress on the political front. The Government recognised the importance of civil liberties and has been limiting its restrictive hold over the administration. It has since enacted laws that recognises peaceful protest by the people and has eased the censorship on media. The laws pertaining to protest despite the limitation imposed by the state are not all too restrictive.

SuuKyi freed, visits Parliament

The relaxation of the censorship laws has been a positive step. The media has yet to demonstrate complete independence but there have been signs of greater freedom. It would definitely take time before the media in Myanmar transform itself in to the fourth

estate of the state, one would have to wait to see the media outgrow its past and start playing a more active role in the country. The State-controlled media, *The New Light of Myanmar* has begun publishing news items that are not overtly critical of the Government. The same media organisation in the past was seen as a mouthpiece of the Government but now it is showing signs of change.

The Government has also started to shed its past policies with respect to domestic politics. The initial steps taken by the new Government include the release political prisoners. Pro-democracy leader Aung San SuuKyi who was freed from house-arrest immediately after the polls of 2010 has been encouraged to re-join mainstream politics. This was done by revisiting the laws pertaining to the qualification of individuals to run for public office. The change in the legal status of her National League for Democracy (NLD) was preceded by other developments, including the President meeting SuuKyi on 20 August, the first time the two had met each other. The meeting *per se* was more symbolic in nature, yet it marked real transition with respect to the attitude of the Army. SuuKyi also visited the Parliament, another symbolic gesture, which was interpreted as the nation's collective quest for normalcy.

Another significant political development of 2011 was an Election Commission statement on December 23 that the April 2012 by-elections would be free and fair. The statement was short and did not make headlines in the international Press. But this suggests the confidence that the military has in the new system. It also signifies that the new leadership does not fear the evolving democratic scheme as it did in the Nineties. The rationale for such an interpretation is that the military directly controls a quarter of the seats in Parliament through nomination of individuals to reserved seats in both the Houses.

Moving away from China

For a long time, Myanmar's ties with the outside world had been limited. This was a result of the isolationist policy that the nation had followed for a long time. The international community snapped its limited ties with the country after the brutal military crackdown, post-poll in 1990. Since then, Myanmar has had meaningful foreign relations with only a handful of nations. However, 2011 has witnessed a number of symbolic overtures which can fructify in the coming years. The *Naypyidaw* has taken measured initiatives that would result in expanding its profile at the international level and realigning itself in the changing world. Three significant developments would spell out the changes that have taken in Myanmar's foreign relations.

The first would be the suspension of the construction of the \$ 3.6-b, Chinese-funded hydro-electric MyitsonDam. The dam, when completed, would have generated 6000 MW of electricity, of which 80 per cent would have been to be exported to China. On 30 September, President TheinSein abruptly suspended the deal for the construction of the dam. The Government cited environmental concerns and the protests by the people who would have been displaced by the dam as among the reasons for the cancellation. The second reason in the dam scenario is interesting as the State has a poor track-record addressing the needs of the people. This incident was also interpreted as the drift between Beijing and Naypyidaw, since the Myanmar regime has for long relied heavily upon China on many fronts. This included heavy trade relations between the two and Beijing's political clout in international fora that the *junta* required for defending it.

The cancellation of the dam deal was followed by the Army chief, Gen Min Aung Hlaing, visiting Vietnam as the destination of his first official foreign visit -- and not China as his predecessors had done. The visit came around the period when Vietnam and China were at brinkmanship—in the South China Sea. The visit marked a symbolic shift in the importance that Naypyidaw was attaching to China as Naypyidaw has been in the process to reduce its dependence on China.

The second significant development of the year was when Myanmar was the decision of the Association of South-East Asian Nations (ASEAN) to chair the 2014 summit of the grouping, of which it is a part. Like in all other regional groupings of the kind, the ASEAN Chair goes around members on a rotational basis. The last time, Myanmar's turn came in 2006. Pressure from the international community on democracy and human rights issues forces the country to decline the offer. There was then the apprehension of ASEAN's global partners shying away from participating in the meetings called by the grouping with Myanmar as the Chair. The fact that Myanmar has taken up the responsibility this time thus sends out a positive signal. The West, even while raising democracy issues, has refrained from being too hard for Myanmar to handle. This also reflects on the attitudinal shift of both sides towards the each other. The ASEAN Chair does not signify much in general terms but in the case of Myanmar this acts as a tool of acknowledging the entry of Naypyidaw into the international fold. The ASEAN Chair also reflects the change in Naypyidaw's foreign policy.

The third interesting development was the visit of the US Secretary of State, Hillary Clinton to Myanmar in early December, the first such visit by a high-ranking American official in 50 years. The visit was not marked by any notable achievements, except for the ice-breaking effect it had on the relations between the two countries. The interesting aspect of this visit was that US President Barack Obama made the announcement about the visit on the side-lines of the ASEAN Summit on 18 November, in Bali, Indonesia. Clinton's visit was also reflective of Washington's recognition of the Myanmar Government's efforts on political reforms, and acted as validating the small steps taken in this direction, though Clinton, before her visit, had called for greater movement in the reforms process and had termed the efforts of Myanmar as 'flickers of progress'. The same terminology was used by President Obama to describe the developments in Myanmar. Clinton's visit was followed by a number of other visits by other senior official of other nations in the region. They included the likes of Thai Prime Minister Yingluck Shinawarta, the Foreign Ministers of Singapore, Indonesia and Japan. Incidentally, Myanmar also hosted the Greater Mekong Sub-region group's meeting, which can be considered as a prelude to the ASEAN Summit.

These developments were preceded in April, by the European Union relaxing travel restrictions imposed on certain Government personnel and their family members visiting Myanmar. The move was aimed at improving the EU engagement with Myanmar and also to encourage the local Government to work more on issues of democracy and human rights. In a significant development, President Thein Sein visited India at short notice, where he held discussions with Indian officials in October. He also participated in the ASEAN Summit in Bali, Indonesia.

Incidentally, the economy of Myanmar has not shown much progress or undergone any significant change, even as limited economic reforms were initiated along with the political reforms. The government has allowed limited private participation in a few areas like the mining of rubies and abolished taxes on the income of Burmese expatriates. The

government has also begun initiating a system of enrolling and registering all citizens working outside the country. The Western-led economic sanctions imposed on Myanmar continued to limit the country's economic activity.

Efforts to ensure ethnic peace

The new Government has realised that political reforms in the country would do good only if the ethnic groups are brought into the political process of change. The Government has initiated negotiations with the various ethnic groups, to find a peaceful solution. The year 2011 witnessed a number of such initiatives being taken by the new Government. A few have yielded positive results, while others are yet to do so. The Government has entered into ceasefire agreements with the United Wa State Army (USWA), the Shan State Army-South (SSA-S) and the Democratic Buddhist Karen Army (DBKA). In December, President Thein Sein ordered the military to cease its offensive against the Kachin Independence Army (KIA), while peace talks were initiated with other ethnic rebel groups, including the New Mon State Party (NMSP), the Karenni National Progressive Party (KNPP), the Karen National Union (KNU) and the Chin National Front (CNF).

Despite the progress made in negotiations with a few ethnic rebel groups, fierce clashes continued in many areas of the country's northern and eastern region. The Army continued to deploy its troops in ethnic areas to pressurise insurgent groups to come to the negotiations table. As a result, several thousands of ethnic people were displaced from their villages, and thousands fled to Thailand and other neighbouring countries. The Government in December announced that its plans to restore peace within three years. To this end, it has formed a negotiating team comprising senior officials. Members of the team incidentally have been party to earlier negotiations and peace-building efforts. The main obstacle in restoring peace in the conflict-hit zones has been the lack of trust between the two sides. Suu Kyi's offer to mediate between the Government and the ethnic nationalities has not received much attention from the former, at least as yet.

All in all, the developments of 2011 have given room for hope that Myanmar will continue its efforts to walk down the path of change. The year ahead would be crucial in shaping up the country's destiny for the long term, and act as a litmus-test, as the failure, or perceived failure, of the reforms efforts could result in a repeat of the post-1990 scenario.

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Nepal: Another year of lost opportunities

Akanshya Shah

Nepal's fragile peace process could not be completed in the year 2011. Many contentious issues of the peace process, which began five years back, remained unresolved owing to lack of consensus among the key political players. Despite a breakthrough agreement on November 1, the integration of former People's Liberation Army (PLA) combatants of the Maoists could not move ahead following strong opposition from the hard-liner faction of the party. Although political parties decided on the number of combatants to be integrated into the Nepal Army, the entire process came to a halt over the modality of

integration. The Maoist party also did not adhere to other issues over which agreement had been reached, especially on the return of seized property.

Likewise, the Constitution-making process faced a set-back despite the formation of the State Restructuring Commission. The Commission, which was given a mandate of two months in November to come up with recommendations on State restructuring, proved virtually ineffective because of political interference. The Constituent Assembly (CA) did not meet for eight months. After two extensions of three months each, the CA's life was extended by six months, in November. However, the Constitution-drafting process was stalled towards the end of the year, over a dispute on the choice between the presidential and parliamentary forms of government. The Nepali Congress, CPN-UML and United Democratic Madhesi Front — a loose alliance of five Madhes-based parties — unequivocally said that the Constitution-drafting process would remain stalled unless the major tasks of the peace process were concluded. The Maoists, on their part, wanted both the peace process and the work on the Constitution to move together.

VRS for Maoist cadres

The UN in Nepal (UNMIN) lowered its flag on January 15. With that, all responsibilities of the monitoring of the PLA were transferred to the Secretariat under the Special Committee for supervision, integration and rehabilitation of Maoist combatants. A formal ceremony was held at Shaktikhor, the Chitwan-based 'third division cantonment' of the Maoists, for handing over the former cadres to the Special Committee. This was hailed by the international community. But the process hit a set-back soon because of a change of Government. CPN-UML Chairman Jhala Nath Khanal succeeded the seven-month caretaker coalition of his party colleague M K Nepal in February, but he could not achieve anything substantial on the peace front.

The peace process seemed to gain some momentum after Maoist Vice-Chairman Baburam Bhattarai became Prime Minister on August 29. In less than a week, he handed over the keys of arms' containers of the Maoist PLA to the Special Committee. He also decided to do away with dual security for top Maoist leaders. The regrouping of PLA soldiers started soon after the November 1 deal, wherein the combatants were asked to opt for either integration or accept a rehabilitation package ranging from Nepali Rs 5,00,000 to Rs 9,00,000. As per the seven-point agreement, 6,500 combatants would be integrated and a separate directorate would be formed under the national Army which would look after development projects, industrial and forest security and disasters management. Sixty-five per cent of the workforce in the proposed directorate would come from different security agencies while the integrated combatants are to make up 35 per cent of the force.

Some 17,000 combatants out of 19,525 had turned up for regrouping whereas more than 2,500 proved deserters. Among the 16,964 PLA cadres who were surveyed and regrouped earlier, 9,690 expressed their wish for integration and 7,286 opted for the Government-funded voluntary retirement scheme. Six others have chosen rehabilitation. An interesting fact that emerged during the process was that the Maoist party had been allegedly abstracting allowances and ration stipend of the deserters from the State coffers. Non-Maoist parties raised the issue of transparency regarding millions of rupees abstracted in the name of the deserters. However, the Maoists denied any hand in such fraudulent activity.

Bhattarai faced loss of credibility as he was seen as promoting corrupt ministers in the Cabinet, sought amnesty for a rights violator and enlarged the size of his team to 49, making it largest in the history of the country. He was criticised for being “weak” and not being able to control the deteriorating law and order situation. The Constitution process came to a deadlock over the form of government. Although the Problem Resolution Sub-Committee formed by the Constitutional Committee — a Constitution-drafting body — met 36 times and amicably settled as many as 194 issues out of the total 210 identified by a 15-member taskforce, no agreement could be reached on the form of government. While the Maoists want a directly-elected President, the Nepali Congress and other parties want to retain the Westminster model. Maoist Chairman Prachanda went on record saying that “no flexibility will be shown” on the issue. Senior political leaders and analysts have suggested the French-model — an Executive President to be directly elected by the people and a Prime Minister to be elected by Parliament — as a compromise.

However, agreements to have a bi-cameral federal Parliament, law with retrospective effect to deal with offences such as crimes against humanity, war crimes and genocide, independent judiciary, mixed election system (first-past-the-post and proportional representation) and right to property as defined by law (ceiling on land-holding will be fixed) can be highlighted as some of the major achievements of the sub-committee this year.

If the parties fail to reach any agreement regarding the form of government, the CA will take a decision on the majority basis and assign the Constitution Committee to prepare the first draft. It is expected that the first draft of the Constitution will mention nothing about federalism until the State Restructuring Commission comes up with its report.

Power-cuts bog down economy

Apart from higher interest rates, private sector was dogged by long load-shedding hours and industrial disturbances throughout 2011 pulling industrial growth down. According to the Central Bureau of Statistics, Manufacturing Production Index grew by only 1.23 per cent in the first quarter (mid-July to mid-October). The power cut reached 10 hours daily by December. The frequent change in government and policy instability hit private sector hard with low domestic investment. No foreign investments could be lured in key sectors like hydro-power.

Prime Minister Baburam Bhattarai, however, tried to instil some confidence among the investors by signing the Bilateral Investment Promotion and Protection Agreement and revised Double Taxation Avoidance Agreement with India, which is Nepal's largest trading partner. But the agreements is said to take time to bear fruits as the security situation has not yet improved and the peace process not been taken to a logical conclusion. Imports and exports did not improve widening the trade deficit to over NRs 332.97 billion. The only respite the country got over the year was from remittance that stood at Rs 78.5 billion by the third month of the current fiscal year due to increased outflow of Nepali migrant workers. By the fourth month of current fiscal year, some 156,721 Nepalis had left the country for foreign employment, according to Department of Foreign Employment. The strong dollar against the weak Indian rupee helped Nepal receive more remittance giving a boost to the foreign exchange reserve that swelled to over Rs 330 billion by the fourth month of the current fiscal year. The forex reserves also

swelled due to rise in tourist arrivals this year because of Nepal Tourism Year 2011 celebrations. The year witnessed a record visitor arrivals crossing half-a-million mark by November.

Although the budget was on time compared to previous years, it could not help boost development expenditure, employment and economic growth. The share market too remained gloomy throughout the year due to lack of investors' confidence in the Government's policies. Recurrent *bandhs* and strikes also put pressure on the economy. With the Government increasing petroleum product prices, inflation and price-rise were on the upswing in the second half of the year. Shortage of petroleum products coupled with power crisis hit the economy hard, making it less competitive and pulling the export down. The country witnessed an export of NRs 18.037 billion compared to NRs 100.26 billion worth imports by mid-October. While Nepal witnessed a growth rate of six per cent in 2008, the same is expected to be less than four per cent by the end of this fiscal year.

Corruption goes unchallenged?

The civil society movement in Nepal seemed virtually dead this year. Even with 10 hours of load-shedding (which is expected to reach 19 hours by the end of the ongoing dry season), deteriorating law and order situation and rise in corruption, no major public demonstration was observed with civil society members hardly making any news. Nepal was labelled as second most corrupt country in South Asia after Afghanistan by the Transparency International. The Corruption Index 2011 Report ranked it 154th out of 183 countries while it was in 146th position in 2010. Rampant institutional corruption came to the fore with the multi-million dollar Darfur scam involving the Nepal Police. It caught the attention of the national and international media as well as the constitutional anti-corruption watchdog, the Commission for the Investigation of Abuse of Authority (CIAA). The misappropriation in the purchase of armed personnel carriers for the police deployed in Darfur, Sudan, as part of a UN mission came only second to peace and Constitution-drafting processes in terms of coverage in the national media. The CIAA filed charge-sheets against about three dozen serving and retired police officials, including three IGs, and two agents for embezzling a whopping NRs 288 million in the purchase of the APCs.

A multi-billion-dollar deal aimed at 'developing' Lumbini, the birth-place of Lord Buddha, too was caught in a controversy. It all started when the Hong Kong-based Asia Pacific Exchange and Cooperation Foundation (APECF) and the China Chapter of the United Nations Industrial Development Organisation (UNIDO) signed a \$3-billion deal for Lumbini development in July without informing the Nepalese Government and the Lumbini Development Trust. The secret deal drew fire in Nepal. Subsequently, the Government dismissed the agreement.

Law and order situation remained bleak as series of murder cases unfolded in the country and even in the tightly-guarded Kathmandu city. The Government drew flak from all corners, including national and international rights bodies, for its failure to give people a sense of peace and security. Media remained a soft target. During the year, over 100 incidents of violation of Press freedom were reported, most of them over news coverage, the Federation of Nepali Journalists (FNJ) noted. Constant attacks, threats and intimidation mainly from various groups with political affiliation continued despite political leaders' pledge to protect Press freedom.

The year also witnessed natural and man-made disasters. Twenty-five people died in two air crashes. Nepali Airlines had recorded no fatalities in four preceding years of the last decade. On September 25, the Buddha Air's Everest flight crashed in Bisankunarayan, Lalitpur, killing all 19 people on board. Likewise, on October 18 all six people on board an Army ambulance- chopper lost their lives when the Nepal Army plane returning to Kathmandu from a medical rescue mission in Nepalgunj crashed in Baglung district. The September 18 earthquake measuring 6.8 on the Richter scale, with its epicentre near Taplejung and the second strongest to hit Nepal in eight decades hit the eastern region the hardest, though the tremor was felt across 20 districts. According to the Home Ministry, six persons died, 90 were injured, over 2,322 buildings destroyed and 2,780 damaged across the country. According to a report of Kathmandu Valley Earthquake Risk Management Project survey, 40,000 people might die and nearly 100,000 might suffer injuries, requiring hospital services if another magnitude-8 rocked Nepal, unlike in 1934, when a magnitude-8.4 quake resulted in the death of more than 8,000 people and destruction of more than 200,000 houses.

Judicial activism to the fore

Even with the return of the Maoists to power in 2011, the overall political and socio-economic situation remained bleak in Nepal with the crucial peace process once again left midpoint. All hopes attached to the Baburam Bhattarai Government were dashed as the Prime Minister faced massive opposition from his party hard-liners led by Modan Baidya Kiran. Chairman Prachanda has been unable to tow the middle ground and now seems to struggle to keep up with Bhattarai's line of peace and Constitution-making. With Kiran unwilling to compromise, it will be hard to imagine the completion of the peace process and the Constitution-writing by the end of the six months' extension that the Constituent Assembly has granted itself.

The Supreme Court has already ruled that this will be the "last extension" as the CA will lose its mandate thereafter. In a landmark judgment in November, the Apex Court directed the State to opt for a referendum, fresh elections to the CA or explore any other viable alternative if the Constitution-making body fails to complete its task within the renewed deadline. 'Judicial activism' of the kind has been questioned by the Executive and the Legislature, but the general public has supported the verdict.

Although the number of differences among the political parties was reduced drastically in 2011, serious differences remain on the issue of integration and fundamental constitutional principles. The consensus that emerged after Bhattarai assumed the office of Prime Minister has unfortunately broken down and thus the Constitution-formulation process has been stalled. Amidst a horde of other failures, the Government could not form the much-needed Disappearances Commission and Truth and Reconciliation Commission, which were vital components of the peace deal.

Another worrisome sign in 2011 was the fact that the country witnessed serious rifts within all major political parties and most serious among the Maoists. The intra-party divide in the UCPN (Maoist), Nepali Congress and CPN-UML, the three largest party in the parliament, has cost the peace process severely. A public opinion poll conducted by Nepal-based Inter-disciplinary Analysts showed that an overwhelming majority of the people in 2011 believed that the country was moving in the wrong direction. While 59 per cent of the respondents said that the country was headed in a bad direction, only six per cent said it was moving on the right course. The main causes of anxiety among the

populace, according to the survey, were poverty, price hike and unemployment. The major local-level problems identified were lack of infrastructure like roads and water-supply. At national-level, the problems identified were uncertainty about formulation of a new Constitution and political instability besides poverty and unemployment. This means that increasingly people feel that political instability is the key to non-formulation of the Constitution. People blame the leadership for focusing on political goals rather than on Constitution-writing.

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Pakistan: A deepening crisis

Aarya Venugopal and Astik Sinha

The year 2011 was a year of hardships, which widened the existing fault-lines in Pakistan. Deterioration in three key areas explains the prevailing crisis. First, the Pakistan People's Party (PPP) weakened as a symbol of strength and change. Second, the civil-military relations were marked by intense confrontations. Third, as a key ally on the 'war on terror', Pakistan's relationship with the US was clouded by mistrust and accusations.

Three years after sweeping off the Musharraf regime through elections, the PPP saw the slow and continuous decay of the party as an organisation. Floods, power-shortages and discord with the US, among other issues, weakened the Government, leading to a serious crisis of legitimacy. Recurrent floods, for instance, meant that the Government was on fire-fighting mode for most of the year, when it should have been addressing larger policy issues. One sector that reflected this myopic vision was the economy.

On the other hand, the Army chief, Gen. Ashfaq Kayani, was increasingly seen as interfering in the business of Parliament, thereby faltering on his own words when he had stated in 2008 that the Army would stay out of the political processes and support the democratic government. The judiciary on various instances played a crucial role and was also determined to not undermine the role of the legislature by overstepping. The recent controversies over the 'memo-gate' and the National Reconciliation Order (NRO) have only worsened the civil-military-judiciary situation.

'Khan phenomenon'?

A glance at Pakistan's domestic politics in 2011 would show that the PPP weakened considerably and the resulting vacuum benefited both the PML-N and PTI which consolidated and expanded. Imran Khan's party Pakistan Tehreek-e-Insaf that won only one seat in 2002 and boycotted the 2008 elections demonstrated an enormous expansion of its support base in 2011. He held massive rallies in October and December at Lahore and Karachi, respectively, which drew tens of thousands of people. Many senior politicians such as Javed Hasmi, former Foreign Minister Khurshid Mehmood Kasuri, Jamal and Owais Leghari and Shah Mahmood Qureshi joined the ranks of Imran Khan's party. Imran Khan having demonstrated his staying capacity as a political leader despite electoral reversals in the past, analysts feel that the Khan 'phenomenon' was the result of a deep sense of disillusionment among the people for the

major parties rather than an admiration of the former cricketer as their leader. His critique of secular liberalism and his conservative stand on issues was not received well by the elite. He also purportedly had the backing of the military establishment.

Today, Pakistan Muslim League-Nawaz, led by former Prime Minister Nawaz Sharief, is the party that will most definitely make a stumping victory if elections were to be held soon. In 2011, the party and the leader further consolidated their position. He travelled across the nation to galvanise support. Later in the year, he filed a petition in the Supreme Court for a probe into the memo-scam. However, Nawaz Sharief was not in the best of health as he was in London for more than two months for attending to serious heart-related ailments.

In terms of political alliances, it has become a norm rather than an exception that neither ideology nor ethics has a place in the minds of the elite in power. Alliances and rifts were ephemeral in nature. MQM, one of the coalitional 'partners' of the present PPP-led coalition, true to its history as the king-maker, walked in and out of the coalition throughout the year. The PML-Q joined the PPP-led coalition on May 1. This was viewed as a marriage of convenience and a strategy to demonstrate to the MQM that the PPP had the required numbers (close to 55 seats are held by PML-Q) to lead the coalition. According to analysts, PML-Q was now awaiting the return of former President Pervez Musharraf to the country

The epi-centre of all political activities, namely Parliament, lacked the quorum through much of 2011, and disruptions persisted. Historically- important Bills for the rights of women such as the Prevention of Anti-Women Practices Bill 2008 and Acid Control and Acid Crime Prevention Bill 2010 were passed in December. However, an important Bill that Sherry Rehman, later Ambassador nominee to the US, introduced for amending the blasphemy law had to be withdrawn as she could not gain the confidence of those in the higher echelons of the PPP and also because she faced threats to her life.

'Memo-gate' and trilateral tensions

The Government and the Supreme Court (SC) had many confrontations that became a matter of grave concern as it could have led to the undermining of both institutions. Early August there was severe tension when the PPP-led Government demoted senior bureaucrat Sohail Ahmed from the post of Establishment Secretary to be an 'officer on special duty'. In order to avoid direct confrontation, the court softened its position that Ahmed should be reinstated to the same position in a day, it ruled that he should be reinstated in a position of prominence within a week. The Government decided to comply and posted him as the Secretary of the Narcotics Control Division.

Pakistan's civil-military relations too were under considerable constraints during the year as the "memo-gate" controversy not only raised questions about the strength of the country's civilian Government but also weakened it considerably. Mansoor Ijaz, writing in a column in the *Financial Times* on October 10, said that a senior Pakistani diplomat requested that a memo be delivered to the Pentagon with a plea for US help to stave off a military coup in the days after the raid that killed Osama bin-Laden in May. Ijaz, an investment banker and media commentator, had in 2006 claimed that Iran already had a nuclear bomb and that US think-tanks were formulating strategies to overthrow the Iranian Government. This time round, he identified the diplomat in question as

Pakistan's Ambassador to the US, Husain Haqqani, who denied involvement in the memo but resigned over the controversy. The former Ambassador known as an outspoken critic of the military seemed to bear the brunt of an on-going struggle between the military and civilian leadership for control over relations with the US.

The issue was further complicated with a claim that the ISI Chief, Lt Gen Ahmad Shuja Pasha, had visited Arab countries for discussions on a possible coup by the army. However, no evidence emerged that the military had such plans. What irked Gen Kayani the most was a line in the memo that stated that a 'new national security team had been prepared with the full backing of the civilian apparatus' to replace the existing establishment if Washington so desired. If this was indeed true, it not only cast a doubt about unity within the army but also its loyalty towards Kayani.

In responses filed before the Supreme Court, Gen Kayani acknowledged the existence of the memo and stated that it had an impact on national security and it sought to lower the morale of the army. The affidavits filed by the Army and ISI chief were contested and termed "unconstitutional and illegal" by the Government. The latter alleged it was side-stepped by the military while the army warned of "serious ramifications" and "consequences" for the country.

Tensions between the civilian Government led by Pakistan's Peoples Party (PPP) and the military have been a regular feature for almost its entire existence. This time though, the tussle does not necessarily include other parties. Haqqani's resignation was seen by many as further weakening of the civilian Government, which is already beset by allegations of corruption and incompetence. The disenchantment of the military with the present leadership of President Asif Ali Zardari and Prime Minister Yousaf Raza Gilani, was also expressed by the former Air Marshal Shahid Lateef. In a statement, he said that the Government had failed to deliver on its promises in the last four years, that present electoral structure was flawed and elections held under this system would result in the return of a dysfunctional corrupt government.

All this came at a time when President Zardari was in Dubai for medical treatment, which raised speculation that he may either seek Saudi- backing or a peaceful exit. The man at the centre of the memo case, Mansoor Ijaz, in spite of his assurances to depose before an enquiry commission, is yet to do so. On the other hand, Haqqani's counsel in the Supreme Court, Asma Jehangir expressed apprehensions that the ISI might influence the judicial commission to give a verdict against her client and subsequently quit.

Ties with the US: from bad to worse

The year got off to a terrible start for relations with the US, when in January an American citizen, Raymond Davis, shot dead two Pakistanis in Lahore. Initially, American officials appeared weary of giving details about exactly what Davis was doing in the country, though it was later reported that he was a CIA contractor. US President Barack Obama categorically stated that Davis enjoyed diplomatic immunity and be allowed to return home. Davis was released even as Pakistani politicians and the public at large demanded that he be tried in a criminal court in the country. The victims' families accepted American compensation but there was immense outrage across the country over the perceived weakness of the Government.

This was only the first of Pakistan's problems in a year that was to be arguably the most challenging in US-Pak relations. Only to aggravate the situation in March, just a day

after Raymond Davis was released, the CIA conducted one of its deadliest ever drone attacks in Pakistan. The strike assumed significance since it occurred barely two days after ISI chief Pasha had visited the US and called for a halt to drone attacks.

US drones killed hundreds of people in 2011, although it is difficult to verify the exact numbers. Those affected find it unpalatable that a foreign country carried out attacks on their soil and innocent civilians ended up paying a huge price for it. Behind the scenes though, Pakistan's civilian and military leaders were believed to have given their support to the policy until recently - though they have never said so publicly. Pakistan has insisted that drones be used only against 'high value' targets and not against regular insurgents.

Drone attacks were immensely unpopular, and detrimental in many ways. At the national-level, they reduced the legitimacy of the Government and accentuate opposition to cooperation with the US. At the local-level, they were believed to have caused immense collateral damage, leading communities to support the Taliban in order to extract revenge, an obligation in Pashtun tribal society. After much opposition from within Pakistan, the US in a calculated move decided to halt the drone attacks, following high-level visits by both sides.

Taking out Osama

Just when the world thought that Pakistan had hit the lowest of the lows, it witnessed one of the most shocking incidents of the year and one that not only had a major bearing on the US-Pak relations but also on how the international community viewed Pakistan. On May 1, US Special Forces launched a helicopter-borne assault on Al-Qaeda's founder Osama bin-Laden's compound in Abbottabad, close to the Pakistan Military Academy. The operation that lasted 40 minutes resulted in the killing of the 'world's most wanted' terrorist. The helicopter-raid by US Navy SEAL commandos was monitored by President Obama and his team, live. US officials said they didn't share their intelligence with any other country, including Pakistan.

Bin Laden's death brought a 'closure' for many 9/11 victims. However, this one incident brushed aside the 10-year record of Pakistan fighting alongside the international community in the 'war on terror'. Many in the international community suspected Pakistani collusion and some in Washington demanded an end to the American aid to the country, a demand that was later realised with the Kerry-Lugar Bill. It also accentuated the level of distrust between both sides.

The debate within Pakistan surrounded how its territorial sovereignty was violated by the US while going after Osama. The Pakistan military was not only shocked but also shamed. The international community questioned whether it was complicit or simply incompetent to detect both Bin Laden's presence and the midnight air raid on his compound. The military's image was dented and its morale at an all-time low. Surprisingly, there was little public soul-searching about what led to the Al-Qaeda leader's presence in Abbottabad.

In the months that followed Islamabad and Washington appeared to have just about brought their relationship back from the brink when tensions suddenly sky-rocketed in September. A truck-bombing in the Afghan capital, Kabul, followed a few days later by a prolonged attack on the US Embassy and NATO HQ once again pointed a finger towards

Pakistan's involvement even as the Haqqani wing of the Taliban said they were responsible.

Admiral Mike Mullen, Chairman of the US Joint Chiefs of Staff, was outspoken in his remarks, just days before he was due to retire and said that the "Haqqani network... acts as a veritable arm of Pakistan's Inter-Services Intelligence (ISI) agency". He added that "with ISI support, Haqqani operatives planned and conducted that truck-bomb attack, as well as the assault on our Embassy." His open accusations of the "double-game" being played by the Pakistanis stunned the establishment. US Secretary of State Hillary Clinton, on a brief visit to Islamabad, warned Pakistan about keeping "snakes in its backyard", a clear reference to the Haqqani group based in North Waziristan. Gen Kayani's ire was evident when he questioned whether Clinton's visit was simply to serve an ultimatum.

The year ended with a final blow to US-Pak relations. NATO helicopters and fighter aircraft hit two combat outposts on the border with Afghanistan, killing 24 Pakistani soldiers on November 26. Islamabad termed the incident as an "unprovoked attack", shut down US military supply-routes to Afghanistan and asked the US to vacate the Shamsi air-base within 15 days of the attack. Gen Kayani ordered that any drones be shot down and allowed retaliatory fire. Washington talked of "regret" but stopped short of an apology, to the anger of many in Pakistan. Pakistan refused to conduct a joint investigation into the air raid and rubbished the US Central Command preliminary investigation report. The visible sign of Pakistan's anger against the NATO and ISAF attack and violation of its sovereignty was its decision to boycott the Bonn Conference. In spite of requests by Afghan President Hamid Karzai and Clinton, Islamabad refused to budge from its stated position.

It is believed that while the Pakistani military leadership doesn't want a rupture with the US because of the huge economic dependence on them, there is pressure within the ranks. Washington has said that it was now in a limited relationship with Pakistan. Islamabad on its part has noted that all future military engagements with the US would be 'purely professional'. The turn of events at the end of the year seem to have forced a re-look at US-Pak engagements.

Cementing ties with China

Pakistan and China marked 60 years of their diplomatic ties in 2011 and held a number of high-level visits. Both sides started discussions on building a cross-border railway linking the Northern Area of Pakistan-occupied-Kashmir (POK) with Kashgar, an old Chinese 'Silk Route' town in the restive north-western Xinjiang Province. No time-table for starting the construction was decided. It is believed that this road would shorten China's trading routes from the Gulf to Shanghai by about 8,000 km. Talks about a cross-border pipeline that can carry oil and gas to China via inland Eurasia were also initiated.

Pakistan also invited China to enhance economic and trade links in areas such as energy, mining, infrastructure, IT, agriculture, railway, and banking. Islamabad signed a currency-swap agreement with China in a bid to shore up and diversify its foreign currency reserves, allowing the Government to borrow up to \$1.5 billion under the pact. China also endorsed Pakistan's bid to seek full membership in the regional security grouping of the Shanghai Cooperation Organisation (SCO) at the 10th Summit. Currently,

Pakistan holds the 'Observer' status. Pakistan has increasingly tilted towards Beijing as the country's natural ally, offering the possibility of becoming at least a half-substitute to ties with the United States.

The two sides also conducted a joint anti-terror military exercise YOUYI-IV or 'Friendship 2011' in November near Islamabad. The joint interaction was aimed at sharing and enhancing expertise of both the armies in countering terrorism. In recognition for his support, President Zardari conferred the title Nishan-i-Imtiaz (Military) on Gen Hou Shusen, Deputy Chief of General Staff of the People's Liberation Army of China for promoting friendship between the two countries. The joint exercise caused a media frenzy in New Delhi as it was seen as an attempt to put pressure on India. Echoing a statement quoted by the *China Daily*, Gen Kayani said that the joint drill was not targeted at any third nation.

There were other high-level visits including one by the Chinese State Councillor, Dai Bingguo along with other officials to meet, Gen Kayani in December. This visit came amidst the memo-gate controversy and the on-going strain in US-Pak ties.

Afghan ties in the doldrums

Tensions between Afghanistan and Pakistan spurred in the early part of the year when both sides were involved in skirmishes along their military outposts. The assassination of the former Afghan President Burhanuddin Rabbani on September 20 widened the rift between the two. President Karzai accused Pakistan of playing a double-game in the region. However, after his India visit, he toned down his criticism and termed Pakistan as a 'twin-brother'. Both sides held their first talks at the Istanbul Conference in November. Presidents Karzai and Zardari met along with their army chiefs and held extensive talks. The 'Istanbul Declaration' noted that near and far members would not interfere in the internal affairs of Afghanistan. It was also decided that joint military training and exercise between the militaries of Pakistan, Turkey and Afghanistan would be held.

The Government also started negotiations with Tehreek-e-Taliban Pakistan, the umbrella group of militias based in the tribal areas of the country. The attempt at forging a peace agreement was driven by the belief that local insurgents would be tempted to target Afghan forces once they took over security tasks of the coalition troops, who exit in July year. Pakistan also told the UN Security Council that it backed an 'Afghan-led' reconciliation process that would help in bringing different opposition groups, including the Afghan Taliban, into the political mainstream to promote peace in the war-torn country.

In a departure from the existing policy, Pakistan decided to restrict the Haqqani network's movement along the Afghan border as part of an understanding reached with the US. The decision of the military involved not only restricting the movement of all militant groups, including the Afghan Taliban insurgents, but also to deny them space within Pakistan's borders. This departure in policy towards the Haqqanis did not mean that the Army would directly confront the group, which the country continues to believe has a vital role in any future political dispensation in Afghanistan.

In what was termed a positive breakthrough after 10 months of secret back-channel talks with the Taliban, the insurgent group decided to open an office in Qatar, a move supported by President Karzai as he believed it would prevent further conflict in the region. The call for a permanent international address for the Taliban came after a series of failed efforts towards talks by Afghans. This move was also aimed at limiting Pakistan's role in fighting the insurgency. As the year neared its end, relations between both sides received another setback owing to the November 26 NATO strikes on Pakistan's border-posts. The visible sign of Pakistan's anger against the attack and violation of its sovereignty was its decision to boycott the Bonn Conference. In spite of requests by Karzai and Clinton, Islamabad refused to budge from its stated position.

Progress and stability on India front

Marked improvement was observed in relations with India as the focal point had shifted from issues such as Kashmir or Siachen to trade and commerce in 2011. On March 30, India reached out to Pakistan through 'cricket diplomacy' when Prime Minister Gilani accepted his Indian counterpart Manmohan Singh's invitation and attended the World Cup semi-finals between the two countries at Mohali. The year also saw countless number of high-level talks between the two nations. In March, Commerce Secretary Zafar Mahmood and his Indian counterpart Rahul Khullar met in Punjab to discuss prospects for trade and business. However, the granting of Most-Favoured Nation (MFN) was refused in this meeting. Then Indian Foreign Secretary Nirupama Rao and her counterpart Salman Bashir met at Islamabad in June to discuss the prospects for lasting peace and security.

Bilateral ministerial-level meeting between Foreign Minister Hina Rabbani Khar and External Affairs Minister S M Krishna in New Delhi called for 'uninterruptable' talks and discussed trade and transit extensively. Foreign Minister Khar also met senior Kashmiri separatists including Syed Ali Gilani. In October, Pakistan Commerce Minister Makhdoom Amin Fahim made history as the first Commerce minister in 35 years to have visited India. The MFN issue was discussed extensively. However, though the Cabinet approved the move, owing to strong domestic opposition and pressure, they had to put the decision on hold.

The most recent of efforts was the involvement of both countries after a period of four years in the Nuclear and Conventional Confidence Building Measures (CBM) in December. They agreed to extend the validity of the "Agreement on Reducing the Risk from Accidents Relating to Nuclear Weapons" for another five years. However, India rejected the request to move heavy artillery from the Line of Control. As part of the South Asian Transmission link, India plans to sell 500 MW of power to ease the severe shortage of power in Pakistan.

Some incidents that created tensions between the two Governments were surprisingly handled with care. For example, in October, an Indian military helicopter violated Pakistan's airspace and was therefore forced to land in the Olding-Kargil Sector near the LoC. After a few hours of interrogation the pilots were allowed to return. Pakistan said it did not want to derail the peace initiatives. However, Pakistan remained disappointedly, uncommitted to bringing the architects of the 26/11 Mumbai terror attack to book, it being one of the long-standing issues between the two countries after 2008.

The year 2011 would be remembered for the better relations with India rather than the US. According to analysts, the Pakistan military believed that trade with India would help the country's weakening economy and it has also been cited that the military did not want to be engaged on both fronts and therefore consented to the peace process. Whatever the reasons, as relations with the US is slowly deteriorating and relations with India slowly stabilising, it gives hope to the otherwise precarious security situation in South Asia as the long-drawn conflict between two of its largest nations eases.

Military up-gradation and operations

The war on terrorism cost the Pakistan armed forces the equivalent of two full brigades, including the lives of a three-star and a few two-star generals. Since 2007 more than 140,000 armed forces personnel had been deployed along the Afghan border. Of them 3,097 personnel had been killed and 721 others permanently disabled. The total number of Pakistanis killed in the conflict stood at 40,309. The Inter-Services Intelligence alone had lost 63 personnel in various incidents, including attacks on its major stations.

The armed forces budget for this fiscal was Rs 445 billion, an increase of 11.36 percent over the previous year. The armed forces and Ministry of Defence had earlier made separate requests for Rs 582 billion and RS 524 billion, respectively, to be allocated for defence. There were calls from within the Army to lower its military expenditure in 2012, which currently stands at 16 per cent of the national budget, a view Army chief Gen Kayani rejected saying that Pakistan spends on three soldiers what India did on one. He added that up to 75 per cent of the amount allocated for Defence was spent on salary and rations and 25 per cent on "everything else".

The military has also come in for criticism from various national and international watchdogs that have found irregularities in defence- spending. According to the 'National Corruption Perception Survey (NCPS) 2011' of Transparency International Pakistan (TIP), the military was among the top five most corrupt institutions in the country. The Auditor-General's report for 2010-11 put the figure at over PRs 12.5b. These irregularities included the violation of procurement rules, irregular payments as well as fraud. The Human Rights Commission of Pakistan in its report on the federal and provincial budgets noted that the division of resources between the defence and social sectors was tilted towards the former, preventing welfare measures. It said while the defence budget of the country was PRs495.2 billion, up to Rs582 billion was being spent on the sector. A Defence Ministry report unearthed the alleged involvement of close to a 100 officials of the armed forces in incidents of graft. This followed the Parliament Public Accounts Committee's declaration that three top army generals were responsible for PRs1.8-billion loss in the National Logistics Cell scam. The US also blocked \$2.5 billion in Coalition Support Fund (CSF) arrears to the country, based on wrongly-claimed bills and receipts. Some serving and retired officials of the armed forces felt that Pakistan should curb its military budget and also adopt a strategy to reduce its land forces and increase its air power capabilities.

The Army spent a considerable amount of its energy and resources in counter-insurgency operations along the north-western frontier with Afghanistan. Operations were conducted in the Dir region of Khyber Pakhtunkhwa, the Mohmand Agency, the Orakzai Agency, Quetta and Balochistan. The Air Force carried out over 5,500 sorties in the tribal regions since May 2008, using laser-guided bombs in 80 percent of the strikes.

The offensive military engagement could only accomplish 10 to 15 per cent of the task of pacifying tribal areas.

Pakistan successfully test-fired the short-range Surface to Surface Multi Tube Ballistic Missile Hatf IX (NASR), aimed at adding deterrence value to the country's Strategic Weapons Development programme. The missile has a range of 60 km and can carry nuclear warheads of appropriate yield. The Hatf-VIII or the Ra'adair-launched Cruise Missile, and the multi tube, Cruise Missile Hatf VII (Babur) with a range of 700 km were also test-fired during the year.

Among the notable visits made by the Pakistan Navy Ship (PNS) SAIF and PNS Khaibar were those to Sri Lanka, Malaysia, Dubai and Maldives. The Air Force was beefed up with the induction of the JF-17 aircraft into the fleet, jointly developed and produced by the Pakistan Aeronautical Complex and China Aero-technology Import Export Corporation. The JF-17 will replace the existing inventory of F-7 (MiG-21), A-5 and Mirage III/V currently in service. The country is also likely to receive the last batch of F-16 jets in the second half January, 2012. The US Embassy in Pakistan confirmed that deliveries of the aircraft would continue "throughout this year and next". Pakistan also renewed its demands for transfer of drone technology from the US and called for greater sensitivity towards collateral damage caused by aerial raids.

Internal disturbances, an on-going challenge

Salman Taseer and Shahbaz Bhatti were assassinated on January 4 and March 2, respectively. Salman Taseer, Governor of Punjab was shot by his bodyguard Malik Mumtaz Qadri, for the former opposing the 'blasphemy law'. While it was expected for religious parties like Shabab-i-Islami Pakistan (SIP), Sunni Ittehad Council (SIC) to demonstrate their support to Qadri, what shocked many was the support of many 'civil society' members including some lawyers. They not only celebrated the act but also threatened both Muhammad Afzal Chishti, the cleric who led the funeral prayers for Taseer and Pervaiz Ali Shah, the anti-terrorism court judge who sentenced Qadri to death. They fled to the U.K. and Saudi Arabia. Shahbaz Bhatti, the first Federal Minister for Minority Affairs was under threat to his life for more than two years after he had publicly criticised the killing of Christians in the Gojra riots. However, the immediate reason for the assassination was his support for Aasiya Bibi, a Pakistani Christian woman who was sentenced to death under the blasphemy law. In early December, Tehrik-i-Taliban acknowledged responsibility for the assassination.

In 2011 alone, about 1800 people were victims to targeted killings in Karachi. This resurgence of violence was difficult to place in categories of ethnic conflict, sectarian violence or gang wars. The intervention of the Supreme Court in August when the killings were rampant (350 in July and 300 in August) and the subsequent order, led to the deployment of extra police force and Rangers in the city. There has been a general lull in killings after the 'surgical operations' that were carried out by the rangers. The downside of this strategy was a set of human rights violations as rangers were alleged to have killed unarmed civilians.

Despite measures to integrate Balochistan through an increase in their share under the National Financial Commission Award, reservations in employment at the federal level, etc, the Government did not achieve a breakthrough. Gen Kayani had announced the

military's decision to withdraw all units from active combat operations in Balochistan on April 18. The enrollment criterion for recruits into the army was relaxed for residents of Balochistan and Sindh. However, the Province continued to witness the highest number of violent incidents in the country. There were 107 cases of forced disappearances and close to the 200 'missing individuals' were found dead this year. Specifically, targeted killing of around 80 people of the Shia Hazara origin, political activists, intellectuals, non-Baloch 'settlers', lawyers continued this year. Due to a lack of proper investigations, nobody was convicted for these crimes. The most recent killing was that of DrBaqir Shah, a police surgeon, who after a *post-mortem* examination, had concluded in his report that the five Uzbeks who were shot dead by security forces at Kharotobad in May were unarmed and were not terrorists.

The Government also seemed to have had no success against the extortion and abductions rackets and the subsequent disappearances that continued unabated. Some high-profile kidnappings were those of Warren Weinstein and Shahbaz Taseer (son of slain Governor Salman Taseer) in August. Weinstein, a US citizen, was working with an international aid agency. Their whereabouts are still unknown. According to Reporters Without Borders, 12 journalists were killed during the year, making Pakistan the most dangerous place to be in for a journalist in South Asia (total number of journalists killed in the entire South Asian belt was 17) and the tenth worst place to be in, in the world. However, not all the 12 cases mentioned in the report were directly linked to work. Saleem Shahzad was murdered just days after his exposure of the 'PNS Mehran attack'. Two senior journalists Hamid Mir and Najam Sethi recently claimed that they had received threatening messages. Many journalists were reportedly beaten up as a warning to discontinue their work on 'sensitive' issues.

Internal security was the most gruelling and challenging front for the Government during the year. Some figures do indicate that the number of people killed in sectarian violence saw a reduction in 2011 with 200 people killed in comparison to 509 people in 2010. The total number of people killed due to terrorist violence also reduced in comparison to the last two years. In 2009 and 2010, close to 11,700 and 7435 people were killed, respectively, in comparison to the 6048 people killed in 2011. The number of people killed in suicide bombings was 612, demonstrating a sharp decrease in comparison to last year when close to 1167 people were killed. According to the Pakistan Institute for Peace Studies, the decline was almost 40 percent. Importantly, a 20 percent decrease was also observed in the deaths caused by militant attacks.

However, Pakistan still accounted for 79 percent of all violent deaths in South Asia which has not come down over the years. Another set of data showed an increase in the number of civilian and security forces deaths for every dead terrorist. Violence against women also continued and according to the HRCP around 675 women was murdered in the period between January and September and in October alone 29 'honour killings' cases were registered.

Floods and internal displacement

The country experienced a recurrence of flood in August 2011 that destroyed the lives of close to half a million people who were displaced and close to 6 million acres of land still submerged leading to the destruction of hundreds and thousands of crops, livestock and thereby basic livelihood. Around four million people were displaced during floods of 2011

and about 660,000 people were still homeless. According to the FATA Disaster Management Authority (FDMA) some 850,000 people (129,000 families) were internally displaced in FATA and KPK due to military operations.

The present Government once again lagged behind on promises even after repeated assurances on the strengthening the Provincial Disaster Management Authority (PDMA), made after the 2010 floods. It was still grossly ill-equipped and had only one provincial-level office and staff. At the district-level it was linked to the district administration, thereby having no separate and full-time staff in the districts. In 2011, only 23 percent of the requested UN aid, or around \$ 80 million out of the \$ 357 million dollars that was required, was received. Other international NGOs cut down on their relief work in December as they were unable to raise the amount that was requested. The global financial crisis, the delay in the call for aid by the government and the increasing distrust about the way the present government was handling the funds was some of the reasons cited for the low inflow of aid.

Economy at a critical juncture

The economy registered a GDP of 2.4 percent in the financial year (FY) 2011. The service sector contributed to more than half of the GDP and the agricultural sector registered a growth of 1.2 percent in spite of the floods. The industrial sector growth was on the negative mainly due to the severe power shortages. The spending on development, i.e. fixed investment had taken a back seat, i.e. investment in tangible capital goods was low and declined by a drastic 21.2 percent from last year. Pakistan's investment rate was 13.4 percent in FY 2011, the lowest the country had witnessed in 37 years, making it a serious concern for sustainable growth.

Foreign direct investment (FDI) decreased from last year by 26.8 percent. This was in spite of the fact that around the globe investment had increased in 2010 in comparison to 2009 but unfortunately the same was not observed in Pakistan. This is supposed to be the third consecutive year for a slowdown in foreign investment and this is mainly attributed to domestic instability making it less conducive to do business.

The Government had planned to restrict expenditure and increase the tax- base in order to manage the gap in deficit. However, things did not work as expected. Though the Government was successful in restricting expenditure, the changes envisaged in the revenue collection system failed, thereby leading to a fiscal deficit of 6.6 percent. The external funding for filling the fiscal gap was a mere nine percent compared to above 50 percent in 2001-07 period. The \$11.3-billion IMF package that was suspended in 2010 due to disagreements in relation to fiscal management was terminated in September 2011, creating further problems. External debt was close to \$60 billion mostly borrowed to manage floods and also to repay other external loans. Therefore, the Government had to explore domestic options and borrowed close to Rs1.4 trillion which created hindrance for private economic activities.

Understandably, the risks were higher in the private sector and therefore banks had very little incentive to deal with the private sector particularly within the context of an economic downturn. It was therefore observed that private borrowing was only PRs121.3 billion, i.e. an increase of four per cent in comparison to the 76 percent of Government borrowings. On the other hand, the excessive borrowing from central and commercial

banks have led to higher inflation, particularly as there was a gap in revenue mobilisation. However, the most recent World Bank assistance of \$5.5 billion might help ease the situation

Looking ahead in 2012

Relationship with the US will prove challenging in 2012 and will have a core relationship to the end-game in Afghanistan, including the evolution of security relationships in the region. Even as the US seeks to enter a 'limited relationship' with Pakistan it is imperative to define the rules of engagement along the Af-Pak border under the new conditions of a declining Western military presence, a Taliban seeking to wait out NATO's departure, and a Pakistani Government and military frustrated with Washington and Kabul. As China's closeness with Pakistan grows, both on the economic and military fronts, the latter cannot be oblivious to Washington's concerns. Pakistan's ties with Afghanistan will be affected by the outcome of the on-going talks with the Taliban. Pakistan's ties with India steadily improved with the re-start of CBMs -- and a shift from competition towards cooperation in Afghanistan will only add to this. Being a non-permanent member of the Security Council, Pakistan will have to play a responsible and constructive role in international affairs, for that it must first set its own house in order. 2012 would also be a year of economic challenges as deadlines for foreign debt and service payments (February- \$1.2 billion and \$1.1 billion to IMF, 2012-15 to repay \$7.9 billion to IMF), increase in the oil import bill (likely to surpass \$100 a barrel), fall in exports would bear down on it.

The impasse over the memo-gate controversy, an impending economic and energy crisis, the on-going tussle for supremacy between the judiciary, military and government would not only continue to weaken its case internationally but also add to the woes of its people. In the current scenario, there is a strong possibility of mid-term elections in 2012.

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Sri Lanka: Year of inquiries and investigations

N Sathiya Moorthy

For a nation limping back from the deaths and destruction of a three-decade long 'ethnic war' within, Sri Lanka would have been expected to undertake big-time rehabilitation and reconstruction work even while addressing substantive reconciliation issues, particularly on the political front, in the year that has past. Yet, the island-nation was bogged down with perceptions of wrong-doing and war-crimes relating to the war years, where the State's role came under the global scanner with little or no reference to the contributing factors, coming as they did in the form of grave provocation by the LTTE.

Close observers of the Sri Lankan scene had often condemned the LTTE for using the civilian Tamil population under its care as cattle-herds, or worse still as chattels, worthy of being used as 'human shields', where the latter were not part of the outfit's war-machine, otherwise. Past battles involving the Sri Lankan armed forces and the LTTE had

documented instances of the latter using places of worship, hospitals and schools to house their guns and artillery pieces to fire from. Any retaliatory-fire, particularly of the heat-seeking variety, would target the origins of original fire, with no reference to the locale.

The conclusive 'Eelam War-IV' (2006-09) evidenced such instances as much in the past. The 'Muttur incident' in the Eastern theatre did not have external documentation. The LTTE reportedly used Muslim civilians as cover for their fire. The retaliatory fire from the armed forces targeted the innocent villagers, and the former ended up taking the blame for the same. That was not the case with the Madhu church in the North, where days of negotiations went on before the LTTE would vacate the premises, if only to avoid retaliatory army fire on the old and historic place of worship.

This is not to absolve the Sri Lankan forces of excesses, where committed. A case in point would be the last days of the war. Contradictory claims by the Government and the Tamils have still conferred certain relevance, if not outright legitimacy, on charges of military excesses. The figures vary but it is unexplained still how sections of the international community arrived at huge losses of civilian lives, running up to 40,000-50,000 deaths. International human rights organisations have gone to town with such figures, as part of what seems to be a well-choreographed campaign. In its time and even beyond, the LTTE was known for such a strong and successful PR effort.

In a specific issue, the 'white flag case', the Sri Lankan Supreme Court has not attested to the claims of then armed forces commander, Sarath Fonseka, since cashiered. Fonseka had claimed that senior LTTE leaders wanting to surrender were cut to pieces by army fire, despite promises to the contrary. He also sought to lay the blame for the same at the door of Defence Secretary Gotabhaya Rajapaksa, and by extension, President Mahinda Rajapaksa. This however does not explain everything, not every instance of excesses, allegedly committed by the armed forces.

'Zero-civilian casualty' but...

The question would have remained if the army was well within its rights, if not duty, to have done what it is alleged to have done, in the discharge of legitimate duty. The emergency laws and the anti-terror laws that were then in force across the country might have conferred certain legitimacy and justification, particularly after the army had been called into quell what once should have been a civilian situation -- but not anymore. The situation was entirely different if one acknowledged the depth and width of the LTTE's arsenal, intent and execution.

Having sworn itself to the theory of 'zero civilian casualty', the civilian leadership, both of the Government and of the armed forces, went about arguing that way, post-war, even when there was adequate evidence to the contrary. At that moment in the elimination of the LTTE, the most ruthless and successful of terror outfits the world over the international community might have gone along if the Government had acknowledged the ground reality, as the post-war scenario was unfolding after days, weeks and months of inaccessibility to war news through official channels, as the case may be.

The Lessons Learnt and Reconciliation Commission (LLRC), which the government was forced to appoint, under pressure from vociferous sections of the international community, would have had greater credibility had it been appointed at the conclusion of the war, not when it was actually appointed. With the result, the LLRC report lacks ready and unqualified acceptance despite some of the good work done by it, as per the mandate given to it. That the mandate did not cover all aspects of human rights violations relating to the war has made its effect minimal.

Darusmann panel, INGOs and the media

The LLRC, as may be recalled, came about after UN Secretary-General Ban Ki-moon had named a three-member panel of international experts to probe the various charges of war crimes in Sri Lanka. International rights groups or INGOs like the Amnesty International (AI), Human Rights Watch (HRW) and the International Crisis Group (ICG) had earlier damned the Sri Lankan Government and the armed forces, as also their claims, on 'zero casualty'. That the UN chief might have been influenced by the claims of these groups (thus conferring greater legitimacy on them than warranted and justified) should go without much argument.

The ICG in particular produced two reports during the year, one on allegations of war crimes and another, more recent one, on the women victims of the ethnic war. Both have focussed attention excessively on the excesses committed by the State actor than the non-State LTTE (and despite their claims to the contrary). The conclusions of the ICG Reports and other claims of other INGOs were clear -- that they wanted accountability/responsibility issues on war crimes addressed, without acknowledging its potential for torpedoing the political discussions that had commenced between the Government and the Tamil National Alliance (TNA) in January 2010.

Sections of the international media have also not kept quiet. BBC-Channel IV video footage and programmes on allegations of war crimes has have had a huge audience beyond the Sri Lankan Tamil Diaspora. With little or no understanding of the ground situation when it was unfolding, many people, institutions and Governments the world over have since been quoting the Channel IV claims on civilian victims, which were not supported by much of internal evidence in the footage other than voice-over statements. Yet, the impact of Channel IV report cannot be under-estimated, nor should the failure of the Sri Lankan Government's efforts at impressing the global community that the footage was faked.

If Secretary-General Ki-moon could not pursue the case against the Sri Lankan Government, based on what originally was claimed to be an advisory for his personal assessment, it owed to the UN scheme. With China and Russia, two veto-powers in the Security Council, and also India, an elected member for a term now, had their reservations it was not necessarily the case at the UNHCR, Geneva. Even otherwise, UNHCR chief Navneetham Pillai had taken cudgels against the Sri Lankan Government on HR violations. Though friends of Sri Lanka have been able to delay, not thwart efforts from the West, to rake up the issue at Geneva, a clearer picture may emerge when the UNHCR meets again in March this year.

In a way, the LLRC had helped friends of Sri Lanka to argue its case at the UNHCR, too. With the LLRC Report falling short of the expectations of the West, on fixing

accountability for decision-making regarding war crimes and other HR violations during the war, there is bound to be high drama at Geneva in the early months of the New Year. However, known critics of Sri Lanka, including the US, the UK and Canada, have selectively welcomed the good work done by the Commission even while underlining the need for follow-up action on the same, and also addressing larger issues that remained unaddressed.

In the midst of all this, the Government did ease the situation by ending the emergency. As per the Constitution, Parliament had been extending the emergency by the month all through the war years, even when the Norwegian-brokered ceasefire was in force. President Rajapaksa drove down to Parliament to announce the decision to allow the lapse of emergency in August, if only to address and offset international criticism on the rights front. Though important in itself, the delayed timing, coupled with the 'grease devil' episodes, where rumours had it that men with grease all over them were attacking particularly women, and were taking shelter in army camps and police stations, when challenged. The unsettling effect of the rumours took away the positive impact of the withdrawal of emergency but it is the latter fact that has survived since.

Political process delayed or derailed?

For all the high-pitched criticism of the Sri Lankan administration emanating from the West and also the Diaspora, the Tamil National Alliance (TNA) negotiating with a power-devolution and political package for the community, with the Government of President Mahinda Rajapaksa, had been muted in its demands on accountability issues. Until the international community, media and INGOs began pressing these issues and in public, the TNA was more concerned about rehabilitation, reconstruction and reconciliation. Its agenda for reconciliation at the time had not included accountability issues at the time.

If the peace talks have survived a full year and is progressing, even if tardy, the Government and the TNA should share the credit in equal measure. If anything, the TNA, under absolute pressure from the Diaspora and sections of the local Tamil community, should get greater credit. Despite the Darussman Report, ICG Report and Channel IV footage, the TNA decided to continue the negotiations with the Government. The latter too did not use the public criticism of the Government, based on these reports, as also of the LLRC Report, as a ready excuse to discontinue the negotiations.

The general perception is that the TNA and possibly the international community may have used HR issues to push the Government and the Rajapaksa leadership into taking the peace talks seriously, and devolve more power on the (Tamil) Province(s) than at present. However, barring the TNA, other players on the bandwagon seem to have moved far ahead for any future comfort of the Sri Lankan Government and the Rajapaksa leadership. Today, if there were to be a political solution acceptable to the TNA, the rest of the Tamil polity and community in the country, and also a broader section of the nation, the Sri Lankan Government may still require verifiable guarantees that its leaders and other functionaries would not be harassed on a later day, on accountability issues and others.

Independent of political divisions within the country, no party of the majority Sinhala community in Sri Lanka will be up to backing the international community on accountability issues. Such a course, they know would be both suicidal and also against

the long-term interests of the nation. 'Accountability issues', if addressed honestly, could percolate down to the last soldier, which is what the LLRC Report has indicated as what needs to be done in the first place. In a nation with a high percentage of soldiers to the general population, that too with no new war in sight, that will be saying a lot, in political terms.

In the aftermath of the 'Orange Revolution' and the 'Arab Spring', where political leaders in Sri Lanka see a hidden hand of the West, there are already calls for them to overthrow the elected Government in the country through elections, not otherwise. Government leaders often point out how the candidacy of Sarath Fonseka challenging President Rajapaksa in the January 2010 polls had such an air and also had the blessings and support of some western Governments and their embassies in Colombo.

The recent 'expose' of Opposition UNP leader Ranil Wickremesinghe that a certain German NGO operating in Colombo had funded the rebels' move to replace him at the party helm, needs to be contextualised. Wickremesinghe is often seen as a friend of the West, and his public condemnation of a western NGO and his demanding a parliamentary panel to probe his charges may have consequences going beyond the immediate. Even otherwise, political parties in the majority community, even while criticising the incumbent Government on accountability and other HR issues, have a problem to distance themselves from the earlier charges against the West, particularly the US, on this score. The reference is of course to Afghanistan and Iraq.

Motivated military campaigns

Independent of the ethnic issue, the Government has come under increasing criticism, both nearer home and overseas, for what is seen as a lax approach to law and order problems. Often, a hidden hand of senior Government functionaries were seen in law and order situations, be it the 'grease devil' episodes or the killing of a ruling party member of Parliament by a political rival and in broad daylight. All this went to strengthen the Tamils' argument of motivated military campaigns against them in the Tamil regions, particularly in the form of continuing excessive presence of the armed forces, unilateral occupation and distribution of Tamil landholdings to Sinhala-settlers and army personnel, present or retired.

A motivated campaign of the kind targeting an ethnic group was not always discernible. Even on the law and order front, the Government came a cropper despite the much-publicised attempts by the armed forces to put down lawlessness and gangs in the national Capital of Colombo and also the Eastern Province. If it did not prove the sincerity of the Government on this score, it also did not mean that other instances involving the Tamils had an 'ethnic angle' to it all the time. All this will continue to have an impact on the economy over the medium-term, when the economy is growing at eight per cent, foreign tourist-arrivals have picked up, and investment prospects are improving. Yet, there is a need to recognise that much of the growth in the economy is based on infrastructure development, based on high Government-spending.

While little progress was made on the power-devolution talks between the Government and the TNA during the year, the high-pitched international campaign on allegations of war crimes and other human rights violations ensured that the focus did not return to the former, or to the reconciliation and reconstruction efforts. Constructive suggestions

and criticism on specifics could have helped improve the situation on these scores. The fact that both the Government and the TNA have continued to stay the course on the faltering negotiations could imply either of two things, as 2012 rolls out. Either they want the talks to succeed without contributing much to the process, or would want the other to take the blame for failure. Such an approach implies continued mistrust, which has been at the core of the ethnic issue for decades.

The muted initial reaction of the international community to the LLRC Report could likewise imply that they are keeping the options open, ahead of the March meet at Geneva. In the short-term, the West would want to give the Colombo dispensation time to think and act on the LLRC Report -- and beyond. On their conviction over the Sri Lankan Government's intent and content of its approach, post-LLRC, could depend their overall approach at the UNHRC in March and beyond. It is then that political and command responsibility and accountability for 'war crimes' would assume greater importance. Yet, over the medium and the long-term, the West would be asking itself already: if they had already bitten more than they could chew.

It is not only about the 'China factor', or the 'Russia factor' or whatever. It goes beyond all this, and to the immediacy of the present situation in Sri Lanka, where the affected Tamils need immediate relief, not promises flowing from the past and commitments for the future. Their existing and credible leadership in the TNA has been vacillating. The ambi-dexterous nature of the Alliance has made acceptance by the identifiable constituency a continuing saga at survival. Given the fact that few challenges have emerged from within the country to the Rajapaksa leadership, and fewer still could sustain if the move is aimed at holding the nation's leadership, civil and/or military, accountable for what is otherwise seen as an unprecedented victory against global terrorism. The West should also be asking itself, under the circumstances, if the Tamils in Sri Lanka would be safer under this leadership or if they were to be penalised on charges of war crimes against the State and State players? Likewise, will the Tamils in the country be better off with economic sanctions imposed on the nation? The Tamil Diaspora may have other answers, but these are also questions that the moderate TNA would have to grapple with, in the New Year.